Hatfield-Mccoy Regional Recreation Authority

Financial Report

June 30, 2022 and 2021

C O N T E N T S

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Independent Auditors' Report

Board of Directors
Hatfield-McCoy Regional Recreation Authority
Man, West Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Hatfield-McCoy Regional Recreation Authority (the Authority), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Hatfield-McCoy Regional Recreation Authority as of June 30, 2022 and 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)* Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Other Matter

Required Supplementary Information

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

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Charleston, West Virginia
January 31, 2023

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

STATEMENTS OF NET POSITION
Years Ended June 30, 2022 and 2021

ASSETS		**2022**		2021
CURRENT ASSETS				
Cash and cash equivalents	**$**	**2,460,228**	$	2,201,754
Accounts receivable, net of allowance for bad debts of $112,218 in 2022 and $27,502 in 2021		**559,581**		1,147,485
Grants receivable		**61,318**		46,548
Prepaid expenses		**162,212**		35,654
Prepaid grant matching		**409,717**		340,999
Inventory		**95,813**		42,496
Total current assets		**3,748,869**		3,814,936
NONCURRENT ASSETS				
Net pension asset		**585,829**		-
Net other post-employment benefits asset (OPEB)		**7,070**		-
Capital assets, net of accumulated depreciation		**7,946,402**		7,165,349
Total noncurrent assets		**8,539,301**		7,165,349
Total assets	**$**	**12,288,170**	$	10,980,285
DEFFERRED OUTFLOWS				
Deferred outflows - pension	**$**	**324,255**	$	260,876
Deferred outflows - OPEB		**87,296**		114,172
Total deferred outflows		**411,551**		375,048
Total assets and deferred outflows	**$**	**12,699,721**	$	11,355,333
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	**$**	**119,348**	$	65,730
Accrued expenses		**163,387**		141,481
Current portion of long-term debt		**19,123**		18,504
Total current liabilities		**301,858**		225,715
LONG-TERM OBLIGATIONS				
Net pension liability		**-**		331,804
Net other post-employment benefits liability (OPEB)		**-**		93,673
Long-term debt, less current portion		**165,344**		184,456
Total liabilities	**$**	**467,202**	$	835,648
DEFFERRED INFLOWS				
Pension	**$**	**760,184**	$	28,506
OPEB		**249,282**		280,550
Total deferred inflows	**$**	**1,009,466**	$	309,056
NET POSITION				
Investment in capital assets	**$**	**7,946,402**	$	6,962,389
Unrestricted		**3,276,651**		3,248,240
Total net position		**11,223,053**		10,210,629
Total liabilities, deferred inflows, and net position	**$**	**12,699,721**	$	11,355,333

See Notes to Financial Statements

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2022 and 2021

	2022	2021
OPERATING REVENUES		
User permit sales	$ 3,564,961	$ 3,918,963
Marketing and promotional revenue	687,045	389,468
Bad debt expense	(105,016)	(14,303)
Total operating revenues	4,146,990	4,294,128
OPERATING EXPENSES		
Salaries and wages	1,856,874	1,310,767
Payroll taxes	148,622	104,177
Employee benefits	19,675	216,181
Travel and meetings	40,399	16,645
Office	264,528	243,422
Marketing and promotional	397,800	424,087
Trail permits	41,075	40,276
Leases	22,025	-
Rent and utilities	12,818	18,033
Legal and professional	163,090	415,695
Insurance	252,578	221,669
Depreciation	327,007	306,681
Trail development and maintenance	3,148,083	1,432,211
Building repairs and maintenance	29,015	17,730
Equipment and vehicle repairs and maintenance	295,847	247,327
Small tools and equipment	32,194	12,469
Gain on disposal of assets	(11,700)	(9,017)
Contract labor	351,828	348,832
Total operating expenses	7,391,758	5,367,185
Operating loss	(3,244,768)	(1,073,057)
NONOPERATING REVENUES (EXPENSES)		
Inter-governmental revenues	729,275	993,767
Grant revenues	3,521,633	2,189,761
Interest income	1,872	1,683
Interest expense	(6,432)	(3,417)
Other expense	(9,156)	(10,209)
Net nonoperating revenues	4,237,192	3,171,585
Change in net position before contributed capital	992,424	2,098,528
Capital contribution	20,000	20,000
Change in net position	1,012,424	2,118,528
NET POSITION		
Beginning of year	10,210,629	8,092,101
End of year	$ 11,223,053	$ 10,210,629

See Notes to Financial Statements

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other sources	**$ 4,651,406**	$ 3,812,862
Cash paid to employees	**(2,357,734)**	(1,698,573)
Cash paid to suppliers	**(5,177,537)**	(3,314,977)
Net cash (used in) operating activities	**(2,883,865)**	(1,200,688)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payment of noncapital contribution to affiliates	**(9,156)**	(10,209)
Interest Paid on Long-Term Debt	**(6,432)**	(3,417)
Net cash (used in) noncapital financing activities	**(15,588)**	(13,626)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	**(1,108,060)**	(966,178)
Proceeds from sale of capital assets	**11,700**	27,417
Proceeds from issuing Long-Term Debt	**-**	212,000
Principal payments on Long-Term Debt	**(18,493)**	(9,040)
Contributions for acquisition of capital assets	**20,000**	20,000
State funds in aid of acquisitions	**4,250,908**	3,183,528
Net cash provided by capital and related financing activities	**3,156,055**	2,467,727
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	**1,872**	1,683
Net cash provided by investing activities	**1,872**	1,683
Net increase in cash and cash equivalents	**258,474**	1,255,096
Cash and cash equivalents:		
Beginning of year	**2,201,754**	946,658
End of year	**$ 2,460,228**	$ 2,201,754
RECONCILIATION TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	**$ (3,244,768)**	$ (1,073,057)
Adjustments to reconcile operating (loss) to:		
Depreciation	**327,007**	306,681
Bad debt expense	**105,016**	14,303
(Gain) on disposal of equipment	**(11,700)**	(9,017)
(Increase) decrease in operating assets:		
Accounts and grants receivable	**468,118**	(388,774)
Inventory, prepaid expenses and other assets	**(179,875)**	127,039
Prepaid grant matching	**(68,718)**	(106,795)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	**75,524**	34,329
Net pension liability, deferred outflows and deferred inflows	**336,495**	(27,336)
OPEB liability, deferred outflows and deferred inflows	**(690,964)**	(78,061)
Net cash (used in) operating activities	**$ (2,883,865)**	$ (1,200,688)

See Notes to Financial Statements

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting entity: The Hatfield-McCoy Regional Recreation Authority (the Authority) is a public corporation and government instrumentality of the State of West Virginia established under Chapter 20, Article 14 of the West Virginia Code.

The Authority was created to enable and facilitate the development and operation of a system of trail-oriented recreation facilities to be used for motorcycles or all-terrain vehicles, bicycle riding, horseback riding, and hiking. The Authority has developed, and currently maintains, trail systems located throughout southern West Virginia. The Authority receives support through the sale of trail permits, intergovernmental revenues provided through state appropriations, and federal and state grants.

The accompanying financial statements present the Authority (primary government) only since the Authority does not have component units.

Basis of accounting: The Authority is accounted for as a special purpose government instrumentally engaged in business-type activities in accordance with accounting principles generally accepted in the United States of America. As such, the financial statements are prepared on the accrual basis of accounting, using the flow of economic resources measurement focus. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

The Authority's net position is classified as follows:

- **Invested in capital assets, net of relate debt** – This represents the Authority’s total investment in capital assets, net of accumulated depreciation and reduced by any balances of any outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. The Authority had a debt balance related to its capital assets for $184,467 and $202,960 at June 30, 2022 and June 30, 2021.

- **Restricted net position, expendable** – This includes resources in which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties, including creditors, grantors or contributors. The Authority does not have any restricted expendable resources at June 30, 2022 and 2021.

- **Restricted net position, nonexpendable** – This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. The Authority does not have any restricted nonexpendable resources at June 30, 2022 and 2021.

- **Unrestricted net position** – This represents resources derived from other than capital assets or restricted resources. These resources are used for transactions relating to the general operations of the Authority and may be used at the discretion of the Board of Directors to meet current expenses for any purpose.

Cash and cash equivalents: Cash and cash equivalents include investments with original maturities of less than one month.

Inventory: Inventories which include retail and advertising merchandise are stated at the lower of cost or market using the last-in, first-out (LIFO) method.

Capital assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and similar items), are reported at historical cost and include interest on funds borrowed to finance construction. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $2,500 and an estimated useful life in excess of one year. Contributed capital assets are valued at the approximate fair value at the date of contribution. Depreciation is computed using the straight-line method over a period of 5-39 years.

Net position: Net position is the difference between assets and liabilities. Net investment in capital assets consist of all capital assets, less accumulated depreciation. All remaining net position is considered unrestricted.

Operating revenues and expenses: Operating revenues and expenses are those that result from providing services and producing and delivering goods. It also includes all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from management's estimates. Significant estimates used in preparing these financial statements include those assumed in determining the allowance for uncollectible accounts and pension liabilities. It is at least reasonably possible that the significant estimates used will change within the next year.

Compensated absences: Employees fully vest in all earned but unused vacation and the Authority accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. In accordance with the State of West Virginia personnel policies, employees vest in any remaining unused sick leave only upon retirement, at which time such unused leave can be converted into employer paid premiums for post-retirement health care coverage or additional periods of credited service for purposes of determining retirement benefits.

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

Other Post-Employment Benefits (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 Fund (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 recognized benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Reclassifications: Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. The reclassification had no effect on previously reported net position.

Subsequent events: In preparing these financial statements, the Authority has evaluated all events and transactions subsequent to June 30, 2022, for potential recognition or disclosure through January 31, 2023, the date these financial statements were issued.

Recently Adopted Accounting Standards:

GASB No. 87, Leases, relates to improving accounting and financial reporting for leases by governments. The new guidance establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activity. The new standard is effective for financial statements for periods beginning after June 15, 2021. The Authority adopted and there was no material impact on the financial statements.

New or Recent Accounting Pronouncement:

GASB No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, provides accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs). It is based on the standards established in GASB No. 87, *Leases.* It defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction; requires governments with SBITAs to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability (with an exception for short-term SBITAs—those with a maximum possible term of 12 months); and provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. The new standard is effective for financial statements for periods beginning after June 15, 2022. The Authority is currently evaluating the impact, if any, that adoption will have on its June 30, 2023 financial statements.

Note 2. Cash and Cash Equivalents

At June 30, 2022 and 2021, the Authority had deposits in financial institutions reported as cash and cash equivalents with carrying balances of $2,459,035 and $2,196,050, respectively, and bank balances of $2,774,223 and $2,244,669, respectively. Of the bank balances, $250,000 was insured by federal depository and $2,500,000 and $1,400,000 was secured through letters of credit with FHLB Bank assigned to the Authority on behalf of United National Bank for years ending June 30, 2022 and 2021. The Authority has $24,223 and $594,669 as of December 31, 2022 and 2021, respectively, as uninsured and uncollateralized accounts. The Authority also had cash on hand of approximately $1,193 and $5,704 for years ending June 30, 2022 and 2021.

Interest rate risk is the risk that changes in interest rates demanded by the market will adversely affect the fair value of an investment. Generally, the longer the duration of time to maturity of an investment is, the greater the sensitivity of its fair value is to changes in market interest rates. The Authority manages its exposure to interest rate risk by maintaining cash equivalent assets in interest bearing bank demand depository accounts that are less affected by changes in market rates as compared to long-term investments.

Note 3. Grants Receivable

Grants receivable from other governments at June 30, 2022 and 2021, consisted of:

	2022	2021
West Virginia Division of Highways	$ 61,318	$ 46,548

Note 4. Capital Assets

Capital asset additions, retirements and balances for the years ended June 30, 2022 and 2021, are as follows:

June 30, 2022	Beginning Balance	Additions / Transfers In	Retirements / Transfers Out	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	$ 4,607,048	$ 511,768	$ -	$ 5,118,816
CAPITAL ASSETS BEING DEPRECIATED				
Infrastructure	105,569	-	-	105,569
Buildings	1,913,630	-	-	1,913,630
Equipment	1,908,287	367,806	-	2,276,093
Vehicles	1,408,379	222,506	(43,395)	1,587,490
Leasehold Improvements	542,937	5,980	-	548,917
Total capital assets being depreciated	5,878,802	596,292	(43,395)	6,431,699
Less accumulated depreciation for:				
Infrastructure	(101,617)	(3,526)	-	(105,143)
Buildings	(390,266)	(51,062)	-	(441,328)
Equipment	(1,340,260)	(141,442)	-	(1,481,702)
Vehicles	(1,210,294)	(85,442)	43,395	(1,252,341)
Leasehold improvements	(278,064)	(45,535)	-	(323,599)
Total capital assets being depreciated	(3,320,501)	(327,007)	43,395	(3,604,113)
Total capital assets being depreciated, net	2,558,301	269,285	-	2,827,586
Total capital assets, net	$ 7,165,349	$ 781,053	$ -	$ 7,946,402

June 30, 2021	Beginning Balance	Additions / Transfers In	Retirements / Transfers Out	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED				
Construction in process	$ 8,288	$ 5,886	$ (14,174)	$ -
Land	3,966,072	640,976	-	4,607,048
CAPITAL ASSETS BEING DEPRECIATED				
Infrastructure	105,569	-	-	105,569
Buildings	1,664,845	240,497	8,288	1,913,630
Equipment	1,908,287	-	-	1,908,287
Vehicles	1,385,449	72,325	(49,395)	1,408,379
Leasehold Improvements	530,557	6,494	5,886	542,937
Total capital assets being depreciated	5,594,707	319,316	(35,221)	5,878,802
Less accumulated depreciation for:				
Infrastructure	(94,999)	(6,618)	-	(101,617)
Buildings	(340,943)	(49,323)	-	(390,266)
Equipment	(1,206,037)	(147,590)	13,367	(1,340,260)
Vehicles	(1,155,025)	(72,897)	17,628	(1,210,294)
Leasehold improvements	(247,811)	(30,253)	-	(278,064)
Total capital assets being depreciated	(3,044,815)	(306,681)	30,995	(3,320,501)
Total capital assets being depreciated, net	2,549,892	12,635	(4,226)	2,558,301
Total capital assets, net	$ 6,524,252	$ 659,497	$ (18,400)	$ 7,165,349

Note 5. Long-Term Liabilities

A schedule of changes in the Authority's long-term liabilities are as follows:

	June 30, 2021	**Additions**	**Reductions**	**June 30, 2022**	**Amounts Due within 1 year**
Long-term debt:					
Note payable	**$ 202,960**	**$ -**	**$ 18,493**	**$ 184,467**	**$ 19,123**
	202,960	**-**	**18,493**	**184,467**	**19,123**
Other noncurrent liabilities:					
Net pension liability	**331,804**	**-**	**331,804**	**-**	**-**
Net OPEB liability	**93,673**	**-**	**93,673**	**-**	**-**
Total long-term Liabilities	**$ 628,437**	**$ -**	**$ 443,970**	**$ 184,467**	**$ 19,123**

	June 30, 2020	Additions	Reductions	June 30, 2021	Amounts Due within 1 year
Long-term debt:					
Note payable	$ -	$ 212,000	$ 9,040	$ 202,960	$ 18,504
	-	212,000	9,040	202,960	18,504
Other noncurrent liabilities:					
Net pension liability	137,170	194,634	-	331,804	-
Net OPEB liability	322,738	-	229,065	93,673	-
Total long-term Liabilities	$ 459,908	$ 406,634	$ 238,105	$ 628,437	$ 18,504

In December 2020, the Authority entered into a $212,000 note payable with Premier Bank, Inc. for the purchase of property at 180 Appalachian Outpost Trail. The note payable is due in monthly installments of $2,076, including interest at a variable rate equal to the Prime Rate with a floor of 3.25%, through December 2030. The variable interest rate was 3.25% at December 31, 2021 and changes in December 2025 and every 5 years thereafter. The note payable is secured by the property.

