



WEST VIRGINIA
Water Development Authority

FISCAL YEAR 2022 ANNUAL REPORT

The Honorable James C. Justice, II
Governor

Marie Prezioso
Executive Director





WEST VIRGINIA
Water Development Authority

Annual Report Year Ended June 30, 2022

BOARD MEMBERS

The Honorable Jim Justice
Governor of West Virginia and Chair of the Board

Ann V. Urling, Governor's Deputy Chief of Staff and Designee to the Board

John M. Miller, III, Vice Chairman

Gary Sutphin

Amy L. Swann

Michael Clowser

Katheryn Emery, Director
Division of Water and Waste Management
West Virginia Department of Environmental Protection

Meredith Vance, Technical Analyst Senior
Engineer, Infrastructure and Capacity Development
Environmental Health, BPH

**STATE OF WEST VIRGINIA
WATER DEVELOPMENT AUTHORITY**

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STATE OF WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

MISSION

Provide communities in the State of West Virginia (the “State”) financial assistance for development and continued maintenance of water, wastewater, and economic infrastructure that will improve drinking water quality, protect public health, protect the streams of the State and provide infrastructure to encourage economic growth.

The West Virginia Water Development Authority (the “WDA”) is the agency that coordinates the financing and closing for all infrastructure and economic development loans and provides financing for the design, construction, improvement and acquisition of water and wastewater facilities to Local Governmental Agencies (the “LGA’s”) (municipalities, public service districts and other political subdivisions). The WDA is also the administrative oversight agency for servicing loans and grants made from its revenue bond programs, the West Virginia Infrastructure Fund and the Drinking Water Treatment Revolving Fund. The WDA also provides administrative oversight for the Clean Water State Revolving Fund.

ESTABLISHMENT

Established in 1972 by the West Virginia Legislature, the WDA commenced services in 1974 and is authorized to provide financial assistance to Local Governmental Agencies to help them meet the requirements of State and Federal water pollution control and safe drinking water laws, thereby protecting the health of the State’s citizens, improving water quality, and protecting the environment while constructing and upgrading infrastructure to attract economic development.

The WDA operates under the supervision of the West Virginia Water Development Board (the “Board”). The Board is composed of seven members, including three ex officio members: the Governor or designee, the Secretary of the Department of Environmental Protection or designee, and the Commissioner of the Bureau for Public Health or designee. The remaining four members of the Board are appointed by the Governor, with the advice and consent of the State Senate, for terms of six years. Appointed Board members may be reappointed to serve additional terms. No more than two of the appointed Board members shall at any one time belong to the same political party. The Governor or designee serves as chair. The Board annually elects one of its appointed members as vice chair and appoints a secretary-treasurer, who need not be a member of the Board.

As of June 30, 2022, the WDA had a staff of fifteen. The WDA is self-supporting and does not receive State appropriations for operating expenses or bond programs.

GOALS

- Assist communities in obtaining loan and grant funds to help meet the needs for adequate publicly owned water and wastewater systems, which improve health conditions as well as achieve and maintain compliance with State and federal water quality laws. As of June 30, 2022, there were \$630 million in projects that were deemed technically feasible and requiring funding.
- Administer loans and grants through the execution of payments to LGA's, monitoring repayments per loan agreements, and reconciling balances with the Municipal Bond Commission in order to protect capital investments and the WDA's and State's credit ratings for its revenue bond programs.
- Secure the maximum federal funding available each year under the Clean Water State Revolving Fund (CWSRF) for wastewater projects and the Drinking Water Treatment Revolving Fund (DWTRF) for drinking water projects by providing the required 20% match.

OBJECTIVES

- Serve as a voting member on the West Virginia Infrastructure and Jobs Development Council (IJDC).
- Maximize and leverage the use of all available State, federal and local funding sources by participating in the IJDC's technical and financial review process on all proposed water and wastewater projects.
- Assist in the commitment of available CWSRF, DWTRF, West Virginia Infrastructure Fund (WVIF), and WDA dollars to cost-effective and environmentally sound projects as expeditiously as possible.
- Ensure the availability of revolving dollars to meet future needs by assisting struggling or defaulting communities to resolve underlying problems indicated by repayment activity on loans.
- Verify compliance with loan agreements by conducting financial audit reviews on selected water and wastewater loan recipients.
- Obtain funds for the WDA and WVIF through public bond offerings to finance construction/improvement of water and wastewater systems and Economic Development Projects.
- Provide accountability for funds managed through preparation of various reports, including financial statements that are audited annually.

OBJECTIVES (continued)

- Maximize investment earnings.
- Educate the public and potential funding recipients about the availability of funding for water and wastewater systems and the value of improvements to those systems by participating in annual conferences and trade conventions.

RESPONSIBILITIES

- Managing the WDA's various loan programs and servicing its loans. As of June 30, 2022, total loans outstanding were \$159 million.
- Coordinating infrastructure-related revenue bond issuance activity.
- Serving as administrative agency for the IJDC.
- Participating as a voting member of the IJDC.
- Serving as the administrative agency for the EEGF
- Serving as fiduciary of the IJDC's WVIF.
- Serving as administrative agency for the Department of Environmental Protection's CWSRF.
- Serving as financial manager for the Bureau for Public Health's DWTRF.
- Closing and servicing all loans funded by the WVIF, CWSRF, DWTRF and WDA.
- Maintaining financial records, preparing and analyzing financial statements and preparing underlying work papers for three programs that are audited annually by certified public accounting firms.
- Reviewing, approving and processing debt service semi-annually on general obligation and revenue bonds.
- Providing Secondary Market Disclosure and Reporting and other information to the Electronic Municipal Market Access (EMMA), rating agencies and bond insurers.

RESPONSIBILITIES (Continued)

- Communicating with the Water Development Board and other State agencies.
- Working with Local Governmental Agencies on project development and funding solutions.
- Providing loans from other available funds for projects that are not eligible under the revenue bond programs.
- Providing Bridge Loans from other available funds for projects until revenue bond proceeds are available for permanent financing.

The WDA serves as administrative agency for the Department of Environmental Protection's CWSRF by:

- Administering the local bond purchase process.
- Preparing loan agreements.
- Closing loans with Local Governmental Agencies.
- Maintaining bonds, bond transcripts and project-related files for annual United States Environmental Protection Agency ("EPA") program audits.

The WDA serves as financial manager for the Bureau for Public Health's DWTRF by:

- Administering the local bond purchase process.
- Preparing loan agreements.
- Closing loans with Local Governmental Agencies.
- Disbursing payments to projects.
- Providing ongoing servicing functions for all loans outstanding as of June 30, 2022, which total \$148 million.
- Maintaining financial records, preparing and analyzing financial statements and preparing underlying work papers for the annual financial and compliance audits by a certified public accounting firm.
- Maintaining bonds, bond transcripts and project-related files for annual EPA program audits.
- Performing desk reviews of subrecipient audits.

The WDA serves as fiduciary for the Infrastructure and Jobs Development Council's WVIF by:

- Administering the local bond purchase and grant process.
- Disseminating loan and grant agreements.
- Closing loans and grants with Local Governmental Agencies.
- Disbursing payments to projects.
- Providing ongoing servicing functions for all loans outstanding as of June 30, 2022, which total \$483 million for water/wastewater and \$105 million for economic development.

RESPONSIBILITIES (Continued)

- Maintaining financial records, preparing and analyzing financial statements and preparing underlying work papers for the annual financial statement audit by a certified public accounting firm.
- Maintaining bonds, notes, bond transcripts and project-related files.
- Coordinating infrastructure-related revenue bond issuance activity.
- Reviewing, approving, and processing debt service semi-annually on general obligation and revenue bonds.
- Providing Secondary Market Disclosure and Reporting and other information to rating agencies and bond insurers.
- Issuing bonds on behalf of the IJDC.
- Grant administration and reporting to West Virginia Legislative Auditor.

ACCOMPLISHMENTS

- **Celebrated 48 Years of Service 1974 – 2022.**
- Continued the Design Loan Program with two additional loans closed totaling \$656,627.
- Closed an additional 116 loans and grants totaling \$132 million this year to communities for water, wastewater, and economic development projects.
- Provided servicing for 906 loans (local bonds of communities) outstanding as of June 30, 2022, totaling \$1.629 billion.
- Acted in a fiduciary capacity for more than \$2 billion for funding of loans and grants and continued to meet the challenge of enhancing and creating adequate infrastructure for the citizens of West Virginia.

PROGRAMS

The WDA administers a variety of programs to provide long-term, short-term and private-activity financing at favorable interest rates for design, construction, improvement and acquisition of water and wastewater systems. Generally, WDA revenue bond programs are funded with proceeds from water development bonds issued by the WDA. Moneys in the various WDA programs are loaned to municipalities, public service districts and other political subdivisions through the purchase of local revenue bonds and/or notes issued by these Local Governmental Agencies. The loans are repaid from the revenues of the systems or other permanent financing.

Using other funds available to it, the WDA makes low-interest loans to cover the design and related costs of wastewater and water projects, which assist communities in getting projects ready for construction with short-term affordable rates that are taken out with permanent financing when the

project goes to construction.

DEBT ADMINISTRATION

As a financing entity, the purpose of the WDA is debt issuance and administration, including loan servicing. Servicing is vitally important because loan repayments are used to make debt service payments on publicly marketed bonds issued by the WDA or revolved for future projects. The viability and success of the programs administered by the WDA are dependent on the servicing aspect provided by the WDA. If servicing is not managed, bond reserve funds would potentially be needed to meet debt service payments with subsequent appeal to the Governor to replenish the reserve funds deficiency through the budget process.

By statute, the maximum amount of bonds the WDA is authorized to have outstanding includes debt issued for the WDA and by the WDA on behalf of the West Virginia Infrastructure and Jobs Development Council. The amount of bonds or notes outstanding may not exceed \$500 million at any time; provided that before the WDA issues bonds or notes in excess of \$400 million, the State Legislature must pass a resolution authorizing this action. The WDA's long-term planning is accomplished within the confines of its authorized borrowing limit. The WDA continues to monitor its long-term outstanding debt for prepayment and refunding opportunities for debt service savings. While the redemption of bonds is economically prudent because of the resulting debt service savings, any reduction in the liability for long-term debt also enables the WDA to manage debt capacity for future needs as well as for new programs. At year end, the WDA had \$275 million in revenue and refunding bonds outstanding, including \$139 million in Infrastructure Revenue Bonds.

CLEAN WATER STATE REVOLVING FUND

In 1987, the Congress of the United States replaced the construction grants program with a State-operated revolving loan fund to provide no-interest or low-interest loans to Local Governmental Agencies to assist in financing wastewater projects. Under this program, grants that must be matched by State funds are awarded by the United States Environmental Protection Agency ("EPA") to the Department of Environmental Protection ("DEP"). The federal grants and State matching grants are deposited in a perpetual revolving fund designated as the CWSRF and remain in perpetuity by revolving the principal repayments and interest earned on the loans to make more loans.

As of June 30, 2022, DEP had been awarded thirty-three capitalization grant awards for the CWSRF from the EPA totaling \$759 million. The State is required to provide an additional twenty percent of the federal award as matching funds in order to qualify for funding. The State has contributed to the CWSRF \$140 million in matching funds, of which \$121 million has been contributed by the IJDC.

The WDA coordinates the initial Local Governmental Agency bond financing process for the CWSRF.

DRINKING WATER TREATMENT REVOLVING FUND

The Drinking Water Treatment Revolving Fund (“DWTRF”) was established pursuant to the Safe Drinking Water Act and by the Legislature under Chapter 16, Article 13C of the West Virginia Code. The purpose of the act was to establish and implement a State-operated perpetual revolving loan fund to provide no-interest or low-interest loans to Local Governmental Agencies and other eligible water providers to assist in financing drinking water infrastructure projects, including but not limited to, treatment, distribution, transmission, storage, and extensions; and remain in perpetuity by revolving the principal repayments and interest earned from the loans to make more loans. The DWTRF’s loan programs are designed to provide financial and compliance assistance to eligible water providers in the State. Such loan programs provide long-term financing to cover all or a portion of the cost of qualifying projects.

As of June 30, 2022, the Bureau for Public Health (“BPH”) had been awarded twenty-six capitalization grant awards from the EPA totaling \$246 million, one of those grant awards being a Stimulus Grant, of which \$184 million was allocated to the DWTRF and \$62 million for set-aside programs administered by the BPH. The State is required to provide an additional twenty percent of the federal award as matching funds in order to qualify for funding. On behalf of the State, the IJDC has contributed \$45 million in matching funds to the DWTRF.

The WDA coordinates the initial Local Governmental Agency bond financing process and performs the ongoing loan servicing functions for the DWTRF.

WEST VIRGINIA INFRASTRUCTURE FUND

The IJDC was created as a governmental entity of the State under the provisions of Chapter 31, Article 15A, Section 3 of the West Virginia Code, as amended, which also established the WVIF. The IJDC has statutory responsibility to review the preliminary applications for water and wastewater facilities, combination projects or economic development projects seeking State funding to first determine technical feasibility. If the project is determined to be an appropriate investment of State funds, and the IJDC has determined the project is eligible for funding assistance from one or more State infrastructure agencies, the IJDC will make a written recommendation for project funding. Specifically, the IJDC will recommend the kind of funding (loan and/or grant) and the amount and source of funding which the project sponsor should pursue. Otherwise, the IJDC will make a written recommendation that the project sponsor does not seek funding from any State infrastructure agency.

The IJDC consists of eleven voting members, including the Governor or designee as chairman and executive representation from the Housing Development Fund, Department of Environmental Protection, Economic Development Authority, WDA, Bureau for Public Health, and Public Service Commission and four members representing the general public.

Sources of funding for the IJDC, which funding must be allocated 80 percent to water and

WEST VIRGINIA INFRASTRUCTURE FUND (continued)

wastewater projects and 20 percent to economic development projects, include appropriations, proceeds from general obligation and revenue bonds, video lottery proceeds, investment earnings and unrestricted loan repayments.

The WDA is the administrative agency for the IJDC and is fiduciary of the WVIF. The WDA provides administrative, financial and legal expertise to the IJDC and ongoing servicing on loans made from the WVIF. The WDA employs two additional individuals for the benefit of the IJDC. The WDA issues infrastructure revenue and refunding bonds, at the written request of the IJDC, to provide loans and other forms of financial assistance for infrastructure projects. Of the \$360.5 million in infrastructure revenue and refunding bonds that have been issued, including the Chesapeake Bay/Greenbrier Watershed bonds, \$139 million are outstanding.

WEST VIRGINIA ECONOMIC ENHANCEMENT GRANT FUND

On March 12, 2022, the West Virginia Legislature enacted HB4566 which amended the West Virginia Water Development Authority statute, WV Code 22C-1 et seq (the “WVWDA Act”) by adding a new section 6a (“Section 6a”). Section 6a authorized the West Virginia Water Development Authority (the “WDA”) to create the West Virginia Economic Enhancement Grant Fund (the “EEG Fund”). On April 25, 2022, the Legislature passed HB217 which appropriated \$250,000,000 to the EEG Fund from certain American Rescue Plan Act (“ARPA”) funds received by the State of West Virginia (“HB217”). The WDA placed the appropriation in the HB217 Enhancement Grant Subaccount (the “HB217 Subaccount”).

The WDA shall establish the EEGF to be expended as grants to governmental agencies or to not-for-profits to fund a portion of the costs for infrastructure projects as defined in Chapter 31, Article 15A, Section 2 of the West Virginia Code, and more specifically:

- (1) To cover the cost of bid overruns for projects and infrastructure projects approved by the West Virginia Infrastructure and Jobs Development Council.
- (2) To cover all or a portion of the costs of extending or expanding water, stormwater and/or wastewater service to enhance economic development and/or tourism when recommended by the Secretary of Commerce, the Secretary of Economic Development and/or the Secretary of Tourism.
- (3) To cover the costs of facilitating the merger and/or consolidation of water or wastewater providers where all parties to the proposed merger make joint applications to the West Virginia Infrastructure and Jobs Development Council.
- (4) To cover the cost of water, stormwater and/or wastewater projects for governmental agencies where the combined rates for water, stormwater and wastewater exceed 1.5% of the governmental agency’s Median Household Income.

(5) To cover the startup costs for governmental utilities that are providing or extending service to unserved areas of the State.

(6) To provide a commitment to cover the difference between the cost of funded projects and the updated cost estimate, and when the project is bid, to provide a grant for the dollar difference between the committed funding and the bid results; and

(7) To cover all or a portion of the infrastructure projects to enhance economic development and/or tourism when recommended by the Secretary of Commerce, the Secretary of Economic Development and/or the Secretary of Tourism.

For additional information on the various programs the WDA administers, visit the WDA's website at www.wvwda.org.



WEST VIRGINIA

Water Development Authority

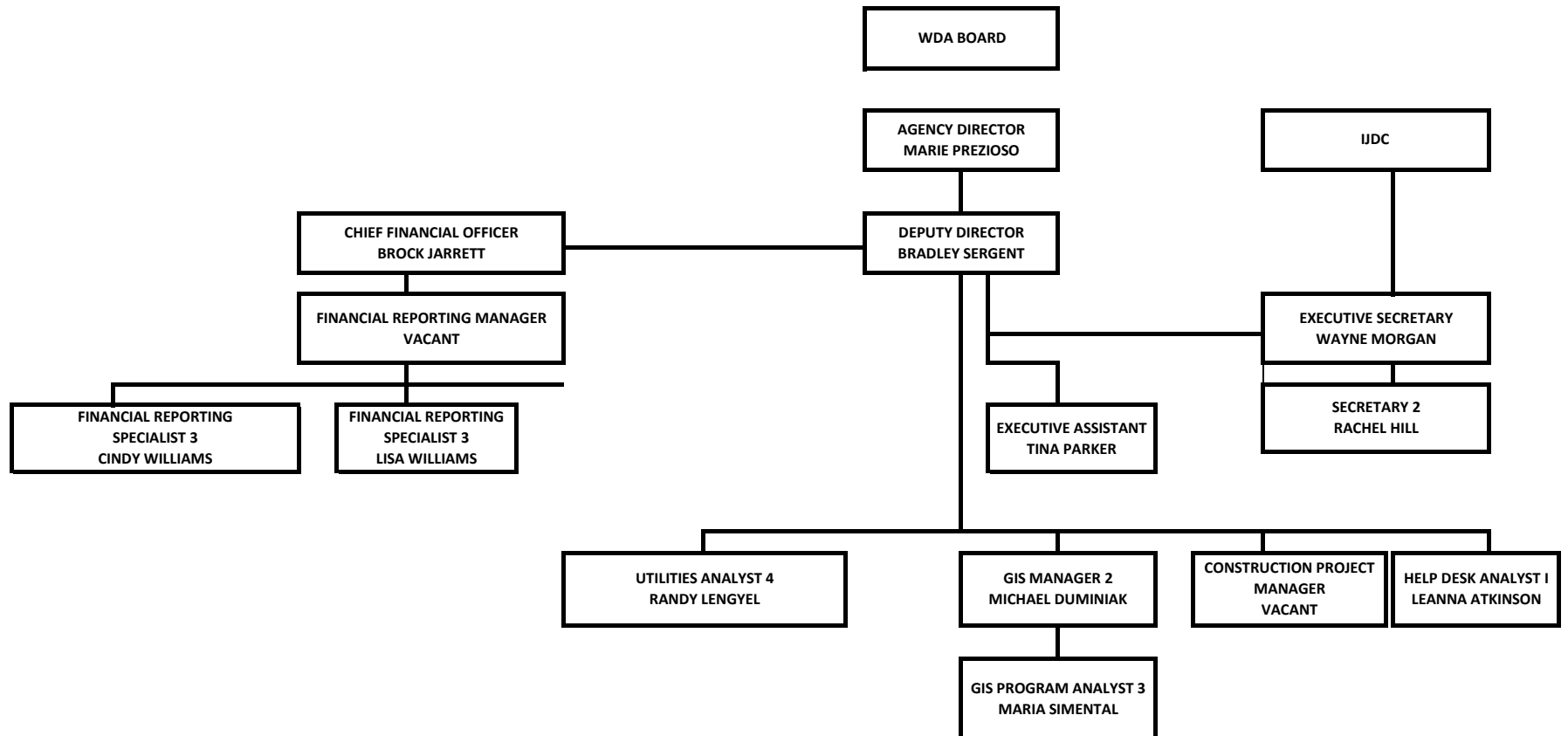
Celebrating 47 Years of Service 1974-2021

APPENDIX A

ORGANIZATIONAL CHART



WEST VIRGINIA WATER DEVELOPMENT AUTHORITY ORGANIZATIONAL CHART





WEST VIRGINIA
Water Development Authority
Celebrating 47 Years of Service 1974-2021

APPENDIX B

WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS
WITH INDEPENDENT
AUDITORS' REPORT

**WEST VIRGINIA
WATER DEVELOPMENT AUTHORITY**

FINANCIAL REPORT

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Virginia Water Development Authority
Charleston, West Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the West Virginia Water Development Authority (the Authority), a component unit of the State of West Virginia, as of and for the year ended June 30, 2022, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2022, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the proportionate share of the net pension liability (asset), the schedule of contributions to the PERS, the schedule of the proportionate share of the net OPEB liability (asset), the schedule of contributions to the RHBT, and the notes to required supplementary information 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2022, 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.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
October 11, 2022

**WEST VIRGINIA WATER DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

INTRODUCTION

The West Virginia Water Development Authority (the "Authority") was established in 1972 by the West Virginia Legislature (WV 22C-1-14) as a governmental instrumentality of the State of West Virginia (the "State") and a body corporate and is considered a component unit of the State for financial reporting purposes. The Authority commenced operations in 1974 and is authorized to serve as a revenue bond bank that provides financial assistance to municipalities, public service districts and other political subdivisions to meet the requirements of State and federal water pollution control and safe drinking water laws, thereby helping to protect the health of the State's citizens, improving drinking water quality, upgrading infrastructure to attract economic development and protecting the environment. The Authority operates under the supervision of the West Virginia Water Development Board, which is comprised of seven members. The Authority, also serves as fiduciary agent for two other programs which are reported separately. The Authority is self-supporting and does not receive State appropriations for operating expenses or bond programs.

The Authority maintains a variety of programs to provide long-term, short-term and private-activity financing at favorable interest rates for design, construction and/or acquisition of wastewater and/or water systems. Generally, the Authority's programs are funded with proceeds from water development bonds issued by the Authority. Moneys in the various programs are loaned to municipalities, public service districts and other political subdivisions through the purchase of revenue bonds or notes issued by these local governmental agencies. The loans are repaid from the revenues of the wastewater and/or water systems or other permanent financing. Because the Authority's bonds are considered a moral obligation of the State, the aggregate principal amount of bonds and/or notes issued by the Authority may not exceed \$500 million outstanding at any time; provided that before the Authority issues bonds or notes in excess of \$400 million, the Legislature must pass a resolution authorizing this action. As of June 30, 2022, the Authority has \$218,484,000 in bonds principal outstanding. This balance includes bonds issued for the Infrastructure and Jobs Development Council.

The Authority's long-term planning is accomplished within the confines of its authorized borrowing limit. Additionally, the Authority has used and will use other available resources to fund loans, make grants, and issue bonds when a significant identifiable need arises.

During the 2022, West Virginia Legislature's Regular Session House Bill 4566 was passed and signed into law by the Governor. This legislation created the Economic Enhancement Grant Fund. This fund is governed, administered and accounted for by the directors, officers and management of the Authority. The legislation authorized the Authority to make grants to cover all or a portion of the costs of water, sewer, economic development or tourism projects. At the 2022 Second Extraordinary Session, House Bill 217 was passed and signed into law by the Governor. This legislation provided the Authority \$250,000,000 from the Coronavirus State Fiscal Recovery Fund to fund the eligible projects.

This discussion and analysis of the Authority's financial activities for the year ended June 30, 2022 is designed to assist the reader in focusing on significant financial issues and activities of the Authority and to identify significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 10.

(Continued)

**WEST VIRGINIA WATER DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

USING THIS REPORT

This report consists of a series of financial statements. The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Fund Net Position report the Authority's net position and the annual changes in net position. The Authority's net position, which is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is one way to measure the Authority's financial health or financial position.

FINANCIAL HIGHLIGHTS

Total assets of the Authority increased a total of \$245 million or 105%. Deferred outflows of resources decreased by \$660 thousand or 11%. There was an increase in total liabilities of \$241 million or 150%. Deferred inflows of resources decreased \$240 thousand or 36%. Total net position increased \$3.7 million or 5%. Total revenues decreased \$406 thousand or 4% from the previous year. This was primarily due to a decrease in charges for services of \$624 thousand, and a decrease in other revenues of \$229 thousand. Total expenses decreased \$350 thousand or 5%.

