

**WEST VIRGINIA INFRASTRUCTURE
AND JOBS DEVELOPMENT COUNCIL**

**FINANCIAL REPORT
WITH OTHER INFORMATION**

Year Ended June 30, 2023

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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, 2023, 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 10, 2023, 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 10, 2023

**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, 2023. 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 increased \$4.4 million from \$855.0 million to \$859.4 million
- Deferred outflows of resources decreased \$103 thousand from \$799 thousand to \$696 thousand
- Total liabilities decreased \$7.5 million from \$154.3 million to \$146.7 million
- Deferred inflows of resources decreased \$363 thousand from the previous year
- Net position increased \$12.2 million from \$701.1 million to \$713.3 million

Governmental Activities:

- Total assets increased \$165 thousand from the previous year
- Deferred outflows of resources decreased \$659 thousand
- Total liabilities decreased \$19 million
- Deficiency in net position decreased by \$19 million

Government Wide:

- Total assets increased \$4.5 million from \$855.0 million to \$859.5 million
- Deferred outflows of resources decreased \$762 thousand from \$3.7 million to \$2.9 million
- Total liabilities decreased \$27 million from \$260 million to \$233 million
- Deferred inflows of resources decreased \$363 thousand from the prior year
- Net position increased by \$29.8 million from \$598 million to \$628 million

Other Highlights:

- 9 water and wastewater loans and 6 economic development loans were closed for the year ended June 30, 2023, on behalf of the Council
- 57 water and wastewater grants and 2 economic development grants were closed for the year ended June 30, 2023, on behalf of the Council

**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**

	2023	2023	2022	2022
	Business Type Activities	Governmental Type Activities	Business Type Activities	Governmental Type Activities
ASSETS				
Cash equivalents	\$ 205,784,002	\$ 164,301	\$ 194,293,100	\$ -
Investments, restricted	101,823,377	-	99,508,493	-
Loans receivable, net, restricted	550,625,236	-	558,749,783	-
Other	1,140,273	746	2,444,973	-
Total assets	<u>\$ 859,372,888</u>	<u>\$ 165,047</u>	<u>\$ 854,996,349</u>	<u>\$ -</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources from pensions	\$ 104,660	\$ -	\$ 116,286	\$ -
Deferred outflows of resources from OPEB	13,581	-	23,893	-
Deferred loss on refunding	578,143	2,198,470	659,233	2,857,462
Total deferred outflows of resources	<u>\$ 696,384</u>	<u>\$ 2,198,470</u>	<u>\$ 799,412</u>	<u>\$ 2,857,462</u>
LIABILITIES				
Bond payable, net	\$ 144,164,715	\$ 86,153,337	\$ 151,564,800	\$ 105,375,844
Net pension liability	41,481	-	-	-
Net OPEB liability	4,055	-	-	-
Other	2,523,889	335,475	2,708,145	425,517
Total liabilities	<u>\$ 146,734,140</u>	<u>\$ 86,488,812</u>	<u>\$ 154,272,945</u>	<u>\$ 105,801,361</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources from pensions	\$ 1,113	\$ -	\$ 316,684	\$ -
Deferred inflows of resources from OPEB	21,544	-	69,318	-
Total deferred inflows of resources	<u>\$ 22,657</u>	<u>\$ -</u>	<u>\$ 386,002</u>	<u>\$ -</u>
NET POSITION				
Restricted for bond indentures and enabling legislation	\$ 667,607,770	\$ 165,047	\$ 655,827,862	\$ -
Restricted for OPEB and pension	-	-	244,400	-
Unrestricted (deficit)	45,704,705	(84,290,342)	45,064,552	(102,943,899)
Total net position	<u>\$ 713,312,475</u>	<u>\$ (84,125,295)</u>	<u>\$ 701,136,814</u>	<u>\$(102,943,899)</u>