Aggregate maturities of long-term debt at June 30, 2022 are as follows:

Year ending June 30,	
2023	$ 19,123
2024	19,749
2025	20,423
2026	21,813
2027	22,536
Thereafter	80,823
Total	$ 184,467

Amounts recorded to interest expense for long-term debt for 2022 and 2021 are $6,432 and $3,417, respectively.

Note 6. Pension Plan

Defined Benefit Pension Plan- West Virginia Employees Retirement System:

Plan Description, Contribution Information, and Funding Policies

The Authority participates in a state-wide, cost-sharing, multiple-employer defined benefit pension plan on behalf of employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and State appropriations, as necessary.

The Authority contributes to the Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS covers substantially all employees of the State and its component units, as well as employees of participating non-state governmental entities who are not participants of another state or municipal system. Benefits under PERS include retirement, death and disability benefits, and have been established and may be amended by action of State Legislature.

CPRB issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CPRB website at www.wvretirement.com. The following is a summary of eligibility factors, contribution methods and benefit provisions:

Public Employees Retirement System (PERS)

Eligibility to participate	All Authority full-time employees, except those covered by other pension plans.
Authority establishing contribution obligations and benefit provisions	State Statute
Plan Member's contribution rate	4.50% for members hired prior to July 1, 2015 and 6.00% for members hired after July 1, 2015
The Authority's contribution rate	10.00% for the year ended June 30, 2022 and 2021
Period required to vest	Five years prior to July 1, 2015 and ten years subsequent to July 1, 2015
Benefits and eligibility for distribution	Prior to July 1, 2015: A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit. Subsequent to July 1, 2015: A member who has attained age 62 and has earned 10 years or more of contributing service, or age 55 if sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of living	No
Death benefits	Yes

Pension Liabilities (Asset), Pension Expense (Benefit), Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

At June 30, 2022 and 2021, the Authority reported the following liability for its proportionate share of the net pension liabilities. The net pension liability as of June 30, 2022 was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, and rolled forward to June 30, 2021 using the actuarial assumptions and methods described in the appropriate section of this note. The net pension liability as of June 30, 2021 was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019, and rolled forward to June 30, 2020. The Authority's proportion of the net pension liabilities was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2022 and 2021, the Authority reported the following proportions and increase/(decrease) from its proportion measured as of June 30:

	2022	2021
Amount for proportionate share of net pension liability (asset)	**$ (585,829)**	$ 331,804
Percentage for proportionate share of net pension liability (asset)	**0.066728%**	0.062762%
Increase/(decrease) % from prior proportion measured	**0.003966%**	(0.001034%)

For the year ended June 30, 2022 and 2021, the Authority recognized $(112,669) and $79,479 as pension expense.

The Authority reported deferred outflows of resources and deferred inflows and resources related to pension from the following sources as of June 30, 2022 and 2021:

June 30, 2022:	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
CHANGE OF ASSUMPTIONS		
Net difference between projected and actual earnings on pension plan investments	$ 111,463	$ (750,352)
Differences between expected and actual Experience	66,858	(2,221)
Changes of assumptions	-	(4,748)
Changes in proportion and differences between contributions and proportionate share of contributions	8,910	(2,863)
Contributions subsequent to the measurement date	137,024	-
	$ 324,255	$ (760,184)

June 30, 2021:	Deferred Outflows of Resources	Deferred Inflows of Resources
CHANGE OF ASSUMPTIONS		
Net difference between projected and actual earnings on pension plan investments	$ 105,165	$ -
Differences between expected and actual Experience	48,828	(6,840)
Changes of assumptions	-	(14,620)
Changes in proportion and differences between contributions and proportionate share of contributions	255	(7,046)
Contributions subsequent to the measurement date	106,628	-
	$ 260,876	$ (28,506)

The amount reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30:	PERS
2023	$ (112,723)
2024	(82,046)
2025	(157,482)
2026	(220,702)
Total	$ (572,953)

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2020, and rolled forward to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement.

Public Employees Retirement System:	
Actuarial assumptions:	
Inflation rate	2.75% as of June 30, 2021
Salary increases	3.60%-6.75%
Investment Rate of Return	7.25%
Mortality Rates	Healthy males – 108% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 Healthy females – 122% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 Disabled males – 118% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 Disabled females – 117% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018

The total pension liability was determined by an actuarial valuation as of July 1, 2019 and rolled forward to June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement.

Public Employees Retirement System:

Actuarial assumptions:	
Inflation rate	3.00% as of June 30, 2020
Salary increases	3.35%-6.50%
Investment Rate of Return	7.50%
Mortality Rates	Healthy males – 108% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 Healthy females – 122% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 Disabled males – 118% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 Disabled females – 117% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018

The actuarial assumptions used in the July 1, 2021 and 2020, Public Employees Retirement System (PERS) valuations were based on the results of an actuarial experience study for the period June 1, 2013, to June 30, 2018.

The long-term expected rate of return on pension plan investments were determined using a building-block method in which estimates of expected real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Rates summarized in the following table as of June 30, 2021 and 2020 (measurement date) include the inflation component and were used for the following defined benefit plan:

As of June 30, 2021	**Long-Term Expected Real Rate of Return**	**(PERS) Target Asset Allocation**
INVESTMENT		
Domestic Equity	5.5%	27.5%
International Equity	7.0%	27.5%
Fixed Income	2.2%	15.0%
Real Estate	6.6%	10.0%
Private Equity	8.5%	10.0%
Hedge Funds	4.0%	10.0%
		100.0%

As of June 30, 2020	Long-Term Expected Real Rate of Return	(PERS) Target Asset Allocation
INVESTMENT		
Domestic Equity	5.5%	27.5%
International Equity	7.0%	27.5%
Fixed Income	2.2%	15.0%
Real Estate	6.6%	10.0%
Private Equity	8.5%	10.0%
Hedge Funds	4.0%	10.0%
		100.0%

Discount rate - The discount rate used to measure the total pension liability was 7.25% and 7.50% as of June 30, 2021 and 2020 (measurement dates). The projection of cash flows used to determine the discount rates assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the fiduciary net position for each defined benefit pension plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liabilities of each plan.

The following charts as of June 30, 2021 and 2020 (measurement dates), presents the sensitivity of the net pension liability to changes in the discount rate calculated using the discount rates as used in the actuarial evaluation, and what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

As of June 30, 2022	1% Decrease	Current Discount Rate	1% Increase
Authority's proportionate share of PERS's net Pension asset (liability)	**$ 6,694**	**$ (585,829)**	**$ (1,085,947)**

As of June 30, 2021	1% Decrease	Current Discount Rate	1% Increase
Authority's proportionate share of PERS's net Pension asset (liability)	$ (845,394)	$ (331,804)	$ 102,446

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

Note 7. Grant Revenues

Grants revenues recognized during the years ended June 30, 2022 and 2021, consisted of the following:

	2022	2021
West Virginia Division of Highways – Recreational Trails Program	**$ 215,129**	$ 195,407
Abandoned Mine Land Reclamation Program – Ivy Branch	**2,689,693**	1,092,624
Abandoned Mine Land Grant Ivy Phase II	**516,049**	640,036
Appalachian Regional Commission	**-**	261,694
Economic Adjustment Assistance Grant	**90,762**	-
Other	**10,000**	-
Total grant revenues	**$ 3,521,633**	$ 2,189,761

Note 8. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; employee health and life coverage and natural disasters. The Authority has purchased property and casualty insurance through the State of West Virginia's Board of Risk and Insurance Management (BRIM) and a commercial insurance carrier and employee health insurance and coverage for work-related accidents and injuries through commercial insurance carriers.

BRIM is a public risk pool that provides for general, property, medical malpractice, and automobile liability. Amounts paid to BRIM for the years ended June 30, 2022 and 2021 were $83,433 and $67,122.

In exchange for payment of premiums to BRIM and commercial insurance companies, the Authority has transferred its risks for property loss, employee health coverage and employee work related injuries.

Note 9. Post-Employment Benefits Other than Pension

The Authority participates in the West Virginia Other Post-Employment Benefit (OPEB) Plan of the West Virginia Retiree Health Benefit Trust Fund (RHBT), a cost sharing multiple-employer defined benefit post-employment healthcare plan for eligible employees administered by the West Virginia Public Employee Insurance Agency (PEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers.

The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the Finance Board to establish and amend benefit plans to the PEIA Board of Trustees. The PEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB plan. That report may be obtained by writing to West Virginia Public Employees Insurance Agency, 601 57th Street, Charleston, WV 25304, or from the PEIA website at www.peia.wv.gov. The Authority's required contributions for OPEB for fiscal years 2022 and 2021 were $27,928 and $43,376.

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

The projections of the net OPEB liability are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of the net OPEB liability does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial estimated liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. However, the preparation of any estimate of future post-employment costs requires consideration of a broad array of complex social and economic events. Future changes in the healthcare reform, changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs option, changes in the investment rate of return and other matters increase the level of uncertainty of such estimates. As such, the estimate of post-employment program costs contains considerable uncertainty and variability and actual experience may vary significantly by the current estimated net OPEB liability.

The net OPEB liability as of June 30, 2022 was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward to June 30, 2021 using the actuarial assumptions and methods described in the appropriate section of this note. The net OPEB liability as of June 30, 2021 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020, and rolled forward to June 30, 2021. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the OPEB plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share as well as the OPEB expense:

	2022	2021
Amount for proportionate share of net pension liability (asset)	**$ (7,070)**	$ 93,673
Percentage for proportionate share of net pension liability (asset)	**0.0237774%**	0.0212077%
Increase % from prior proportion measured	**0.0025697%**	0.0017555%

At June 30, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows and resources related to OPEB from the following sources:

	2022	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Change of assumptions	**$ -**	**$ 149,607**
Net difference between projected and actual earnings on plan investments	**-**	**50,972**
Differences between expected and actual experience	**-**	**48,703**
Changes in proportion and differences between contributions and proportionate share of contributions	**59,368**	**-**
Contributions subsequent to the measurement date	**27,928**	**-**
	$ 87,296	**$ 249,282**

	2021	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Change of assumptions	$ -	$ 211,439
Net difference between projected and actual earnings on plan investments	10,281	8,376
Differences between expected and actual experience	-	60,735
Changes in proportion and differences between contributions and proportionate share of contributions	60,515	-
Contributions subsequent to the measurement date	43,376	-
	$ 114,172	$ 280,550

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

Years Ending June 30:	
2023	$ (93,296)
2024	(72,511)
2025	(5,442)
2026	(18,665)
Total	$ (189,914)

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021 (measurement date), using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

2021

Inflation rate	2.25% as of June 30, 2021
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 pre-Medicare per capita costs of 7.0% for plan year end 2023, decreasing by 0.25% for one year then by 0.25% each year thereafter, until ultimate trend rate of 4.50% is reached in plan year end 2032. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022. 9.50% for plan year end 2023, 8.40% for plan year end 2024, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2036.
Actuarial cost method	Entry age normal cost method

Amortization method	Level percentage of payroll over a 20-year closed period beginning June 30, 2017
Mortality rates	Post Retirement: Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 106% for males and 113% for females. Pre-Retirement: Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2019.

2020

Inflation rate	2.25% as of June 30, 2020
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 pre-Medicare per capita costs of 7.0% for plan year end 2023, 6.50%, decreasing by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032. Trend rate for Medicare per capita costs of 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 cost method
Amortization method	Level percentage of payroll over a 20-year closed period beginning June 30, 2017
Mortality rates	Post Retirement: Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females. Pre-Retirement: Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020. There were no assumption changes from the actuarial valuation as of June 30, 2020, measured at June 30, 2020 to a roll-forward measurement date of June 30, 2021.

The long-term rates of return on OPEB plan investments are determined using a building-block method in which estimates of expected future real rates of returns (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund, and 10% real estate invested for June 30, 2022 and 2021. Short-term assets used to pay current year benefits and expenses are invested with the West Virginia Board of Treasury Investments. Best estimates of long-term geometric rates are summarized in the following table:

As of June 30, 2022	**Long-Term Expected Real Rate of Return**
Global equity	**4.8%**
Core plus fixed income	**2.1%**
Core real estate	**4.1%**
Hedge fund	**2.4%**
Private equity	**6.8%**

As of June 30, 2021	**Long-Term Expected Real Rate of Return**
Global equity	6.8%
Core plus fixed income	4.1%
Core real estate	6.1%
Hedge fund	4.4%
Private equity	8.8%

Discount rate

The discount rate used to measure the OPEB liability was 6.65% for measurement date for the years ended June 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. The OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

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

The following chart presents the sensitivity of the net OPEB liability to changes in the discount rate calculated using the discount rates as used in the actuarial evaluation, and what 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 rate:

As of June 30, 2022	**1% Decrease**	**Current Discount Rate**	**1% Increase**
Net OPEB liability (asset)	**$ 37,939**	**$ (7,070)**	**$ (44,441)**

As of June 30, 2022	**1% Decrease**	**Current Discount Rate**	**1% Increase**
Net OPEB liability	**$ 133,590**	**$ 93,673**	**$ 60,257**

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

As of June 30, 2021	**1% Decrease**	**Healthcare Cost Trend Rate**	**1% Increase**
Net OPEB liability (asset)	$ (52,202)	$ (7,070)	$ 47,906

As of June 30, 2021	**1% Decrease**	**Healthcare Cost Trend Rate**	**1% Increase**
Net OPEB liability	$ 56,364	$ 93,673	$ 138,734

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, West Virginia 25304.