THE AUTHORITY AS A WHOLE

The analysis below focuses on Net Position (Table 1) and Changes in Net Position (Table 2):

(Continued)

**WEST VIRGINIA WATER DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

**Table 1
Net Position**

	2022 WDA	2021 WDA	Increase (Decrease)
Assets			
Current assets	\$ 310,072,268	\$ 57,534,563	\$252,537,704
Non-current assets	169,692,205	176,796,235	(7,104,030)
Total assets	\$ 479,764,473	\$ 234,330,798	\$245,433,675
Deferred outflows of resources			
Deferred loss on bond refundings	\$ 5,399,146	\$ 6,042,873	\$ (643,727)
Deferred outflows of resources from OPEB amounts	29,603	40,247	(10,644)
Deferred outflows of resources from pension amounts	130,523	136,675	(6,152)
Total deferred outflows of resources	\$ 5,559,272	\$ 6,219,795	\$ (660,523)
Liabilities			
Current liabilities	\$ 261,219,325	\$ 10,840,603	\$250,378,722
Design loan program notes payable	6,375,836	5,755,974	619,862
Net OPEB liability	-	34,958	(34,958)
Net pension liability	-	169,009	(169,009)
Long-term debt outstanding	133,437,661	143,360,168	(9,922,507)
Total liabilities	\$ 401,032,822	\$ 160,160,712	\$240,872,110
Deferred inflows of resources			
Deferred gain on refunding	\$ 500,859	\$ 524,680	\$ (23,821)
Deferred inflows of resources from OPEB amounts	72,674	124,402	(51,728)
Deferred inflows of resources from pension amounts	\$ 332,019	\$ 16,719	\$ 315,300
Total deferred inflows of resources	\$ 905,552	\$ 665,801	\$ 239,751
Net position			
Net investment in capital assets	\$ 4,009,500	\$ 3,906,931	\$ 102,569
Restricted by revenue bond agreements	20,689,625	21,235,530	(545,725)
Restricted for OPEB and Pension	256,233	-	256,233
Unrestricted	58,430,013	54,581,799	3,848,214
Total net position	\$ 83,385,371	\$ 79,724,080	\$ 3,661,291

(Continued)

**WEST VIRGINIA WATER DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

THE AUTHORITY AS A WHOLE (Continued)

Total assets increased by \$245 million or 105%. Increase to assets was due to receipt of \$250 million received from the Coronavirus State Fiscal Recovery Fund and an increase of other cash assets of \$4.8 million. This is primarily offset by a reduction of Revenue Bonds Receivable of \$8.4 million, Interim Loans Receivable of \$1.4 million and a \$495 thousand decrease in Supplemental Revenue Bonds.

Deferred outflow of resources decreased by \$660 thousand or 11% which was the result of current year amortizations of loss on refunding in the amount of \$644 thousand, a decrease in deferred outflow of resources for Pensions of \$6 thousand, and a decrease of the deferred outflow of resources for OPEB which in the amount of \$11 thousand, which is explained further in Notes 10 and 11.

Total liabilities increased by \$241 million or 150% which was the result of an increase in current liabilities of \$261 million, including unearned revenue in the form of \$250 million, including cash received from the Coronavirus State Fiscal Recovery Fund, and increase in Design Loan Notes Payable of \$619 thousand. This was offset primarily by a decrease in loans payable of \$9.9 million, and elimination of the \$169 thousand in pension liability.

Deferred inflows of resources increased \$240 thousand or 36% due to an increase in the deferred inflows of resources for Pensions of \$315 thousand offset by a decrease in the amortization of the deferred gain on refunding of \$24 thousand, as well as a decrease in the deferred inflows of resources from OPEB of \$51 thousand.

Unrestricted net position increased \$4.4 million, primarily explained by a \$5 million increase in unrestricted cash equivalents and offset by reductions in Loans Receivable along with increases in Miscellaneous Income and Investment Income.

Restricted net position decreased \$289 thousand primarily due mainly to a reduction in Loans Payable of \$9.5 million, which was primarily offset by a reduction in loans receivable of \$9.2 million.

(Continued)

**WEST VIRGINIA WATER DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

THE AUTHORITY AS A WHOLE (Continued)

**Table 2
Changes in Net Position**

	2022 WDA	2021 WDA	Increase (Decrease)
Revenues:			
Operating revenues:			
Charges for services	\$ 9,668,181	\$ 10,292,626	\$ (624,445)
Other	425,195	653,833	(228,638)
Total operating revenues	10,093,376	10,946,459	(853,083)
Nonoperating revenues:			
Interest and investment revenue	477,459	30,120	447,339
Total revenues	10,570,835	10,976,579	(405,744)
Expenses:			
Operating expenses	1,199,148	1,200,108	(960)
Nonoperating expenses:			
Interest expense	5,710,396	6,059,836	(349,440)
Total expenses	6,909,544	7,259,944	(350,400)
Change in net position	3,661,291	3,716,635	(55,344)
Beginning net position	79,724,080	76,007,445	3,716,635
Ending net position	\$ 83,385,371	\$ 79,724,080	\$ 3,661,291

Charges for services decreased \$624 thousand. This is primarily due to repayments of loans in the portfolio being applied to principal rather than interest as they are being paid down over time.

Other decreased \$229 thousand primarily due to a decrease in miscellaneous revenue.

Interest and investment revenue increased by \$406 thousand due to higher short term interest rates available to the Authority from period to period on comparable increased asset balances and \$350 thousand of earnings, which came from the \$250 million The Authority received from The Coronavirus State Fiscal Recovery Fund.

Operating expenses remained mostly comparable to the prior year.

(Continued)

**WEST VIRGINIA WATER DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

DEBT ADMINISTRATION

As a financing entity, the business of the Authority is debt issuance and administration, including servicing. By statute, the maximum amount of bonds the Authority is authorized to have outstanding includes debt issued for the Authority and by the Authority on behalf of the West Virginia Infrastructure and Jobs Development Council. While the redemption of bonds is economically prudent because of the resulting debt service savings, any reduction in the liability for long-term debt enables the Authority to manage debt capacity for future needs as well as for new programs. The Authority, therefore, continues to monitor its long-term outstanding debt for prepayment and refunding opportunities for debt service savings. At year end, the Authority had \$135,509,000 in revenue and refunding bonds outstanding versus \$144,360,000 in the prior year, a decrease of approximately 6.13%.

As of June 30, 2022, the 2012 Series A-I and B-I, 2012 Series A-II and B-II, 2013 Series A-II, 2016 Series A-II, and 2012 Series A-III and B-III had a Moody's rating of A1 and a Fitch rating of A+.

As of June 30, 2022 the 2018 Series A-IV, had a Standard & Poor's rating of AA-. The 2018 Series B-IV Bonds were privately placed and not rated by any rating agency.

In addition to long-term debt, the Authority has a 2019 Series A Revenue Notes issue (Design Loan Program) that were privately placed and not rated by any rating agency.

The Authority's ratings from Moody's and Fitch reflect the State's moral obligation rating. Ultimately, rating strength is provided by the Authority's pledge to maintain a debt service reserve fund equal to the maximum annual debt service on all outstanding bonds and servicing of underlying loans. If the amount in the reserve funds falls below the required maximum annual debt service level, the Governor, on notification by the Authority, may request the State's Legislature to appropriate the necessary funds to replenish the reserve to its required level. The State's Legislature, however, is not legally required to make such appropriation.

CONTACTING THE AUTHORITY'S MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives as well as its ability to pay debt service. If you have questions about this report or need additional information, contact the Executive Director or Chief Financial Officer, West Virginia Water Development Authority, 1009 Bullitt Street, Charleston, West Virginia 25301, call 304-414-6500; or visit the Authority's website (www.wvwda.org).

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

June 30, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 44,104,885
Receivables:	
Revenue bonds, net of unamortized discount of \$41,323	10,965,711
Design loan program notes receivable	1,633,944
Interest	2,447,966
Administrative fees	1,737
Due from other agencies	562,910
Total unrestricted current assets	59,717,153

Restricted current assets:

Cash and cash equivalents	250,351,456
Prepaid insurance	3,659
Total current assets	310,072,268

NONCURRENT ASSETS

Revenue bonds	6,486,424
Design loan program notes receivable	3,701,994
Capital assets, net	4,009,500
Total unrestricted noncurrent assets	14,197,918

Restricted assets:

Cash and cash equivalents	14,764,359
Revenue bonds, net of unamortized discount of \$671,040	140,407,799
Net OPEB asset	1,936
Net pension asset	254,297
Prepaid insurance	65,896
Total restricted noncurrent assets	155,494,287

Total assets	\$ 479,764,473
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DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on bond refundings	\$ 5,399,146
Deferred outflows of resources from OPEB amounts	29,603
Deferred outflows of resources from pension amounts	130,523
Total deferred outflows of resources	\$ 5,559,272

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

(Continued)

June 30, 2022

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 93,337
Current portion of revenue bonds payable, including unamortized net premium of \$712,093	9,941,094
Accrued interest payable	1,184,894
Unearned revenue	<u>250,000,000</u>

Total current liabilities 261,219,325

NONCURRENT LIABILITIES

Accrued employee benefits	113,086
Design loan program notes payable	6,375,836
Liabilities payable from restricted assets: Noncurrent portion of revenue bonds payable, including unamortized net premium of \$7,044,576	<u>133,324,575</u>

Total noncurrent liabilities 139,813,497

Total liabilities \$ 401,032,822

DEFERRED INFLOWS OF RESOURCES

Deferred gain on refunding	\$ 500,859
Deferred inflows of resources from OPEB amounts	72,674
Deferred inflows of resources from pension amounts	<u>332,019</u>
Total deferred inflows of resources	<u><u>\$ 905,552</u></u>

NET POSITION

Restricted by revenue bond agreements	\$ 20,689,625
Restricted for OPEB and pension	256,233
Unrestricted	58,430,013
Net investment in capital assets	<u>4,009,500</u>

Total net position \$ 83,385,371

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2022

OPERATING REVENUES	
Charges for services	\$ 9,668,181
Miscellaneous	<u>425,195</u>
Total operating revenues	<u>10,093,376</u>
OPERATING EXPENSES	
Depreciation and amortization	160,331
General and administrative	<u>1,038,817</u>
Total operating expenses	<u>1,199,148</u>
Operating income	<u>8,894,228</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	477,459
Interest expense	<u>(5,710,396)</u>
Total nonoperating expenses	<u>(5,232,937)</u>
CHANGE IN NET POSITION	3,661,291
Total net position, beginning of year	<u>79,724,080</u>
Total net position, end of year	<u><u>\$ 83,385,371</u></u>

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2022

OPERATING ACTIVITIES

Receipts of grant funds	\$ 250,000,000
Receipts of principal on bonds receivable	9,818,571
Receipts of interest on bonds receivable	9,842,183
Receipts of administrative fees on bonds receivable	425,396
Receipts of principal on design loan program notes receivable	1,934,234
Receipts of reimbursements from other agencies	1,717,848
Disbursements from issuance of bonds receivable	(334,250)
Disbursements from issuance of design loan program notes receivable	(1,653,999)
Disbursements of general and administrative expense	(512,449)
Disbursements on behalf of employees	(594,581)
Disbursements on behalf of other agencies	(1,829,394)
Net cash provided by operating activities	<u>268,813,559</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	<u>(259,241)</u>
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NONCAPITAL FINANCING ACTIVITIES

Proceeds from draw down of design loan program notes payable	1,787,390
Repayments on design loan program notes payable	(1,167,528)
Principal paid on revenue and refunding bonds	(8,851,000)
Interest paid on revenue and refunding bonds	(5,883,644)
Net cash used in noncapital financing activities	<u>(14,114,782)</u>

INVESTING ACTIVITIES

Investment earnings	<u>419,071</u>
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Net increase in cash and cash equivalents 254,858,607

CASH AND CASH EQUIVALENTS, beginning 54,362,093

CASH AND CASH EQUIVALENTS, ending \$ 309,220,700

Cash and cash equivalents consist of:

Cash and cash equivalents	\$ 44,104,885
Restricted cash and cash equivalents (current)	250,351,456
Restricted cash and cash equivalents (noncurrent)	14,764,359
	<u><u>\$ 309,220,700</u></u>

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS

(Continued)

Year Ended June 30, 2022

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 8,894,228
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization expense	160,331
Changes in operating accounts:	
Due from other agencies	(111,546)
Prepaid computer services	11,250
Revenue bonds receivable	9,442,998
Design loan program notes receivable	280,235
Accrued interest receivable	215,325
Administrative fees receivable	201
Net OPEB asset	(1,936)
Net Pension asset	(254,297)
Deferred outflows of resources from pension and OPEB	16,796
Accounts payable	81,782
Accrued employee benefits	18,587
Unearned revenue	250,000,000
Net OPEB liability	(34,958)
Net pension liability	(169,009)
Deferred inflows of resources from pension and OPEB	<u>263,572</u>
 Net cash provided by operating activities	 <u><u>\$ 268,813,559</u></u>

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1. Reporting Entity

The West Virginia Water Development Authority (the Authority) is a governmental instrumentality of the State of West Virginia (the State) and a body corporate, created under the provisions of Chapter 22C, Article 1 of the Code of West Virginia, 1931, as amended, and known as the West Virginia Water Development Act. The Authority's mission is to provide West Virginia communities effective financial assistance for development of wastewater, water and economic infrastructure that will improve health, protect the streams of the State, improve drinking water quality and encourage economic growth. This is accomplished by administering and managing the West Virginia Water Development Revenue Bond Programs, serving as the State-designated fiduciary of the West Virginia Infrastructure Fund, managing the Bureau for Public Health's Drinking Water Treatment Revolving Fund, administering the Department of Environmental Protection's Clean Water State Revolving Fund, and being an active member of the West Virginia Infrastructure and Jobs Development Council.

The Authority's Water Development Revenue Bond Programs are funded with proceeds of water development bonds issued by the Authority. Moneys in the programs are loaned to municipalities, public service districts and other political subdivisions through the purchase by the Authority of revenue bonds or notes issued by those entities, who repay the loans from the revenues of the systems or other permanent financing.

During the 2022 West Virginia Legislature's Regular Session House Bill 4566 was passed and signed into law by the Governor. This legislation created the Economic Enhancement Grant Fund. This fund is governed, administered and accounted for by the directors, officers and management of the Authority. The legislation authorized the Authority to make grants to cover all or a portion of the costs of water, sewer, economic development or tourism projects. At the 2022 Second Extraordinary Session, House Bill 217 was passed and signed into law by the Governor. This legislation provided the Authority \$250,000,000 from the Coronavirus State Fiscal Recovery Fund to fund the eligible projects.

The Authority receives no appropriations from the State; however, as the State is able to impose its will over the Authority, the Authority is considered a component unit of the State.

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in accounting principles generally accepted (GAAP) in the United States of America for governments. GAAP defines component units as those entities which are legally separate governmental organizations for which the appointed members of the Authority are financially accountable or other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading. Because no such organizations exist which meet the above criteria, the Authority has no component units.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 2. Significant Accounting Policies

Basis of presentation

The Authority is accounted for as a proprietary fund special purpose government engaged in business type activities. In accordance with GAAP, 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 is included in the State's financial statements as a discretely presented component unit proprietary fund and business type activity. There may be differences between the amounts reported in these financial statements and the financial statements of the State as a result of major fund determination.

Cash and cash equivalents

Cash and cash equivalents include deposits with the West Virginia Treasurer's office, the West Virginia Board of Treasury Investments (BTI), West Virginia Money Market Pool, and investments in mutual funds with original maturities of less than ninety days and are carried at amortized costs.

Allowance for uncollectible loans and service charges

The Authority established an allowance for uncollectible revolving loans and service charges based on the estimated age of revolving loans and service charges and their anticipated collectability. The Authority has not established an allowance for uncollectible loans in the Water Development Revenue Bond Programs because of remedies available to it in the loan agreements that exist between the Authority and the various entities.

Restricted assets

Proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by bond covenants. Additionally, the Authority's proportionate share of assets set aside to pay pension and OPEB benefits are reported as restricted assets. When both restricted and unrestricted resources are available for use, it is generally the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Capital assets

Capital assets are stated at cost. Depreciation and amortization are computed using the straight-line method over an estimated economic useful life. The table below details the capital asset categories and related economic useful lives for assets in excess of \$1,000 with useful lives in excess of 1 year.

Furniture and equipment	5 years
Building	40 years
Building improvements	10 years
Intangible assets	5 years
Land improvements	15 years

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 2. Significant Accounting Policies (Continued)

Unearned revenue

Unearned revenue represents grant funds received in advance for the funding of future qualifying eligible grant project expenses.

Accrued employee benefits

In accordance with State policy, the Authority permits employees to accumulate earned but unused vacation benefits. A liability for vacation pay is accrued when earned.

Bond premiums, discounts, and issuance costs

Bond premiums and discounts are amortized using the straight-line method over the varying terms of the bonds issued. The straight-line method is not in accordance with GAAP, but the difference in amortization using the straight-line method, versus the effective interest method which is in accordance with GAAP, is not material to the financial statements as a whole. Bond issuance costs are expensed as incurred.

Arbitrage rebate payable

The United States Internal Revenue Code of 1986, as amended (the “Code”), prescribes restrictions applicable to the Authority as issuer of Water Development Revenue and Refunding Bonds. Among those include restrictions on earnings on the bond proceeds. The Code requires payment to the federal government of investment earnings on certain bond proceeds in excess of the amount that would have been earned if the proceeds were invested at a rate equal to the yield on the bonds. As of June 30, 2022, the Authority is not liable to the federal government as a result of arbitrage.

Deferred outflows of resources / deferred inflows of resources

The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The Authority reports losses on bond refunding as deferred outflows of resources and deferred outflows of resources related to pensions and OPEB.

The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority reports gains on bond refundings as deferred inflows of resources and deferred inflows of resources related to pensions and OPEB.

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 2. Significant Accounting Policies (Continued)

Pension

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

Postemployment benefits other than pensions (OPEB)

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the West Virginia Retiree Health Benefit Trust OPEB Plan (RHBT) and additions to/deductions from RHBT's fiduciary net position have been determined on the same basis as they are reported by RHBT. For this purpose, RHBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for certain pooled investments, money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

Net position

Net position is presented as unrestricted, restricted, or as the net investment in capital assets. The net investment in capital assets consists of all capital assets, less accumulated depreciation. Restricted net position represents assets restricted for the repayment of bond proceeds, by bond covenants, or for retirement of other long-term obligations, or for the payment of pension and OPEB amounts. All remaining net position is considered unrestricted. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, restricted resources are applied first.

Note 3. Deposit and Investment Risk Disclosures

The General Revenue Bond Resolutions and the Authority's investment guidelines authorize the Authority to invest all bond proceeds in obligations of the United States and certain of its agencies, certificates of deposit, public housing bonds, direct and general obligations of states which are rated in either of the two highest categories by Standard & Poor's Corporation, advance-refunded municipal bonds and repurchase agreements relating to certain securities.

The Authority participates in the BTI West Virginia Money Market Pool, which is an amortized cost pool in accordance with GAAP and the criteria specifying that the pool must transact with their participants at a stable net asset value per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity, and shadow pricing. The BTI does not place limitations or restrictions on participant withdrawals from the pool, such as redemption notice

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 3. Deposit and Investment Risk Disclosures (Continued)

periods, maximum transaction amounts, and any authority to impose liquidity fees or redemption gates. Investment income earned is pro-rated to the Authority at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to the Authority with overnight notice. The deposited funds are invested in accordance with investment guidelines of the BTI. The Authority's balance, which is included in its cash and cash equivalents, reports a carrying value of \$270,752,581 as of June 30, 2022.

Interest rate risk - West Virginia Money Market Pool

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The West Virginia Money Market Pool is subject to interest rate risk.

The overall weighted average maturity of the investments of the West Virginia Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury notes	\$ 37,503	1
Commercial paper	5,805,709	23
Negotiable certificates of deposit	1,466,500	25
Repurchase agreements	617,400	1
Money market funds	217,659	1
Cash	824	1
	\$ 8,145,595	21

Interest rate risk - all other investments

As of June 30, 2022, the Authority had the following investments outside of the BTI deposits (which include certain cash equivalents) and maturities:

Type	Maturities (in Years)			
	Carrying Value	Less Than 1	1-5	6-10
Money Market	\$ 38,153,364	\$ 38,153,364	\$ -	\$ -

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment guidelines limit the maturities of investments not matched to a specific debt or obligation of the Authority to five years or less, unless otherwise approved by the Board.

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 3. Deposit and Investment Risk Disclosures (Continued)

Concentration of credit risk - West Virginia Money Market Pool

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single corporate issuer. The BTI investment policy prohibits the West Virginia Money Market Pool from investing more than 5% of their assets in any one corporate name or one corporate issue.

Concentration of credit risk – all other investments

As of June 30, 2022, the Authority had deposit and investment balances outside of BTI deposits in Federated Prime Cash Obligations money market accounts, which are greater than or equal to 5 percent of the deposit and investment balances presented in the statement of net position.

Authority's investment guidelines manage concentration of credit risk by limiting its investment activity so that at any time its total deposit and investment portfolio will not exceed the percentage limits as to the permitted investments as follows:

<u>Permitted Investments</u>	<u>Maximum % of Portfolio</u>
(a) Direct Federal Obligations	100%
(b) Federally Guaranteed Obligations	100%
(c) Federal Agency Obligations	90%
(d) Money Markets	90%
(e) Repurchase Agreements/Investment Contracts	90%
(f) Time Deposits/Certificates of Deposit	90%
(g) Demand Deposits	30%
(h) Corporate Obligations	15%
(i) Other State/Local Obligations	15%
(j) West Virginia Obligations	15%
(k) Housing Bonds - Secured by Annual Contributions Contracts	5%

With the exception of money markets, repurchase agreements/investment contracts, time deposits/certificates of deposit and demand deposits, investments that comprise more than 15% of the investment portfolio must be direct federal, federal agency or federally guaranteed obligations.

Any investments listed above that comprise more than 15% of the investment portfolio must be either provided by an institution with a rating of at least A/A by Moody's and/or Standard and Poor's, invested in a money market fund rated AAAM or AAAM-G or better by Standard and Poor's, secured by obligations of the United States, or not exceed the insurance limits established by the FDIC unless adequate collateral is provided.

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 3. Deposit and Investment Risk Disclosures (Continued)

Credit risk – West Virginia Money Market Pool

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The WV Money Market Pool has been rated AAAm by the Standard & Poor’s. A fund rated AAAm has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market and/or liquidity risks. AAAm is the highest principal stability fund rating assigned by Standard & Poor’s. The BTI itself has not been rated for credit risk by any organization.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all long-term corporate debt to be rated A+ or higher by Standard & Poor’s (or its equivalent) and short-term corporate debt be rated at A-1 or higher by Standard & Poor’s (or its equivalent). The following table provides information on the credit ratings of the WV Money Market Pool’s investments (in thousands):

Security Type	Rating	Carrying Value (in Thousands)	Percent of Pool Assets
U.S. Treasury notes *	AA+	\$ 37,503	0.47%
Commercial Paper	A-1+	1,956,052	24.01
	A-1	3,849,657	47.26
Negotiable certificates of deposit	A-1+	208,000	2.55
	A-1	1,141,000	14.01
	A+	117,500	1.44
Money market funds	AAAm	217,659	2.67
Cash	A-1+	824	0.01
Repurchase agreements (underlying securities):			
U.S. Treasury bonds and notes*	AA+	117,400	1.44
U.S. Agency bonds and notes	AA+	500,000	6.14
		<u>\$ 8,145,595</u>	<u>100.00%</u>

*U.S. Treasury issues are explicitly guaranteed by the United States government and are not considered to have credit risk.

Credit Risk – all other investments

The following table provides information on the credit ratings of the Authority’s deposits and short-term investments outside of BTI deposits as of June 30, 2022:

Security Type	Fitch	Moody’s	Standard & Poor’s	Carrying Value
Money markets	AAAmF	Aaa-mf	AAAm	<u>\$ 38,153,364</u>

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 3. Deposit and Investment Risk Disclosures (Continued)

Custodial credit risk - West Virginia Money Market Pool

The custodial credit risk for the WV Money Market Pool is the risk that, in the event of the failure of the counterparty, the BTI will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Custodial credit risk – all other investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Cash consisted of the following at June 30, 2022:

Cash on deposit with State Treasurer	<u>\$ 314,755</u>
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The Authority has no securities that are subject to foreign currency risk.