(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**

	2023	2023	2022	2022
	Business Type	Governmental	Business Type	Governmental
	Activities	Type	Activities	Type
	Activities	Activities	Activities	Activities
Revenues				
Program revenues				
Charges for services	\$ 3,388,918	\$ -	\$ 4,008,333	\$ -
General revenues				
Miscellaneous revenues	(3,906)	-	3,007	-
Intergovernmental	46,000,000	21,937,975	46,000,000	21,951,111
Investment earnings	9,842,140	165,047	295,351	4,998
Total general revenues	<u>55,838,234</u>	<u>22,103,022</u>	<u>46,298,358</u>	<u>21,956,109</u>
Total revenues	59,227,152	22,103,022	50,306,691	21,956,109
Expenses				
General & administrative	1,172,516	-	1,376,091	-
Interest on long-term debt	5,391,505	3,284,418	5,719,422	4,110,969
Infrastructure & economic development	28,291,149	-	31,003,659	-
Loss on uncollectible loans and accrued interest	12,196,321	-	8,516,500	-
Transfers (in) out	-	-	(1,209)	1,209
Total expenses	<u>47,051,491</u>	<u>3,284,418</u>	<u>46,614,463</u>	<u>4,112,178</u>
Changes in net position	<u>12,175,661</u>	<u>18,818,604</u>	<u>3,692,228</u>	<u>17,843,931</u>
Beginning net position (deficit)	701,136,814	(102,943,899)	697,444,586	(120,787,830)
Ending net position (deficit)	<u>\$ 713,312,475</u>	<u>\$ (84,125,295)</u>	<u>\$ 701,136,814</u>	<u>\$ (102,843,899)</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, increased \$11.6 million from \$194.3 million to \$205.9 million.

Investments increased \$2.3 million due to the transfer of funds from money market accounts.

Loans receivable decreased \$8.1 million. This decrease was offset by reductions to bonds payable of \$26.6 million.

Deferred outflows of resources had a decrease of \$762 thousand. This was due to a decrease of \$740 thousand in deferred loss on refunding, a decrease of \$12 thousand of deferred outflows for pensions, and a \$10 thousand decrease in deferred outflows for OPEB.

Total liabilities decreased \$26.9 million primarily due to a net decrease of \$26.6 million in a decrease of accrued interest receivable of \$1.3 million; bonds payable and the decrease of other liabilities of \$274 thousand from the previous year.

Deferred inflows of resources decreased by \$363 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 increased approximately \$11.9 million during the current year. This increase was primarily a result of: an increase of restricted cash and investments of \$13.7 million; a decrease of accrued interest receivable of \$1.3 million; a decrease in the restricted portion of loans receivable of \$8.1 million; offset by a decrease in long-term debt and interest payable of \$7.4 million.

Unrestricted net position for business type activities as of June 30, 2023, is \$45.7 million, an increase from the prior year of approximately \$640 thousand.

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, 2023, is \$629 million.

Charges for services consist of interest earnings on loans to projects which decreased during the current year by \$619 thousand. Loans receivable had a net decrease of \$8.1 million during the current year.

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 2023. 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.

**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 increased \$9.7 million from the prior year. Interest rates for the money market accounts increased substantially throughout the year resulting in an increase in investment earnings.

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 \$3.2 million allocated to the Drinking Water Treatment Revolving Fund and \$5.6 million was allocated to the Clean Water State Revolving Fund. As of year-end, the Council has 66 binding commitments for water and wastewater projects. These include 18 loans and 61 grants for which the funds are committed and not disbursed as described in Note 15 to the financial statements. Council has 12 binding commitments for economic development projects. This includes 11 loans and 1 grant.

Loss on uncollectible loan principal and accrued interest increased \$3.7 million due primarily due to the status of new loans changing to "forgiven" and writing-off accrued interest not expected to be collected.

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, 2023, 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, 2024, \$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.

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

BUDGETARY HIGHLIGHTS (CONTINUED)

In accordance with Senate Bill 250, \$46 million was appropriated to the West Virginia Infrastructure Fund during fiscal year 2023 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, 2023, there were three (3) series of bonds outstanding totaling \$81,184,708. The Series 1999 A Capital Appreciation Bonds are outstanding in the amount of \$34,009,708, the 2015 Series A Refunding in the amount of \$35,875,000, and 2017 Series Refunding Bonds in the amount of \$11,300,000. 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, 2023, the 2012 Series A Bonds have principal outstanding in the amount of \$22,570,000 and the 2016 Series A Bonds have principal outstanding in the amount of \$57,020,000. The 2012 Series A Bonds paid \$155,000 in principal and the 2016 Series A Bonds paid \$3,230,000 in principle.

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, 2023, 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 A1 by Moody’s. As of June 30, 2023, \$53,150,000 of principal was outstanding. \$3,180,000 principal was paid in Fiscal Year 2023. 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.