REQUIRED SUPPLEMENTARY INFORMATION

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
June 30, 2022, 2021, 2020, 2019, 2018, 2017, and 2016

Schedule of Proportionate Share of the Net Pension Liabilities (Assets)

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Authority's percentage proportion of the net pension liability (asset)	**0.066728 %**	0.062762 %	0.063796 %	0.066519 %	0.066341 %	0.065543 %	0.061989 %
Authority's proportionate share of the net pension liability (asset)	**$ (585,829)**	$ 331,804	$ 137,170	$ 171,786	$ 286,356	$ 602,414	346,149
Authority's covered-employee payroll	**$ 1,370,240**	$ 1,062,610	$ 969,880	$ 937,760	$ 919,073	$ 915,217	906,519
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	**(42.75) %**	31.23 %	14.14 %	18.32 %	31.16 %	65.82 %	38.18 %
Plan fiduciary net position as a percentage of the total pension liability (asset)	**111.07 %**	92.89 %	96.99 %	96.33 %	93.67 %	86.11 %	91.29 %

Schedule of Pension Contributions

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Contractually required contribution	**$ 137,024**	$ 106,261	$ 96,988	$ 93,776	$ 101,098	$ 109,826	122,380
Contribution in relation to the contractually required contribution	**$ (137,024)**	$ (106,261)	$ (96,988)	$ (93,776)	$ (101,098)	$ (109,826)	(122,380)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	-
Authority's covered-employee payroll	**$ 1,370,240**	$ 1,062,610	$ 969,880	$ 937,760	$ 919,073	$ 915,217	906,519
Contributions as a percentage of covered-employee payroll	**10.00 %**	10.00 %	10.00 %	10.00 %	11.00 %	12.00 %	13.50 %

Note: These schedules are intended to present ten years of the proportionate share of the net pension liability and contributions. Currently, only those years with information available are presented.

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
June 30, 2022, 2021, 2020, 2019, and 2018

Schedule of Proportionate Share of the Net OPEB Liabilities (Assets)

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Authority's percentage proportion of the net OPEB liability (asset)	**0.023777 %**	0.021208 %	0.019452 %	0.019229 %	0.017226 %
Authority's proportionate share of the net OPEB liability (asset)	**$ (7,070)**	$ 93,673	$ 322,738	$ 412,542	$ 423,586
Authority's covered-employee payroll	**$ 1,005,890**	$ 862,086	$ 833,914	$ 724,588	$ 809,325
Authority's proportionate share of the net OPEB liaiblity (asset) as a percentage of its covered-employee payroll	**(2.24) %**	10.87 %	38.70 %	56.93 %	52.34 %
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	**101.81 %**	73.49 %	39.69 %	30.98 %	25.10 %

Schedule of OPEB Contributions

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Contractually required contribution	**$ 27,928**	$ 43,376	$ 40,733	$ 39,786	$ 44,424
Contribution in relation to the contractually required contribution	**$ (27,928)**	$ (43,376)	$ (40,733)	$ (39,786)	$ (44,424)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	**$ 1,005,890**	$ 862,086	$ 833,914	$ 724,588	$ 809,325
Contributions as a percentage of covered-employee payroll	**8.87 %**	5.03 %	4.88 %	5.49 %	5.49 %

Note: These schedules are intended to present ten years of the proportionate share of the net OPEB liability and contributions. Currently, only those years with information available are presented.

NOTES TO PENSION AND OPEB REQUIRED SUPPLEMENTAL INFORMATION SCHEDULES

West Virginia Public Employees' Retirement System

Change in benefit terms

No changes during the year ended June 30, 2021 (measurement date).

Change in assumptions

- General/Price inflation –Decrease price inflation rate from 3.00% to 2.75%.
- Decrease investment rate of return from 7.50% to 7.25%
- Projected salary increases – Increase projected salary increases from 3.35% - 6.50% to 3.60% - 6.75%
- Discount Rate – Decrease discount rate from 7.50% to 7.25%.

OPEB Information

Change in benefit terms

No changes during the year ended June 30, 2021 (measurement date).

Changes in Assumptions

No changes during the year ended June 30, 2021 (measurement date).

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor Program Title	Assistance Listing Number	Pass-Through Agency	Pass-Through Agency Grant Number	Federal Expenditures	Payments Made to Subrecipients
U.S. Department of Commerce					
Economic Development Cluster:					
Economic Adjustment Assistance	11.307	N/A	N/A	$ 90,762	$ -
U.S. Department of Transportation:					
Highway Planning and Construction Cluster:					
Recreational Trails Program	20.219	West Virginia Department of Transportation, Division of Highways	N/A	$ 215,129	$ -
U.S. Department of Interior:					
Abandoned Mine Land Reclamation (AMLR) Program	15.252	State of West Virginia Through the Office of Surface Mine Reclamation and Enforcement	N/A	$ 3,205,742	$ -
Total Expenditures of Federal Awards				$ 3,511,633	$ -

See Notes to Schedule of Expenditures of Federal Awards

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Hatfield-McCoy Regional Recreation Authority (the Authority) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Authority does not use the 10% de minimis indirect cost rate allowed under Uniform Guidance as the Federal programs administered by the Authority do not include charges for indirect costs.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

Board of Directors
Hatfield-McCoy Regional Recreation Authority
Man, West Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, (*Government Auditing Standards*), which comprise the statement of net position, as of June 30, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the relate notes to the financial statements, and have issued our report thereon dated January 31, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings and responses as findings 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

The Authority's Response to Findings

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

Purpose of this Report

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

Baker Tilly US, LLP

Charleston, West Virginia
January 31, 2023

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Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

Board of Directors
Hatfield-McCoy Regional Recreation Authority
Man, West Virginia

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Hatfield-McCoy Regional Recreation Authority (Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2022. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Charleston, West Virginia
January 31, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

Section I. – Summary of Independent Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	______yes __X__no
• Significant deficiency(ies) identified? reported	__X__yes _____none
Noncompliance material to financial statements noted?	______yes __X__no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	______yes __X__no
• Significant deficiency(ies) identified? reported	______yes __X__none
Type of auditor's report issued on compliance for major programs:	Unmodified
• Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	_____ yes __X__ no

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
15.252	Abandoned Mine Land Reclamation (AMLR) Program

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	__X__ yes	___ no

Section II. – Financial Statement Findings

2022-001: Significant Deficiency - Allowance for Bad Debt

Criteria or Specific Requirement: The allowance for bad debt calculation should be reviewed on a monthly basis to include any possible changes in collections in accounts receivable to ensure accuracy of accounts receivable and operating revenue.

Condition and Cause: The Authority has older customer accounts that have balances delinquent of payment of more than one year from the year-end date. The older aging accounts accumulated due to lack of customer payment. The allowance calculation for accounts receivable was not adequately adjusted for the changes in collections and the continuous aging of accounts.

Effect: Accounts receivable were overstated by approximately $69,472.

Recommendation: We recommend that management establish monthly collections and billing monitoring procedures and update the allowance for bad debt calculation appropriately. The allowance model should be reviewed and updated to include current collection percentages and researching collection decreases to the extent necessary to determine if adjustments to the allowance calculation are required.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the auditor’s recommendation. Subsequent to year-end, the Authority worked with their attorney to send older customer accounts to collections and developed an allowance model to ensure proper estimate of accounts receivable on a monthly basis.

Section III. – Findings and Questioned Costs for Federal Awards

No matters were reported.

AUDITEE'S SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2022

Financial Statement Findings:

No matters were reported.

Findings of Questioned Costs for Federal Awards:

No matters were reported.

Reporting and insights from 2022 audit:

Hatfield-McCoy Regional Recreational Authority

June 30, 2022

Executive summary

January 31, 2023

Board of Directors
Hatfield-McCoy Regional Recreation Authority
Man, West Virginia

We have substantially completed our audit of the financial statements of Hatfield McCoy Regional Recreation Authority (the “Authority”) for the year ended June 30, 2022. This letter presents communications required by our professional standards.

Your audit should provide you with confidence in your financial statements. The audit was performed based on information obtained from meetings with management, data from your systems, knowledge of your Authority’s operating environment and our risk assessment procedures. We strive to provide you clear, concise communication throughout the audit process and of the final results of our audit.

Additionally, we have included information on key risk areas Hatfield McCoy Regional Recreation Authority should be aware of in your strategic planning. We are available to discuss these risks as they relate to your organization’s financial stability and future planning.

If you have questions at any point, please connect with us:

- Justin Schumaker, CPA, Partner: Justin.Schumaker@bakertilly.com or +1 (304) 206 3312

Sincerely,

Baker Tilly US, LLP

Baker Tilly US, LLP

Justin Schumaker, CPA

Responsibilities

Our responsibilities

As your independent auditor, our responsibilities include:

- Planning and performing the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high level of assurance.
- Assessing the risks of material misstatement of the financial statements, whether due to fraud or error. Included in that assessment is a consideration of the Authority's internal control over financial reporting.
- Performing appropriate procedures based upon our risk assessment.
- Evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management.
- Forming and expressing an opinion based on our audit about whether the financial statements prepared by management, with the oversight of the Board of Directors:
  - Are free from material misstatement
  - Present fairly, in all material respects and in accordance with accounting principles generally accepted in the United States of America
- Forming and expressing an opinion based on our audit in accordance with OMB's *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and *State Single Audit Guidelines* about the entity's compliance with requirements described in the *OMB Compliance Supplement* and *State Single Audit Guidelines* that could have a direct and material effect on each of its major federal and state programs.
- Our audit does not relieve management the Board of Director of their responsibilities.

We are also required to communicate significant matters related to our audit that are relevant to the responsibilities of Board of Directors, including:

- Internal control matters
- Qualitative aspects of the Authority's accounting practice including policies, accounting estimates and financial statement disclosures
- Significant unusual transactions
- Significant difficulties encountered
- Disagreements with management
- Circumstances that affect the form and content of the auditors' report
- Audit consultations outside the engagement team
- Corrected and uncorrected misstatements
- Other audit findings or issues

Audit status

Significant changes to the audit plan

There were no significant changes made to either our planned audit strategy or to the significant risks and other areas of emphasis identified during the performance of our risk assessment procedures.

Audit approach and results

Planned scope and timing

Audit focus

Based on our understanding of the Authority and environment in which you operate, we focused our audit on the following key areas:

- Key transaction cycles
- Areas with significant estimates
- Implementation of new accounting standards
- Areas of complexity including Accounts Receivable

Our areas of audit focus were informed by, among other things, our assessment of materiality. Materiality in the context of our audit was determined based on specific qualitative and quantitative factors combined with our expectations about the Authority's current year results.

Key areas of focus and significant findings

Significant risks of material misstatement

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's professional judgment, requires special audit consideration. Within our audit, we focused on the following areas below.

Significant risk areas	Testing approach	Conclusion
Management override of controls	Incorporate unpredictability into audit procedures, emphasize professional skepticism and utilize audit team with industry expertise	Procedures identified provided sufficient evidence for our audit opinion
Improper revenue recognition due to fraud	Confirmation or validation of certain revenues supplemented with detailed predictive analytics based on non-financial data and substantive testing of related receivables	Procedures identified provided sufficient evidence for our audit opinion

Other areas of emphasis

We also focused on other areas that did not meet the definition of a significant risk, but were determined to require specific awareness and a unique audit response.

Other areas of emphasis		
Cash and investments	Net position calculations	Financial reporting and required disclosures
Payroll	Pension and OPEB liabilities	Long-term debt
Capital assets	Fair Value of the Useful life of Assets	Proper capitalization and useful lives

Internal control matters

We considered the Authority’s internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements. We are not expressing an opinion on the effectiveness of the Authority’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Significant Deficiency - Allowance for Bad Debt

Criteria or Specific Requirement: The allowance for bad debt calculation should be reviewed on a monthly basis to include any possible changes in collections in accounts receivable to ensure accuracy of accounts receivable and operating revenue.

Condition and Cause: The Authority has older customer accounts that have balances delinquent of payment of more than one year from the year-end date. The older aging accounts accumulated due to lack of customer payment. The allowance calculation for accounts receivable was not adequately adjusted for the changes in collections and the continuous aging of accounts.

Effect: Accounts receivable were overstated by approximately $69,472.

Recommendation: We recommend that management establish monthly collections and billing monitoring procedures and update the allowance for bad debt calculation appropriately. The allowance model should be reviewed and updated to include current collection percentages and researching collection decreases to the extent necessary to determine if adjustments to the allowance calculation are required.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the auditor's recommendation. Subsequent to year-end, the Authority worked with their attorney to send older customer accounts to collections and developed an allowance model to ensure proper estimate of accounts receivable on a monthly basis.

Required communications

Qualitative aspect of accounting practices

- Accounting policies: Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we have advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. As described in Note 1, the Hospital changed accounting policies related to Leases by adopting GASB No. 87, Leases in 2022. Accordingly, the accounting change has been retrospectively applied to the prior period presented. We noted no transactions entered into by the Authority during the year for which accounting policies are controversial or for which there is a lack of authoritative guidance or consensus or diversity in practice.

- Accounting estimates: Accounting estimates, including fair value 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, the degree of subjectivity involved in their development and because of the possibility that future events affecting them may differ significantly from those expected. The following estimates are of most significance to the financial statements:

-

Estimate	Management's process to determine	Baker Tilly's conclusions regarding reasonableness
Depreciation/Amortization	Evaluate estimated useful life of the asset and original acquisition value	Reasonable in relation to the financial statements as a whole
Net pension liability and related deferrals	Evaluation of information provided by the West Virginia Public Employee Retirement System	Reasonable in relation to the financial statements as a whole
Net/Total OPEB liability and related deferrals	Evaluation of information provided by the West Virginia Retiree Health Benefit Trust Fund	Reasonable in relation to the financial statements as a whole
Allowance for doubtful accounts	Evaluation of historical revenues and loss levels with the analysis on collectability of individual amounts	Reasonable in relation to the financial statements as a whole

There have been no significant changes made by management to either the processes used to develop the particularly sensitive accounting estimates, or to the significant assumptions used to develop the estimates, noted above.

- Financial statement disclosures: The disclosures in the financial statements are neutral, consistent and clear.

Significant unusual transactions

There have been no significant transactions that are outside the normal course of business for the Authority or that otherwise appear to be unusual due to their timing, size or nature.