A reconciliation of the amounts disclosed as cash and investments included in this Note to cash and cash equivalents, restricted cash and cash equivalents, and investments in the Statement of Net Position as of June 30, 2022, is as follows:

Deposits and Investments:

Cash and cash equivalents as reported on the Statement of Net Position	\$ 44,104,885
Add: restricted cash and cash equivalents (current)	250,351,456
Add: restricted cash and cash equivalents (noncurrent)	14,764,359
Less: cash equivalents and restricted cash equivalents disclosed as investments in this Note	<u>(308,905,945)</u>
Total cash as disclosed in this Note	<u>\$ 314,755</u>

Note 4. Due From Other Agencies

Certain agencies of the State were indebted to the Authority at June 30, 2022, in connection with services performed by the Authority on behalf of the agencies. Amounts due the Authority at June 30, 2022 are as follows:

West Virginia Infrastructure and Jobs Development Council, net	\$ 377,880
Department of Environmental Protection Clean Water State Revolving Fund	155,165
Bureau for Public Health Drinking Water Treatment Revolving Fund	<u>29,865</u>
	<u>\$ 562,910</u>

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 5. Revenue Bonds Receivable

As of June 30, 2022, the face value of revenue bonds of municipalities, public service districts and other political subdivisions purchased with proceeds from Water Development Revenue Bonds was \$147,554,569. Management's intentions are to hold such bonds until maturity; therefore, management believes the face amount of the bonds is fully collectible.

Although not required, the Authority purchased supplemental bonds of municipalities and public service districts using other available funds. As of June 30, 2022, the face value of supplemental bonds was \$11,017,728.

Note 6. Design Loan Program Notes Receivable

The Design Loan Program provides funding to governmental agencies for the cost of the design of water and wastewater projects around the state. As of June 30, 2022, financing has been made available to close twenty-one (21) design loans in the amount of \$10,639,459. Disbursements are made to the local governmental agencies from the program based on approved requisitions. As of June 30, 2022, a total of \$8,519,096 was disbursed to local government agencies and the balance of notes receivable was \$5,335,938. Additional information on the design loan program is included in Note 9.

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 526,194	\$ -	\$ -	\$ 526,194
Construction work in progress	34,800	123,600	-	158,400
Total capital assets not being depreciated	560,994	123,600	-	684,594
Furniture and equipment	7,126,808	135,641	-	7,262,449
Land improvements	22,650	-	-	22,650
Building	4,100,298	-	-	4,100,298
Total capital assets, being depreciated	11,249,756	135,641	-	11,385,397
Less accumulated depreciation for:				
Furniture and equipment	6,984,041	52,655	-	7,036,696
Land improvements	3,980	1,510	-	5,490
Building	915,798	102,507	-	1,018,305
Total accumulated depreciation	7,903,819	156,672	-	8,060,491
Total capital assets, net	\$ 3,906,931	\$ (102,569)	\$ -	\$ 4,009,500

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 8. Revenue Bonds Payable

The following is a summary of the Authority's bond transactions for the year ended June 30, 2022:

	Balance at June 30, 2021	Bonds issued	Bonds retired	Bonds refunded	Balance at June 30, 2022
Revenue bonds	\$ 137,485,000	\$ -	\$ 8,495,000	\$ -	\$ 128,990,000
Revenue bonds from direct placements	6,875,000	-	356,000	-	6,519,000
	<u>\$ 144,360,000</u>	<u>\$ -</u>	<u>\$ 8,851,000</u>	<u>\$ -</u>	<u>\$ 135,509,000</u>

Revenue and refunding bonds outstanding at June 30, 2022, were as follows:

Series	Final Maturity	Interest Rates %	Balance
2012 A-I	11/1/25	2.000-3.000	\$ 670,000
2012 B-I	11/1/26	3.000-4.500	6,705,000
2012 A-II	11/1/23	2.000-3.000	1,110,000
2012 B-II	11/1/33	2.000-4.000	9,435,000
2012 A-III	7/1/39	3.000-4.000	12,415,000
2012 B-III	7/1/40	2.000-3.750	7,590,000
2013 A-II	11/1/29	2.000-5.000	20,005,000
2016 A-II	11/1/39	2.000-5.000	42,895,000
2018 A-IV	11/1/44	2.500-5.000	28,165,000
2018 B-IV*	11/1/35	3.500	6,519,000
			<u>\$ 135,509,000</u>

*Direct placement bonds

Loan Program I includes Series 2012 A-I and 2012 B-I Water Development Revenue Refunding Bonds. Loan Program II includes Series 2012 A-II, 2012 B-II, 2013 A-II, and 2016 A-II Water Development Revenue Refunding Bonds. Loan Program III includes Series 2012 A-III and 2012 B-III Water Development Revenue Refunding Bonds. Loan Program IV includes Series 2018 A-IV Water Development Revenue Refunding Bonds and Series 2018 B-IV Direct Placement Bonds.

Total future maturities of bond principal and interest on Authority indebtedness at June 30, 2022, are as follows:

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 8. Revenue Bonds Payable (Continued)

Loan Program I

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,400,000	\$ 255,850	\$ 1,655,850
2024	1,450,000	202,100	1,652,100
2025	1,505,000	146,244	1,651,244
2026	1,570,000	87,869	1,657,869
2027	1,450,000	29,000	1,479,000
	<u>\$ 7,375,000</u>	<u>\$ 721,063</u>	<u>\$ 8,096,063</u>

Loan Program II

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 5,850,000	\$ 2,973,300	\$ 8,823,300
2024	6,095,000	2,712,125	8,807,125
2025	5,770,000	2,459,275	8,229,275
2026	6,000,000	2,219,500	8,219,500
2027	6,080,000	1,949,450	8,029,450
	<u>29,795,000</u>	<u>12,313,650</u>	<u>42,108,650</u>
2028 – 2032	26,770,000	6,128,205	32,898,205
2033 – 2037	11,750,000	2,038,300	13,788,300
2038 – 2040	5,130,000	294,400	5,424,400
	<u>43,650,000</u>	<u>8,460,905</u>	<u>52,110,905</u>
	<u>\$ 73,445,000</u>	<u>\$ 20,774,555</u>	<u>\$ 94,219,555</u>

Loan Program III

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 810,000	\$ 690,931	\$ 1,500,931
2024	835,000	663,159	1,498,159
2025	855,000	636,753	1,491,753
2026	890,000	609,488	1,499,488
2027	910,000	581,363	1,491,363
	<u>4,300,000</u>	<u>3,181,694</u>	<u>7,481,694</u>
2028 – 2032	5,040,000	2,422,216	7,462,216
2033 – 2037	5,980,000	1,449,863	7,429,863
2038 – 2041	4,685,000	307,219	4,992,219
	<u>15,705,000</u>	<u>4,179,298</u>	<u>19,884,298</u>
	<u>\$ 20,005,000</u>	<u>\$ 7,360,992</u>	<u>\$ 27,365,992</u>

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 8. Revenue Bonds Payable (Continued)

Loan Program IV

	Bonds		Bonds from Direct Placement		Total
	Principal	Interest	Principal	Interest	
2023	\$ 800,000	\$ 1,226,244	\$ 369,000	\$ 221,707	\$ 2,616,951
2024	840,000	1,195,744	382,000	208,565	2,626,309
2025	865,000	1,163,619	395,000	194,967	2,618,586
2026	905,000	1,119,369	409,000	180,898	2,614,267
2027	815,000	1,076,369	423,000	166,338	2,480,707
	<u>4,225,000</u>	<u>5,781,345</u>	<u>1,978,000</u>	<u>972,475</u>	<u>12,956,820</u>
2028 – 2032	4,725,000	4,712,594	2,349,000	594,843	12,381,437
2033 – 2037	6,060,000	3,372,719	2,192,000	156,765	11,781,484
2038 – 2042	7,755,000	1,745,647	-	-	9,500,647
2043 – 2045	5,400,000	298,338	-	-	5,698,338
	<u>23,940,000</u>	<u>10,129,298</u>	<u>4,541,000</u>	<u>751,608</u>	<u>39,361,906</u>
	<u>\$ 28,165,000</u>	<u>\$ 15,910,643</u>	<u>\$ 6,519,000</u>	<u>\$ 1,724,083</u>	<u>\$ 52,318,726</u>

	Revenue bonds	Direct Placement Bonds	Total
Total all loan programs	\$ 128,990,000	\$ 6,519,000	\$ 135,509,000
Add: unamortized net premium	<u>7,756,669</u>	<u>-</u>	<u>7,756,669</u>
Total all loan programs, net	136,746,669	6,519,000	143,265,669
Less: current portion of revenue bonds payable	<u>9,572,094</u>	<u>369,000</u>	<u>9,941,094</u>
Noncurrent portion of revenue bonds payable	<u>\$ 127,174,575</u>	<u>\$ 6,150,000</u>	<u>\$ 133,324,575</u>

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 8. Revenue Bonds Payable (Continued)

The proceeds from the Authority's Revenue Bond Program provide financial assistance to municipalities, public service districts and other public subdivisions to meet the requirements of state and federal water pollution control and safe drinking water laws. All bonds are considered a moral obligation of the state of West Virginia. All assets of the Authority except capital assets have been pledged to fulfill the commitments of the bonds over the life of the debt. The Direct Placement Bonds are secured by revenues from Loan Program IV Local Bonds of the governmental agency. Principal and interest paid on bonds payable for the year ended June 30, 2022, was \$8,851,000 and \$5,883,644, respectively, and principal payments and interest received on pledged notes receivable were \$9,878,571 and \$9,842,183, respectively, at June 30, 2022.

Note 9. Design Loan Program Notes Payable

On August 13, 2019, the Water Development Authority issued Series 2019 Revenue Notes as a direct placement in the amount of \$13,150,000, less \$157,000 for the cost of issuance. The notes are secured by surplus revenues of local water or wastewater utilities and the proceeds of any grants or loans subsequently received for permanent funding of projects. The notes are required to be repaid only from the repayments of design loan program receivables. Interest is paid semi-annually on May 1 and November 1 at a rate of 2.24% on the amount advanced. Notes mature November 1, 2022, at which time the principal amount and any remaining interest will be due. Total proceeds of \$7,543,364 were received by the Authority as of the year ended June 30, 2022, leaving a balance of \$5,449,636 available to be drawn upon in accordance with the program.

Note 10. Pension Plan

Plan description

The Authority contributes to the 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 retirement system. Benefits under PERS include retirement, death and disability benefits, and have been established and may be amended by action of the State Legislature. The CPRB issues a publicly available financial report that includes financial statements for PERS that may be obtained at www.wvretirement.com.

Benefits provided

PERS provides retirement benefits as well as death and disability benefits. For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. For all employees hired July 1, 2015 and later, qualification for normal retirement is age 62 with 10 years of service. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the highest annual compensation during

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 10. Pension Plan (Continued)

Benefits provided (continued)

any period of three consecutive years within the last fifteen years of earnings. For all employees hired July 1, 2015 and later, average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings. For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired July 1, 2015 and later, this age increases to 64 with 10 years of service.

Contributions

Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. Contributions as a percentage of payroll for employers are established by the CPRB. Members hired prior to July 1 2015 contribute 4.5% of annual earnings. All members hired July 1, 2015 and later contribute 6% of annual earnings. Current funding policy requires employer contributions of 10.0% for the years ended June 30, 2022, 2021, and 2020, respectively.

During the years ended June 30, 2022, 2021, and 2020, the Authority's contributions to PERS required and made were approximately \$50,356, \$48,348, and \$49,789, respectively.

Pension assets, pension revenue, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2022, the Authority reported an asset of \$254,297 for its proportionate share of the net pension asset. The net pension asset reported at June 30, 2022 was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2020, rolled forward to the measurement date of June 30, 2021. The Authority's proportion of the net pension asset was based on the Authority's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2021. At June 30, 2021, the Authority's proportion was 0.028965 percent, which was a decrease of 0.003004 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Authority recognized pension revenue of \$51,498. At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 10. Pension Plan (Continued)

Pension assets, pension revenue, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 325,714
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	2,761	3,280
Changes in Assumptions	48,384	2,061
Differences between expected and actual experience	29,022	964
The Authority's contributions made subsequent to the measurement date of June 30, 2021	50,356	-
Total	\$ 130,523	\$ 332,019

The amount of \$50,356 above reported, as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as an increase in the net pension asset in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,

2023	\$	(46,120)
2024		(42,482)
2025		(67,311)
2026		(95,939)

Actuarial assumptions

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75 percent
Salary increases	2.75-6.75 percent, average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense

Mortality rates were based on 100% of Pub-2010 General Employees table, below-median, headcount weighted, projected generationally with scale MP-2018 for active employees, 108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected generationally with scale MP-2018 for retired healthy males, 122% of Pub-2010 General Retiree Female table, below-median, headcount weighted, projected generationally with scale MP-2018 for retired healthy females, 118% of Pub-2010 General / Teachers Disabled Male table, headcount weighted, projected generationally with scale MP-2018 for disabled males, and 117% of Pub-2010 General / Teachers Disabled Female table, headcount weighted, projected generationally with scale MP-2018 for disabled females.

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 10. Pension Plan (Continued)

Actuarial assumptions (continued)

Experience studies, which were based on the years 2015 through 2020 for economic assumptions and 2013 through 2018 for all other assumptions, were used for the 2021 actuarial valuation.

Certain assumptions have changed since the prior actuarial valuation as of June 30, 2020. The discount rate and salary scales were changed to reflect the recent experience study covering the economic assumptions for July 1, 2015 through June 30, 2020.

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

Asset Class	Target Allocation	Long-term Expected Rate of Return	Weighted Average Expected Real Rate of Return
Domestic equity	27.5%	5.5%	1.51%
International equity	27.5%	7.0%	1.93%
Fixed income	15.0%	2.2%	0.33%
Real estate	10.0%	6.6%	0.66%
Private equity	10.0%	8.5%	0.85%
Hedge funds	10.0%	4.0%	0.40%
Total	100.00%		5.68%
Inflation (CPI)			2.10%
			7.78%

Discount rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 10. Pension Plan (Continued)

Actuarial assumptions (continued)

Sensitivity of the Authority's proportionate share of the net pension asset to changes in the discount rate

The following presents the Authority's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Authority's proportionate share of the net pension asset would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Authority's proportionate share of the net pension asset (liability)	\$ (2,906)	\$ 254,297	\$ 471,390

Note 11. Other Postemployment Benefits

The West Virginia Other Postemployment Benefit Plan (the OPEB Plan) is a cost-sharing, multiple-employer, defined benefit other post-employment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code Section 5-16D-2 (the Code). The financial activities of the OPEB Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The OPEB Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. OPEB Plan benefits are established and revised by PEIA and the RHBT management with approval of their Finance Board. The PEIA issues a publicly available financial report of the RHBT that can be obtained at www.peia.wv.gov or by writing to the West Virginia Public Employees Insurance Agency, 601 57th Street, SE Suite 2, Charleston, WV 25304.

Benefits provided

Authority employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the PERS or meet certain other eligibility requirements of other West Virginia Consolidated Public Retirement Board (CPRB) sponsored retirement plans. RHBT provides medical and prescription drug insurance and life insurance benefits to those qualified participants. Life insurance is provided through a vendor and is fully funded by member contributions. The medical and prescription drug insurance is provided through two options; Self-Insured Preferred Provider Benefit Plan – primarily for non-Medicare-eligible retirees and spouses or External Managed Care Organizations – primarily for Medicare-eligible retirees and spouses.

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Other Postemployment Benefits (Continued)

Benefits provided (continued)

The RHBT Medicare-eligible retired employees and their Medicare-eligible dependents receive medical and drug coverage from a Medicare Advantage Plan administered by a vendor. Under this arrangement, the vendor assumes the financial risk of providing comprehensive medical and drug coverage with limited copayments. Non-Medicare retirees continue enrollment in PEIA’s Preferred Provider Benefit or the Managed Care Option. The RHBT collects employer contributions for Managed Care Organization (MCO) participants and remits capitation payments to the MCO. Survivors of retirees have the option of purchasing the medical and prescription drug coverage.

Eligible participants hired after June 30, 2010, will be required to fully fund premium contributions upon retirement. The Plan is a closed plan to new entrants.

Contributions

West Virginia Code section 5-16D-6 assigns to the PEIA Finance Board the authority to establish and amend contribution requirements of the plan members and the participating employers. Participating employers are required by statute to contribute at a rate assessed each year by the RHBT. The annual contractually required rate is the same for all participating employers. Employer contributions represent what the employer was billed during the respective year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments. The annual contractually required per active policyholder per month rates for State non-general funded agencies and other participating employers effective June 30, 2022, 2021, and 2020, respectively, were:

	2022	2022	2021	2020
	2/1/22-6/30/22	7/1/21-1/31/22		
Paygo Premium	\$ 48	\$ 116	\$ 160	\$ 168

Contributions to the OPEB plan from the Authority were \$8,481, \$16,277, and \$15,258 for the years ended June 30, 2022, 2021, and 2020, respectively.

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

Retiree leave conversion contributions from the employer depend on the retiree’s date of hire and years of service at retirement as described below:

- Members hired before July 1, 1988, may convert accrued sick or leave days into 100% of the required retiree healthcare contribution.

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Other Postemployment Benefits (Continued)

Contributions (continued)

- Members hired from July 1, 1988, to June 30, 2001, may convert accrued sick or leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and annual leave days per month for single healthcare coverage and three days of unused sick and annual leave days per month for family healthcare coverage.

Contributions by non-employer contributing entities in special funding situations

The State of West Virginia is a non-employer contributing entity that provides funding through SB 419, effective July 1, 2012, amended by West Virginia Code §11-21-96. The State provides a supplemental pre-funding source dedicating \$30 million annually to the RHBT Fund from annual collections of the Personal Income Tax Fund and dedicated for payment of the unfunded liability of the RHBT. The \$30 million transferred pursuant to this Code shall be transferred until the Governor certifies to the Legislature that an independent actuarial study has determined that the unfunded liability of RHBT has been provided for in its entirety or July 1, 2037, whichever date is later. This funding is to the advantage of all RHBT contributing employers.

The State is a nonemployer contributing entity that provides funding through SB 469, which was passed February 10, 2012, granting OPEB liability relief to the 55 County Boards of Education effective July 1, 2012. The public school support plan (PSSP) is a basic foundation allowance program that provides funding to the local school boards for “any amount of the employer’s annual required contribution allocated and billed to the county boards for employees who are employed as professional employees, employees who are employed as service personnel and employees who are employed as professional student support personnel”, within the limits authorized by the State Code. This special funding under the school aid formula subsidizes employer contributions of the county boards of education.

OPEB assets, OPEB expense (revenues), and deferred outflows of resources and deferred inflows of resources related to OPEB

At June 30, 2022, the Authority reported an asset for its proportionate share of the RHBT net OPEB asset that reflected a reduction for State OPEB support provided to the Authority. The amount recognized by the Authority as its proportionate share of the net OPEB asset, the related State support, and the total portion of the net OPEB asset that was associated with the Authority was as follows:

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Other Postemployment Benefits (Continued)

OPEB assets, OPEB expense (revenues), and deferred outflows of resources and deferred inflows of resources related to OPEB (continued)

	2022
Authority's proportionate share of the net OPEB asset	\$ 1,936
State's special funding proportionate share of the net OPEB asset associated with the Authority	381
Total portion of net OPEB asset associated with the Authority	\$ 2,317

The net OPEB asset was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2020, and rolled forward to a measurement date of June 30, 2021. The Authority's proportion of the net OPEB asset was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date. At June 30, 2021, the Authority's proportion was .006511 percent, which is a decrease of .001403 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Authority recognized OPEB expense (revenue) of \$(71,119) and for support provided by the State under special funding situations revenue (expenses) of \$(1,621). At June 30, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13,337
Changes in assumptions	-	40,970
Net difference between projected and actual earnings on OPEB plan investments	-	13,362
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	21,122	4,364
Reallocation of opt out employer change in proportionate share	-	641
Authority's contributions subsequent to the measurement date of June 30, 2021	8,481	-
Total	\$ 29,603	\$ 72,674

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Other Postemployment Benefits (Continued)

OPEB assets, OPEB expense (revenues), and deferred outflows of resources and deferred inflows of resources related to OPEB (continued)

The amount of \$8,481 reported as deferred outflows of resources related to OPEB resulting from Authority's contributions subsequent to the measurement date will be recognized as an increase in the net OPEB asset in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:

2022	\$ (25,098)
2023	(21,731)
2024	(847)
2025	(3,876)

Actuarial assumptions

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

Inflation	2.25%
Salary increases	Rates based on 2015-2020 OPEB experience study and dependent on pension plan participation and attained age, and range 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 2020, decreasing by 0.50% one year, then by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 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 ratably 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
Remaining amortization period	20 years closed period beginning June 30, 2017

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Other Postemployment Benefits (Continued)

Actuarial assumptions (continued)

Post-retirement mortality retirement rates were based on Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females for Teachers' Retirement System (TRS), Pub-2010 Below-Median Income General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 106% for males and 113% for females for PERS, and Pub-2010 Public Safety Healthy Retiree Mortality Tables projected with scale MP-2019 and scaling factors of 100% for males and females for West Virginia Death, Disability, and Retirement Fund (Trooper A) and West Virginia State Police Retirement System (Trooper B). Pre-retirement mortality rates were based on Pub-2010 General Employee Mortality Tables projected with MP-2019 for TRS, Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2019 for PERS, and Pub-2010 Public Safety Employee Mortality Tables projected with scale MP-2019 for Troopers A and B.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through 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 expected rate of return of 6.65% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.00% for long-term assets invested with the West Virginia Investment Management Board (WVIMB) and an expected short-term rate of return of 2.50% for assets invested with the BTI. Long-term pre-funding assets are invested with the WVIMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the BTI.

The long-term rate of return on OPEB plan investments are determined using a building block method in which estimates of expected future real rates of return (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 percentage. Target asset allocations, capital market assumptions, and forecast returns were provided by the plan's investment advisors, including the WVIMB. The projected return for the Money Market Pool held with the BTI was estimated based on the WVIMB assumed inflation of 2.0% plus a 25 basis point spread. The target allocation and estimates of annualized long-term expected real returns assuming a 10-year horizon are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.0%	4.8%
Core Plus Fixed Income	15.0%	2.1%
Hedge Fund	10.0%	2.4%
Private Equity	10.0%	6.8%
Core Real Estate	10.0%	4.1%

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Other Postemployment Benefits (Continued)

Discount rate

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

Other key assumptions

Members hired on or after July 1, 2010, are required to pay 100% of expected cost of coverage, resulting in no implicit or explicit employer cost. Consequently, these members are excluded from the actuarial valuation.

OPEB Subsequent event

Subsequent to the OPEB valuation with a measurement date of June 30, 2020, the RHBT was still experiencing the effects of the global pandemic that was declared by the World Health Organization due to an outbreak and spread of the COVID-19 virus. The OPEB valuation with a measurement date of June 30, 2021, does not reflect the recent and still developing impact of COVID-19, which is likely to influence healthcare claims experience, demographic experience and economic expectations.

Sensitivity of the Authority's proportionate share of the net OPEB asset to changes in the discount rate

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

	1% Decrease (5.65%)	Current Discount Rate (6.65%)	1% Increase (7.65%)
Authority's proportionate share of the net OPEB asset (liability)	\$ (10,390)	1,936	\$ 12,170

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Other Postemployment Benefits (Continued)

Sensitivity of the Authority's proportionate share of net OPEB asset to changes in the healthcare cost trend rates

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

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Authority's proportionate share of the net OPEB asset (liability)	\$ 14,296	\$ 1,936	\$ (13,119)

Note 12. General and Administrative Expenses

General and administrative expenses for the year ended June 30, 2022, are as follows:

Personal services	\$ 555,711
Legal	80,220
Professional	48,632
Trustee	39,780
Employee benefits	(122,375)
Public employees insurance	62,356
Office supplies/printing	22,838
Advertising	151
Repairs and maintenance	48,463
Travel	6,696
Utilities	33,671
Telecommunications	49,753
Payroll taxes	7,250
Computer supplies/services	163,537
Janitorial	12,150
Miscellaneous	3,350
Rental	6,837
Administrative	2,393
Insurance	16,032
Training and development	1372
	\$ 1,038,817

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 13. 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; injuries to and illnesses of employees; and natural disasters.

The Authority has obtained coverage for job-related injuries of employees and health coverage for its employees from a commercial insurance provider and the WVPEIA, respectively. In exchange for the payment of premiums to the commercial insurance provider and WVPEIA, the Authority has transferred its risk related to job-related injuries and health coverage for employees.

The Authority participates in the West Virginia Board of Risk and Insurance Management to obtain coverage for general liability, property damage, business interruption, errors and omissions, and natural disasters. Coverage is offered in exchange for an annual premium. There were no changes in coverage or claims in excess of coverage for the year ended June 30, 2022.

Note 14. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following Statements, which are not yet effective. The effective dates below are updated based on **Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*** due to the COVID-19 Pandemic.