**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 2024 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, 2023

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash equivalents, including restricted amounts of \$160,209,847 (Note 6)	\$ 164,301	\$ 205,784,002	\$ 205,948,303
Investments, restricted (Notes 6 and 7)	-	101,823,377	101,823,377
Accrued interest receivable, restricted, net of allowances of \$1,630,644	746	1,124,215	1,124,961
Loans receivable, net of allowances of \$36,842,827	-	550,625,236	550,625,236
Miscellaneous receivable	-	16,058	16,058
	<u>\$ 165,047</u>	<u>\$ 859,372,888</u>	<u>\$ 859,537,935</u>
DEFERRED OUTFLOWS OF RESOURCES			
Losses on bond refundings	\$ 2,198,470	\$ 578,143	\$ 2,776,613
Deferred outflows of resources from OPEB (Note 11)	-	13,581	13,581
Deferred outflows of resources from pensions (Note 10)	-	104,660	104,660
	<u>\$ 2,198,470</u>	<u>\$ 696,384</u>	<u>\$ 2,894,854</u>
LIABILITIES			
Accounts payable	\$ -	\$ 40,401	\$ 40,401
Due to other State of West Virginia agencies (Note 9)	-	293,026	293,026
Accrued interest payable	335,475	2,190,462	2,525,937
Net OPEB liability (Note 11)	-	4,055	4,055
Net pension liability (Note 10)	-	41,481	41,481
General obligation bonds (Note 8)			
Due within one year, net of unamortized premium of \$1,489,348	21,954,348	-	21,954,348
Due after one year, net of unamortized premium of \$3,479,281	64,198,989	-	64,198,989
Revenue bonds (Note 8)			
Due within one year, net of unamortized premium of \$835,085	-	7,685,085	7,685,085
Due after one year, net of unamortized premium of \$10,589,630	-	136,479,630	136,479,630
	<u>\$ 86,488,812</u>	<u>\$ 146,734,140</u>	<u>\$ 233,222,952</u>
DEFERRED INFLOWS OF RESOURCES			
Deferrend inflows of resources from OPEB (Note 11)	\$ -	\$ 21,544	\$ 21,544
Deferrend inflows of resources from pensions (Note 10)	-	1,113	1,113
	<u>\$ -</u>	<u>\$ 22,657</u>	<u>\$ 22,657</u>
NET POSITION			
Restricted for bond indentures and enabling legislation (Note 14)	\$ 165,047	\$ 667,607,770	\$ 667,772,817
Unrestricted (deficit)	(84,290,342)	45,704,705	(38,585,637)
	<u>\$ (84,125,295)</u>	<u>\$ 713,312,475</u>	<u>\$ 629,187,180</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, 2023

Functions/Programs	Expenses	Program Revenue	Net (Expenses) Revenues and Changes in Net Position		Total
			Governmental Activities	Business-Type Activities	
Governmental activities:					
Interest and bond issuance costs on long-term debt	\$ 3,284,418	\$ -	\$ (3,284,418)	\$ -	\$ (3,284,418)
Business-type activities:					
Infrastructure and jobs development	47,051,491	3,388,918	-	(43,662,573)	(43,662,573)
Total primary government	<u>\$ 50,335,909</u>	<u>\$ 3,388,918</u>	<u>\$ (3,284,418)</u>	<u>\$ (43,662,573)</u>	<u>\$ (46,946,991)</u>
General revenues:					
Intergovernmental (Note 9)			\$ 21,937,975	\$ 46,000,000	\$ 67,937,975
Other miscellaneous			-	(3,906)	(3,906)
Investment earnings			165,047	9,842,140	10,007,187
Total general revenues and transfers			<u>22,103,022</u>	<u>55,838,234</u>	<u>77,941,256</u>
Change in net position			18,818,604	12,175,661	30,994,265
Net position (deficit), beginning of year			<u>(102,943,899)</u>	<u>701,136,814</u>	<u>598,192,915</u>
Net position (deficit), end of year			<u>\$ (84,125,295)</u>	<u>\$ 713,312,475</u>	<u>\$ 629,187,180</u>

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2023

	<u>Debt Service Fund</u>
ASSETS	
Cash equivalents (Note 6)	\$ 164,301
Accrued interest receivable	<u>746</u>
	<u>\$ 165,047</u>
 FUND BALANCE	
Restricted fund balance	<u>\$ 165,047</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, 2023

	<u>Debt Service Fund</u>
REVENUES:	
Intergovernmental (Note 9)	\$ 21,937,975
Investment earnings	<u>165,047</u>
Total revenues	22,103,022
EXPENDITURES:	
Debt service:	
Principal	19,655,000
Interest	<u>2,282,975</u>
Total expenditures	21,937,975
Net change in fund balance	165,047
FUND BALANCE, beginning	<u>-</u>
FUND BALANCE, ending	<u><u>\$ 165,047</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, 2023