Significant difficulties encountered during the audit

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

Disagreements with management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Audit report

There have been no departures from the auditors' standard report.

Audit consultations outside the engagement team

We encountered no difficult or contentious matters for which we consulted outside of the engagement team.

Uncorrected misstatements and corrected misstatements

Professional standards require us to accumulate misstatements identified during the audit, other than those that are clearly trivial and to communicate accumulated misstatements to management. Management is in agreement with the misstatements we have identified, and they have been corrected in the financial statements. The schedule within the attachments summarizes the material corrected misstatements, that, in our judgment, may not have been detected except through our auditing procedures. The internal control matters section of this report describes the effects on the financial reporting process indicated by the corrected misstatements, other than those that we consider to be of a lesser magnitude than significant deficiencies and material weaknesses.

Other audit findings or issues

We encountered no other audit findings or issues that require communication at this time.

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 Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Management's consultations with other accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing or accounting matters.

Written communications between management and Baker Tilly

The attachments include copies of other material written communications, including a copy of the management representation letter.

Compliance with laws and regulations

We did not identify any non-compliance with laws and regulations during our audit.

Fraud

We did not identify any known or suspected fraud during our audit.

Going concern

Pursuant to professional standards, we are required to communicate to you, when applicable, certain matters relating to our evaluation of the Authority's ability to continue as a going concern for a reasonable period of time but no less than 12 months from the date of the financial statements, including the effects on the financial statements and the adequacy of the related disclosures, and the effects on the auditor's report. No such matters or conditions have come to our attention during our engagement.

Independence

We are not aware of any relationships between Baker Tilly and the Authority that, in our professional judgment, may reasonably be thought to bear on our independence.

Related parties

We did not have any significant findings or issues arise during the audit in connection with the Authority's related parties.

Other matters

We applied certain limited procedures to the required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Nonattest services

The following nonattest services were provided by Baker Tilly:

- Financial statement preparation
- Adjusting journal entries
- Data entry of the auditee section of the data collection form (if applicable)

Audit committee resources

Visit our resource page for regulatory updates, trending challenges and opportunities in your industry and other timely updates.

Visit the resource page at https://www.bakertilly.com/insights/audit-committee-resource-page.

Summary schedule of corrected misstatements and summary schedule of uncorrected misstatements

Number	Name	Account No	Debit	Credit
AJE 1	Deferred Outflows-OPEB	1905		(26,876)
AJE 1	WV Ret Health Ben. Trust Fund	2655	100,743	
AJE 1	Deferred Inflows-OPEB	2900	31,268	
AJE 1	OPEB Expense	8140		(105,135)
	To Adjust Net OPEB Liability and			
	Deferred Outflows and Inflows for current year activity.			
AJE 2	Deferred Outflows-PERS	1916	12,409	
AJE 2	Pension Liability GASB68	2801	917,633	
AJE 2	Deferred Inflows-PERS	2806		(731,678)
AJE 2	Proportionate Pension GASB68	8150		(198,364)
	To adjust Pension to Actual			
	Activity for FY22.			
AJE 3	Retained Earnings	3005	50,968	
AJE 3	Proportionate Pension GASB68	8150		(50,968)
	To properly roll Net Position as			
	of 06/30/2022			
AJE 4	Allowance for Bad Debt	1150		(69,472)
AJE 4	Bad Debt Expense	5182	69,472	
	To correct allowance for bad debts			
	to historical collectibility.			

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July 29, 2022

Richard Clapp, Treasurer
Hatfield-McCoy Regional Recreational Authority
179 Rita Mall Road
Man, WV 25635

Dear Mr. Richard Clapp, Treasurer

Thank you for using Baker Tilly US, LLP (Baker Tilly, we, our) as your auditors.

The purpose of this letter (the Engagement Letter) is to confirm our understanding of the terms and objectives of our engagement and the nature of the services we will provide as independent accountants of Hatfield-McCoy Regional Recreation Authority (the Authority, Client, you, your).

Services and Related Report

We will audit the financial statements of the Authority as of and for the year ended June 30, 2022, and the related notes to the financial statements. Upon completion of our audit, we will provide the Authority with our audit report on the financial statements referred to below. If, for any reasons caused by or relating to the affairs or management of the Authority, we are unable to complete the audit or are unable to or have not formed an opinion, or if we determine in our professional judgment the circumstances necessitate, we may withdraw and decline to issue a report as a result of this engagement.

The following supplementary information accompanying the financial statements will also be subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and our auditor's report will provide an opinion on it in relation to the financial statements as a whole.

- Financial Statements

- Schedule of Expenditures of Federal and State Awards (if included with financial statements)

Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management’s discussion and analysis, to supplement the Authority’s 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. As part of our engagement, we will apply certain limited procedures to the Authority's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- Schedule of Authority's Contributions (Public Employees Retirement System (PERS))
- Schedule of the Authority's Proportionate Share of the Net Pension Liability (PERS)
- Schedule of Authority's Contributions (Other Post-Retirement Employee Benefit (OPEB))
- Schedule of the Authority's Proportionate Share of the Net OPEB liability (OPEB)

The (list supplementary information) accompanying the financial statements will also be subject to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and our auditor's report will provide an opinion on it in relation to the financial statements as a whole.

Our report does not include reporting on key audit matters.

Our Responsibilities and Limitations

The objective of a financial statement audit is the expression of an opinion on the financial statements. The objective also includes reporting on:

- Internal control related to the financial statements and compliance with laws, regulations and the provisions of contracts or grant agreements, noncompliance with which could have a direct and material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control related to major federal and an opinion (or disclaimer of opinion) on compliance with laws, regulations and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (i) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance, and (ii) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

We will be responsible for performing the audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; the Uniform Guidance and the *State Single Audit Guidelines*, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, and other procedures we consider necessary to enable us to express such opinions and to render the required reports.

As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We will also:

> Identify and assess the risks of material misstatement of the financial statements and supplementary information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

> Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements and supplementary information that we have identified during the audit.

> Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements and supplementary information, including the disclosures, and whether the financial statements and supplementary information represent the underlying transactions and events in a manner that achieves fair presentation.

> Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse. Our audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statements presentation. Our audit does not relieve management or those charged with governance of their responsibilities. Our audit is limited to the period covered by our audit and does not extend to any later periods during which we are not engaged as auditor.

The audit will include obtaining an understanding of the Authority and its environment, including internal controls, sufficient to assess the risks of material misstatement of the financial statements and to determine the nature, timing and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management or those charged with governance internal control matters that are required to be communicated under professional standards. We will also inform you of any other matters involving internal control, if any, as required by *Government Auditing Standards* and the *State Single Audit Guidelines*.

As required by the Uniform Guidance and the *State Single Audit Guidelines*, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal and major state award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control over compliance issued pursuant to the Uniform Guidance and the *State Single Audit Guidelines*.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Authority's compliance with the provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance and the *State Single Audit Guidelines* require that we also plan and perform the audit to obtain reasonable assurance about whether you have complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of test of transactions and other applicable procedures described in the OMB Compliance Supplement and the *State Single Audit Guidelines* for the types of compliance requirements that could have a direct and material effect on each of the Authority's major programs. The purpose of those procedures will be to express an opinion on your compliance with requirements applicable to each of your major programs in our report on compliance issued pursuant to the Uniform Guidance and the *State Single Audit Guidelines*.

We are also responsible for determining that those charged with governance are informed about certain other matters related to the conduct of the audit, including (i) our responsibility under GAAS, (ii) an overview of the planned scope and timing of the audit, and (iii) significant findings from the audit, which include (a) our views about the qualitative aspects of your significant accounting practices, accounting estimates, and financial statement disclosures; (b) difficulties encountered in performing the audit; (c) uncorrected misstatements and material corrected misstatements that were brought to the attention of management as a result of auditing procedures; and (d) other significant and relevant findings or issues (e.g., any disagreements with management about matters that could be significant to your financial statements or our report thereon, consultations with other independent accountants, issues discussed prior to our retention as independent auditors, fraud and illegal acts, and all significant deficiencies and material weaknesses identified during the audit). Lastly, we are responsible for ensuring that those charged with governance receive copies of certain written communications between us and management including written communications on accounting, auditing, internal controls or operational matters and representations that we are requesting from management.

The audit will not be planned or conducted in contemplation of reliance of any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be addressed differently by a third party, possibly in connection with a specific transaction.

Management's Responsibilities

Our audit will be conducted on the basis that the Company's management and, when appropriate, those charged with governance, acknowledge and understand that they have responsibility:

- For the preparation and fair presentation of the financial statements and supplementary information in accordance with accounting principles generally accepted in the United States of America;

- For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements and supplementary information that are free from material misstatement, whether due to fraud or error; and

- To provide us with:

    - Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements and supplementary information such as records, documentation, and other matters;

    - Additional information that we may request from management for the purpose of the audit; and

    - Unrestricted access to persons within the Company from whom we determine it necessary to obtain audit evidence

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed above. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits or studies. You are also responsible for providing management's views on our current findings, conclusions and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

You are responsible for preparation of the schedule of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance and the *State Single Audit Guidelines.* You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon. Your responsibilities include acknowledging to us in a written representation letter that (a) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance and the *State Single Audit Guidelines;* (b) that you believe the schedule of expenditures of federal awards including its form and content, is fairly presented in accordance with the Uniform Guidance and the *State Single Audit Guidelines;* (c) that the methods of measurement or presentation have not changed from those used in the prior year (or, if they have changed, the reasons for such changes); and (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of federal awards.

Management is responsible for (i) adjusting the basic financial statements to correct material misstatements and for affirming to us in a management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period under audit are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole, and (ii) notifying us of all material weaknesses, including other significant deficiencies, in the design or operation of your internal control over financial reporting that are reasonably likely to adversely affect your ability to record, process, summarize and report external financial data reliably in accordance with GAAP. Management is also responsible for identifying and ensuring that the Authority complies with the laws and regulations applicable to its activities.

As part of our audit process, we will request from management and, when appropriate, those charge with governance written confirmation concerning representations made to us in connection with the audit.

Nonattest Services

Prior to or as part of our audit engagement, it may be necessary for us to perform certain nonattest services. For purposes of this letter, nonattest services include services that *Government Auditing Standards* refers to as nonaudit services.

Nonattest services that we will be providing are as follows:

> Financial Statement Preparation

> Data entry of the auditee section of the data collection form (if applicable)

None of these nonattest services constitute an audit under generally accepted auditing standards including *Government Auditing Standards.*

We will not perform any management functions or make management decisions on your behalf with respect to any nonattest services we provide.

In connection with our performance of any nonattest services, you agree that you will:

> Continue to make all management decisions and perform all management functions, including approving all journal entries and general ledger classifications when they are submitted to you.

> Designate an employee with suitable skill, knowledge and/or experience, preferably within senior management, to oversee the services we perform.

> Evaluate the adequacy and results of the nonattest services we perform.

> Accept responsibility for the results of our nonattest services.

> Establish and maintain internal controls, including monitoring ongoing activities related to the nonattest function.

On a periodic basis, as needed, we will meet with you to discuss your accounting records and the management implications of your financial statements. We will notify you, in writing, of any matters that we believe you should be aware of and will meet with you upon request.

Other Documents

GAAS requires that we read any annual report that contains our audit report. The purpose of this procedure is to consider whether other information in the annual report, including the manner of its presentation, is materially inconsistent with information appearing in the financial statements. We assume no obligation to perform procedures to corroborate such other information as part of our audit.

If you intend to reproduce or publish the financial statements, and make reference to our firm name in connection therewith, you agree to publish the financial statements in their entirety. In addition, you agree to provide us, for our approval and consent, proofs before printing and final materials before distribution.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

At the conclusion of our engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, schedule of expenditures of federal and state awards, summary schedule of prior year audit findings, auditors' reports and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include within the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of thirty (30) days after receipt of the auditors' reports or nine (9) months after the end of the audit period.

We will provide copies of our reports to the Authority, however, management is responsible for distribution of the reports and the financial statements. Copies of our reports are to be made available for public inspection unless restricted by law or regulation or if they contain privileged and confidential information.

The documentation for this engagement, including the workpapers, is the property of Baker Tilly and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to federal or state agencies for purposes of a quality review of the audit, to resolve audit findings or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Baker Tilly personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

We may have a responsibility to retain the documentation for a period of time sufficient to satisfy any applicable legal or regulatory requirements for records retention. Baker Tilly does not retain any original client records; so we will return such records to you at the completion of the services rendered under this engagement. When such records are returned to you, it is the Authority's responsibility to retain and protect its accounting and other business records for future use, including potential review by any government or other regulatory agencies. By your signature below, you acknowledge and agree that, upon the expiration of the documentation retention period, Baker Tilly shall be free to destroy our workpapers related to this engagement. If we are required by law, regulation or professional standards to make certain documentation available to regulators, the Authority hereby authorizes us to do so.

Baker Tilly and the Authority acknowledge that, at the time of the execution of this Engagement Letter, federal, state and local governments, both domestic and foreign, have restricted travel and/or the movement of their citizens due to the ongoing and evolving situation around COVID-19. In addition, like many organizations and companies in the United States and around the globe, Baker Tilly has restricted its employees from travel and onsite work, whether at a client facility or Baker Tilly facility, to protect the health of both Baker Tilly and its clients' employees. Accordingly, to the extent that any of the services described in this Engagement Letter requires or relies on personnel to travel and/or perform work onsite, then Baker Tilly and the Authority acknowledge and agree that when the performance of such work depends on physical access to Client's facilities, then such work may be supplanted with alternative procedures, or may be delayed, significantly or indefinitely and/or suspended at Baker Tilly's discretion. Baker Tilly and the Authority agree to provide the other with prompt written notice in the event any of the onsite services described herein, such as inventory observations and other procedures, will need to be supplanted, rescheduled and/or suspended. Baker Tilly and the Authority also acknowledge and agree that any delays or workarounds due to the situation surrounding COVID-19 may increase the cost of the services described herein. Baker Tilly will obtain the Authority's prior written approval for any increase in the cost of Baker Tilly services that may result from the situation surrounding COVID-19.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any subsequent peer review reports received during the period of the contract. Our most recent peer review report accompanies this letter.

Resolution of Disagreements

In the unlikely event that differences concerning services or fees should arise that are not resolved by mutual agreement, both parties agree to attempt in good faith to settle the dispute by mediation administered by the American Arbitration Association (AAA) under its mediation rules for professional accounting and related services disputes before resorting to litigation or any other dispute-resolution procedure. Each party shall bear their own expenses from mediation.