The GASB issued **Statement No. 91, *Conduit Debt Obligations*** in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

The GASB issued **Statement No. 96, *Subscription-Based Information Technology Arrangements*** in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for periods beginning after June 15, 2022.

In June 2022, the GASB issued **Statement No. 101, *Compensated Absences***. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 15. Segment Information

The presentation of segment information for the Authority, which follows, and conforms with GAAP is comprised of the following segments:

Loan Program I includes Series 2012 A-I and 2012 B-I Water Development Revenue Refunding Bonds. Loan Program II includes Series 2016 A-II Water Development Revenue Refunding Bonds, 2012 A-II, 2012 B-II, and 2013 A-II Water Development Revenue Refunding Bonds. Loan Program III includes Series 2012 A-III and 2012 B-III Water Development Revenue Refunding Bonds. Loan Program IV includes Series 2018 A-IV and 2018 B-IV Water Development Revenue Bonds.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 15. Segement Information (Continued)

ASSETS	<u>Loan Program I</u>	<u>Loan Program II</u>	<u>Loan Program III</u>
Current - unrestricted	\$ 3,241,866	\$ 8,763,893	\$ 823,071
Noncurrent - unrestricted	-	-	-
Restricted - current and noncurrent	9,473,854	84,470,973	22,004,702
Capital assets, net	-	-	-
Total assets	<u>\$ 12,715,720</u>	<u>\$ 93,234,866</u>	<u>\$ 22,827,773</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension and OPEB	\$ -	\$ -	\$ -
Deferred loss on bond refundings	1,088,194	4,044,000	266,952
Total deferred outflows of resources	<u>\$ 1,088,194</u>	<u>\$ 4,044,000</u>	<u>\$ 266,952</u>
LIABILITIES			
Current	\$ 1,631,133	\$ 6,786,712	\$ 1,173,813
Long-term	6,569,106	71,814,809	19,371,418
Total liabilities	<u>\$ 8,200,239</u>	<u>\$ 78,601,521</u>	<u>\$ 20,545,231</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension and OPEB	\$ -	\$ -	\$ -
Deferred gain on refunding	-	-	-
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Restricted by revenue bond agreements	\$ 3,992,942	\$ 16,700,164	\$ 2,900,236
Restricted for OPEB and Pension	-	-	-
Unrestricted	1,610,733	1,977,181	(350,742)
Net investment in capital assets	-	-	-
Total net position	<u>\$ 5,603,675</u>	<u>\$ 18,677,345</u>	<u>\$ 2,549,494</u>
OPERATING REVENUE			
Charges for services and miscellaneous revenue	\$ 786,173	\$ 5,545,323	\$ 1,343,155
OPERATING EXPENSES			
Depreciation and amortization	-	-	-
General and administrative	-	-	-
Allocation of general and administrative	62,496	521,773	129,118
OPERATING INCOME	<u>723,677</u>	<u>5,023,550</u>	<u>1,214,037</u>
NONOPERATING REVENUES (EXPENSES):			
Interest and investment revenue	4,777	19,278	4,516
Interest expense	(368,828)	(3,131,778)	(709,963)
Transfers (net)	(512,864)	(1,200,707)	(1,885,238)
Change in net position	(153,238)	710,343	(1,376,648)
Beginning net position	5,756,913	17,967,002	3,926,142
Ending net position	<u>\$ 5,603,675</u>	<u>\$ 18,677,345</u>	<u>\$ 2,549,494</u>
Net cash provided by (used in):			
Operating activities	\$ 1,652,046	\$ 8,817,185	\$ (40,186)
Capital and related financing activities	-	-	-
Noncapital financing activities	(1,653,374)	(8,823,075)	(1,494,731)
Investing activities	2,879	12,512	2,156
Beginning cash and cash equivalents	2,146,726	8,947,224	4,343,969
Ending cash and cash equivalents	<u>\$ 2,148,277</u>	<u>\$ 8,953,846</u>	<u>\$ 2,811,208</u>

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 15. Segement Information (Continued)

ASSETS	<u>Loan Program IV</u>	<u>Supplemental</u>	<u>Total</u>
Current - unrestricted	\$ 188,202	\$ 46,700,121	\$ 59,717,153
Noncurrent - unrestricted	-	10,188,418	10,188,418
Restricted - current and noncurrent	36,190,434	253,709,439	405,849,402
Capital assets - net	-	4,009,500	4,009,500
Total assets	<u>\$ 36,378,636</u>	<u>\$ 314,607,478</u>	<u>\$ 479,764,473</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension and OPEB	\$ -	\$ 160,126	\$ 160,126
Deferred loss on bond refundings	-	-	5,399,146
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 160,126</u>	<u>\$ 5,559,272</u>
LIABILITIES			
Current	\$ 1,511,015	\$ 250,116,652	\$ 261,219,325
Long-term	35,569,243	6,488,921	139,813,497
Total liabilities	<u>\$ 37,080,258</u>	<u>\$ 256,605,573</u>	<u>\$ 401,032,822</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension and OPEB	\$ -	\$ 404,693	\$ 404,693
Deferred gain on refunding	500,859	-	500,859
Total deferred inflows of resources	<u>\$ 500,859</u>	<u>\$ 404,693</u>	<u>\$ 905,552</u>
NET POSITION			
Restricted by revenue bond agreements	\$ 120,332	\$ (3,024,049)	\$ 20,689,625
Restricted for OPEB and Pension	-	256,233	256,233
Unrestricted	(1,322,813)	56,515,654	58,430,013
Net investment in capital assets	-	4,009,500	4,009,500
Total net position	<u>\$ (1,202,481)</u>	<u>\$ 57,757,338</u>	<u>\$ 83,385,371</u>
OPERATING REVENUE			
Charges for services and miscellaneous revenue	\$ 1,919,620	\$ 499,105	\$ 10,093,376
OPERATING EXPENSES			
Depreciation and amortization	3,659	156,672	160,331
General and administrative	-	1,038,817	1,038,817
Allocation of general and administrative	233,821	(947,208)	-
OPERATING INCOME	1,682,140	250,824	8,894,228
NONOPERATING REVENUES (EXPENSES):			
Interest and investment revenue	813	448,075	477,459
Interest expense	(1,368,729)	(131,098)	(5,710,396)
Transfers (net)	(203,384)	3,802,193	-
Change in net position	110,840	4,369,994	3,661,291
Beginning net position	(1,313,321)	53,387,344	79,724,080
Ending net position	<u>\$ (1,202,481)</u>	<u>\$ 57,757,338</u>	<u>\$ 83,385,371</u>
Net cash provided by (used in):			
Operating activities	\$ 2,621,385	\$ 255,763,129	\$ 268,813,559
Capital and related financing activities	-	(259,241)	(259,241)
Noncapital financing activities	(2,622,039)	478,437	(14,114,782)
Investing activities	714	400,810	419,071
Beginning cash and cash equivalents	57,063	38,867,111	54,362,093
Ending cash and cash equivalents	<u>\$ 57,123</u>	<u>\$ 295,250,246</u>	<u>\$ 309,220,700</u>

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

Public Employees Retirement System Plan

	Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion (percentage) of the net pension liability (asset)	0.028965%	0.031969%	0.038807%	0.034590%	0.038057%	0.039702%	0.043182%	0.040945%
Authority's proportionate share of the net pension liability (asset)	\$ (254,297)	\$ 169,001	\$ 83,440	\$ 89,328	\$ 164,270	\$ 364,905	\$ 241,080	\$ 151,290
Authority's covered payroll	\$ 494,467	\$ 497,894	\$ 567,261	\$ 530,152	\$ 530,764	\$ 553,481	\$ 587,420	\$ 507,753
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(51.429%)	33.945%	14.710%	16.850%	30.950%	65.929%	41.040%	29.796%
Plan fiduciary net position as a percentage of the total pension liability	111.07%	92.89%	96.99%	96.33%	93.67%	86.11%	91.29%	93.98%

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

SCHEDULE OF CONTRIBUTIONS TO THE PERS

	Year Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 50,356	\$ 48,347	\$ 49,789	\$ 56,511	\$ 57,366	\$ 63,388	\$ 74,720	\$ 81,986	\$ 72,599	\$ 62,525
Contributions in relation to the statutorily required contribution	\$ (50,356)	\$ (48,347)	\$ (49,789)	\$ (56,511)	\$ (57,366)	\$ (63,388)	\$ (74,720)	\$ (81,986)	\$ (72,599)	\$ (62,525)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 518,231	\$ 494,467	\$ 497,894	\$ 567,261	\$ 530,152	\$ 530,764	\$ 553,481	\$ 587,420	\$ 507,753	\$ 463,946
Contributions as a percentage of covered payroll	9.72%	9.78%	10.00%	9.96%	11.00%	12.00%	13.50%	14.00%	14.30%	13.48%

See Independent Auditor's Report and accompanying Notes to Required Supplementary Information.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)

Retiree Health Benefit Trust

	Year Ended June 30,				
	2022	2021	2020	2019	2018
Authority's proportion (percentage) of the net OPEB liability (asset)	0.0065110%	0.0079146%	0.0098895%	0.0081246%	0.0064466%
Authority's proportionate share of the net OPEB liability (asset)	\$ (1,936)	\$ 34,958	\$ 164,080	\$ 174,309	\$ 158,520
State's proportionate share of the net OPEB liability (asset) associated with the Authority	(381)	7,730	33,578	36,025	32,560
Total proportionate share of the net OPEB liability (asset) associated with the Authority	\$ (2,317)	\$ 42,688	\$ 197,658	\$ 210,334	\$ 191,080
Authority's covered employee payroll	\$ 131,859	\$ 104,972	\$ 131,838	\$ 111,957	\$ 214,103
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	(1.468%)	33.302%	124.460%	155.690%	74.040%
Plan fiduciary net position as a percentage of the total OPEB liability	101.81%	73.49%	39.69%	30.98%	25.10%

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

SCHEDULE OF CONTRIBUTIONS TO THE RHBT

	Year Ended June 30,						
	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 8,481	\$ 16,277	\$ 15,258	\$ 17,733	\$ 17,523	\$ 8,604	\$ 19,152
Contributions in relation to the statutorily required contribution	\$ (8,481)	\$ (16,277)	\$ (15,258)	\$ (17,733)	\$ (17,523)	\$ (8,604)	\$ (19,152)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered employee payroll	\$ 175,644	\$ 131,859	\$ 104,972	\$ 131,838	\$ 111,957	\$ 214,103	\$ 247,855
Contributions as a percentage of covered employee payroll	4.83%	12.34%	14.54%	13.45%	15.65%	4.02%	7.73%

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2022

Note 1. Trend Information Presented

The accompanying schedules of the Authority's proportionate share of the net OPEB and pension liabilities (assets) and contributions to PERS and RHBT are required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedules for those years for which information is available.

Note 2. OPEB Changes in Assumptions

Below are changes in assumptions between the 2020 and 2018 valuations:

The assumption changes that most significantly impacted the total OPEB liability were an approximate \$831 million decrease due to updated capped subsidy rates, per capita costs, and trend rates, as well as an approximate \$279 million decrease due to changes in assumptions as a result of an experience study as follows:

- General/price inflation – decrease price inflation rate from 2.75% to 2.25%
- Discount rate – decrease discount rate from 7.15% to 6.65%
- Wage inflation – decrease wage inflation rate from 4.00% to 2.75% for PERS and TRS, and 3.25% for Troopers A and B
- OPEB retirement – develop explicit retirement rates for members who are eligible to retire with healthcare benefits and elect healthcare coverage
- Waived annuitant termination – develop explicit waived termination rates for members who are eligible to retire with healthcare benefits but waive healthcare coverage
- SAL conversion – develop explicit SAL conversion rates for members who are eligible to convert sick and annual leave (SAL) balances at retirement and convert SAL balances into OPEB benefits
- Lapse/re-entry – develop net lapse/re-entry rates for members who either lapse coverage after electing healthcare coverage or elect healthcare coverage after waiving coverage.
- Other demographic assumptions – develop termination, disability, and mortality rates based on experience specific to OPEB covered group
- Salary increase – develop salary increase assumptions based on experience specific to the OPEB covered group

Below are changes in assumptions between the 2018 and 2017 valuations:

The assumption changes that most significantly impacted the total OPEB liability were an approximate \$11.8 million decrease in the per capita claims costs for Pre-Medicare and Medicare, as well as an approximate \$224.2 million decrease due to capped subsidy costs implemented in December 2019. Certain other assumption changes were noted but did not materially impact the total OPEB liability.

Below are changes in assumptions between the 2017 and 2016 valuations:

The assumption changes that most significantly impacted the Net OPEB Liability are as follows: the inclusion of waived annuitants increased the liability by approximately \$17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately \$68 million; a change in certain healthcare-related assumptions decreased the liability by approximately \$232 million; and an update to the mortality tables increased the liability by approximately \$25 million. Certain other assumption changes were noted but did not materially impact the Net OPEB Liability.

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO REQUIRED FINANCIAL STATEMENTS

June 30, 2022

Note 2. OPEB Changes in Assumptions (Continued)

Below are changes in the assumptions between the 2016 and 2015 valuations:

Certain economic and behavioral assumptions are unique to healthcare benefits. These assumptions include the healthcare trend, per capita claims costs, the likelihood that a member selects healthcare coverage and the likelihood that a retiree selects one-person, two person or family coverage. These assumptions were updated based on a recent experience study performed by the RHBT actuaries using five-year experience data through June 30, 2015. The updated per capita claims costs were also based on recent claims, enrollment and premium information as of the valuation date.

For the June 30, 2016 valuation, the retiree healthcare participation assumption for each retirement plan is slightly higher than the previous assumption used in the June 30, 2015 OPEB valuation. More members who were covered as actives will be assumed to participate as retirees.

The 2016 and 2015 valuations include consideration of the \$30 million annual appropriations under Senate Bill 419, through July 1, 2037, or if earlier, the year the benefit obligation is fully funded. Additionally, the presentation of covered payroll was changed for the June 30, 2015, actuarial valuation. Participating employees hired before July 1, 2010, pay retiree premiums that are subsidized based on years of service at retirement. Participating employees hired on or after July 1, 2010, are required to fully fund premium contributions upon retirement. Consequently, beginning June 30, 2015, actuarial valuation covered payroll represents only the payroll for those OPEB eligible participating employees that were hired before July 1, 2010, allowing a better representation of the UAAL as a percentage of covered payroll, whereas, for the prior years, covered payroll is in total for all participating employees.

Note 3. Pension Plan Amendments

The PERS was amended to make changes, which apply, to new employees hired on or after July 1, 2015 as follows:

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. A member may retire with the pension reduced actuarially if the member is at least age 55 and has at least 10 years of contributory service, or at any age with 30 years of contributory service. For employees hired July 1, 2015 and later, qualification for normal retirement is 62 with 10 years of service. A member hired after July 1, 2015 may retire with the pension reduced actuarially if the member is between ages 60 and 62 with at least ten years of contributory service, between ages 57 and 62 with at least twenty years of contributory service, or between ages 55 and 62 with at least thirty years of contributory service.
- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired July 1, 2015 and later average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO REQUIRED FINANCIAL STATEMENTS

June 30, 2022

Note 3. Pension Plan Amendments (Continued)

- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired July 1, 2015 and later, this age increases to 64 with at least ten years of contributory service, or age 63 with at least twenty years of contributory service.
- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired July 1, 2015 and later, are required to contribute 6% of annual earnings.

Note 4. Pension Plan Assumptions

The information in the schedules of the proportionate share of the net pension liability (asset) was based on actuarial valuations rolled forward to measurement dates of June 30 of each year presented below using the following actuarial assumptions:

<u>PERS</u>	<u>2019-2021</u>	<u>2015-2018</u>	<u>2014</u>
Projected salary increase			
State	3.1 - 5.3% (2019-2020); 2.75% - 5.55% (2021)	3.0 - 4.6%	4.25 - 6.0%
Nonstate	3.35 - 6.5% (2019-2020); 3.60% - 6.75% (2021)	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	3.00% (2019-2020); 2.75% (2021)	3.0% (2016-2018); 1.9% (2015)	2.2%
Discount Rate	7.50% (2019-2020); 7.25% (2021)	7.50%	7.50%
Mortality rates	Active-100% of Pub-2010 General Employees table, below median, headcount weighted, projected generationally with scale MP-2018 Retired healthy males-108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected generationally with scale MP-2018 Retired healthy females-122% of Pub-2010 General Retiree Female table, below-median, headcount weighted, projected generationally with scale MP-2018 Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, headcount weighted, projected generationally with scale MP-2018 Disabled females-117% of Pub-2010 General / Teachers Disabled Female table, below-median, headcount weighted, projected generationally with scale MP-2018	Active-RP-2000 Non-Annuitant tables, Scale AA fully generational Retired healthy males – 110% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy females – 101% of RP-2000 Non-Annuitants, Scale AA fully generational Disabled males – 96% of RP-2000 Disabled Annuitant, Scale AA fully generational Disabled females – 107% of RP-2000 Disabled Annuitant, Scale AA fully generational	Healthy males – 1983 GAM Healthy females – 1971 GAM Disabled males-1971 GAM Disabled females-Revenue ruling 96-7
Withdrawal rates			
State	2.28-45.63%	1.75 - 35.1%	1 – 26%
Nonstate	2.50-35.88%	2 - 35.8%	2 – 31.2%
Disability rates	0.005-0.540%	0. - 67.5%	0 – 8%
Experience study	2013-2018 (2019-2020); 2015 – 2020 – economic assumptions and 2013 – 2018 all other assumptions (2021)	2009-2014	2004-2009



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

To the Board of Directors
West Virginia Water Development Authority
Charleston, West Virginia

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Water Development Authority (the Authority), as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 11, 2022.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 Authority'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
October 11, 2022



WEST VIRGINIA
Water Development Authority
Celebrating 47 Years of Service 1974-2021

APPENDIX C

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

**WEST VIRGINIA DRINKING WATER TREATMENT
REVOLVING FUND**

FINANCIAL REPORT

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the West Virginia Bureau for Public Health and
the West Virginia Water Development Authority
Charleston, West Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the West Virginia Drinking Water Treatment Revolving Fund (the Fund), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund'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 Fund's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Fund's basic financial statements. The accompanying information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The 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 for Federal Awards*, is presented for purposes of additional analysis, and is also not a required part of the basic financial statements. The accompanying information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic 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 October 11, 2022, on our consideration of the Fund'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 Fund'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 Fund's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
October 11, 2022

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

INTRODUCTION

Our discussion and analysis of the West Virginia Drinking Water Treatment Revolving Fund's (the "Fund") financial performance provides an overview of the Fund's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the Fund's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- Under the former American Recovery and Reinvestment Act (ARRA), the Drinking Water Treatment Revolving Fund was awarded \$19.5 million, of which \$19.25 million was to be distributed through the drinking water revolving loan program. Under the ARRA program, at least 50% of the \$19,250,000 was required to be provided in the form of principal forgiveness loans (an approved loan type whereby the loan recipient is not required to repay the loan). The Fund closed fourteen (14) projects receiving ARRA funding over the life of the program. \$18.95 million of the \$19.25 million was provided in the form of principal forgiveness loans. The ARRA principal forgiveness loans are written off quarterly according to their respective debt service schedules. A total of \$18.95 million in ARRA principal forgiveness loans have been written off against the existing allowance for principal forgiveness since the inception of the program.
- The United States Environmental Protection Agency (the "EPA") authorized the Fund to issue principal forgiveness loans. These loans, which are issued to certain local government agencies or other eligible water providers, will be forgiven on the 30th day of June in the fiscal year coinciding with the disbursement or on the last day of the month in which the last disbursement is made. These loans are deemed no longer outstanding after the last loan disbursement is forgiven. Therefore, it is the Fund's policy to maintain an allowance for principal forgiveness loans, equal to the amount of the disbursement, until the last disbursement is made. Consistent with the prior year, a large operating expense, grant expense – principal forgiveness, was incurred due to the provisions of the EPA principal forgiveness loans. Total principal forgiveness loans disbursed during the fiscal year totaled \$6,284,808. The Fund's change in net position, therefore, consists of total revenues, less operating expenses and capital grants and contributions.
- The Fund's assets increased by \$11,591,149 or 6%. This is largely due to an increase in the investment of funds available for projects and an increase in loans receivable. The Fund's liabilities did not change significantly from the prior year. The Fund's net position increased by \$11,597,528 or 6%.
- The Fund's revenues decreased by \$20,014 or approximately 1%. This is primarily due to an increase in investment earnings of \$84,139 or 115%.
- Capital grant and contribution awards from the EPA and the State of West Virginia (the "State") continue to provide the necessary resources to the Fund to carry out its mission. Federal and state awards for the Fund are described in footnote 5 in the accompanying financial statements. Capital grants and contributions received from the EPA and the State increased by \$8,208,165 from the prior year.
- Eleven (11) new loans were closed during the current year. Also, there are nineteen (19) additional loans that are still under construction that were closed in prior years, seven (7) of which are substantially complete but still have a remaining loan balance.

(Continued)

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

USING THIS REPORT

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position report the Fund's net position and changes in net position. The Fund's net position, which is the difference between assets and liabilities, is one way to measure the Fund's financial health or financial position. Over time, increases or decreases in the Fund's net position is one indicator of whether its financial health is improving or deteriorating.

THE FUND AS A WHOLE

Assets of the Fund increased \$11,591,149 or 6%. The Fund has \$36,489 in liabilities as of the current fiscal year and \$42,868 in liabilities in the prior fiscal year ended June 30, 2021. This increase in assets approximates the increase in the Fund's net position. Our analysis that follows focuses on the net position (Table 1) and changes in net position (Table 2) of the Fund's activities.

**Table 1
Statement of Net Position**

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets	\$ 64,876,756	\$ 58,777,866
Loans Receivable, less current maturities, net	<u>139,979,897</u>	<u>134,487,638</u>
Total assets	204,856,653	193,265,504
Liabilities		
Current Liabilities	<u>36,489</u>	<u>42,868</u>
Net position		
Restricted	<u>\$ 204,820,164</u>	<u>\$ 193,222,636</u>

(Continued)

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

THE FUND AS A WHOLE (Continued)

**Table 2
Statement of Revenues, Expenses, and Changes in Fund Position**

	2022	2021
Revenues:		
Operating revenues:		
Administrative fees	\$ 757,947	\$ 777,007
Interest on loans	814,395	859,460
Total operating revenues	<u>1,572,342</u>	<u>1,636,467</u>
Investment earnings	157,037	72,898
Total revenues	<u>1,729,379</u>	<u>1,709,365</u>
Operating expenses	(6,455,402)	(2,212,342)
Non-operating expenses	-	(343,637)
Total expenses	<u>(6,455,402)</u>	<u>(2,555,979)</u>
Income (loss) before capital grants and contributions	<u>(4,726,023)</u>	<u>(846,614)</u>
Capital grants and contributions	<u>16,323,551</u>	<u>8,115,386</u>
Increase in net position	<u>\$ 11,597,528</u>	<u>\$ 7,268,772</u>

Most of the increase in the Fund's assets and net position is attributable to both the capital grants and contributions received in the current year from the EPA in the amount of \$14,103,551 and the State match through the West Virginia Infrastructure and Jobs Development Council in the amount of \$2,220,000 totaling \$16,323,551. Of the \$14,103,551 received from the EPA in the current year, \$4,951,090 was disbursed with an agreed 100% loan forgiveness feature. 100% of the EPA amount was for eligible costs reviewed and approved by the Fund and was disbursed as loans to local governmental agencies to assist in drinking water infrastructure projects and is included on the balance sheet in "Loans Receivable." Of the \$2,220,000 received from the State during the current year in matching funds, and \$543,946 of carryover matching funds from the State from fiscal year 2021, \$2,763,946 was disbursed during the year. In addition, \$1,975,380 in cumulative investment earnings on current and previous State match amounts have been committed to drinking water infrastructure projects but have not yet been expended. These moneys are invested with the West Virginia Board of Treasury Investments and are included on the balance sheet as "Cash Equivalents."

The Fund's liabilities are attributable to the year's administrative expenses that were payable at the end of the fiscal year.

Capital grant income from the EPA is recognized after the Fund has reviewed and approved supporting invoices for disbursements of loan proceeds to local governmental agencies and the federal portion of those disbursements has been received by the Fund. Capital grant income from the EPA increased \$8,190,365 from the prior year. The sources of funding for loans to local governmental agencies, besides the capital grant income from the EPA, and the State match, include revolving loan repayments, and investment earnings, which in total have increased \$436,163 from prior year. Eleven (11) loans closed during the current year, totaling \$37,645,530. Zero (0) loan closed in the first quarter, seven (7) in the second quarter, two (2) closed in the third quarter, and two (2) closed in the fourth quarter.

(Continued)

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

THE FUND AS A WHOLE (Continued)

Total revenues, including operating revenues and investment earnings equaled \$1,729,379. This was an increase of \$20,014 from prior year. This was attributed to a combination of reduction in Operating revenues of \$64,125, offset by an increase in investment earnings of from the prior year.

The eleven loans that closed in the current year totaled \$37,645,530. The amounts disbursed for these loans totaled \$4,822,194 of which \$2,189,762 represented federal funds, including \$1,313,934 of those funds having principal forgiveness features, \$312,572 represented State match, \$224,066 of those funds having principal forgiveness features, and \$2,319,860 represented proceeds from loan repayment, including \$191,625 of those funds having principal forgiveness features. The amount disbursed in the current year for loans closed in prior years totaled \$14,624,982 of which \$11,913,789 represented federal funds with \$3,637,156 of those funds having principal forgiveness features, \$2,451,374 represented State match, including \$813,389 of those funds having principal forgiveness features, and \$259,819 represented proceeds from loan repayment, including \$5,313 of those funds having principal forgiveness features. The sum of all disbursements for the years ended June 30, 2022 and 2021 was \$19,447,176 and \$10,149,094, respectively.

COMMITMENTS AND PENDING APPLICATION FOR EPA GRANT

As of June 30, 2022, the Fund had no binding commitments to loan to qualified recipients and a \$7,659,000 grant awarded by the EPA but not yet disbursed for approved drinking water infrastructure projects. Funding for approved projects will come from resources currently available to the Fund such as loan repayments as well as federal capital grants and State matches to be paid to the Fund in future periods. As of the year ended June 30, 2022 the Fund has \$56,758,978 in cash equivalents available for these projects. Additionally, the Fund has \$53,034 of cash equivalents from user fees obtained from a State Settlement with the West Virginia American Water Company in 2004. These funds will be used for future drinking water infrastructure projects.

The West Virginia Bureau for Public Health submitted an application to the EPA for a grant for the Fund for the fiscal year 2023 grant period and is currently awaiting approval of an award in the amount of \$60,905,000. The \$3,200,800 State match has been committed to the Fund in order to secure the federal funds. The total of \$64,105,800, awarded to the Fund, will be used to provide no-interest or low-interest traditional or principal forgiveness featured loans to assist in financing approved drinking water infrastructure projects.

The 2022 EPA Capitalization Grant awarded for fiscal year 2022 contained a provision which requires that not less than twenty (20) percent be provided to eligible water system loan recipients in the form of grants, negative interest, or principal forgiveness. Furthermore, in a state in which such an emergency declaration has been issued, the recipient may use more than twenty (20) percent of the funds made available for capitalization grants to provide additional subsidy to eligible recipients. The principal forgiveness will be provided to the loan recipients as a separate loan agreement. The principal forgiveness requirement is expected to remain a grant condition in the near future. While this provision will not directly enhance the Fund, the plan is that it will assist in meeting the Fund's goal of providing safe drinking water infrastructure to West Virginia residents.

(Continued)

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

CONTACTING THE FUND'S MANAGEMENT

This financial report is designed to provide a general overview of the Fund's finances and to show the Fund's accountability for the money it receives. The Fund is administered by the West Virginia Water Development Authority on behalf of the West Virginia Bureau for Public Health. If you have questions about this report or need additional information, contact the Executive Director or the Chief Financial Officer of the West Virginia Water Development Authority, 1009 Bullitt Street, Charleston, West Virginia 25301; call 304-414-6500 or visit the Authority's website (www.wvwda.org).

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

STATEMENT OF NET POSITION

June 30, 2022

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note 3)	\$ 56,812,012
Administrative fees receivable	61,127
Accrued interest receivable	67,097
Current maturities of loans receivable (Note 4)	<u>7,936,520</u>
Total current assets	<u>64,876,756</u>

LOANS RECEIVABLE, less current maturities

(net of principal forgiveness of \$106,319) (Note 4)	<u>139,979,897</u>
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Total assets	<u><u>\$ 204,856,653</u></u>
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LIABILITIES

CURRENT LIABILITIES

Accounts payable, related party (Note 8)	<u><u>\$ 36,489</u></u>
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NET POSITION

Net position, restricted	<u><u>\$ 204,820,164</u></u>
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The Notes to the Financial Statements are an integral part of these statements.

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended June 30, 2022

OPERATING REVENUES	
Administrative fees	\$ 757,947
Interest on loans	814,395
	<u>1,572,342</u>
OPERATING EXPENSE	
Administrative expense	(170,594)
Grant expense - principal forgiveness	(6,284,808)
	<u>(6,455,402)</u>
Operating loss	(4,883,060)
NONOPERATING REVENUES (EXPENSES)	
Investment income	157,037
	<u>157,037</u>
Loss before capital grants and contributions	(4,726,023)
CAPITAL GRANTS AND CONTRIBUTIONS	
U.S. Environmental Protection Agency (Note 5)	14,103,551
State of West Virginia (Note 5)	2,220,000
	<u>16,323,551</u>
Increase in net position	11,597,528
NET POSITION, beginning	<u>193,222,636</u>
NET POSITION, ending	<u>\$ 204,820,164</u>

The Notes to the Financial Statements are an integral part of these statements.

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

STATEMENT OF CASH FLOWS

Year Ended June 30, 2021

OPERATING ACTIVITIES

Cash payments for:	
Loans originated	\$ (19,447,176)
Administrative expenses	(176,973)
Cash receipts from:	
Principal repayments	8,356,048
Administrative fees	761,307
Interest on loans	820,050
Net cash and cash equivalent used in operating activities	<u>(9,686,744)</u>

CAPITAL AND FINANCING ACTIVITIES

Capital grants and contributions received:	
U.S. Environmental Protection Agency	14,103,551
State of West Virginia, Infrastructure and Jobs Development Council	2,220,000
Net cash provided by capital and related financing activities	<u>16,323,551</u>

INVESTING ACTIVITIES

Investment income	157,037
Net increase in cash and cash equivalents	6,793,844

CASH AND CASH EQUIVALENTS, beginning 50,018,168

CASH AND CASH EQUIVALENTS, ending \$ 56,812,012

Reconciliation of operating income to net cash and cash equivalents used in operating activities:

Operating loss	\$ (4,883,060)
Adjustments to reconcile operating income to net cash and cash equivalents provided by operating activities:	
Increase in loans receivable	(4,806,320)
Decrease in administrative fees receivable	3,360
Increase in accrued interest receivable	5,655
Increase in accounts payable, related party	(6,379)
Net cash and cash equivalents used in operating activities	<u>\$ (9,686,744)</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES

New loans originated with principal forgiveness features	<u><u>\$ 6,284,808</u></u>
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The Notes to the Financial Statements are an integral part of these statements.

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1. Description of the Fund

The West Virginia Drinking Water Treatment Revolving Fund (the “Fund”) was established pursuant to the Safe Drinking Water Act (the “Act”) by the State of West Virginia (the State), as amended, and is administered by the West Virginia Water Development Authority (the Authority) on behalf of the Bureau for Public Health. The purpose of the Act was to establish and implement a State-operated perpetual revolving loan fund to provide no-interest or low-interest rate loans to local governmental agencies and other eligible water providers to assist in financing drinking water infrastructure projects, including but not limited to, design, treatment, distribution, transmission, storage and extensions; and remain in perpetuity by recirculating the principal repayments and interest earned from the loans. The Fund’s programs are designed to provide financial assistance in the form of no-interest, low-interest, and forgivable loans to eligible local governmental agencies and other eligible water providers in the State in accordance with the Act. Such loan programs provide long-term financing to cover all or a portion of the cost of qualifying projects.

The Fund has received capital grants and contributions from the United States Environmental Protection Agency (the “EPA”), and the State, which is required to provide an additional twenty percent of the federal award as matching funds in order to qualify for funding. As of June 30, 2022, Congress has authorized the EPA to award \$246,481,858 in capitalization grants to the State, of which \$184,032,557 is allocated to the fund. The state is required to contribute \$45,382,157 in matching funds to the Fund, which are provided through the West Virginia Infrastructure and Jobs Development Council. The 2022 Capitalization Grant State Match of \$3,200,800 has been committed to the Bureau for Public Health and is awaiting approval of the EPA grant award.

These financial statements present the loan activity of the Fund and do not include the activity in any set-aside accounts required by the EPA grants.

Note 2. Significant Accounting Policies

Basis of presentation

The Fund is accounted for as a proprietary fund special purpose government engaged in business type activities. In accordance with accounting principles generally accepted in the United States of America, these 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 Fund is a component of the State and as such is included in the State’s financial statements as a proprietary fund and business type activity blended component using the accrual basis of accounting. Because of the Fund’s presentation in these financial statements as a special purpose government engaged in business type activities, there may be differences between the presentation of amounts reported in these financial statements and the financial statements of the State as a result of major fund determination.

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 certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from management’s estimates.

(Continued)

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 2. Significant Accounting Policies (Continued)

Cash and cash equivalents

Cash and cash equivalents include investments with the West Virginia Board of Treasury Investments (“BTI”) and are recorded at amortized cost, which approximates fair value. The State Treasurer deposits cash with the BTI at the direction of the Authority, and deposits are not separately identifiable as to specific types of securities. Such funds are available to the Fund daily.

Loans receivable

The State operates the Fund as a perpetual revolving loan program, whereby loans made to local governmental agencies or other eligible water providers are funded by a federal capitalization grant, including amounts awarded under the former American Recovery and Reinvestment Act of 2009 (ARRA), and the State matching amount and/or repayments from existing loans. Loan funds are disbursed to the local governmental agencies or other eligible water providers as costs are incurred on approved projects. Interest, if applicable, is not paid during construction but begins accruing three months before the date that local governmental agencies or other eligible water providers begin repayment; and the payment schedule is adjusted for actual amounts disbursed and interest accrued on those disbursements. The loans are secured by a lien on the revenues of the local governmental agencies’ or other eligible water providers’ water systems and by debt service reserve funds held by the West Virginia Municipal Bond Commission. According to the terms as set forth in the ARRA, management believes that it is probable that certain local government agencies will fulfill specific ARRA program requirements allowing for principal forgiveness, and as such a 100% principal forgiveness valuation has been made for certain program loans through the year ended June 30, 2022.

The Fund also issues loans eligible for principal forgiveness from funds provided under EPA grants received by the Fund. These loans, which are issued to certain local government agencies or other eligible water providers, will be forgiven on the 30th day of June in the fiscal year coinciding with the disbursement. These loans, which are secured by principal only bonds issued by the loan recipient, and held in the name of the Authority and the West Virginia Bureau for Public Health on behalf of the Fund, are to be deemed no longer outstanding after the last loan disbursement is forgiven. Therefore, it is the Fund’s policy to maintain an allowance for principal forgiveness loans, equal to the amount of the disbursement, until the last disbursement is made to the recipient and the loan can be removed from the outstanding loans list.

As of June 30, 2022, with the exception of forgivable loans, no provision for uncollectible accounts has been made because management believes that the loans will be repaid according to the loan terms. There are no principal or interest payments in default.

Administrative fees

Administrative fees are a percentage of the outstanding loan balance and are recognized as income when fees are earned over the life of the loan. Administrative fees are collected over the life of the loan concurrently with principle reduction payments by local governmental agencies or other eligible water providers at terms set forth in the applicable loan agreements.

(Continued)

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 2. Significant Accounting Policies (Continued)

Capital grants and contributions

Amounts received from the EPA and the State for the continued capitalization of the Fund are recorded at cost as capital grants and contributions, when the funds are received.

Net position

Net position is reported as restricted. Restricted net position is the result of constraints placed on its use, which have been imposed by the grantor agency and by law through enabling legislation.

Operating revenues and expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing or investing activities.

Note 3. Cash and Cash Equivalents

The Authority, as administrative agent for the Fund, adopted investment guidelines for the Fund. Those guidelines require all investment funds to be invested in accordance with the Act and applicable federal guidelines related to the Fund. In accordance with the Act, the Fund, which is comprised of “moneys appropriated to the Fund by the Legislature, moneys allocated to the State by the federal government expressly for the purpose of establishing and maintaining a drinking water treatment revolving fund, all receipts from loans made from the Fund, all income from the investment of moneys held in the Fund, and all other sums designated for deposit to the Fund from any source, public or private” is to be “continued” in the Office of the State Treasurer. The State Treasurer has statutory responsibility for the daily cash management activities of the State’s agencies, departments, boards and commissions and transfers funds to the BTI for investment in accordance with West Virginia Code, policies set by the BTI and by provisions of bond indentures and trust agreements when applicable. The Fund’s cash balances are invested by the BTI in the BTI’s West Virginia Money Market Pool or deposited with the State Treasurer.

Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The WV Money Market and WV Government Money Market Pools have been rated AAAM by Standard & Poor’s. A fund rated AAAM has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. AAAM is the highest principal stability fund rating assigned by Standard & Poor’s. The BTI itself has not been rated for credit risk by any organization.

(Continued)

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 3. Cash and Cash Equivalents (Continued)

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all long-term corporate debt be rated A+ or higher by Standard & Poor's (or its equivalent) and short-term corporate debt be rated at A-1 or higher by Standard & Poor's (or its equivalent). The following table provides information on the credit ratings of the WV Money Market Pool's investments (in thousands):

Security Type	Rating	Carrying Value (in Thousands)	Percent of Pool Assets
U.S. Treasury notes *	AA+	\$ 37,503	0.47%
Commercial Paper	A-1+	1,956,052	24.01
	A-1	3,849,657	47.26
Negotiable certificates of deposit	A-1+	208,000	2.55
	A-1	1,141,000	14.01
	A+	117,500	1.44
Money market funds	AAAm	217,659	2.67
Cash	A-1+	824	0.01
Repurchase agreements (underlying securities):			
U.S. Treasury bonds and notes*	AA+	117,400	1.44
U.S. Agency bonds and notes	AA+	500,000	6.14
		\$ 8,145,595	100.00%

*U.S. Treasury issues are explicitly guaranteed by the United States government and are not considered to have credit risk.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a pool's investment in a single corporate issuer. The BTI investment policy prohibits the West Virginia Money Market Pool from investing more than 5% of their assets in any one corporate name or one corporate issue.

Custodial credit risk - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

(Continued)

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 3. Cash and Cash Equivalents (Continued)

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The West Virginia Money Market Pool is subject to interest rate risk.

The overall weighted average maturity of the investments of the West Virginia Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury notes	\$ 37,503	1
Commercial paper	5,805,709	23
Negotiable certificates of deposit	1,466,500	25
Repurchase agreements	617,400	1
Money market funds	217,659	1
Cash	824	1
	<u>\$ 8,145,595</u>	21

Foreign Currency risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The West Virginia Money Market Pool does not hold interests in foreign currency or interests valued in foreign currency.

Note 4. Loans Receivable

As of June 30, 2022, loans receivable consisted of loans to local governmental agencies (LGA's) or other eligible water providers for qualifying projects which comply with the Act. The Fund issued \$6,284,808 in loans whose principal was forgiven during the year ended June 30, 2022, in accordance with funding covenants provided by the EPA. Accordingly, a valuation account for expected principal forgiveness has been recorded as of June 30, 2022, for the total allotment of anticipated qualifying principal forgiveness loans. During the year, the Fund disbursed \$13,162,368 of loans which are required to be repaid in accordance with the loan agreements.

(Continued)

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 4. Loans Receivable (Continued)

Loans receivable consisted of the following at June 30, 2022:

Loans without principal forgiveness features	\$	147,916,417
EPA principal forgiveness loans		106,319
Total loans outstanding		148,022,736
Less:		
Allowance for expected principal forgiveness		106,319
Current maturities		7,936,520
Total loans receivable, net of current maturities and principal forgiveness	\$	139,979,897

Non-principal forgiveness loans mature at various intervals through June 2062, EPA principal forgiveness loans will be forgiven as the funds are drawn down through March 2044 as the funds are drawn down. The scheduled principal payments on principal forgiveness loans maturing in subsequent years and annual principal forgiveness in future years are as follows at June 30:

2023	\$	7,936,520
2024		8,679,024
2025		8,838,041
2026		8,882,796
2027		8,924,531
Thereafter		139,398,226
Less loans closed but not disbursed		34,636,402
Less current maturities		7,936,520
Less allowance for principal forgiveness programs		106,319
Total loans receivable, net of current maturities and principal forgiveness	\$	139,979,897

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 5. Capital Grants and Contributions

The Fund is awarded grants from the EPA as authorized by the Act and the State provides matching funds from the West Virginia Infrastructure and Jobs Development Council's Infrastructure Fund. Funds drawn are recorded as capital grants and contributions from the EPA and the State. As of June 30, 2022, the cumulative amounts awarded to the Fund from the EPA and the contributed matching funds from the State were as follows:

Effective Award Date	EPA Grant	State Match
09/11/1998	\$ 9,076,449	\$ 2,511,760
06/11/1999	12,965,142	2,917,020
12/10/2001	5,352,330	1,551,400
11/09/2002	5,374,479	1,557,820
10/23/2003	5,556,225	1,610,500
06/16/2005	5,522,829	1,600,820
12/01/2005	5,729,139	1,660,620
12/04/2006	5,716,995	1,657,100
12/19/2007	5,678,217	1,645,860
11/07/2008	6,089,460	1,645,800
06/15/2009*	15,350,000	-
08/03/2009*	3,900,000	-
10/01/2009	5,620,740	1,629,200
07/29/2010	7,345,036	1,629,200
09/22/2010	9,466,950	2,714,600
09/15/2011	6,394,920	1,883,600
01/20/2012*	150,000	-
09/05/2012	6,224,032	1,801,257
07/01/2013	5,810,490	1,684,200
07/01/2014	6,701,750	1,769,000
07/01/2015	6,590,250	1,757,400
06/27/2016	5,949,000	1,662,400
08/01/2017	5,458,468	1,648,200
09/05/2018	7,940,580	2,221,400
09/20/2019	8,355,836	2,200,800
09/01/2020	8,054,240	2,202,200
12/01/2021	7,659,000	2,220,000
	<u>\$ 184,032,557</u>	<u>\$ 45,382,157</u>

* Funds did not require a state match.

(Continued)

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 5. Capital Grants and Contributions (Continued)

The following represents the amounts of EPA grants and State matching funds received by the Fund through June 30, 2022:

<u>Cumulative Through</u>	<u>Federal</u>	<u>State</u>	<u>Total Capital Grants and Contributions</u>
June 30, 2022	\$ 182,422,868	\$ 45,382,157	\$ 227,805,025

Note 6. Commitments

The Fund has established a list of local governmental agencies that have formally been recommended by the West Virginia Infrastructure and Jobs Development Council and approved by the Bureau for Public Health to participate in future lending activities consistent with the guidelines of the Act. As of June 30, 2022 there are no outstanding commitments.

The Fund has awarded amounts not yet disbursed of approximately \$34,636,402 for projects previously approved and in various stages of completion.

Note 7. Risk Management

The Fund is exposed to various risks of loss related to torts and errors and omissions. Through its participation in the West Virginia Board of Risk and Insurance Management, the Fund obtained coverage for general liability, business interruptions, and errors and omissions. Such coverage is provided in exchange for an annual premium. There were no changes in coverage or claims in excess of coverage for the year ended June 30, 2022.

Note 8. Transactions with State of West Virginia Agencies

The Authority pays for and is reimbursed for certain administrative expenses (including salaries and legal expenses) on behalf of the Fund. As of June 30, 2022, the Fund had incurred and recognized \$170,594 in administrative expenses of which \$36,489 remains payable to the Authority at the end of the fiscal year.

ACCOMPANYING INFORMATION

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

SCHEDULES OF ADMINISTRATIVE FEES ACTIVITY

June 30, 2022

SCHEDULE OF ASSETS AND FUND NET POSITION

ASSETS

Cash and cash equivalents	\$ 8,738,130
Administrative fees receivable	61,127
Total assets	<u>\$ 8,799,257</u>

LIABILITIES

Accounts payable, related party	<u>\$ 36,489</u>
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RESTRICTED FUND NET POSITION

\$ 8,762,768

SCHEDULE OF ADMINISTRATIVE FEES ACTIVITY IN FUND NET POSITION

REVENUES

Administrative fees	\$ 757,947
Interest on investments	24,205
Total revenues	<u>782,152</u>

EXPENSES

Administrative expense	<u>170,594</u>
Net income	611,558

RESTRICTED FUND NET POSITION - ADMINISTRATIVE FEES, beginning

8,151,210

RESTRICTED FUND NET POSITION - ADMINISTRATIVE FEES, ending

\$ 8,762,768

SCHEDULE OF CASH FLOWS

NET INCOME \$ 611,558

Adjustments to reconcile net income to net cash provided
by administrative fees activity:

Decrease in administrative fees receivable	3,360
Decrease in accounts payable, related party	(6,379)

NET CASH PROVIDED BY ADMINISTRATIVE FEES ACTIVITY 608,539

CASH AND CASH EQUIVALENTS, beginning

8,129,591

CASH AND CASH EQUIVALENTS, ending

\$ 8,738,130

See Independent Auditor's Report.

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

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

<u>U.S. Environmental Protection Agency</u>	<u>Assistance Listing Number</u>	<u>Expenditures</u>
DRINKING WATER STATE REVOLVING FUND (DWSRF) CLUSTER:		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 14,103,551 ¹
Total Drinking Water State Revolving Fund (DWSRF) Cluster		<u>\$ 14,103,551¹</u>

¹ This amount was passed through to nonfederal entities under a loan program.

Note 1. Basis of Presentation

The above schedule of expenditures of federal awards includes the federal award activity of the West Virginia Drinking Water Treatment Revolving Loan Fund (the Fund) 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Fund, it is not intended to and does not present the financial position, changes in fund net position or cash flows of the Fund.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The Fund has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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

To the West Virginia Bureau for Public Health and
the West Virginia Water Development Authority
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Drinking Water Treatment Revolving Fund (the Fund), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated October 11, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 Fund'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
October 11, 2022



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

To the West Virginia Bureau for Public Health and
the West Virginia Water Development Authority
Charleston, West Virginia

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited the West Virginia Drinking Water Treatment Revolving Fund's (the Fund) 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 Fund's major federal program for the year ended June 30, 2022. The Fund's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Fund complied, in all material respects, with the types of 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 Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related 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 Fund's compliance with the compliance requirements referred to above.

Report on Compliance for Major Federal Program (Continued)

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 Fund's federal program.

Auditor's 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 Fund'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 generally accepted auditing standards, *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 judgement made by a reasonable user of the report on compliance about the Fund's compliance with the requirements of the major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk 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 Fund'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 Fund'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 Fund'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 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

Report on Internal Control over Compliance (Continued)

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 Auditor's 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
October 11, 2022

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X 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 federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? _____ Yes X No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

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

Section I - Summary of Auditors' Results (Continued)

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

No findings were identified that are required to be reported under this section.

Section III - Federal Award Findings and Questioned Costs

No findings were identified that are required to be reported under this section.



WEST VIRGINIA
Water Development Authority
Celebrating 47 Years of Service 1974-2021

APPENDIX D

WEST VIRGINIA
INFRASTRUCTURE AND JOBS
DEVELOPMENT COUNCIL

FINANCIAL STATEMENTS
WITH INDEPENDENT
AUDITORS' REPORT

**WEST VIRGINIA INFRASTRUCTURE
AND JOBS DEVELOPMENT COUNCIL**

FINANCIAL REPORT

Year Ended June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the West Virginia Infrastructure and Jobs Development Council (the Council), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Council, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Council'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.

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council'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 Council's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the proportionate share of the net pension liability (asset), the schedule of contributions to the PERS, the schedule of the proportionate share of the net OPEB liability (asset), the schedule of contributions to the RHBT, and the notes to required supplementary information 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

Required Supplementary Information (Continued)

financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2022, on our consideration of the Council'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 Council'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 Council's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
October 11, 2022

**WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

INTRODUCTION

Our discussion and analysis of the West Virginia Infrastructure and Jobs Development Council's (the "Council") financial performance provides an overview of the Council's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the Council's financial statements, which begin on page 11.

USING THIS REPORT

This report consists of a series of fund level and government-wide financial statements. The Statement of Net Position and Statement of Activities report the net position and activities of the Council as a whole. The Governmental Fund's Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance report the Council's governmental fund balance and the respective changes in it. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund present the proprietary fund net position and the respective changes in net position. The Council's net position and the Council's fund balance represent ways to measure the Council's financial health or financial position. Over time, increases or decreases in the Council's net position and fund balance are indicators of whether its financial health is improving or deteriorating.