If mediation does not settle the dispute or claim, then the parties agree that the dispute or claim shall be settled by binding arbitration. The arbitration proceeding shall take place in the city in which the Baker Tilly office providing the relevant services is located, unless the parties mutually agree to a different location. The proceeding shall be governed by the provisions of the Federal Arbitration Act (FAA) and will proceed in accordance with the then current Arbitration Rules for Professional Accounting and Related Disputes of the AAA, except that no prehearing discovery shall be permitted unless specifically authorized by the arbitrator. The arbitrator will be selected from Judicate West, AAA, Judicial Arbitration & Mediation Services (JAMS), the Center for Public Resources or any other internationally or nationally-recognized organization mutually agreed upon by the parties. Potential arbitrator names will be exchanged within fifteen (15) days of the parties' agreement to settle the dispute or claim by binding arbitration, and arbitration will thereafter proceed expeditiously. Any issue concerning the extent to which any dispute is subject to arbitration, or concerning the applicability, interpretation, or enforceability of any of these procedures, shall be governed by the FAA and resolved by the arbitrators. The arbitration will be conducted before a single arbitrator, experienced in accounting and auditing matters. The arbitrator shall have no authority to award nonmonetary or equitable relief and will not have the right to award punitive damages or statutory awards. Furthermore, in no event shall the arbitrator have power to make an award that would be inconsistent with the Engagement Letter or any amount that could not be made or imposed by a court deciding the matter in the same jurisdiction. The award of the arbitration shall be in writing and shall be accompanied by a well-reasoned opinion. The award issued by the arbitrator may be confirmed in a judgment by any federal or state court of competent jurisdiction. Discovery shall be permitted in arbitration only to the extent, if any, expressly authorized by the arbitrator(s) upon a showing of substantial need. Each party shall be responsible for their own costs associated with the arbitration, except that the costs of the arbitrator shall be equally divided by the parties. Both parties agree and acknowledge that they are each giving up the right to have any dispute heard in a court of law before a judge and a jury, as well as any appeal. The arbitration proceeding and all information disclosed during the arbitration shall be maintained as confidential, except as may be required for disclosure to professional or regulatory bodies or in a related confidential arbitration. The arbitrator(s) shall apply the limitations period that would be applied by a court deciding the matter in the same jurisdiction, including the contractual limitations set forth in this Engagement Letter, and shall have no power to decide the dispute in any manner not consistent with such limitations period. The arbitrator(s) shall be empowered to interpret the applicable statutes of limitations.

Our services shall be evaluated solely on our substantial conformance with the terms expressly set forth herein, including all applicable professional standards. Any claim of nonconformance must be clearly and convincingly shown.

Limitation on Damages and Indemnification

The liability (including attorney's fees and all other costs) of Baker Tilly and its present or former partners, principals, agents or employees related to any claim for damages relating to the services performed under this Engagement Letter shall not exceed the fees paid to Baker Tilly for the portion of the work to which the claim relates, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of Baker Tilly relating to such services. This limitation of liability is intended to apply to the full extent allowed by law, regardless of the grounds or nature of any claim asserted, including the negligence of either party. Additionally, in no event shall either party be liable for any lost profits, lost business opportunity, lost data, consequential, special, incidental, exemplary or punitive damages, delays or interruptions arising out of or related to this Engagement Letter even if the other party has been advised of the possibility of such damages.

As Baker Tilly is performing the services solely for your benefit, you will indemnify Baker Tilly, its subsidiaries and their present or former partners, principals, employees, officers and agents against all costs, fees, expenses, damages and liabilities (including attorney's fees and all defense costs) associated with any third-party claim, relating to or arising as a result of the services, or this Engagement Letter.

Because of the importance of the information that you provide to Baker Tilly with respect to Baker Tilly's ability to perform the services, you hereby release Baker Tilly and its present and former partners, principals, agents and employees from any liability, damages, fees, expenses and costs, including attorney's fees, relating to the services, that arise from or relate to any information, including representations by management, provided by you, the Authority personnel or agents, that is not complete, accurate or current, whether or not management knew or should have known that such information was not complete, accurate or current.

Each party recognizes and agrees that the warranty disclaimers and liability and remedy limitations in this Engagement Letter are material bargained for bases of this Engagement Letter and that they have been taken into account and reflected in determining the consideration to be given by each party under this Engagement Letter and in the decision by each party to enter into this Engagement Letter.

The terms of this section shall apply regardless of the nature of any claim asserted (including, but not limited to, contract, tort or any form of negligence, whether of you, Baker Tilly or others), but these terms shall not apply to the extent finally determined to be contrary to the applicable law or regulation. These terms shall also continue to apply after any termination of this Engagement Letter.

You accept and acknowledge that any legal proceedings arising from or in conjunction with the services provided under this Engagement Letter must be commenced within twelve (12) months after the performance of the services for which the action is brought, without consideration as to the time of discovery of any claim or any other statutes of limitations or repose.

Timing and Fees

Completion of our work is subject to, among other things, (i) appropriate cooperation from the Authority's personnel, including timely preparation of necessary schedules, (ii) timely responses to our inquiries, and (iii) timely communication of all significant accounting and financial reporting matters. When and if for any reason the Authority is unable to provide such schedules, information and assistance, Baker Tilly and you may mutually revise the fee to reflect additional services, if any, required of us to complete the audit. Delays in the issuance of our audit report beyond the date that was originally contemplated may require us to perform additional auditing procedures which will likely result in additional fees.

Revisions to the scope of our work will be communicated to you and may be set forth in the form of an "Amendment to Existing Engagement Letter." In addition, if we discover compliance issues that require us to perform additional procedures and/or provide assistance with these matters, fees at our standard hourly rates apply.

2022	Totals
Financial Statement Audit	$ 29,000
Uniform Guidance 2 CFR Audit, One Major Program	5,000
Additional Major Program	3,000

In addition to professional fees, our invoices will include our standard administrative charge, plus travel and subsistence, and other out-of-pocket expenses related to the engagement. A charge of 1.5 percent per month shall be imposed on accounts not paid within thirty (30) days of receipt of our statement for services provided. In accordance with our firm policies, work may be suspended if your account becomes thirty (30) days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notice of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination. In the event that collection procedures are required, the Authority agrees to be responsible for all expenses of collection including related attorneys' fees.

We may use temporary contract staff to perform certain tasks on your engagement and will bill for that time at the rate that corresponds to Baker Tilly staff providing a similar level of service. Upon request, we will be happy to provide details on training, supervision and billing arrangements we use in connection with these professionals. Additionally, we may from time to time, and depending on the circumstances, use service providers (e.g., to act as a specialist or audit an element of the financial statements) in serving your account. We may share confidential information about you with these contract staff and service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all contract staff and service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the contract staff or third-party service provider. Furthermore, the firm will remain responsible for the work provided by any such contract staff or third-party service providers.

To the extent the services require Baker Tilly receive personal data or personal information from Client, Baker Tilly may process any personal data or personal information, as those terms are defined in applicable privacy laws, in accordance with the requirements of the applicable privacy law relevant to the processing in providing services hereunder. Applicable privacy laws may include any local, state, federal or international laws, standards, guidelines, policies or regulations governing the collection, use, disclosure, sharing or other processing of personal data or personal information with which Baker Tilly or its Clients must comply. Such privacy laws may include (i) the EU General Data Protection Regulation 2016/679 (GDPR); (ii) the California Consumer Privacy Act of 2018 (CCPA); and/or (iii) other laws regulating marketing communications, requiring security breach notification, imposing minimum security requirements, requiring the secure disposal of records and other similar requirements applicable to the processing of personal data or personal information. Baker Tilly is acting as a Service Provider/Data Processor in relation to Client personal data and personal information, as those terms are defined respectively under the CCPA/GDPR. Client is responsible for notifying Baker Tilly of any data privacy laws the data provided to Baker Tilly is subject to and Client represents and warrants it has all necessary authority (including any legally required consent from data subjects) to transfer such information and authorize Baker Tilly to process such information in connection with the services described herein. Client agrees that Baker Tilly has the right to generate aggregated/de-identified data from the accounting and financial data provided by Client to be used for Baker Tilly business purposes and with the outputs owned by Baker Tilly. For clarity, Baker Tilly will only disclose aggregated/de-identified data in a form that does not identify Client, Client employees, or any other individual or business entity and that is stripped of all persistent identifiers. Client is not responsible for Baker Tilly's use of aggregated/de-identified data.

Baker Tilly has established information security related operational requirements that support the achievement of our information security commitments, relevant information security related laws and regulations, and other information security related system requirements. Such requirements are communicated in Baker Tilly's policies and procedures, system design documentation and contracts with customers. Information security policies have been implemented that define our approach to how systems and data are protected. Client is responsible for providing timely written notification to Baker Tilly of any additions, changes or removals of access for Client personnel to Baker Tilly provided systems or applications. If Client becomes aware of any known or suspected information security or privacy related incidents or breaches related to this agreement, Client should timely notify Baker Tilly via email at dataprotectionofficer@bakertilly.com.

Additionally, we may from time to time, and depending on the circumstances, use service providers (e.g., to act as a specialist or audit an element of the financial statements) in serving your account. We may share confidential information about you with these service providers, but are committed to maintaining the confidentiality and security of your information.

Any additional services that may be requested and we agree to provide will be the subject of a separate engagement letter.

We may be required to disclose confidential information to federal, state and international regulatory bodies or a court in criminal or other civil litigation. In the event that we receive a request from a third party (including a subpoena, summons or discovery demand in litigation) calling for the production of information, we will promptly notify the Authority, unless otherwise prohibited. In the event we are requested by the Authority or required by government regulation, subpoena or other legal process to produce our engagement working papers or our personnel as witnesses with respect to services rendered to the Authority, so long as we are not a party to the proceeding in which the information is sought, we may seek reimbursement for our professional time and expenses, as well as the fees and legal expenses, incurred in responding to such a request.

We may be required to disclose confidential information with respect to complying with certain professional obligations, such as peer review programs. All participants in such peer review programs are bound by the same confidentiality requirements as Baker Tilly and its employees. Baker Tilly will not be required to notify the Authority if disclosure of confidential information is necessary for peer review purposes.

Our fees are based on known circumstances at the time of this Engagement Letter. Should circumstances change significantly during the course of this engagement, we will discuss with you the need for any revised audit fees. This can result from changes at the Authority, such as the turnover of key accounting staff, the addition of new funds or significant federal or state programs or changes that affect the amount of audit effort from external sources, such as new accounting and auditing standards that become effective that increase the scope of our audit procedures.

No significant SAS's are outstanding.

We would expect to continue to perform our services under the arrangements discussed above from year to year, unless for some reason you or we find that some change is necessary. We will, of course be happy to provide the Authority with any other services you may find necessary or desirable.

Other Matters

Neither this Engagement Letter, any claim, nor any rights or licenses granted hereunder may be assigned, delegated or subcontracted by either party without the written consent of the other party. Either party may assign and transfer this Engagement Letter to any successor that acquires all or substantially all of the business or assets of such party by way of merger, consolidation, other business reorganization or the sale of interest or assets, provided that the party notifies the other party in writing of such assignment and the successor agrees in writing to be bound by the terms and conditions of this Engagement Letter.

Our dedication to client service is carried out through our employees who are integral in meeting this objective. In recognition of the importance of our employees, it is hereby agreed that the Authority will not solicit our employees for employment or enter into an independent contractor arrangement with any individual who is or was an employee of Baker Tilly for a period of twelve (12) months following the date of the conclusion of this engagement. If the Authority violates this nonsolicitation clause, the Authority agrees to pay to Baker Tilly a fee equal to the hired person's annual salary at the time of the violation so as to reimburse Baker Tilly for the costs of hiring and training a replacement.

The services performed under this Agreement do not include the provision of legal advice and Baker Tilly makes no representations regarding questions of legal interpretation. Client should consult with its attorneys with respect to any legal matters or items that require legal interpretation under federal, state or other type of law or regulation.

Baker Tilly US, LLP, trading as Baker Tilly, is an independent member of Baker Tilly International. Baker Tilly International Limited is an English company. Baker Tilly International provides no professional services to clients. Each member firm is a separate and independent legal entity, and each describes itself as such. Baker Tilly US, LLP is not Baker Tilly International's agent and does not have the authority to bind Baker Tilly International or act on Baker Tilly International's behalf. None of Baker Tilly International, Baker Tilly US, LLP, nor any of the other member firms of Baker Tilly International has any liability for each other's acts or omissions. The name Baker Tilly and its associated logo is used under license from Baker Tilly International Limited.

This Engagement Letter constitutes the entire agreement between the Authority and Baker Tilly regarding the services described in this Engagement Letter and supersedes and incorporates all prior or contemporaneous representations, understandings, or agreements, and may not be modified or amended except by an agreement in writing signed between the parties hereto. This Engagement Letter's provisions shall not be deemed modified or amended by the conduct of the parties.

The provisions of this Engagement Letter, which expressly or by implication are intended to survive its termination or expiration, will survive and continue to bind both parties, including any successors or assignees. If any provision of this Engagement Letter is declared or found to be illegal, unenforceable or void, then both parties shall be relieved of all obligations arising under such provision, but if the remainder of this Engagement Letter shall not be affected by such declaration or finding and is capable of substantial performance, then each provision not so affected shall be enforced to the extent permitted by law or applicable professional standards.

If because of a change in the Authority's status or due to any other reason, any provision in this Engagement Letter would be prohibited by, or would impair our independence under laws, regulations or published interpretations by governmental bodies, commissions or other regulatory agencies, such provision shall, to that extent, be of no further force and effect and this agreement shall consist of the remaining portions.

This agreement shall be governed by and construed in accordance with the laws of the state of Illinois, without giving effect to the provisions relating to conflict of laws.

We appreciate the opportunity to be of service to you.

If there are any questions regarding the Engagement Letter, please contact Justin Schumaker, the engagement partner on this engagement who is responsible for the overall supervision and review of the engagement and for determining that the engagement has been completed in accordance with professional standards. Justin Schumaker is available at 304 206 3312, or at justin.schumaker@bakertilly.com.

Sincerely,

BAKER TILLY US, LLP

Baker Tilly US, LLP

The services and terms as set forth in this Engagement Letter are agreed to by:

Executive Director

8/3/2022
Date

MOSSADAMS

Report on the Firm's System of Quality Control

October 28, 2021

To the Partners of Baker Tilly US, LLP and the
National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Baker Tilly US, LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2021. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans; audits performed under FDICIA; audits of broker-dealers; and examinations of service organizations [SOC 1® and SOC 2® engagements].