FINANCIAL HIGHLIGHTS

Business Type Activities:

- Total assets decreased \$3.2 million from \$858.228 million to \$854.996 million
- Deferred outflows of resources decreased \$67 thousand from \$866 thousand to \$799 thousand
- Total liabilities decreased \$7.3 million from \$162 million to \$154 million
- Deferred inflows of resources increased \$332 thousand from the previous year
- Net position increased \$3.7 million from \$697 million to \$701 million

Governmental Activities:

- Total assets decreased \$1 from the previous year
- Deferred outflows of resources decreased \$659 thousand
- Total liabilities decreased \$18.5 million
- Net position increased \$17.8 million

Government Wide:

- Total assets decreased \$3.2 million from \$858.228 million to \$854.996 million
- Deferred outflows of resources decreased \$726 thousand from \$4.382 million to \$3.657 million
- Total liabilities decreased \$25.8 million from \$285.9 million to \$260.1 million
- Deferred inflows of resources increased \$332 thousand from the prior year
- Net position increased by \$21.5 million from \$576.7 million to \$598.2 million

Other Highlights:

- 9 water and wastewater project and 7 economic development loans were closed for the year ended June 30, 2022, on behalf of the Council
- 68 water and wastewater grants were closed for the year ended June 30, 2022, on behalf of the Council

(Continued)

**WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE

Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the Council:

**Table 1
Net Position**

	2022 Business Type Activities	2022 Governmental Type Activities	2021 Business Type Activities	2021 Governmental Type Activities
ASSETS				
Cash equivalents	\$ 194,293,100	\$ -	\$ 193,360,354	\$ 1
Investments, restricted	99,508,493	-	101,017,267	-
Loans receivable, net, restricted	558,749,783	-	561,683,200	-
Other	2,444,973	-	2,167,078	-
Total assets	\$854,996,349	\$ -	\$ 858,227,899	\$ 1
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources from pensions	\$ 116,286	\$ -	\$ 111,195	\$ -
Deferred outflows of resources from OPEB	23,893	-	14,740	-
Deferred loss on refunding	659,233	2,857,462	740,323	3,516,453
Total deferred outflows of resources	\$ 799,412	\$ 2,857,462	\$ 866,278	\$ 3,516,453
LIABILITIES				
Bond payable, net	\$ 151,564,800	\$ 105,375,844	\$ 158,654,885	\$ 123,793,167
Net pension liability	-	-	132,672	-
Net OPEB liability	-	-	11,494	-
Other	2,708,145	425,517	2,796,512	511,117
Total liabilities	\$154,272,945	\$ 105,801,361	\$ 161,595,563	\$ 124,304,284
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources from pensions	\$ 316,684	\$ -	\$ 13,125	\$ -
Deferred inflows of resources from OPEB	69,318	-	40,903	-
Total deferred inflows of resources	\$ 386,002	\$ -	\$ 54,028	\$ -
NET POSITION				
Restricted for bond indentures and enabling legislation	\$ 655,827,862	\$ -	\$ 659,591,278	\$ 1
Restricted for OPEB and pension	244,400	-	-	-
Unrestricted (deficit)	45,064,552	(102,943,899)	37,853,308	(120,787,831)
Total net position	\$ 701,136,814	\$ (102,943,899)	\$ 697,444,586	\$ (120,787,830)

(Continued)

**WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (Continued)

Table 2				
Changes in Net Position				
	2022	2022	2021	2021
	Business	Governmental	Business	Governmental
	Type	Type	Type	Type
	Activities	Activities	Activities	Activities
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues				
Program revenues				
Charges for services	\$ 4,008,333	\$ -	\$ 4,747,349	\$ -
General revenues				
Miscellaneous revenues	3,007	-	1,142	-
Intergovernmental	46,000,000	21,951,111	46,000,000	21,935,925
Investment earnings	<u>295,351</u>	<u>4,998</u>	<u>290,219</u>	<u>14,253</u>
Total general revenues	<u>46,298,358</u>	<u>21,956,109</u>	<u>46,291,361</u>	<u>21,950,174</u>
Total revenues	50,306,691	21,956,109	51,038,710	21,950,178
Expenses				
General & administrative	1,376,091	-	1,361,803	-
Interest on long-term debt	5,719,422	4,110,969	6,017,255	4,939,876
Infrastructure & economic development	31,003,659	-	26,315,379	-
Loss on uncollectible loans	8,516,500	-	300,000	-
Transfers (in) out	<u>(1,209)</u>	<u>1,209</u>	<u>(14,347)</u>	<u>14,347</u>
Total expenses	<u>46,614,463</u>	<u>4,112,178</u>	<u>33,980,090</u>	<u>4,954,223</u>
Changes in net position	<u>3,692,228</u>	<u>17,843,931</u>	<u>17,058,620</u>	<u>16,995,955</u>
Beginning net position (deficit)	<u>697,444,586</u>	<u>(120,787,830)</u>	<u>680,385,966</u>	<u>(137,783,785)</u>
Ending net position (deficit)	<u><u>\$701,136,814</u></u>	<u><u>(\$102,843,899)</u></u>	<u><u>\$697,444,586</u></u>	<u><u>(\$120,787,830)</u></u>

(Continued)

**WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (Continued)

Cash equivalents, which include short-term, highly liquid investments with original maturities of 90 days or less, remained relatively the same increasing \$1 million from \$193 million to \$194 million.

Investments decreased \$1.6 million due to the transfer of funds to money market accounts.

Loans receivable decreased \$2.9 million. This decrease was offset by reductions to bonds payable of \$25.5 million

Deferred outflows of resources had a decrease of \$726 thousand. This was due to a \$740 thousand decrease in deferred loss on refunding, offset by an increase of \$5 thousand of deferred outflows of resources for pensions, and a \$9 thousand increase in deferred outflows of resources for OPEB.

Total liabilities decreased \$25.8 million primarily due to a net decrease of \$25.5 million in bonds payable and the elimination of liabilities for Pension and OPEB totaling \$144 thousand from the previous year.

Deferred inflows of resources increased by \$332 thousand due to the current year pension and OPEB activity.

Net position restricted for bond indentures and enabling legislation is the result of constraints placed on the use of net position, which have been imposed externally through debt covenants and by law through enabling legislation. Restricted net position decreased approximately \$3.7 million during the current year. This decrease was a result of a decrease of restricted cash of \$6.4 million; a decrease in Loans Receivable of \$2.9 million; offset by a decrease in Long-term Debt and Interest Payable of \$7 million.

Unrestricted Net Position for business type activities as of June 30, 2022, is \$45 million, an increase from the prior year of approximately \$7.2 million.

Fund Balance/Government-wide Net Position The only activity reported in the governmental fund relates to future payments of the General Obligation Bonds, which mature through fiscal year 2027. See Note 8 in the Notes to the Financial Statements for further detail. Although the governmental fund reports a deficit, an amount not to exceed \$22.25 million of intergovernmental revenue is statutorily provided every year by the State of West Virginia from mineral severance tax in order to pay the debt service for the General Obligation Bonds. The total government - wide net position as of June 30, 2022, is \$598 million.

Charges for services consist of interest earnings on loans to projects which decreased during the current year by \$739 thousand. Loans receivable had a net decrease of \$2.9 million during the current year as older loans paid off at an increased rate.

Intergovernmental activity consists of \$21.9 million mineral severance tax revenue and \$46 million excess lottery revenue, both appropriated from the State. The mineral severance tax revenue was received from the State's general fund into the Debt Service Fund to pay the general obligation bonds debt service payments required in fiscal year 2022. Excess lottery revenue represents the amount in the State's lottery fund in the State Treasury appropriated by the Legislature to the Council for loans, grants, and other funding assistance, as well as payment of debt service on the 2014 Series bonds, issued to provide grants for the Chesapeake Bay and Greenbrier Watershed projects.

(Continued)

**WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (Continued)

Investment earnings consist of earnings on excess lottery revenue and earnings on repayments of principal and interest on loans to projects. Investment earnings also include earnings on committed but not yet disbursed excess lottery proceeds and earnings on mineral severance tax revenue that is invested prior to payment of debt service on the general obligation bonds. Subsequent to the payment of debt service, any residual mineral severance tax revenue is transferred to the business type activity fund and then invested accordingly.

Investment earnings decreased \$4 thousand from the prior year.

Interest on long-term debt decreased approximately \$1.1 million. The decrease is the result of lower interest rates obtained from several bond refundings in recent years.

Infrastructure and economic development activity consists of grants paid to projects, binding commitments as well as the contributions for the required State match for the federally sponsored Drinking Water Treatment Revolving Fund and the Clean Water State Revolving Fund. The current year disbursement of State Matching funds was approximately \$2.22 million allocated to the Drinking Water Treatment Revolving Fund and \$6.38 million was allocated to the Clean Water State Revolving Fund. As of year-end, the Council has 62 binding commitments for water and wastewater projects. These include 22 loans and 40 grants for which the funds are committed and not disbursed as described in Note 15 to the financial statements.

Loss on uncollectible loans increased \$8.2 million due primarily due to the status of new loans changing to 'forgiven.

BUDGETARY HIGHLIGHTS

West Virginia Code §29-22-18a (Section 18a) created within the State's lottery fund in the State Treasury an excess lottery revenue fund from which moneys are disbursed in specific allocations to various State accounts, including the Council.

Section 18a and related subsections of the West Virginia Code provide for certain deposits to accounts available to the Council for debt service payments and to fund water, wastewater, and economic development projects. Deposits for debt service payments are to be made during each fiscal year in the amount of \$6 million. For the year ended June 30, 2022, deposits of \$40 million were made for water, wastewater, and economic development projects, with no more than 25% of the funds deposited to be spent on grants. For the year ended June 30, 2023, \$40 million is to be deposited for projects and includes the stipulation that no more than 25% of the funds deposited may be spend for grants. Senate Bill 153 also provides that on January 1 of any year, if the amount available for grants falls below \$150,000, the Council may elect to convert 30% of the funds available for loans in that congressional district to be used for grants within the congressional district, if and when needed. Section 18a also includes language establishing the priority of deposits for these purposes and prescribes the timing of the deposits. Senate Bill 584 was passed during the 2022 regular session. Beginning July 1, 2022 there will no longer be a split by Congressional districts. On the first day of each month, if the amount available for grants is below \$1,000,000 the Council may convert up to 30% of the funds available for loans to be used for grants.

(Continued)

**WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

BUDGETARY HIGHLIGHTS (Continued)

In accordance with House Bill 2022, \$46 million was appropriated to the West Virginia Infrastructure Fund during fiscal year 2022 with the first \$6 million to be used for debt service on the Series 2014 bonds that were issued for the Chesapeake Bay and Greenbrier Watershed projects and the remaining \$40 million to be used for water, wastewater and economic development projects around the state.

DEBT ADMINISTRATION

The Infrastructure General Obligation Bonds and Refunding Bonds constitute a direct and general obligation of the State, and the full faith and credit of the State is pledged to secure the payment of the principal and interest on such bonds. The debt service on such general obligation bonds is paid from the dedication of mineral severance taxes in the State's general fund. As of June 30, 2022, there were four (4) Series of Bonds outstanding totaling \$98,887,064. The Series 1999 A Capital appreciation Bonds are outstanding in the amount of \$40,757,069, the 2011 Series A Refunding bonds in the amount of \$375,000, the 2015 Series A Refunding in the amount of \$45,055,000, and 2017 Series Refunding Bonds in the amount of \$12,700,000. The Infrastructure General Obligation Bonds are rated AA- by Standard & Poor's Ratings Service ("S&P"), AA by Fitch, Inc. ("Fitch"), and Aa2 by Moody's Investor Service, Inc. ("Moody's").

The West Virginia Water Development Authority (the Authority) is authorized to issue, on behalf of the Council, infrastructure and refunding bonds, which do not constitute a debt or pledge of the faith and credit of the State, for the purpose of providing funds to enable the Council to finance the acquisition or construction of water, wastewater and infrastructure projects. The debt service on such infrastructure bonds are paid from repayments of principal and interest on a set of defined loans previously made by the Authority on behalf of the Council.

The Authority has two series of Infrastructure Revenue Refunding Bonds outstanding. As of June 30, 2022, the 2012 Series A Bonds have principal outstanding in the amount of \$22,725,000 and the 2016 Series A Bonds have principal outstanding in the amount of \$60,250,000. The 2012 Series A Bonds paid \$0 in principal and the 2016 Series A Bonds paid principal in the amount of \$3,225,000.

The 2012 Series A Bonds and 2016 Series A Bonds had a Moody's rating of A1 and a Fitch rating of A+. The Authority's (and thereby, the Council's bonds) reflects the State's moral obligation, which is based on the State's rating. Ultimately, rating strength is provided by the pledge to maintain a debt service reserve fund equal to the maximum annual debt service on all outstanding bonds and servicing of underlying loans. If the amount in the reserve funds falls below the required maximum annual debt service level, the Governor, on notification by the Authority, may request the State's Legislature to appropriate the necessary funds to replenish the reserve to its required level. The State's Legislature, however, is not legally required to make such appropriation.

As of June 30, 2022, The West Virginia Water Development Authority Infrastructure Excess Lottery Revenue Bonds, 2014 Series A (Chesapeake Bay/Greenbrier River Projects) had a rating of AAA by S&P, A+ by Fitch, and A 1 by Moody's. As of June 30, 2022, 56,330,000 of principal was outstanding. \$3,030,000 principal was paid in Fiscal Year 2022. These bonds are secured by the State's Excess Lottery Revenue Fund.

Any desired explanation of the significances of such ratings described above, should be obtained the respective rating agencies. There is no assurance that a particular rating will continue for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgement of the rating agency, circumstances so warrant.

(Continued)

**WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

FACTORS WHICH MAY AFFECT THE COUNCIL

Currently known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations (revenues, expenses, and other changes in fund balance and net position) include several factors.

The Legislature appropriated to the Council \$46 million for fiscal year 2023 from the excess lottery revenue fund. This amount is contingent on revenue collected from state video lottery operations meeting expected projections; therefore, the Council may receive up to \$40 million to provide additional loans, grants and other funding assistance and an additional \$6 million restricted for debt service on bonds issued to fund Chesapeake Bay and Greenbrier Watershed projects.

There are several other factors which are unknown that may affect the Council. These factors include the changes in existing legislation and regulations, amounts collected in the excess lottery fund, market conditions that could impact investment income or affect the viability of issuing additional revenue bonds, and economic conditions that may affect the repayment of Council loans.

Due to the uncertainty on the future repayment of these loans, as well as other economic development project loans, the Council maintains a reserve for uncollectible economic development project loans to recognize current events.

CONTACTING THE COUNCIL'S MANAGEMENT

This financial report is designed to provide a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Director or Chief Financial Officer, West Virginia Water Development Authority, 1009 Bullitt Street, Charleston, West Virginia 25301 (Phone: 304-414-6500) or the Executive Director, West Virginia Infrastructure and Jobs Development Council, 1009 Bullitt Street, Charleston, West Virginia 25301 (Phone: 304-414-6500).

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

STATEMENT OF NET POSITION

June 30, 2022

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash equivalents, including restricted amounts of \$148,631,456 (Note 6)	\$ -	\$ 194,293,100	\$ 194,293,100
Investments, restricted (Notes 6 and 7)	-	99,508,493	99,508,493
Accrued interest receivable, restricted	-	2,184,325	2,184,325
Loans receivable, net of allowances of \$29,244,650, restricted	-	558,749,783	558,749,783
Net OPEB asset (Note 11)	-	1,847	1,847
Net Pension asset (Note 10)	-	242,553	242,553
Miscellaneous receivable	-	16,248	16,248
	<u>-\$</u>	<u>\$</u>	<u>\$</u>
Total assets	<u>-</u>	<u>854,996,349</u>	<u>854,996,349</u>
DEFERRED OUTFLOWS OF RESOURCES			
Losses on bond refundings	\$ 2,857,462	\$ 659,233	\$ 3,516,695
Deferred outflows of resources from OPEB (Note 11)	-	23,893	23,893
Deferred outflows of resources from pensions (Note 10)	-	116,286	116,286
	<u>\$ 2,857,462</u>	<u>\$ 799,412</u>	<u>\$ 3,656,874</u>
LIABILITIES			
Accounts payable	\$ -	\$ 19,152	\$ 19,152
Due to other State of West Virginia agencies (Note 9)	-	377,881	377,881
Accrued interest payable	425,517	2,311,112	2,736,629
General obligation bonds (Note 8)			
Due within one year, net of unamortized premium of \$1,581,759	21,236,759	-	21,236,759
Due after one year, net of unamortized premium of \$4,907,022	84,139,085	-	84,139,085
Revenue bonds (Note 8)			
Due within one year, net of unamortized premium of \$835,085	-	7,400,085	7,400,085
Due after one year, net of unamortized premium of \$11,424,715	-	144,164,715	144,164,715
	<u>\$ 105,801,361</u>	<u>\$ 154,272,945</u>	<u>\$ 260,074,306</u>
DEFERRED INFLOWS OF RESOURCES			
Deferrend inflows of resources from OPEB (Note 11)	\$ -	\$ 69,318	\$ 69,318
Deferrend inflows of resources from pensions (Note 10)	-	316,684	316,684
	<u>\$ -</u>	<u>\$ 386,002</u>	<u>\$ 386,002</u>
NET POSITION			
Restricted for bond indentures and enabling legislation (Note 14)	\$ -	\$ 655,827,862	\$ 655,827,862
Restricted for OPEB and pension	-	244,400	244,400
Unrestricted (deficit)	(102,943,899)	45,064,552	(57,879,347)
	<u>\$ (102,943,899)</u>	<u>\$ 701,136,814</u>	<u>\$ 598,192,915</u>

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenue	Net (Expenses) Revenue and Changes in Net Position		Total
			Governmental Activities	Business-Type Activities	
Governmental activities:					
Interest and bond issuance costs on long-term debt	\$ 4,110,969	\$ -	\$ (4,110,969)	\$ -	\$ (4,110,969)
Business-type activities:					
Infrastructure and jobs development	46,615,672	4,008,333	-	(42,607,339)	(42,607,339)
Total primary government	\$ 50,726,641	\$ 4,008,333	\$ (4,110,969)	\$ (42,607,339)	\$ (46,718,308)
General revenues:					
Intergovernmental (Note 9)			\$ 21,951,111	\$ 46,000,000	\$ 67,951,111
Other			-	3,007	3,007
Investment earnings			4,998	295,351	300,349
Transfers in (out)			(1,209)	1,209	-
Total general revenues and transfers			21,954,900	46,299,567	68,254,467
Change in net position			17,843,931	3,692,228	21,536,159
Net position (deficit), beginning of year			(120,787,830)	697,444,586	576,656,756
Net position (deficit), end of year			\$ (102,943,899)	\$ 701,136,814	\$ 598,192,915

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2022

	<u>Debt Service Fund</u>
ASSETS	
Cash equivalents	\$ -
	<u><u> </u></u>
FUND BALANCE	
Restricted fund balance	\$ -
	<u><u> </u></u>

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
Year Ended June 30, 2022**

	<u>Debt Service Fund</u>
REVENUES:	
Intergovernmental (Note 9)	\$ 21,951,111
Investment earnings	4,998
Total revenues	<u>21,956,109</u>
EXPENDITURES:	
Debt service:	
Principal	19,145,000
Interest	2,809,901
Total expenditures	<u>21,954,901</u>
OTHER FINANCING SOURCES (USES):	
Transfers out	<u>(1,209)</u>
Net change in fund balance	(1)
FUND BALANCE, beginning	<u>1</u>
FUND BALANCE, ending	<u><u>\$ -</u></u>

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2022

	<u>Enterprise Fund</u>
ASSETS	
CURRENT ASSETS	
Cash equivalents, including restricted amounts of \$148,631,456 (Note 6)	\$ 194,293,100
Investments, restricted (Notes 6 and 7)	99,508,493
Current portion of loans receivable, restricted	24,387,053
Accrued interest receivable, restricted	2,184,325
Miscellaneous receivable	16,248
Total current assets	320,389,219
NONCURRENT ASSETS	
Net OPEB asset (Note 11)	1,847
Net Pension asset (Note 10)	242,553
Loans receivable, net of allowances of \$29,244,650, restricted	534,362,730
Total assets	\$ 854,996,349
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources from OPEB (Note 11)	\$ 23,893
Deferred outflows of resources from pensions (Note 10)	116,286
Loss on bond refundings	659,233
	\$ 799,412
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 19,152
Due to other State of West Virginia agencies (Note 9)	377,881
Accrued interest payable	2,311,112
Current portion of revenue bonds payable, net of unamortized premium of \$835,085 (Note 8)	7,400,085
Total current liabilities	10,108,230
NONCURRENT LIABILITIES	
Noncurrent portion of revenue bonds payable, net of unamortized premium of \$11,424,715 (Note 8)	144,164,715
Total liabilities	\$ 154,272,945
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources from OPEB (Note 11)	\$ 69,318
Deferred inflows of resources from pensions (Note 10)	316,684
	\$ 386,002
NET POSITION	
Restricted for bond indentures and enabling legislation (Note 14)	\$ 655,827,862
Restricted for OPEB and pension	244,400
Unrestricted	45,064,552
Total net position	\$ 701,136,814

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUND
Year Ended June 30, 2022**

	Enterprise Fund
INTEREST CHARGES FOR SERVICES	\$ 4,008,333
OPERATING EXPENSES	
Infrastructure and economic development	31,003,659
Provisions for uncollectible loans	8,516,500
General and administrative (Note 12)	1,376,091
Total operating expenses	40,896,250
Operating loss	(36,887,917)
NONOPERATING REVENUES (EXPENSES)	
Miscellaneous income	3,007
Intergovernmental (Note 9)	46,000,000
Investment earnings, net	295,351
Interest on bonds	(5,719,422)
Total nonoperating revenues, net	40,578,936
Transfers in	1,209
Change in net position	3,692,228
NET POSITION, beginning	697,444,586
NET POSITION, ending	\$ 701,136,814

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

STATEMENT OF CASH FLOWS - PROPRIETARY FUND
Year Ended June 30, 2021

	Enterprise Fund
OPERATING ACTIVITIES	
Receipts of principal on loans	\$ 25,691,270
Receipts of interest on loans	4,042,790
Disbursements of loans	(31,274,353)
Disbursements of grants	(31,003,659)
Disbursements of general and administrative expenses	(848,742)
Disbursements on behalf of employees	(570,469)
Net cash used in operations	(33,963,163)
NONCAPITAL FINANCING ACTIVITIES	
Transfers	1,209
Proceeds from sale of assets held by others	3,007
Excess lottery and other appropriations	46,000,000
Principal paid on revenue bonds	(6,255,000)
Interest paid on revenue bonds	(6,589,480)
Net cash provided by noncapital financing activities	33,159,736
INVESTING ACTIVITIES	
Purchase of investments	(300,889,229)
Proceeds from sale of investments	302,354,117
Investment earnings	271,285
Net cash provided by investing activities	1,736,173
Net increase in cash and cash equivalents	932,746
CASH EQUIVALENTS, beginning	193,360,354
CASH EQUIVALENTS, ending	\$ 194,293,100
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (36,887,917)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Provision for loan losses	8,516,500
Changes in operating accounts:	
Due to other agencies	57,388
Loans receivable	(5,583,083)
Miscellaneous receivables	242
Accrued interest receivable	34,215
Net pension asset	(242,553)
Net OPEB asset	(1,847)
Accounts payable	(29,692)
Deferred outflows of resources from pension and OPEB	(14,224)
Net pension liability	(132,672)
Net OPEB liability	(11,494)
Deferred inflows of resources from pension and OPEB	331,974
Net cash used in operating activities	\$ (33,963,163)

The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 1. Reporting Entity

The West Virginia Infrastructure and Jobs Development Council (the Council) was created as a governmental entity of the State of West Virginia (the State) under the provisions of Chapter 31, Article 15A, Section 3 of the Code of West Virginia, 1931, as amended, and known as the West Virginia Infrastructure and Jobs Development Act (the Act). The Council has statutory responsibility to review the preliminary applications for wastewater facilities, water facilities or combination projects, or infrastructure projects seeking State funding and to either make a written recommendation as to the infrastructure project financing, in terms of the kind, amount and source of funding, which the project sponsor should pursue and which the State infrastructure agency or agencies should consider an appropriate investment of public funds, or a determination that the project or infrastructure project is not eligible for funding assistance from any State infrastructure agency or the project or infrastructure project is not otherwise an appropriate or prudent investment of State funds, and make a recommendation that the project sponsor not seek funding from any State infrastructure agency.

The Council consists of thirteen voting members, including the Governor or their designee as chairman and executive representation from the Housing Development Fund, Department of Environmental Protection, Economic Development Authority, Water Development Authority (the Authority), Bureau for Public Health, Public Service Commission and six members representing the general public. The Authority serves as the administrative agency for the Council, is the fiduciary agent of the West Virginia Infrastructure Fund and is authorized to issue infrastructure revenue and refunding bonds on behalf of the Council.

As the state is able to impose its will over the Council, the Council is included in the State's annual comprehensive financial report as an enterprise fund.

Note 2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. The effect of inter-fund activity has been eliminated from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Separate financial statements are provided for the governmental fund and the enterprise fund, which are reported as separate columns in the government-wide financial statements.

Note 3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The government reports the following major governmental fund:

The *Debt Service Fund* accounts for the accumulation of resources for and the payment of, principal and interest on long term debt.

The government reports the following major proprietary fund:

The *Enterprise Fund* accounts for the operations of certain lending activities that are financed with debt, which is secured by a pledge of fees and charges for that activity. In addition, a grant program for watershed improvements was funded with proceeds of a bond issue. The debt service on the bond issue is to be paid from annual appropriations of funds from an external revenue source.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund are interest on loans receivable. Operating expenses for the proprietary fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 4. Significant Accounting Policies

Budgetary accounting

Except for excess lottery revenue appropriated to the enterprise fund for expenditure and mineral severance taxes appropriated to the debt service fund for debt service, the Council's funds are not subject to the Legislative budget process.

Cash equivalents

Cash equivalents include investments with original maturities of less than ninety days.

Investments

All investments are reported in accordance with generally accepted accounting principles (GAAP) and are carried at either cost, amortized cost, or fair value as applicable.

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 4. Significant Accounting Policies (Continued)

Allowance for uncollectible loans

The Council uses the allowance method of providing for loan losses on economic development project and forgivable loans. The provision for loan losses charged to operating expense is based on factors which deserve current recognition in estimating possible losses, such as growth and composition of the loan portfolio, relationship of the allowance for uncollectible loans to outstanding loans, current financial condition of the borrowers, changes in specific industries, and overall economic conditions.

The Council also issues certain loans that are forgivable under specified criteria. The Council maintains a provision for loan loss for the balance of loans expected to be forgiven.

Because of uncertainties in the estimation process, including local and industry economic conditions, as well as collateral values, it is reasonably possible that management's estimate of losses in the loan portfolio for economic development projects and the related allowance may materially change in the near term. The amount of the change that is reasonably possible, however, cannot be estimated.

The Council has not established an allowance for uncollectible loans in its loan portfolio for water and wastewater projects because of remedies available to it in the loan agreements that exist between the Authority on behalf of the Council and the various entities to which the loans were made.

Inter-fund transactions

During the normal course of Council operations, transfers of resources to provide services take place between funds. Inter-fund transactions are recorded as transfers as determined by Council management.

Bond premiums, discounts and issuance costs

Bond premiums and discounts are amortized using the straight-line method over the varying terms of the bonds issued. The straight-line method is not in accordance with GAAP, but the difference in amortization using the straight-line method, versus the effective interest method which is in accordance with GAAP, is not material to the financial statements as a whole. Bond issuance costs are expensed as incurred.

Deferred outflows of resources / deferred inflows of resources

The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The council reports losses on bond refundings, certain pension amounts, and certain OPEB amounts as deferred outflows of resources on the statement of net position.

The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Council reports deferred inflows of resources related to certain pension amounts and certain OPEB amounts on the statement of net position.

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 4. Significant Accounting Policies (Continued)

Pension

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

Postemployment benefits other than pensions (OPEB)

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the West Virginia Retiree Health Benefit Trust OPEB Plan (RHBT) and additions to/deductions from RHBT's fiduciary net position have been determined on the same basis as they are reported by RHBT. For this purpose, RHBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for certain pooled investments, money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

Arbitrage rebate payable

The United States Internal Revenue Code of 1986, as amended (the "Code"), prescribes restrictions applicable to the Council as issuer of Infrastructure Fund Revenue and Refunding Bonds. Among those include restrictions on earnings on the bond proceeds. The Code requires payment to the federal government of investment earnings on certain bond proceeds in excess of the amount that would have been earned if the proceeds were invested at a rate equal to the yield on the bonds. As of June 30, 2022, the Council is not liable to the federal government as a result of arbitrage.

Fund balances

In the governmental fund financial statements, fund balance has been reported as restricted. Restricted fund balances represent fund balances which are restricted by constraints placed on its use of resources by either: (1) externally imposed creditors, grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions and enabling legislation. The Council's governmental fund is restricted by enabling legislation.

Net position

Net position is presented as restricted for bond indentures and enabling legislation, restricted for OPEB and pension, or unrestricted. Net position restricted for bond indentures and enabling legislation represents assets restricted for the repayment of bond proceeds or by bond covenants. Net position restricted for OPEB and pension represents assets restricted for the payment of OPEB and pension benefits. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, restricted resources are applied first.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 5. Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported in the statement of net position differ from the governmental fund balance sheet because of the following:

Total fund balance on governmental fund balance sheet	\$	-
---	----	---

Under the current financial resources measurement focus and modified accrual basis of accounting, deferred outflows of resources and liabilities related to debt and debt service are not recorded until due and are not included in the governmental funds balance sheet:

Deferred outflows of resources		2,857,462
General obligation bonds		(105,375,844)
Accrued interest on general obligation bonds		<u>(425,517)</u>
Net position (deficit) of governmental activities	\$	<u>(102,943,899)</u>

Amounts reported in the statement of activities differ from the statement of revenues, expenditures, and changes in fund balance - governmental fund because of the following:

Net change in fund balance - governmental fund	\$	(1)
Principal debt payments recorded on the modified accrual basis of accounting are not recorded in the governmental activities		19,145,000
Accretion of interest related to capital appreciation bonds is an expense of the governmental activities		<u>(1,301,068)</u>
Change in net position of governmental activities	\$	<u>17,843,931</u>

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 6. Deposit and Investment Risk Disclosures

The Authority, as fiscal agent for the Council, adopted and adheres to investment guidelines for the Council. Those guidelines and the General Revenue Bond Resolution authorize the Council to invest all bond proceeds and other revenues in obligations of the United States and certain of its agencies, certificates of deposit, public housing bonds, direct and general obligations of states which are rated in either of the two highest categories by Standard & Poor's Corporation, advance-refunded municipal bonds and repurchase agreements relating to certain securities. With the exception of deposits and investments of the General Obligation Debt Service Fund, investments are managed by the financial institution serving as trustee for the Council.

As required by West Virginia Code, the mineral severance tax revenue appropriated annually for debt service on the general obligation bonds is deposited in the General Obligation Debt Service Fund held by the Treasurer of the State of West Virginia and is invested in accordance with the Act and in conformity with investment guidelines of the Board of Treasury Investments (BTI).

Interest rate risk - West Virginia Money Market Pool

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The West Virginia Money Market Pool is subject to interest rate risk.

The overall weighted average maturity of the investments of the West Virginia Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

<u>Security Type</u>	<u>Carrying Value (In Thousands)</u>	<u>WAM (Days)</u>
U.S. Treasury notes	\$ 37,503	1
Commercial paper	5,805,709	23
Negotiable certificates of deposit	1,466,500	25
Repurchase agreements	617,400	1
Money market funds	217,659	1
Cash	824	1
	<u>\$ 8,145,595</u>	21

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 6. Deposit and Investment Risk Disclosures (Continued)

Interest rate risk - all other investments

As of June 30, 2022, the Council had the following investments and maturities:

Investment Type	Carrying Value	Investment Maturities (In Years)	
		Less than 1	1-5
U.S. Treasury obligations (Carried at fair value)	\$ 81,091,008	\$ 81,091,008	\$ -
U.S. Government Agency Obligations (carried at fair value)	4,973,264	4,973,264	-
Commercial Paper (carried at fair value)	13,444,221	13,444,221	-
Money markets (carried at amortized cost)	194,293,100	194,293,100	-
	<u>\$293,801,593</u>	<u>\$293,801,593</u>	<u>\$ -</u>

As a means of limiting its exposure to carrying value losses arising from rising interest rates, the Authority's investment guidelines for the Council limit the maturities of investments not matched to a specific debt or obligation of the Council to five years or less, unless otherwise approved by the Authority.

Concentration of credit risk - West Virginia Money Market Pool

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single corporate issuer. The BTI investment policy prohibits the West Virginia Money Market Pool from investing more than 5% of their assets in any one corporate name or one corporate issue.

Concentration of credit risk - all other investments

The Authority's investment guidelines for the Council manage concentration of credit risk by limiting its investment activity so that at any time its total deposit and investment portfolio will not exceed the percentage limits as to the permitted investments. The enterprise fund investment portfolio's percentage of permitted investments is shown below:

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 6. Deposit and Investment Risk Disclosures (Continued)

<u>Permitted Investments</u>	<u>Maximum Percentage of Portfolio</u>	<u>Enterprise Fund Percentage as of June 30, 2022</u>
(a) Direct Federal Obligations	100%	27.60%
(b) Federally Guaranteed Obligations	100%	-
(c) Federal Agency Obligations	90%	1.69%
(d) Money Markets	90%	66.13%
(e) Repurchase Agreements/Investment Contracts	90%	-
(f) Time Deposits/Certificates of Deposit	90%	-
(g) Demand Deposits	30%	-
(h) Corporate Obligations	15%	4.58%
(i) Other State/Local Obligations	15%	-
(j) West Virginia Obligations	15%	-
(k) Housing Bonds – Secured by Annual Contributions Contracts	5%	-

With the exception of money market funds, repurchase agreements/investment contracts, time deposits/certificates of deposit and demand deposits, investments that comprise more than 15% of the investment portfolio must be direct federal, federal agency or federally guaranteed obligations.

All other investments listed above that comprise more than 15% of the investment portfolio must be either provided by an institution with a rating of at least “A/A” by Moody’s and/or Standard and Poor’s, invested in a money market fund rated “AAAm” or “AAAm-G” or better by Standard and Poor’s, secured by obligations of the United States or not exceed the insurance limits established by the FDIC unless adequate collateral is provided.

Credit risk - West Virginia Money Market Pool

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The WV Money Market Pool has been rated AAAM by the Standard & Poor’s. A fund rated “AAAM” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market and/or liquidity risks. “AAAM” is the highest principal stability fund rating assigned by Standard & Poor’s. The BTI itself has not been rated for credit risk by any organization.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all long-term corporate debt to be rated A+ or higher by Standard & Poor’s (or its equivalent) and short-term corporate debt be rated at A-1 or higher by Standard & Poor’s (or its equivalent). The following table provides information on the credit ratings of the WV Money Market Pool’s investments (in thousands):

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 6. Deposit and Investment Risk Disclosures (Continued)

Security Type	Rating	Carrying Value (In Thousands)	Percent of Pool Assets
U.S. Treasury notes *	AA+	\$ 37,503	0.47%
Commercial Paper	A-1+	1,956,052	24.01
	A-1	3,849,657	47.26
Negotiable certificates of deposit	A-1+	208,000	2.55
	A-1	1,141,000	14.01
	A+	117,500	1.44
Money market funds	AAAm	217,659	2.67
Cash	A-1+	824	0.01
Repurchase agreements (underlying securities):			
U.S. Treasury bonds and notes*	AA+	117,400	1.44
U.S. Agency bonds and notes	AA+	500,000	6.14
		<u>\$ 8,145,595</u>	<u>100.00%</u>

Credit risk - all investments

The table below provides information on the credit ratings of the Council's cash equivalents and investments:

Security Type	Moody's	Standard & Poor's	Carrying Value
Money markets	-	AAAm	\$ 194,293,100
U.S. Treasury Obligations	Aaa	AA+	81,091,008
U.S. Government Agency Obligations	Aaa	AA+	4,973,264
Commercial Paper	P-1	A-1+	4,491,005
Commercial Paper	P-1	A-1	8,953,216
			<u>\$ 293,801,593</u>

*US Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 6. Deposit and Investment Risk Disclosures (Continued)

Credit risk with investment of bond proceeds is managed by the limitation on investment of those proceeds in the following types of debt securities in accordance with the Authority's investment guidelines for the Council and the authorizing General Revenue Bond Resolution: Government obligations, obligations of certain federal agencies, either representing the full faith and credit of the United States of America or which are rated Aaa-mf by Moody's and AAAM by Standard and Poor's, certain types of commercial paper, advance-refunded municipal bonds, certain general obligations of the State of West Virginia or any other state, or other forms of investments approved in writing by the applicable bond insurer, if any.

Accordingly, the credit risk with the investment of cash assets other than bond proceeds, known as "other revenues," is managed by the limitation on investment of other revenues in the following types of debt securities in accordance with the Authority's investment guidelines for the Council: direct obligations of or obligations guaranteed by the United States of America, the State of West Virginia or any other state, provided that obligations of other states meet certain requirements, obligations of certain federal agencies, certain types of indebtedness of public agencies or municipalities, corporate indebtedness meeting certain requirements or any other debt security investment permitted with bond proceeds.

Custodial credit risk - West Virginia Money Market Pool

The custodial credit risk is the risk for investments that, in the event of the failure of the counterparty, the BTI will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Custodial credit risk - all other investments

The Authority's investment guidelines for the Council put certain restrictions on repurchase agreements, including the following: the Council can only enter into repurchase agreements with financial institutions having a credit rating of at least "A/A"; collateral is limited to direct federal, federally guaranteed or federal agency obligations; collateral is required to be delivered to a third-party custodian, the Council or the trustee; and, the financial institution must guarantee the aggregate market value of the collateral will equal or exceed the outstanding repurchase agreement by the margin specified in the respective repurchase agreement. As of June 30, 2022, the Council held no securities that were subject to custodial credit risk.

Foreign currency risk - all investments

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There are no securities that are subject to foreign currency risk.

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 6. Deposit and Investment Risk Disclosures (Continued)

A reconciliation of investments as disclosed in this Note to the amounts reported on the Statement of Net Position - Proprietary Fund is as follows:

As disclosed in this Note:	
Total investments	\$ 293,801,593
Less: cash equivalents	<u>(194,293,100)</u>
Carrying amount of investments	<u>\$ 99,508,493</u>
As reported on the Statement of Net Position - Proprietary Fund:	
Investments	<u>\$ 99,508,493</u>

Note 7. Investments Measured at Fair Value

The Council measures the investments listed below at fair value for financial reporting purposes. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. The Council categorizes fair value measurements within the fair value hierarchy established by GAAP.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 inputs - Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 inputs - Other than quoted prices included within Level 1, these are inputs that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs - Unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

U.S. Treasury obligations, U.S. Government Agency Obligations, and Commercial Paper are reported at fair value, which is determined by a third-party pricing service based on an asset portfolio pricing models and other sources.

The table below summarizes the recurring fair value measurements of the investment securities based on the fair value hierarchy as of June 30, 2022.

Investment Type	Level 1	Level 2	Level 3	Total
U.S. Treasury obligations	\$ -	\$ 81,091,008	\$ -	\$ 81,091,008
U.S. Government obligations	-	4,973,264	-	4,973,264
Commercial paper	-	13,444,221	-	13,444,221
Total	<u>\$ -</u>	<u>\$ 99,508,493</u>	<u>\$ -</u>	<u>\$ 99,508,493</u>

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 8. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2022:

	<u>Balance July 1, 2021</u>	<u>Additions/ Accretions</u>	<u>Debt Reductions</u>	<u>Balance June 30, 2022</u>
Governmental fund type:				
General Obligation Bonds				
1999 Series A Capital				
Appreciation Bonds	\$ 47,172,628	\$ 2,309,436	\$ 8,725,000	\$ 40,757,064
2011 Series A Refunding	745,000	-	370,000	\$375,000
2015 Series A Refunding	50,405,000	-	5,350,000	45,055,000
2017 Series Refunding	17,400,000	-	4,700,000	12,700,000
	<u>115,722,628</u>	<u>2,309,436</u>	<u>19,145,000</u>	<u>98,887,064</u>
Proprietary fund type:				
Revenue and Refunding Bonds				
2012 Series A Refunding	22,725,000	-	-	22,725,000
2014 Series A	59,360,000	-	3,030,000	56,330,000
2016 Series A Refunding	63,475,000	-	3,225,000	60,250,000
	<u>145,560,000</u>	<u>-</u>	<u>6,255,000</u>	<u>139,305,000</u>
Total	<u>\$ 261,282,628</u>	<u>\$ 2,309,436</u>	<u>\$ 25,400,000</u>	<u>\$ 238,192,064</u>

Debt service fund

The proceeds from the Council's bond programs, which originated with a 1994 Constitutional Amendment authorizing the issuance of \$300,000,000 in Infrastructure General Obligation Bonds, provide financial assistance to infrastructure and economic development projects throughout the state. All general obligation bonds are considered a moral obligation of the State of West Virginia. The source of repayment for the general obligation, capital appreciation, and refunding bonds is the annual receipt of \$21.9 million of mineral severance tax revenue deposited into the Governmental Fund from the State's general fund. Principal, net of accretion, and interest paid on these bonds were \$19,145,000 and \$2,809,901, respectively for the year ended June 30, 2022.

Future maturities of general obligation bonds and capital appreciation bonds, with interest rates ranging from 2.0% to 7.625% and maturing through 2027, are as follows:

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 8. Long-Term Debt (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	10,955,000	2,282,975	13,237,975
2024	11,065,000	1,736,225	12,801,225
2025	11,555,000	1,255,175	12,810,175
2026	12,115,000	836,375	12,951,375
2027	12,440,000	311,000	12,751,000
	<u>\$ 58,130,000</u>	<u>\$ 6,421,750</u>	<u>\$ 64,551,750</u>

Capital Appreciation Bonds:

	<u>Principal, net of amounts to be accreted in future years</u>	<u>Amounts to be accreted in future years</u>	<u>Total</u>
2023	8,543,475	156,525	8,700,000
2024	8,743,383	656,617	9,400,000
2025	8,281,623	1,118,377	9,400,000
2026	7,719,067	1,530,933	9,250,000
2027	7,469,516	1,980,484	9,450,000
Total capital appreciation bonds	<u>\$ 40,757,064</u>	<u>\$ 5,442,936</u>	<u>\$ 46,200,000</u>
Total general obligation bonds and capital appreciation bonds	98,887,064		
Add: unamortized premium	6,488,781		
Less: amount due within one year	<u>(21,236,759)</u>		
Amount due after one year	<u>\$ 84,139,085</u>		

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 8. Long-Term Debt (Continued)

Business type activity

Future maturities of principal and interest of revenue and refunding bonds, with interest ranging from 2.0% to 5.0% and maturing through October 2046, are as follows:

	Principal	Interest	Total
2023	\$ 6,565,000	\$ 6,266,150	\$ 12,831,150
2024	6,850,000	5,935,800	12,785,800
2025	7,160,000	5,608,188	12,768,188
2026	7,310,000	5,284,456	12,594,456
2027	7,645,000	4,935,388	12,580,388
	35,530,000	28,029,982	63,559,982
2028-2032	42,740,000	18,902,088	61,642,088
2033-2037	40,015,000	8,425,988	48,440,988
2038-2042	15,585,000	2,561,831	18,146,831
2043-2046	5,435,000	455,375	5,890,375
	103,775,000	30,345,282	134,120,282
Total revenue and refunding bonds	139,305,000	58,375,264	197,680,264
Add: unamortized premium	12,259,800		
Less: amount due within one year	(7,400,085)		
Amount due after one year	\$ 144,164,715		

The \$6,000,000 statutory allocation of revenues from the State Excess Lottery Revenue Fund to the Council will pay annual debt service on the 2014 Series A Bonds. West Virginia Code §29-22-18a prescribes the priority and timing of the deposits to the Council for debt service.

The primary source of repayment for the remaining revenue and refunding bonds is the receipt of payments of principal and interest on a set of loans, known as defined loans, previously made to projects from general obligation and revenue bond proceeds. Repayments of principal and interest on the defined loans of \$8,803,888 and \$534,565 respectively were available for revenue bond debt service of \$6,917,075, comprised of \$3,225,000 for principal and \$3,692,075 for interest, respectively for the year ended June 30, 2022.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 9. Transactions with State of West Virginia Agencies

The Council received \$21.9 million of mineral severance tax revenue from the State's general fund into the Debt Service Fund to accommodate the general obligation bonds debt service payments required in fiscal year 2022. Funds remaining after the payment of general obligation bonds debt service have been transferred to the Enterprise Fund to provide additional lending and granting capacity, which is consistent with the Council's purpose.

West Virginia Code §29-22-18a (Section 18a) created within the State's lottery fund in the State Treasury an excess lottery revenue fund from which moneys are disbursed in specific allocations to various State accounts, including the Council. \$46 million in Excess Lottery funds was appropriated to the West Virginia Infrastructure Council in accordance with House Bill 2022. The first \$6 million is to be used for debt service on the Series 2014 bonds that were issued for the Chesapeake Bay and Greenbrier Watershed projects and the remaining \$40 million is to be used for water, wastewater and economic development projects around the state.

During the year ended June 30, 2022, the Council contributed \$2,220,000 to the Bureau for Public Health for the required State match for the federally sponsored Drinking Water Treatment Revolving Fund to secure federal dollars and continue that program. The Council also contributed, at the end of fiscal year 2022, \$6,381,900 to the Department of Environmental Protection for the required State match for the federally sponsored Clean Water State Revolving Fund to secure federal dollars and continue that program as well.

The West Virginia Water Development Authority (the Authority) as the fiduciary agent of the Council, pays for certain expenses on behalf of the Council. As of June 30, 2022, the Council had incurred \$1,376,091 of expenses of which \$377,881 remains unpaid at June 30, 2022.

Note 10. Pension Benefits

Plan description

The Council contributes to the 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 retirement system. Benefits under PERS include retirement, death and disability benefits, and have been established and may be amended by action of the State Legislature. The CPRB issues a publicly available financial report that includes financial statements for PERS that may be obtained at www.wvretirement.com.

Benefits provided

PERS provides retirement benefits as well as death and disability benefits. For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. For all employees hired July 1, 2015, and later, qualification for normal retirement is age 62 with 10 years of service. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the highest annual compensation during any period of three consecutive years within the last fifteen years of earnings. For all employees hired July 1, 2015, and later, average salary is the average of the five consecutive highest annual earnings out of

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 10. Pension Benefits (Continued)

Benefits provided (continued)

the last fifteen years of earnings. For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired July 1, 2015, and later, this age increases to 64 with 10 years of service.

Contributions

Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. Contributions as a percentage of payroll for employers are established by the CPRB. Members hired prior to July 1, 2015; contribute 4.5% of annual earnings. All members hired July 1, 2015, and later contribute 6% of annual earnings. Current funding policy requires employer contributions of 10.0% for the years ended June 30, 2022, 2021, and 2020, respectively.

During the years ended June 30, 2022, 2021, and 2020, the Council's contributions to PERS required and made were approximately \$39,823, \$41,859, and \$39,085, respectively.

Pension assets, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

On June 30, 2022, the Council reported an asset of \$242,553 for its proportionate share of the net pension asset. The net pension asset reported at June 30, 2022, was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of July 1, 2020, rolled forward to the measurement date of June 30, 2021. The Council's proportion of the net pension asset was based on the Council's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2021. On June 30, 2021, the Council's proportion was 0.027628 percent, which was an increase of 0.029436 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Council recognized pension expense (revenue) of (\$36,934). On June 30, 2022, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 310,670
Changes in proportion and differences between the Council's contributions and proportionate share of contributions	2,633	3,129
Changes in Assumptions	46,150	1,966
Differences between expected and actual experience	27,680	919
The Council's contributions made subsequent to the measurement date of June 30, 2021,	39,823	-
Total	\$ 116,286	\$ 316,684

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 10. Pension Plan (Continued)

Pension assets, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (Continued)

The amount of \$39,823 reported as deferred outflows of resources related to pensions resulting from the Council's contributions subsequent to the measurement date will be recognized as an increase in the net pension asset in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2023	\$ (43,942)
2024	(40,565)
2025	(64,204)
2026	(91,510)

Actuarial assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75 percent
Salary increases	2.75-6.75% percent, average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense

Mortality rates were based on 100% of Pub-2010 General Employees table, below-median, headcount weighted, projected generationally with scale MP-2018 for active employees, 108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected generationally with scale MP-2018 for retired healthy males, 122% of Pub-2010 General Retiree Female table, below-median, headcount weighted, projected generationally with scale MP-2018 for retired healthy females, 118% of Pub-2010 General / Teachers Disabled Male table, headcount weighted, projected generationally with scale MP-2018 for disabled males, and 117% of Pub-2010 General / Teachers Disabled Female table, headcount weighted, projected generationally with scale MP-2018 for disabled females.

Experience studies, which were based on the years 2015 through 2020 for economic assumptions and 2013 through 2018 for all other assumptions, were used for the 2021 actuarial valuation.

Certain assumptions have changed since the prior actuarial valuation as of June 30, 2020. The discount rate and salary scales were changed to reflect the recent experience study covering the economic assumptions for July 1, 2015, through June 30, 2020.