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Baker Tilly US, LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended March 31, 2021, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass, pass with deficiency(ies)* or *fail*. Baker Tilly US, LLP has received a peer review rating of *pass*.

Moss Adams LLP

January 31, 2023

Baker Tilly US, LLP
101 Washington Street, East
Charleston, WV 25301

We are providing this letter in connection with your audit of the financial statements of Hatfield McCoy Regional Recreation Authority (the Authority) as of June 30, 2022 and 2021 and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (GAAP). We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter July 29, 2022 including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.

2) The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America. We have engaged you to advise us in fulfilling that responsibility. The financial statements include all properly classified funds of the primary government required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.

3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

5) Significant assumptions we used in making accounting estimates, including those measured at fair value, if any, are reasonable

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6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.

7) All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the financial statement date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

8) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

9) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the appropriate accounts.

10) We are not aware of any known actual, possible, pending, or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with accounting principles generally accepted in the United States of America, and we have not consulted a lawyer concerning litigation, claims, or assessments.

11) Guarantees, whether written or oral, under which the Authority is contingently liable, if any, have been properly recorded or disclosed.

12) We have informed you of all corrected misstatements as of an for the year ended June 30, 2022. We believe that the effects of the corrected misstatements aggregated by you and included as attachment A are immaterial, both individually and in the aggregate to the financial statements taken as a whole. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Information Provided

13) We have provided you with:

a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters.

b) Additional information that you have requested from us for the purpose of the audit.

c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

d) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

14) We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

15) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

    a) Employees who have significant roles in internal control, or

    b) Others where the fraud could have a material effect on the financial statements.

16) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.

17) We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

18) We have disclosed to you the names of our related parties and all the related party relationships and transactions, including side agreements, of which we are aware.

Other

19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20) We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that you have reported to us.

21) We have a process to track the status of audit findings and recommendations.

22) We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

23) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our report.

24) The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources or fund balance or net position.

25) We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

    a) Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.

b) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.

c) Nonspendable, restricted, committed, or assigned fund balances that were not properly authorized and approved.

d) Rates being charged to customers other than the rates as authorized by the applicable authoritative body.

e) Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.

26) In regards to the nonattest services performed by you listed below, we acknowledge our responsibility related to these nonattest services and have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.

a) Financial statement preparation

b) Adjusting journal entries

c) Data entry of the auditee section of the data collection form (if applicable)

None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

27) Hatfield-McCoy Regional recreation Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

28) Hatfield-McCoy Regional recreation Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.

29) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations, if any. Component units, if any, have been properly presented as either blended or discrete.

30) The financial statements properly classify all funds and activities.

31) All funds that meet the quantitative criteria in GASB Statement No. 34 and No. 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

32) Components of net position (net investment in capital assets; restricted; and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.

33) We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act and Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

34) Hatfield McCoy Regional Recreation Authority has no derivative financial instruments such as contracts that could be assigned to someone else or net settled, interest rate swaps, collars or caps.

35) Provisions for uncollectible receivables, if any, have been properly identified and recorded.

36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

37) Revenues are appropriately classified in the statement of activities within program revenues and general revenues.

38) Special and extraordinary items are appropriately classified and reported.

39) Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).

40) Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.

41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.

42) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

43) With respect to the supplementary information, (SI):

    a) We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

    b) The following are underlying significant assumptions or interpretations regarding the measurement or presentation of such information:

    The schedule of expenditures of Federal awards includes the Federal grant activity of Hatfield McCoy Regional Recreation Authority and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of, the financial statements.

    c) If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

44) We have implemented GASB Statement No. 87, *Leases*, and believe that all required disclosures and accounting considerations are immaterial to the financial statements.

45) The auditing standards define an annual report as "a document, or combination of documents, typically prepared on an annual basis by management or those charged with governance in accordance with law, regulation, or custom, the purpose of which is to provide owners (or similar stakeholders) with information on the entity's operations and the financial results and financial position as set out in the financial statements." Among other items, an annual report contains, accompanies, or incorporates by reference the financial statements and the auditors' report thereon. We confirm that we do not prepare and have no plans to prepare an annual report.

Other

46) We are responsible for taking corrective action on audit findings of the compliance audit.

47) We have provided you our interpretations of any compliance requirements that are subject to varying interpretations.

48) We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the dates of your reports.

49) We have identified for you previous audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective action taken to address significant findings and recommendations.

50) We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report.

51) Jeffrey Lusk, Executive Director, and Shannon Orso, Finance & Human Resource Director have sufficient skills, knowledge, and experience; have supervised, reviewed, and approved, and take full responsibility for the financial statements, related notes and we acknowledge the auditor's role in the preparation of this information.

52) We are responsible for determining that significant events or transactions that have occurred since the balance sheet dates and through the date of this letter have been recognized or disclosed in the financial statements. No events or transactions have occurred subsequent to the balance sheet dates and through the date of this letter that would require recognition or disclosure in the financial statements. We further represent that as of the date of this letter, the financial statements were complete in a form and format that complied with accounting principles generally accepted in the United States of America, and all approvals necessary for issuance of the financial statements had been obtained.

HATFIELD-McCOY REGIONAL
RECREATION AUTHORITY

Signed: Jeffrey N. Lusk
Jeffrey Lusk, Executive Director

Signed: Shannon Orso
Shannon Orso, Finance & Human Resource Director

Attachment A

Hatfield-McCoy Regional Recreation Authority
June 30, 2022
Corrected Misstatements

Number	Name	Account No	Debit	Credit
AJE 1	Deferred Outflows-OPEB	1905		(26,876)
AJE 1	WV Ret Health Ben. Trust Fund	2655	100,743	
AJE 1	Deferred Inflows-OPEB	2900	31,268	
AJE 1	OPEB Expense	8140		(105,135)
	To Adjust Net OPEB Liability and			
	Deferred Outflows and Inflows for current year activity.			
AJE 2	Deferred Outflows-PERS	1916	12,409	
AJE 2	Pension Liability GASB68	2801	917,633	
AJE 2	Deferred Inflows-PERS	2806		(731,678)
AJE 2	Proportionate Pension GASB68	8150		(198,364)
	To adjust Pension to Actual			
	Activity for FY22.			
AJE 3	Retained Earnings	3005	50,968	
AJE 3	Proportionate Pension GASB68	8150		(50,968)
	To properly roll Net Position as			
	of 06/30/2022			
AJE 4	Allowance for Bad Debt	1150		(69,472)
AJE 4	Bad Debt Expense	5182	69,472	
	To correct allowance for bad debts			
	to historical collectibility.			

Hatfield-Mccoy Regional Recreation Authority

Financial Report

June 30, 2022 and 2021

CONTENTS

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Independent Auditors' Report

Board of Directors
Hatfield-McCoy Regional Recreation Authority
Man, West Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Hatfield-McCoy Regional Recreation Authority (the Authority), as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Hatfield-McCoy Regional Recreation Authority as of June 30, 2022 and 2021, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)* Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Other Matter

Required Supplementary Information

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

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Charleston, West Virginia
January 31, 2023

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

STATEMENTS OF NET POSITION
Years Ended June 30, 2022 and 2021

ASSETS		**2022**		2021
CURRENT ASSETS				
Cash and cash equivalents	**$**	**2,460,228**	$	2,201,754
Accounts receivable, net of allowance for bad debts of $112,218 in 2022 and $27,502 in 2021		**559,581**		1,147,485
Grants receivable		**61,318**		46,548
Prepaid expenses		**162,212**		35,654
Prepaid grant matching		**409,717**		340,999
Inventory		**95,813**		42,496
Total current assets		**3,748,869**		3,814,936
NONCURRENT ASSETS				
Net pension asset		**585,829**		-
Net other post-employment benefits asset (OPEB)		**7,070**		-
Capital assets, net of accumulated depreciation		**7,946,402**		7,165,349
Total noncurrent assets		**8,539,301**		7,165,349
Total assets	**$**	**12,288,170**	$	10,980,285
DEFFERRED OUTFLOWS				
Deferred outflows - pension	**$**	**324,255**	$	260,876
Deferred outflows - OPEB		**87,296**		114,172
Total deferred outflows		**411,551**		375,048
Total assets and deferred outflows	**$**	**12,699,721**	$	11,355,333
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	**$**	**119,348**	$	65,730
Accrued expenses		**163,387**		141,481
Current portion of long-term debt		**19,123**		18,504
Total current liabilities		**301,858**		225,715
LONG-TERM OBLIGATIONS				
Net pension liability		**-**		331,804
Net other post-employment benefits liability (OPEB)		**-**		93,673
Long-term debt, less current portion		**165,344**		184,456
Total liabilities	**$**	**467,202**	$	835,648
DEFFERRED INFLOWS				
Pension	**$**	**760,184**	$	28,506
OPEB		**249,282**		280,550
Total deferred inflows	**$**	**1,009,466**	$	309,056
NET POSITION				
Investment in capital assets	**$**	**7,946,402**	$	6,962,389
Unrestricted		**3,276,651**		3,248,240
Total net position		**11,223,053**		10,210,629
Total liabilities, deferred inflows, and net position	**$**	**12,699,721**	$	11,355,333

See Notes to Financial Statements

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2022 and 2021

	2022	2021
OPERATING REVENUES		
User permit sales	$ 3,564,961	$ 3,918,963
Marketing and promotional revenue	687,045	389,468
Bad debt expense	(105,016)	(14,303)
Total operating revenues	4,146,990	4,294,128
OPERATING EXPENSES		
Salaries and wages	1,856,874	1,310,767
Payroll taxes	148,622	104,177
Employee benefits	19,675	216,181
Travel and meetings	40,399	16,645
Office	264,528	243,422
Marketing and promotional	397,800	424,087
Trail permits	41,075	40,276
Leases	22,025	-
Rent and utilities	12,818	18,033
Legal and professional	163,090	415,695
Insurance	252,578	221,669
Depreciation	327,007	306,681
Trail development and maintenance	3,148,083	1,432,211
Building repairs and maintenance	29,015	17,730
Equipment and vehicle repairs and maintenance	295,847	247,327
Small tools and equipment	32,194	12,469
Gain on disposal of assets	(11,700)	(9,017)
Contract labor	351,828	348,832
Total operating expenses	7,391,758	5,367,185
Operating loss	(3,244,768)	(1,073,057)
NONOPERATING REVENUES (EXPENSES)		
Inter-governmental revenues	729,275	993,767
Grant revenues	3,521,633	2,189,761
Interest income	1,872	1,683
Interest expense	(6,432)	(3,417)
Other expense	(9,156)	(10,209)
Net nonoperating revenues	4,237,192	3,171,585
Change in net position before contributed capital	992,424	2,098,528
Capital contribution	20,000	20,000
Change in net position	1,012,424	2,118,528
NET POSITION		
Beginning of year	10,210,629	8,092,101
End of year	$ 11,223,053	$ 10,210,629

See Notes to Financial Statements

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers and other sources	$ 4,651,406	$ 3,812,862
Cash paid to employees	(2,357,734)	(1,698,573)
Cash paid to suppliers	(5,177,537)	(3,314,977)
Net cash (used in) operating activities	(2,883,865)	(1,200,688)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payment of noncapital contribution to affiliates	(9,156)	(10,209)
Interest Paid on Long-Term Debt	(6,432)	(3,417)
Net cash (used in) noncapital financing activities	(15,588)	(13,626)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,108,060)	(966,178)
Proceeds from sale of capital assets	11,700	27,417
Proceeds from issuing Long-Term Debt	-	212,000
Principal payments on Long-Term Debt	(18,493)	(9,040)
Contributions for acquisition of capital assets	20,000	20,000
State funds in aid of acquisitions	4,250,908	3,183,528
Net cash provided by capital and related financing activities	3,156,055	2,467,727
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	1,872	1,683
Net cash provided by investing activities	1,872	1,683
Net increase in cash and cash equivalents	258,474	1,255,096
Cash and cash equivalents:		
Beginning of year	2,201,754	946,658
End of year	$ 2,460,228	$ 2,201,754
RECONCILIATION TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES		
Operating loss	$ (3,244,768)	$ (1,073,057)
Adjustments to reconcile operating (loss) to:		
Depreciation	327,007	306,681
Bad debt expense	105,016	14,303
(Gain) on disposal of equipment	(11,700)	(9,017)
(Increase) decrease in operating assets:		
Accounts and grants receivable	468,118	(388,774)
Inventory, prepaid expenses and other assets	(179,875)	127,039
Prepaid grant matching	(68,718)	(106,795)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	75,524	34,329
Net pension liability, deferred outflows and deferred inflows	336,495	(27,336)
OPEB liability, deferred outflows and deferred inflows	(690,964)	(78,061)
Net cash (used in) operating activities	$ (2,883,865)	$ (1,200,688)

See Notes to Financial Statements

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting entity: The Hatfield-McCoy Regional Recreation Authority (the Authority) is a public corporation and government instrumentality of the State of West Virginia established under Chapter 20, Article 14 of the West Virginia Code.

The Authority was created to enable and facilitate the development and operation of a system of trail-oriented recreation facilities to be used for motorcycles or all-terrain vehicles, bicycle riding, horseback riding, and hiking. The Authority has developed, and currently maintains, trail systems located throughout southern West Virginia. The Authority receives support through the sale of trail permits, intergovernmental revenues provided through state appropriations, and federal and state grants.

The accompanying financial statements present the Authority (primary government) only since the Authority does not have component units.

Basis of accounting: The Authority is accounted for as a special purpose government instrumentally engaged in business-type activities in accordance with accounting principles generally accepted in the United States of America. As such, the financial statements are prepared on the accrual basis of accounting, using the flow of economic resources measurement focus. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

The Authority's net position is classified as follows:

- **Invested in capital assets, net of relate debt** – This represents the Authority's total investment in capital assets, net of accumulated depreciation and reduced by any balances of any outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. The Authority had a debt balance related to its capital assets for $184,467 and $202,960 at June 30, 2022 and June 30, 2021.

- **Restricted net position, expendable** – This includes resources in which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties, including creditors, grantors or contributors. The Authority does not have any restricted expendable resources at June 30, 2022 and 2021.

- **Restricted net position, nonexpendable** – This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal. The Authority does not have any restricted nonexpendable resources at June 30, 2022 and 2021.

- **Unrestricted net position** – This represents resources derived from other than capital assets or restricted resources. These resources are used for transactions relating to the general operations of the Authority and may be used at the discretion of the Board of Directors to meet current expenses for any purpose.

Cash and cash equivalents: Cash and cash equivalents include investments with original maturities of less than one month.

Inventory: Inventories which include retail and advertising merchandise are stated at the lower of cost or market using the last-in, first-out (LIFO) method.