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

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 10. Pension Plan (Continued)

Actuarial assumptions (Continued)

Asset Class	Target Allocation	Long-term Expected Rate of Return	Weighted Average Expected Real Rate of Return
Domestic equity	27.5%	5.5%	1.51%
International equity	27.5%	7.0%	1.93%
Fixed income	15.0%	2.2%	0.33%
Real estate	10.0%	6.6%	0.66%
Private equity	10.0%	8.5%	0.85%
Hedge funds	10.0%	4.0%	0.40%
Total	100.00%		5.68%
Inflation (CPI)			2.10%
			7.78%

Discount rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Council's proportionate share of the net pension asset to changes in the discount rate

The following presents the Council's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the Council's proportionate share of the net pension asset would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Council's proportionate share of the net pension asset (liability)	\$ (2,772)	\$ 242,553	\$ 449,619

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Other Postemployment Benefits

Plan description

The West Virginia Other Postemployment Benefit Plan (the OPEB Plan) is a cost-sharing, multiple-employer, defined benefit other post-employment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code Section 5-16D-2 (the Code). The financial activities of the OPEB Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The OPEB Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. OPEB Plan benefits are established and revised by PEIA and the RHBT management with approval of their Finance Board. The PEIA issues a publicly available financial report of the RHBT that can be obtained at www.peia.wv.gov or by writing to the West Virginia Public Employees Insurance Agency, 601 57th Street, SE Suite 2, Charleston, WV 25304.

Benefits provided

Council employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the PERS or meet certain other eligibility requirements of other West Virginia Consolidated Public Retirement Board (CPRB) sponsored retirement plans. RHBT provides medical and prescription drug insurance and life insurance benefits to those qualified participants. Life insurance is provided through a vendor and is fully funded by member contributions. The medical and prescription drug insurance is provided through two options: Self-Insured Preferred Provider Benefit Plan - primarily for non-Medicare-eligible retirees and spouses or External Managed Care Organizations - primarily for Medicare-eligible retirees and spouses.

The RHBT Medicare-eligible retired employees and their Medicare-eligible dependents receive medical and drug coverage from a Medicare Advantage Plan administered by a vendor. Under this arrangement, the vendor assumes the financial risk of providing comprehensive medical and drug coverage with limited copayments. Non-Medicare retirees continue enrollment in PEIA's Preferred Provider Benefit or the Managed Care Option. The RHBT collects employer contributions for Managed Care Organization (MCO) participants and remits capitation payments to the MCO. Survivors of retirees have the option of purchasing the medical and prescription drug coverage.

Eligible participants hired after June 30, 2010, will be required to fully fund premium contributions upon retirement. The Plan is a closed plan to new entrants.

Contributions

West Virginia Code section 5-16D-6 assigns to the PEIA Finance Board the authority to establish and amend contribution requirements of the plan members and the participating employers. Participating employers are required by statute to contribute at a rate assessed each year by the RHBT. The annual contractually required rate is the same for all participating employers. Employer contributions represent what the employer was billed during the respective year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments. The annual contractually required per active policyholder per month rates for State non-general funded agencies and other participating employers effective June 30, 2022, 2021, and 2020, respectively, were:

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

**NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

Note 11. Other Postemployment Benefits (Continued)

Contributions (Continued)

	<u>2022</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
	2/1/22-6/30/22	7/1/21-1/31/22		
Paygo Premium	<u>\$ 48</u>	<u>\$ 116</u>	<u>\$ 160</u>	<u>\$ 168</u>

Contributions to the OPEB plan from the Council were \$3,746, \$6,878, and \$5,030, for the years ended June 30, 2022, 2021, and 2020, respectively.

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

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below:

- Members hired before July 1, 1988, may convert accrued sick or leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988, to June 30, 2001, may convert accrued sick or leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and annual leave days per month for single healthcare coverage and three days of unused sick and annual leave days per month for family healthcare coverage.

Contributions by non-employer contributing entities in special funding situations

The State of West Virginia is a non-employer contributing entity that provides funding through SB 419, effective July 1, 2012, amended by West Virginia Code §11-21-96. The State provides a supplemental pre-funding source dedicating \$30 million annually to the RHBT Fund from annual collections of the Personal Income Tax Fund and dedicated for payment of the unfunded liability of the RHBT. The \$30 million transferred pursuant to this Code shall be transferred until the Governor certifies to the Legislature that an independent actuarial study has determined that the unfunded liability of RHBT has been provided for in its entirety or July 1, 2037, whichever date is later. This funding is to the advantage of all RHBT contributing employers.

The State is a nonemployer contributing entity that provides funding through SB 469, which was passed February 10, 2012, granting OPEB liability relief to the 55 County Boards of Education effective July 1, 2012. The public school support plan (PSSP) is a basic foundation allowance program that provides funding to the local school boards for "any amount of the employer's annual required contribution allocated and billed to the county boards for employees who are employed as professional employees, employees who are employed as service personnel and employees who are employed as professional student support personnel", within the limits authorized by the State Code. This special funding under the school aid formula subsidizes employer contributions of the county boards of education.

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

**NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

Note 11. Other Postemployment Benefits (Continued)

OPEB assets, OPEB expense (revenues), and deferred outflows of resources and deferred inflows of resources related to OPEB

At June 30, 2022, the Council reported an asset for its proportionate share of the RHBT net OPEB asset that reflected a reduction for State OPEB support provided to the Council. The amount recognized by the Council as its proportionate share of the net OPEB asset, the related State support, and the total portion of the net OPEB asset that was associated with the Council was as follows:

	2022
Council's proportionate share of the net OPEB asset	\$ 1,847
State's special funding proportionate share of the net OPEB asset associated with the Council	364
Total portion of net OPEB asset associated with the Council	<u>\$ 2,211</u>

The net OPEB asset reported at June 30, 2022 was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2020, and rolled forward to a measurement date of June 30, 2021. The Council's proportion of the net OPEB asset was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date. At June 30, 2021, the Council's proportion was .006211 percent, which is an increase of .003608 percent from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Council recognized OPEB expense (revenue) of \$8,141 and for support provided by the State under special funding situations revenue (expenses) of \$1,546. At June 30, 2022, the Council reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 12,722
Changes in assumptions	-	39,078
Net difference between projected and actual earnings on OPEB plan investments	-	12,745
Changes in proportion and differences between Council's contributions and proportionate share of contributions	20,147	4,162
Reallocation of opt out employer change in proportionate share	-	611
Council's contributions subsequent to the measurement date of June 30, 2021	3,746	-
Total	<u>\$ 23,893</u>	<u>\$ 69,318</u>

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Other Postemployment Benefits (Continued)

OPEB assets, OPEB expense (revenues), and deferred outflows of resources and deferred inflows of resources related to OPEB (Continued)

The amount of \$3,746 reported as deferred outflows of resources related to OPEB resulting from Council's contributions subsequent to the measurement date will be recognized as an increase in the net OPEB asset in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:

2023	\$ (23,935)
2024	(20,725)
2025	(812)
2026	(3,699)

Actuarial assumptions

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

Inflation	2.25%
Salary increases	Rates based on 2015-2020 OPEB experience study and dependent on pension plan participation and attained age, and range 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 2020, decreasing by 0.50% one year, then by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 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 ratably 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
Remaining amortization period	20 years closed period beginning June 30, 2017

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Other Postemployment Benefits (Continued)

Actuarial assumptions (Continued)

Post-retirement mortality retirement rates were based on Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females for Teachers' Retirement System (TRS), Pub-2010 Below-Median Income General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 106% for males and 113% for females for PERS, and Pub-2010 Public Safety Healthy Retiree Mortality Tables projected with scale MP-2019 and scaling factors of 100% for males and females for West Virginia Death, Disability, and Retirement Fund (Trooper A) and West Virginia State Police Retirement System (Trooper B). Pre-retirement mortality rates were based on Pub-2010 General Employee Mortality Tables projected with MP-2019 for TRS, Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2019 for PERS, and Pub-2010 Public Safety Employee Mortality Tables projected with scale MP-2019 for Troopers A and B.

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

There were no assumption changes from the actuarial valuation as of June 30, 2020, measured on June 30, 2020, to a roll-forward measurement date of June 30, 2021.

The long-term expected rate of return of 6.65% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.00% for long-term assets invested with the West Virginia Investment Management Board (WVIMB) and an expected short-term rate of return of 2.50% for assets invested with the BTI. Long-term pre-funding assets are invested with the WVIMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the BTI.

The long-term rate of return on OPEB plan investments are determined using a building block method in which estimates of expected future real rates of return (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 percentage. Target asset allocations, capital market assumptions, and forecast returns were provided by the plan's investment advisors, including the WVIMB. The projected return for the Money Market Pool held with the BTI was estimated based on the WVIMB assumed inflation of 2.0% plus a 25-basis point spread. The target allocation and estimates of annualized long-term expected real returns assuming a 10-year horizon are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	55.0%	4.8%
Core Plus Fixed Income	15.0%	2.1%
Hedge Fund	10.0%	2.4%
Private Equity	10.0%	6.8%
Core Real Estate	10.0%	4.1%

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Other Postemployment Benefits (Continued)

Discount rate

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

Other key assumptions

Members hired on or after July 1, 2010, are required to pay 100% of expected cost of coverage, resulting in no implicit or explicit employer cost. Consequently, these members are excluded from the actuarial valuation.

OPEB subsequent event

Subsequent to the OPEB valuation with a measurement date of June 30, 2020, the RHBT was still experiencing the effects of the global pandemic that was declared by the World Health Organization due to an outbreak and spread of the COVID-19 virus. The OPEB valuation with a measurement date of June 30, 2021, does not reflect the recent and still developing impact of COVID-19, which is likely to influence healthcare claims experience, demographic experience and economic expectations.

Sensitivity of the Council's proportionate share of the net OPEB asset to changes in the discount rate.

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

	1% Decrease (5.65%)	Current Discount Rate (6.65%)	1% Increase (7.65%)
Council's proportionate share of the net OPEB asset (liability)	\$ (9,910)	\$ 1,847	\$ 11,608

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 11. Other Postemployment Benefits (Continued)

Sensitivity of the Council’s proportionate share of net OPEB asset to changes in the healthcare cost trend rates.

The following presents the Council’s proportionate share of the net OPEB asset, as well as what the Council’s proportionate share of the net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Council’s proportionate share of the net OPEB asset (liability)	\$ 13,615	\$ 1,847	\$ (12,513)

Note 12. Schedule of General and Administrative Expenses

General and administrative expenses in the enterprise fund for the year ended June 30, 2022, were as follows:

Salaries and benefits	\$ 501,241
Legal	436,557
Consulting and professional	53,607
Rentals	193,393
Travel and training	7,424
Office supplies	9,526
Computer services	1,856
Telecommunications	3,733
Trustee	63,181
Postage	197
Miscellaneous	<u>105,376</u>
Total general and administrative	<u>\$ 1,376,091</u>

Note 13. Risk Management

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters.

The Council has obtained coverage for job-related injuries to employees and health coverage for its employees in exchange for the payment of premiums to a commercial insurance provider and WVPEIA. Accordingly, the Council has transferred its risk related to job-related injuries and health coverage for employees.

The Council obtained coverage transferring its risk for general liability, property damage, business interruption, errors and omissions, and natural disasters from the West Virginia Board of Risk and Insurance Management in exchange for an annual premium. There were no changes in any of the above coverages or claims in excess of coverage for the year ended June 30, 2022.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 14. Restricted Net Position

Restrictions of net position are the result of constraints placed on the use of net position which have been imposed through third party bond indentures and enabling legislation or for the payment of OPEB and pension benefits. The enterprise fund Statement of Net Position reports \$655,827,862 of net position restricted for bond indentures and enabling legislation of which \$88,543,617 is restricted for the debt service related to the defined loan program segment of the revenue bonds.

Note 15. Commitments

The Council's Enterprise Fund has issued commitments to loan or grant funds to qualifying applicants for a period of time contingent on numerous actions to be completed by the applicants. As of June 30, 2022, \$58,025,751 was designated by the Council for loans and grants to water and wastewater projects. The Council has also designated \$9,582,700 for contributions to two State agencies for the required State match for federally sponsored revolving funds.

Note 16. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following Statements, which are not yet effective.

In May 2020, the GASB issued **Statement No. 96**, *Subscription Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

Note 17. Segment Information (Continued)

The presentation of segment information for the Council's Enterprise Fund, which conforms with GAAP. The Defined Loan Program segment consists of a series of defined loans, which are the primary source of repayment of the revenue bonds, as dictated by the bond resolutions.

	<u>Defined Loan Program</u>
ASSETS	
CURRENT	\$ 34,132,208
NONCURRENT	144,278,284
Total assets	<u>\$ 178,410,492</u>
DEFERRED OUTFLOWS OF RESOURCES	
Losses on bond refundings	<u>\$ 659,233</u>
LIABILITIES	
CURRENT	\$ 6,406,680
NONCURRENT	84,119,428
Total liabilities	<u>\$ 90,526,108</u>
NET POSITON	
Restricted	<u>\$ 88,543,617</u>
OPERATING REVENUE	
Charges for services	\$ 534,565
OPERATING EXPENSES	
General and administrative	278,439
Interest on bonds	3,236,601
Operating loss:	<u>(2,980,475)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue, net of arbitrage	12,429
Transfers (net)	(5,936)
Change in net position	<u>(2,973,982)</u>
Beginning net position	91,517,599
Ending net position	<u>\$ 88,543,617</u>
Cash flows related to the Defined Loan Program segment:	
Net cash provided by (used in):	
Operating activities	\$ 5,384,919
Noncapital financing activities	(3,358,246)
Investing activities	(4,111)
Beginning cash equivalents	22,421,659
Ending cash equivalents	<u>\$ 24,444,221</u>

REQUIRED SUPPLEMENTARY INFORMATION

THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

Public Employees Retirement System Plan

	Years Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
The Council's proportion (percentage) of the net pension liability (asset)	0.0276%	0.0251%	0.0220%	0.0156%	0.0129%	0.0194%	0.0222%	0.0209%
The Council's proportionate share of the net pension liability (asset)	\$ (242,553)	\$ 132,872	\$ 47,307	\$ 40,358	\$ 55,576	\$ 178,377	\$ 123,848	\$ 77,670
The Council's covered payroll	\$ 418,590	\$ 390,847	\$ 321,613	\$ 239,873	\$ 181,050	\$ 277,162	\$ 301,770	\$ 257,684
The Council's proportionate share of the net pension's liability (asset) as a percentage of its covered payroll	(57.95%)	34.00%	14.71%	16.82%	30.70%	64.36%	41.04%	30.14%
Plan fiduciary net position as a percentage of its total pension liability	111.07%	92.89%	96.99%	96.33%	93.67%	86.11%	91.29%	93.98%

Note: All amounts are presented as of the measurement date, which is one year prior to the fiscal year end date.

THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

SCHEDULE OF CONTRIBUTIONS TO THE PERS

	Years Ended June 30									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 39,823	\$ 41,859	\$ 39,085	\$ 32,161	\$ 26,387	\$ 21,726	\$ 37,417	\$ 42,090	\$ 37,400	\$ 32,210
Contributions in relation to the statutorily required contribution	(39,823)	(41,859)	(39,085)	(32,161)	(26,387)	(21,726)	(37,417)	(42,090)	(37,400)	(32,210)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The Council's covered payroll	\$ 398,230	\$ 418,590	\$ 390,847	\$ 321,613	\$ 239,873	\$ 181,050	\$ 277,162	\$ 301,770	\$ 257,684	\$ 232,969
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	10.00%	11.00%	12.00%	13.50%	13.95%	14.51%	13.83%

See Independent Auditor's Report and accompanying Note to Required Supplementary Information.

THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)

Retiree Health Benefit Trust

	Years Ended June 30,				
	2022	2021	2020	2019	2018
The Council's proportion (percentage) of the net OPEB liability (asset)	0.00621100%	0.00121100%	0.00139100%	0.00166300%	0.00205206%
The Council's proportionate share of the net OPEB liability (asset)	\$ (1,847)	\$ 11,494	\$ 23,078	\$ 35,679	\$ 50,460
The State's proportionate share of the net OPEB liability (asset) associated with the Council	<u>(364)</u>	<u>2,542</u>	<u>4,723</u>	<u>7,374</u>	<u>10,365</u>
Total proportionate share of the net OPEB liability (asset) associated with the Council	<u>\$ (2,211)</u>	<u>\$ 14,036</u>	<u>\$ 27,801</u>	<u>\$ 43,053</u>	<u>\$ 60,825</u>
The Council's covered employee payroll	\$ 50,796	\$ 33,290	\$ 42,866	\$ 42,914	\$ 67,537
The Council's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	(3.64%)	34.53%	53.84%	83.14%	74.71%
Plan fiduciary net position as a percentage of the total OPEB liability	101.81%	73.49%	39.69%	30.98%	25.10%

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

SCHEDULE OF CONTRIBUTIONS TO THE RHBT

	Years Ended June 30,				
	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 3,746	\$ 6,878	\$ 5,030	\$ 2,684	\$ 3,345
Contributions in relation to the statutorily required contribution	<u>(3,746)</u>	<u>(6,878)</u>	<u>(5,030)</u>	<u>(2,684)</u>	<u>(3,345)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Council's covered employee payroll	\$ 30,880	\$ 50,796	\$ 33,290	\$ 42,866	\$ 42,914
Contributions as a percentage of covered employee payroll	12.13%	13.54%	15.11%	6.26%	7.79%

See Independent Auditor's Report and accompanying Note to Required Supplementary Information.

THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Trend Information Presented

The accompanying schedules of the Council's proportionate share of the net OPEB and pension liability (assets) and contributions to the RHBT are required supplementary information to be presented for 10 years. However, until a full 10-year trend is compiled, information is presented in the schedules for those years for which information is available.

Note 2. OPEB Changes in Assumptions

Below are changes in assumptions between the 2020 and 2018 valuations:

The assumption changes that most significantly impacted the total OPEB liability were an approximate \$831 million decrease due to updated capped subsidy rates, per capita costs, and trend rates, as well as an approximate \$279 million decrease due to changes in assumptions as a result of an experience study as follows:

- General/price inflation – decrease price inflation rate from 2.75% to 2.25%
- Discount rate – decrease discount rate from 7.15% to 6.65%
- Wage inflation – decrease wage inflation rate from 4.00% to 2.75% for PERS and TRS, and 3.25% for Troopers A and B
- OPEB retirement – develop explicit retirement rates for members who are eligible to retire with healthcare benefits and elect healthcare coverage
- Waived annuitant termination – develop explicit waived termination rates for members who are eligible to retire with healthcare benefits but waive healthcare coverage
- SAL conversion – develop explicit SAL conversion rates for members who are eligible to convert sick and annual leave (SAL) balances at retirement and convert SAL balances into OPEB benefits
- Lapse/re-entry – develop net lapse/re-entry rates for members who either lapse coverage after electing healthcare coverage or elect healthcare coverage after waiving coverage.
- Other demographic assumptions – develop termination, disability, and mortality rates based on experience specific to OPEB covered group
- Salary increase – develop salary increase assumptions based on experience specific to the OPEB covered group

Below are changes in assumptions between the 2018 and 2017 valuations:

The assumption changes that most significantly impacted the total OPEB liability were an approximate \$11.8 million decrease in the per capita claims costs for Pre-Medicare and Medicare, as well as an approximate \$224.2 million decrease due to capped subsidy costs implemented in December 2019. Certain other assumption changes were noted but did not materially impact the total OPEB liability.

Below are changes in assumptions between the 2017 and 2016 valuations:

The assumption changes that most significantly impacted the Net OPEB Liability are as follows: the inclusion of waived annuitants increased the liability by approximately \$17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately \$68 million; a change in certain healthcare-related assumptions decreased the liability by approximately \$232 million; and an update to the mortality tables increased the liability by approximately \$25 million. Certain other assumption changes were noted but did not materially impact the Net OPEB Liability.

(Continued)

THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Note 2. OPEB Changes in Assumptions (Continued)

Below are changes in the assumptions between the 2016 and 2015 valuations:

Certain economic and behavioral assumptions are unique to healthcare benefits. These assumptions include the healthcare trend, per capita claims costs, the likelihood that a member selects healthcare coverage and the likelihood that a retiree selects one-person, two person or family coverage. These assumptions were updated based on a recent experience study performed by the RHBT actuaries using five-year experience data through June 30, 2015. The updated per capita claims costs were also based on recent claims, enrollment and premium information as of the valuation date.

For the June 30, 2016, valuation, the retiree healthcare participation assumption for each retirement plan is slightly higher than the previous assumption used in the June 30, 2015 OPEB valuation. More members who were covered as actives will be assumed to participate as retirees.

The 2016 and 2015 valuations include consideration of the \$30 million annual appropriations under Senate Bill 419, through July 1, 2037, or if earlier, the year the benefit obligation is fully funded. Additionally, the presentation of covered payroll was changed for the June 30, 2015, actuarial valuation. Participating employees hired before July 1, 2010, pay retiree premiums that are subsidized based on years of service at retirement. Participating employees hired on or after July 1, 2010, are required to fully fund premium contributions upon retirement. Consequently, beginning June 30, 2015, actuarial valuation covered payroll represents only the payroll for those OPEB eligible participating employees that were hired before July 1, 2010, allowing a better representation of the UAAL as a percentage of covered payroll, whereas, for the prior years, covered payroll is in total for all participating employees.

Note 3. Pension Plan Amendments

The PERS was amended to make changes, which apply, to new employees hired July 1, 2015, and later as follows:

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. A member may retire with the pension reduced actuarially if the member is at least age 55 and has at least 10 years of contributory service, or at any age with 30 years of contributory service. For employees hired July 1, 2015, and later, qualification for normal retirement is 62 with 10 years of service. A member hired after July 1, 2015, may retire with the pension reduced actuarially if the member is between ages 60 and 62 with at least ten years of contributory service, between ages 57 and 62 with at least twenty years of contributory service, or between ages 55 and 62 with at least thirty years of contributory service.
- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired July 1, 2015, and later average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.

(Continued)

THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Note 3. Pension Plan Amendments (Continued)

- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired July 1, 2015, and later, this age increases to 64 with at least ten years of contributory service, or age 63 with at least twenty years of contributory service.
- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired July 1, 2015, and later, are required to contribute 6% of annual earnings.

Note 4. Pension Plan Assumptions

The information in the schedules of the proportionate share of the net pension liability (asset) was based on actuarial valuations rolled forward to measurement dates of June 30 of each year presented below using the following actuarial assumptions:

<u>PERS</u>	<u>2019-2021</u>	<u>2015-2018</u>	<u>2014</u>
Projected salary increase			
State	3.1 - 5.3% (2019-2020); 2.75% - 5.55% (2021)	3.0 - 4.6%	4.25 - 6.0%
Nonstate	3.35 - 6.5% (2019-2020); 3.60% - 6.75% (2021)	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	3.00% (2019-2020); 2.75% (2021)	3.0% (2016-2018); 1.9% (2015)	2.2%
Discount Rate	7.50% (2019-2020); 7.25% (2021)	7.50%	7.50%
Mortality rates	Active-100% of Pub-2010 General Employees table, below median, headcount weighted, projected generationally with scale MP-2018 Retired healthy males-108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected generationally with scale MP-2018 Retired healthy females-122% of Pub-2010 General Retiree Female table, below-median, headcount weighted, projected generationally with scale MP-2018 Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, headcount weighted, projected generationally with scale MP-2018 Disabled females-117% of Pub-2010 General / Teachers Disabled Female table, below-median, headcount weighted, projected generationally with scale MP-2018	Active-RP-2000 Non-Annuitant tables, Scale AA fully generational Retired healthy males – 110% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy females – 101% of RP-2000 Non-Annuitants, Scale AA fully generational Disabled males – 96% of RP-2000 Disabled Annuitant, Scale AA fully generational Disabled females – 107% of RP-2000 Disabled Annuitant, Scale AA fully generational	Healthy males – 1983 GAM Healthy females – 1971 GAM Disabled males-1971 GAM Disabled females-Revenue ruling 96-7
Withdrawal rates			
State	2.28-45.63%	1.75 - 35.1%	1 – 26%
Nonstate	2.50-35.88%	2 - 35.8%	2 – 31.2%
Disability rates	0.005-0.540%	0. - 67.5%	0 – 8%
Experience study	2013-2018 (2019-2020); 2015 – 2020 – economic assumptions and 2013 – 2018 all other assumptions (2021)	2009-2014	2004-2009



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

To the Board of Directors
West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the West Virginia Infrastructure and Jobs Development Council (the Council), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated October 11, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 Council'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Brown, Edwards & Company, S. L. P.
CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
October 11, 2022