Capital assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and similar items), are reported at historical cost and include interest on funds borrowed to finance construction. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $2,500 and an estimated useful life in excess of one year. Contributed capital assets are valued at the approximate fair value at the date of contribution. Depreciation is computed using the straight-line method over a period of 5-39 years.

Net position: Net position is the difference between assets and liabilities. Net investment in capital assets consist of all capital assets, less accumulated depreciation. All remaining net position is considered unrestricted.

Operating revenues and expenses: Operating revenues and expenses are those that result from providing services and producing and delivering goods. It also includes all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from management's estimates. Significant estimates used in preparing these financial statements include those assumed in determining the allowance for uncollectible accounts and pension liabilities. It is at least reasonably possible that the significant estimates used will change within the next year.

Compensated absences: Employees fully vest in all earned but unused vacation and the Authority accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. In accordance with the State of West Virginia personnel policies, employees vest in any remaining unused sick leave only upon retirement, at which time such unused leave can be converted into employer paid premiums for post-retirement health care coverage or additional periods of credited service for purposes of determining retirement benefits.

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

Other Post-Employment Benefits (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 Fund (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 recognized benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Reclassifications: Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. The reclassification had no effect on previously reported net position.

Subsequent events: In preparing these financial statements, the Authority has evaluated all events and transactions subsequent to June 30, 2022, for potential recognition or disclosure through January 31, 2023, the date these financial statements were issued.

Recently Adopted Accounting Standards:

GASB No. 87, Leases, relates to improving accounting and financial reporting for leases by governments. The new guidance establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activity. The new standard is effective for financial statements for periods beginning after June 15, 2021. The Authority adopted and there was no material impact on the financial statements.

New or Recent Accounting Pronouncement:

GASB No. 96, *Subscription-Based Information Technology Arrangements*, issued May 2020, provides accounting and financial reporting guidance for subscription-based information technology arrangements (SBITAs). It is based on the standards established in GASB No. 87, *Leases.* It defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction; requires governments with SBITAs to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability (with an exception for short-term SBITAs—those with a maximum possible term of 12 months); and provides guidance related to outlays other than subscription payments, including implementation costs, and requirements for note disclosures related to a SBITA. The new standard is effective for financial statements for periods beginning after June 15, 2022. The Authority is currently evaluating the impact, if any, that adoption will have on its June 30, 2023 financial statements.

Note 2. Cash and Cash Equivalents

At June 30, 2022 and 2021, the Authority had deposits in financial institutions reported as cash and cash equivalents with carrying balances of $2,459,035 and $2,196,050, respectively, and bank balances of $2,774,223 and $2,244,669, respectively. Of the bank balances, $250,000 was insured by federal depository and $2,500,000 and $1,400,000 was secured through letters of credit with FHLB Bank assigned to the Authority on behalf of United National Bank for years ending June 30, 2022 and 2021. The Authority has $24,223 and $594,669 as of December 31, 2022 and 2021, respectively, as uninsured and uncollateralized accounts. The Authority also had cash on hand of approximately $1,193 and $5,704 for years ending June 30, 2022 and 2021.

Interest rate risk is the risk that changes in interest rates demanded by the market will adversely affect the fair value of an investment. Generally, the longer the duration of time to maturity of an investment is, the greater the sensitivity of its fair value is to changes in market interest rates. The Authority manages its exposure to interest rate risk by maintaining cash equivalent assets in interest bearing bank demand depository accounts that are less affected by changes in market rates as compared to long-term investments.

Note 3. Grants Receivable

Grants receivable from other governments at June 30, 2022 and 2021, consisted of:

	2022	2021
West Virginia Division of Highways	$ 61,318	$ 46,548

Note 4. Capital Assets

Capital asset additions, retirements and balances for the years ended June 30, 2022 and 2021, are as follows:

June 30, 2022	Beginning Balance	Additions / Transfers In	Retirements / Transfers Out	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED				
Land	$ 4,607,048	$ 511,768	$ -	$ 5,118,816
CAPITAL ASSETS BEING DEPRECIATED				
Infrastructure	105,569	-	-	105,569
Buildings	1,913,630	-	-	1,913,630
Equipment	1,908,287	367,806	-	2,276,093
Vehicles	1,408,379	222,506	(43,395)	1,587,490
Leasehold Improvements	542,937	5,980	-	548,917
Total capital assets being depreciated	5,878,802	596,292	(43,395)	6,431,699
Less accumulated depreciation for:				
Infrastructure	(101,617)	(3,526)	-	(105,143)
Buildings	(390,266)	(51,062)	-	(441,328)
Equipment	(1,340,260)	(141,442)	-	(1,481,702)
Vehicles	(1,210,294)	(85,442)	43,395	(1,252,341)
Leasehold improvements	(278,064)	(45,535)	-	(323,599)
Total capital assets being depreciated	(3,320,501)	(327,007)	43,395	(3,604,113)
Total capital assets being depreciated, net	2,558,301	269,285	-	2,827,586
Total capital assets, net	$ 7,165,349	$ 781,053	$ -	$ 7,946,402

June 30, 2021	Beginning Balance	Additions / Transfers In	Retirements / Transfers Out	Ending Balance
CAPITAL ASSETS NOT BEING DEPRECIATED				
Construction in process	$ 8,288	$ 5,886	$ (14,174)	$ -
Land	3,966,072	640,976	-	4,607,048
CAPITAL ASSETS BEING DEPRECIATED				
Infrastructure	105,569	-	-	105,569
Buildings	1,664,845	240,497	8,288	1,913,630
Equipment	1,908,287	-	-	1,908,287
Vehicles	1,385,449	72,325	(49,395)	1,408,379
Leasehold Improvements	530,557	6,494	5,886	542,937
Total capital assets being depreciated	5,594,707	319,316	(35,221)	5,878,802
Less accumulated depreciation for:				
Infrastructure	(94,999)	(6,618)	-	(101,617)
Buildings	(340,943)	(49,323)	-	(390,266)
Equipment	(1,206,037)	(147,590)	13,367	(1,340,260)
Vehicles	(1,155,025)	(72,897)	17,628	(1,210,294)
Leasehold improvements	(247,811)	(30,253)	-	(278,064)
Total capital assets being depreciated	(3,044,815)	(306,681)	30,995	(3,320,501)
Total capital assets being depreciated, net	2,549,892	12,635	(4,226)	2,558,301
Total capital assets, net	$ 6,524,252	$ 659,497	$ (18,400)	$ 7,165,349

Note 5. Long-Term Liabilities

A schedule of changes in the Authority's long-term liabilities are as follows:

	June 30, 2021	**Additions**	**Reductions**	**June 30, 2022**	**Amounts Due within 1 year**
Long-term debt:					
Note payable	**$ 202,960**	**$ -**	**$ 18,493**	**$ 184,467**	**$ 19,123**
	202,960	**-**	**18,493**	**184,467**	**19,123**
Other noncurrent liabilities:					
Net pension liability	**331,804**	**-**	**331,804**	**-**	**-**
Net OPEB liability	**93,673**	**-**	**93,673**	**-**	**-**
Total long-term Liabilities	**$ 628,437**	**$ -**	**$ 443,970**	**$ 184,467**	**$ 19,123**

	June 30, 2020	Additions	Reductions	June 30, 2021	Amounts Due within 1 year
Long-term debt:					
Note payable	$ -	$ 212,000	$ 9,040	$ 202,960	$ 18,504
	-	212,000	9,040	202,960	18,504
Other noncurrent liabilities:					
Net pension liability	137,170	194,634	-	331,804	-
Net OPEB liability	322,738	-	229,065	93,673	-
Total long-term Liabilities	$ 459,908	$ 406,634	$ 238,105	$ 628,437	$ 18,504

In December 2020, the Authority entered into a $212,000 note payable with Premier Bank, Inc. for the purchase of property at 180 Appalachian Outpost Trail. The note payable is due in monthly installments of $2,076, including interest at a variable rate equal to the Prime Rate with a floor of 3.25%, through December 2030. The variable interest rate was 3.25% at December 31, 2021 and changes in December 2025 and every 5 years thereafter. The note payable is secured by the property.

Aggregate maturities of long-term debt at June 30, 2022 are as follows:

Year ending June 30,	
2023	$ 19,123
2024	19,749
2025	20,423
2026	21,813
2027	22,536
Thereafter	80,823
Total	$ 184,467

Amounts recorded to interest expense for long-term debt for 2022 and 2021 are $6,432 and $3,417, respectively.

Note 6. Pension Plan

Defined Benefit Pension Plan- West Virginia Employees Retirement System:

Plan Description, Contribution Information, and Funding Policies

The Authority participates in a state-wide, cost-sharing, multiple-employer defined benefit pension plan on behalf of employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and State appropriations, as necessary.

The Authority contributes to the Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS covers substantially all employees of the State and its component units, as well as employees of participating non-state governmental entities who are not participants of another state or municipal system. Benefits under PERS include retirement, death and disability benefits, and have been established and may be amended by action of State Legislature.

CPRB issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CPRB website at www.wvretirement.com. The following is a summary of eligibility factors, contribution methods and benefit provisions:

Public Employees Retirement System (PERS)

Eligibility to participate	All Authority full-time employees, except those covered by other pension plans.
Authority establishing contribution obligations and benefit provisions	State Statute
Plan Member's contribution rate	4.50% for members hired prior to July 1, 2015 and 6.00% for members hired after July 1, 2015
The Authority's contribution rate	10.00% for the year ended June 30, 2022 and 2021
Period required to vest	Five years prior to July 1, 2015 and ten years subsequent to July 1, 2015
Benefits and eligibility for distribution	Prior to July 1, 2015: A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit. Subsequent to July 1, 2015: A member who has attained age 62 and has earned 10 years or more of contributing service, or age 55 if sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of living	No
Death benefits	Yes

Pension Liabilities (Asset), Pension Expense (Benefit), Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

At June 30, 2022 and 2021, the Authority reported the following liability for its proportionate share of the net pension liabilities. The net pension liability as of June 30, 2022 was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020, and rolled forward to June 30, 2021 using the actuarial assumptions and methods described in the appropriate section of this note. The net pension liability as of June 30, 2021 was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019, and rolled forward to June 30, 2020. The Authority's proportion of the net pension liabilities was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2022 and 2021, the Authority reported the following proportions and increase/(decrease) from its proportion measured as of June 30:

	2022	2021
Amount for proportionate share of net pension liability (asset)	**$ (585,829)**	$ 331,804
Percentage for proportionate share of net pension liability (asset)	**0.066728%**	0.062762%
Increase/(decrease) % from prior proportion measured	**0.003966%**	(0.001034%)

For the year ended June 30, 2022 and 2021, the Authority recognized $(112,669) and $79,479 as pension expense.

The Authority reported deferred outflows of resources and deferred inflows and resources related to pension from the following sources as of June 30, 2022 and 2021:

June 30, 2022:	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
CHANGE OF ASSUMPTIONS		
Net difference between projected and actual earnings on pension plan investments	$ 111,463	$ (750,352)
Differences between expected and actual Experience	66,858	(2,221)
Changes of assumptions	-	(4,748)
Changes in proportion and differences between contributions and proportionate share of contributions	8,910	(2,863)
Contributions subsequent to the measurement date	137,024	-
	$ 324,255	$ (760,184)

June 30, 2021:	Deferred Outflows of Resources		Deferred Inflows of Resources	
CHANGE OF ASSUMPTIONS				
Net difference between projected and actual earnings on pension plan investments	$	105,165	$	-
Differences between expected and actual Experience		48,828		(6,840)
Changes of assumptions		-		(14,620)
Changes in proportion and differences between contributions and proportionate share of contributions		255		(7,046)
Contributions subsequent to the measurement date		106,628		-
	$	260,876	$	(28,506)

The amount reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30:	PERS	
2023	$	(112,723)
2024		(82,046)
2025		(157,482)
2026		(220,702)
Total	$	(572,953)

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2020, and rolled forward to June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement.

Public Employees Retirement System:	
Actuarial assumptions:	
Inflation rate	2.75% as of June 30, 2021
Salary increases	3.60%-6.75%
Investment Rate of Return	7.25%
Mortality Rates	Healthy males – 108% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 Healthy females – 122% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 Disabled males – 118% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 Disabled females – 117% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018

The total pension liability was determined by an actuarial valuation as of July 1, 2019 and rolled forward to June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement.

Public Employees Retirement System:	
Actuarial assumptions:	
Inflation rate	3.00% as of June 30, 2020
Salary increases	3.35%-6.50%
Investment Rate of Return	7.50%
Mortality Rates	Healthy males – 108% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 Healthy females – 122% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 Disabled males – 118% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 Disabled females – 117% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018

The actuarial assumptions used in the July 1, 2021 and 2020, Public Employees Retirement System (PERS) valuations were based on the results of an actuarial experience study for the period June 1, 2013, to June 30, 2018.

The long-term expected rate of return on pension plan investments were determined using a building-block method in which estimates of expected real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Rates summarized in the following table as of June 30, 2021 and 2020 (measurement date) include the inflation component and were used for the following defined benefit plan:

As of June 30, 2021	**Long-Term Expected Real Rate of Return**	**(PERS) Target Asset Allocation**
INVESTMENT		
Domestic Equity	5.5%	27.5%
International Equity	7.0%	27.5%
Fixed Income	2.2%	15.0%
Real Estate	6.6%	10.0%
Private Equity	8.5%	10.0%
Hedge Funds	4.0%	10.0%
		100.0%

As of June 30, 2020	**Long-Term Expected Real Rate of Return**	**(PERS) Target Asset Allocation**
INVESTMENT		
Domestic Equity	5.5%	27.5%
International Equity	7.0%	27.5%
Fixed Income	2.2%	15.0%
Real Estate	6.6%	10.0%
Private Equity	8.5%	10.0%
Hedge Funds	4.0%	10.0%
		100.0%

Discount rate - The discount rate used to measure the total pension liability was 7.25% and 7.50% as of June 30, 2021 and 2020 (measurement dates). The projection of cash flows used to determine the discount rates assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the fiduciary net position for each defined benefit pension plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liabilities of each plan.

The following charts as of June 30, 2021 and 2020 (measurement dates), presents the sensitivity of the net pension liability to changes in the discount rate calculated using the discount rates as used in the actuarial evaluation, and what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

As of June 30, 2022	**1% Decrease**	**Current Discount Rate**	**1% Increase**
Authority's proportionate share of PERS's net Pension asset (liability)	**$ 6,694**	**$ (585,829)**	**$ (1,085,947)**

As of June 30, 2021	**1% Decrease**	**Current Discount Rate**	**1% Increase**
Authority's proportionate share of PERS's net Pension asset (liability)	$ (845,394)	$ (331,804)	$ 102,446

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

Note 7. Grant Revenues

Grants revenues recognized during the years ended June 30, 2022 and 2021, consisted of the following:

	2022	2021
West Virginia Division of Highways – Recreational Trails Program	**$ 215,129**	$ 195,407
Abandoned Mine Land Reclamation Program – Ivy Branch	**2,689,693**	1,092,624
Abandoned Mine Land Grant Ivy Phase II	**516,049**	640,036
Appalachian Regional Commission	**-**	261,694
Economic Adjustment Assistance Grant	**90,762**	-
Other	**10,000**	-
Total grant revenues	**$ 3,521,633**	$ 2,189,761

Note 8. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; employee health and life coverage and natural disasters. The Authority has purchased property and casualty insurance through the State of West Virginia's Board of Risk and Insurance Management (BRIM) and a commercial insurance carrier and employee health insurance and coverage for work-related accidents and injuries through commercial insurance carriers.

BRIM is a public risk pool that provides for general, property, medical malpractice, and automobile liability. Amounts paid to BRIM for the years ended June 30, 2022 and 2021 were $83,433 and $67,122.

In exchange for payment of premiums to BRIM and commercial insurance companies, the Authority has transferred its risks for property loss, employee health coverage and employee work related injuries.

Note 9. Post-Employment Benefits Other than Pension

The Authority participates in the West Virginia Other Post-Employment Benefit (OPEB) Plan of the West Virginia Retiree Health Benefit Trust Fund (RHBT), a cost sharing multiple-employer defined benefit post-employment healthcare plan for eligible employees administered by the West Virginia Public Employee Insurance Agency (PEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers.

The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the Finance Board to establish and amend benefit plans to the PEIA Board of Trustees. The PEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB plan. That report may be obtained by writing to West Virginia Public Employees Insurance Agency, 601 57th Street, Charleston, WV 25304, or from the PEIA website at www.peia.wv.gov. The Authority's required contributions for OPEB for fiscal years 2022 and 2021 were $27,928 and $43,376.

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

The projections of the net OPEB liability are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of the net OPEB liability does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial estimated liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. However, the preparation of any estimate of future post-employment costs requires consideration of a broad array of complex social and economic events. Future changes in the healthcare reform, changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs option, changes in the investment rate of return and other matters increase the level of uncertainty of such estimates. As such, the estimate of post-employment program costs contains considerable uncertainty and variability and actual experience may vary significantly by the current estimated net OPEB liability.

The net OPEB liability as of June 30, 2022 was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020, and rolled forward to June 30, 2021 using the actuarial assumptions and methods described in the appropriate section of this note. The net OPEB liability as of June 30, 2021 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020, and rolled forward to June 30, 2021. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the OPEB plan relative to the projected contributions of all participating entities.

Following is information related to the proportionate share as well as the OPEB expense:

	2022	2021
Amount for proportionate share of net pension liability (asset)	**$ (7,070)**	$ 93,673
Percentage for proportionate share of net pension liability (asset)	**0.0237774%**	0.0212077%
Increase % from prior proportion measured	**0.0025697%**	0.0017555%

At June 30, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows and resources related to OPEB from the following sources:

	2022	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Change of assumptions	**$ -**	**$ 149,607**
Net difference between projected and actual earnings on plan investments	**-**	**50,972**
Differences between expected and actual experience	**-**	**48,703**
Changes in proportion and differences between contributions and proportionate share of contributions	**59,368**	**-**
Contributions subsequent to the measurement date	**27,928**	**-**
	$ 87,296	**$ 249,282**

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	$ -	$ 211,439
Net difference between projected and actual earnings on plan investments	10,281	8,376
Differences between expected and actual experience	-	60,735
Changes in proportion and differences between contributions and proportionate share of contributions	60,515	-
Contributions subsequent to the measurement date	43,376	-
	$ 114,172	$ 280,550

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

Years Ending June 30:	
2023	$ (93,296)
2024	(72,511)
2025	(5,442)
2026	(18,665)
Total	$ (189,914)

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021 (measurement date), using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

2021	
Inflation rate	2.25% as of June 30, 2021
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 pre-Medicare per capita costs of 7.0% for plan year end 2023, decreasing by 0.25% for one year then by 0.25% each year thereafter, until ultimate trend rate of 4.50% is reached in plan year end 2032. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022. 9.50% for plan year end 2023, 8.40% for plan year end 2024, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2036.
Actuarial cost method	Entry age normal cost method

Amortization method	Level percentage of payroll over a 20-year closed period beginning June 30, 2017
Mortality rates	Post Retirement: Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 106% for males and 113% for females. Pre-Retirement: Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2019.

2020

Inflation rate	2.25% as of June 30, 2020
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 pre-Medicare per capita costs of 7.0% for plan year end 2023, 6.50%, decreasing by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032. Trend rate for Medicare per capita costs of 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 cost method
Amortization method	Level percentage of payroll over a 20-year closed period beginning June 30, 2017
Mortality rates	Post Retirement: Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females. Pre-Retirement: Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2019.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020. There were no assumption changes from the actuarial valuation as of June 30, 2020, measured at June 30, 2020 to a roll-forward measurement date of June 30, 2021.

The long-term rates of return on OPEB plan investments are determined using a building-block method in which estimates of expected future real rates of returns (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund, and 10% real estate invested for June 30, 2022 and 2021. Short-term assets used to pay current year benefits and expenses are invested with the West Virginia Board of Treasury Investments. Best estimates of long-term geometric rates are summarized in the following table:

As of June 30, 2022	**Long-Term Expected Real Rate of Return**
Global equity	**4.8%**
Core plus fixed income	**2.1%**
Core real estate	**4.1%**
Hedge fund	**2.4%**
Private equity	**6.8%**

As of June 30, 2021	**Long-Term Expected Real Rate of Return**
Global equity	6.8%
Core plus fixed income	4.1%
Core real estate	6.1%
Hedge fund	4.4%
Private equity	8.8%

Discount rate

The discount rate used to measure the OPEB liability was 6.65% for measurement date for the years ended June 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. The OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

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

The following chart presents the sensitivity of the net OPEB liability to changes in the discount rate calculated using the discount rates as used in the actuarial evaluation, and what 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 rate:

As of June 30, 2022	**1% Decrease**	**Current Discount Rate**	**1% Increase**
Net OPEB liability (asset)	**$ 37,939**	**$ (7,070)**	**$ (44,441)**

As of June 30, 2022	**1% Decrease**	**Current Discount Rate**	**1% Increase**
Net OPEB liability	**$ 133,590**	**$ 93,673**	**$ 60,257**

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

As of June 30, 2021	**1% Decrease**	**Healthcare Cost Trend Rate**	**1% Increase**
Net OPEB liability (asset)	$ (52,202)	$ (7,070)	$ 47,906

As of June 30, 2021	**1% Decrease**	**Healthcare Cost Trend Rate**	**1% Increase**
Net OPEB liability	$ 56,364	$ 93,673	$ 138,734

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, West Virginia 25304.

REQUIRED SUPPLEMENTARY INFORMATION

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
June 30, 2022, 2021, 2020, 2019, 2018, 2017, and 2016

Schedule of Proportionate Share of the Net Pension Liabilities (Assets)

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Authority's percentage proportion of the net pension liability (asset)	**0.066728 %**	0.062762 %	0.063796 %	0.066519 %	0.066341 %	0.065543 %	0.061989 %
Authority's proportionate share of the net pension liability (asset)	**$ (585,829)**	$ 331,804	$ 137,170	$ 171,786	$ 286,356	$ 602,414	346,149
Authority's covered-employee payroll	**$ 1,370,240**	$ 1,062,610	$ 969,880	$ 937,760	$ 919,073	$ 915,217	906,519
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	**(42.75) %**	31.23 %	14.14 %	18.32 %	31.16 %	65.82 %	38.18 %
Plan fiduciary net position as a percentage of the total pension liability (asset)	**111.07 %**	92.89 %	96.99 %	96.33 %	93.67 %	86.11 %	91.29 %

Schedule of Pension Contributions

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Contractually required contribution	**$ 137,024**	$ 106,261	$ 96,988	$ 93,776	$ 101,098	$ 109,826	122,380
Contribution in relation to the contractually required contribution	**$ (137,024)**	$ (106,261)	$ (96,988)	$ (93,776)	$ (101,098)	$ (109,826)	(122,380)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -	$ -	-
Authority's covered-employee payroll	**$ 1,370,240**	$ 1,062,610	$ 969,880	$ 937,760	$ 919,073	$ 915,217	906,519
Contributions as a percentage of covered-employee payroll	**10.00 %**	10.00 %	10.00 %	10.00 %	11.00 %	12.00 %	13.50 %

Note: These schedules are intended to present ten years of the proportionate share of the net pension liability and contributions. Currently, only those years with information available are presented.

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF NET OPEB LIABILITY
June 30, 2022, 2021, 2020, 2019, and 2018

Schedule of Proportionate Share of the Net OPEB Liabilities (Assets)

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Authority's percentage proportion of the net OPEB liability (asset)	**0.023777 %**	0.021208 %	0.019452 %	0.019229 %	0.017226 %
Authority's proportionate share of the net OPEB liability (asset)	**$ (7,070)**	$ 93,673	$ 322,738	$ 412,542	$ 423,586
Authority's covered-employee payroll	**$ 1,005,890**	$ 862,086	$ 833,914	$ 724,588	$ 809,325
Authority's proportionate share of the net OPEB liaiblity (asset) as a percentage of its covered-employee payroll	**(2.24) %**	10.87 %	38.70 %	56.93 %	52.34 %
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	**101.81 %**	73.49 %	39.69 %	30.98 %	25.10 %

Schedule of OPEB Contributions

	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Contractually required contribution	**$ 27,928**	$ 43,376	$ 40,733	$ 39,786	$ 44,424
Contribution in relation to the contractually required contribution	**$ (27,928)**	$ (43,376)	$ (40,733)	$ (39,786)	$ (44,424)
Contribution deficiency (excess)	**$ -**	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	**$ 1,005,890**	$ 862,086	$ 833,914	$ 724,588	$ 809,325
Contributions as a percentage of covered-employee payroll	**8.87 %**	5.03 %	4.88 %	5.49 %	5.49 %

Note: These schedules are intended to present ten years of the proportionate share of the net OPEB liability and contributions. Currently, only those years with information available are presented.

NOTES TO PENSION AND OPEB REQUIRED SUPPLEMENTAL INFORMATION SCHEDULES

West Virginia Public Employees' Retirement System

Change in benefit terms

No changes during the year ended June 30, 2021 (measurement date).

Change in assumptions

- General/Price inflation –Decrease price inflation rate from 3.00% to 2.75%.
- Decrease investment rate of return from 7.50% to 7.25%
- Projected salary increases – Increase projected salary increases from 3.35% - 6.50% to 3.60% - 6.75%
- Discount Rate – Decrease discount rate from 7.50% to 7.25%.

OPEB Information

Change in benefit terms

No changes during the year ended June 30, 2021 (measurement date).

Changes in Assumptions

No changes during the year ended June 30, 2021 (measurement date).

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2022

Federal Grantor Program Title	Assistance Listing Number	Pass-Through Agency	Pass-Through Agency Grant Number	Federal Expenditures	Payments Made to Subrecipients
U.S. Department of Commerce					
Economic Development Cluster:					
Economic Adjustment Assistance	11.307	N/A	N/A	$ 90,762	$ -
U.S. Department of Transportation:					
Highway Planning and Construction Cluster:					
Recreational Trails Program	20.219	West Virginia Department of Transportation, Division of Highways	N/A	$ 215,129	$ -
U.S. Department of Interior:					
Abandoned Mine Land Reclamation (AMLR) Program	15.252	State of West Virginia Through the Office of Surface Mine Reclamation and Enforcement	N/A	$ 3,205,742	$ -
Total Expenditures of Federal Awards				$ 3,511,633	$ -

See Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Hatfield-McCoy Regional Recreation Authority (the Authority) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Center.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Authority does not use the 10% de minimis indirect cost rate allowed under Uniform Guidance as the Federal programs administered by the Authority do not include charges for indirect costs.

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

Board of Directors
Hatfield-McCoy Regional Recreation Authority
Man, West Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, (*Government Auditing Standards*), which comprise the statement of net position, as of June 30, 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the relate notes to the financial statements, and have issued our report thereon dated January 31, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings and responses as findings 2022-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

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

The Authority's Response to Findings

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

Purpose of this Report

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

Baker Tilly US, LLP

Charleston, West Virginia
January 31, 2023

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Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditors' Report

Board of Directors
Hatfield-McCoy Regional Recreation Authority
Man, West Virginia

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Hatfield-McCoy Regional Recreation Authority (Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2022. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Baker Tilly US, LLP

Charleston, West Virginia
January 31, 2023

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2022

Section I. – Summary of Independent Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ______yes __X__no
- Significant deficiency(ies) identified? __X__yes _____none reported

Noncompliance material to financial statements noted? ______yes __X__no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ______yes __X__no
- Significant deficiency(ies) identified? ______yes __X__none reported

Type of auditor's report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? _____ yes __X__ no

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
15.252	Abandoned Mine Land Reclamation (AMLR) Program

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? __X__ yes ___ no

Section II. – Financial Statement Findings

2022-001: Significant Deficiency - Allowance for Bad Debt

Criteria or Specific Requirement: The allowance for bad debt calculation should be reviewed on a monthly basis to include any possible changes in collections in accounts receivable to ensure accuracy of accounts receivable and operating revenue.

Condition and Cause: The Authority has older customer accounts that have balances delinquent of payment of more than one year from the year-end date. The older aging accounts accumulated due to lack of customer payment. The allowance calculation for accounts receivable was not adequately adjusted for the changes in collections and the continuous aging of accounts.

Effect: Accounts receivable were overstated by approximately $69,472.

Recommendation: We recommend that management establish monthly collections and billing monitoring procedures and update the allowance for bad debt calculation appropriately. The allowance model should be reviewed and updated to include current collection percentages and researching collection decreases to the extent necessary to determine if adjustments to the allowance calculation are required.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the auditor’s recommendation. Subsequent to year-end, the Authority worked with their attorney to send older customer accounts to collections and developed an allowance model to ensure proper estimate of accounts receivable on a monthly basis.

Section III. – Findings and Questioned Costs for Federal Awards

No matters were reported.

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

AUDITEE'S SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2022

Financial Statement Findings:

No matters were reported.

Findings of Questioned Costs for Federal Awards:

No matters were reported.