	<u>Enterprise Fund</u>
ASSETS	
CURRENT ASSETS	
Cash equivalents, including restricted amounts of \$160,045,546 (Note 6)	\$ 205,784,002
Investments, restricted (Notes 6 and 7)	101,823,377
Current portion of loans receivable, restricted	25,477,286
Accrued interest receivable, restricted, net of allowances of 1,630,644	1,124,215
Miscellaneous receivable	16,058
Total current assets	<u>334,224,938</u>
NONCURRENT ASSETS	
Loans receivable, net of allowances of \$36,842,827, restricted	525,147,950
Total assets	<u>\$ 859,372,888</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources from OPEB (Note 11)	\$ 13,581
Deferred outflows of resources from pensions (Note 10)	104,660
Loss on bond refundings	578,143
	<u>\$ 696,384</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 40,401
Due to other State of West Virginia agencies (Note 9)	293,026
Accrued interest payable	2,190,462
Current portion of revenue bonds payable, net of unamortized premium of \$835,085 (Note 8)	7,685,085
Total current liabilities	<u>10,208,974</u>
NONCURRENT LIABILITIES	
Net OPEB liability (Note 11)	4,055
Net pension liability (Note 10)	41,481
Noncurrent portion of revenue bonds payable, net of unamortized premium of \$10,589,630 (Note 8)	136,479,630
Total liabilities	<u>\$ 146,734,140</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources from OPEB (Note 11)	\$ 21,544
Deferred inflows of resources from pensions (Note 10)	1,113
	<u>\$ 22,657</u>
NET POSITION	
Restricted for bond indentures and enabling legislation (Note 14)	\$ 667,607,770
Unrestricted	45,704,705
Total net position	<u>\$ 713,312,475</u>

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, 2023**

	<u>Enterprise Fund</u>
INTEREST CHARGES FOR SERVICES	\$ 3,388,918
OPERATING EXPENSES	
Infrastructure and economic development	28,291,149
Provisions for uncollectible loan principal and accrued interest	12,196,321
General and administrative (Note 12)	1,172,516
Total operating expenses	41,659,986
Operating loss	(38,271,068)
NONOPERATING REVENUES (EXPENSES)	
Miscellaneous expenses	(3,906)
Intergovernmental (Note 9)	46,000,000
Investment earnings, net	9,842,140
Interest on bonds	(5,391,505)
Total nonoperating revenues, net	50,446,729
Change in net position	12,175,661
NET POSITION, beginning	701,136,814
NET POSITION, ending	\$ 713,312,475

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, 2023

	Enterprise Fund
OPERATING ACTIVITIES	
Receipts of principal on loans	\$ 28,968,157
Receipts of interest on loans	3,492,877
Disbursements of loans	(31,409,287)
Disbursements of grants	(28,291,149)
Disbursements of general and administrative expenses	(687,588)
Disbursements on behalf of employees	(600,005)
Net cash used in operations	(28,526,995)
NONCAPITAL FINANCING ACTIVITIES	
Miscellaneous expenses	(3,906)
Excess lottery and other appropriations	46,000,000
Principal paid on revenue bonds	(6,565,000)
Interest paid on revenue bonds	(6,266,150)
Net cash provided by noncapital financing activities	33,164,944
INVESTING ACTIVITIES	
Purchase of investments	(271,481,720)
Proceeds from sale of investments	269,166,836
Investment earnings	9,167,837
Net cash provided by investing activities	6,852,953
Net increase in cash and cash equivalents	11,490,902
CASH EQUIVALENTS, beginning	194,293,100
CASH EQUIVALENTS, ending	\$ 205,784,002
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (38,271,068)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Provisions for uncollectible loan principal and accrued interest	12,196,321
Changes in operating accounts:	
Due to other agencies	(84,855)
Loans receivable	(4,071,774)
Miscellaneous receivables	190
Accrued interest receivable	1,734,413
Net pension asset	242,553
Net OPEB asset	1,847
Accounts payable	21,249
Deferred outflows of resources from pension and OPEB	21,938
Net pension liability	41,481
Net OPEB liability	4,055
Deferred inflows of resources from pension and OPEB	(363,345)
Net cash used in operating activities	\$ (28,526,995)

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023

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, 2023

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. No interest is accrued for loans once management has determined they may be uncollectible.

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, 2023

Note 4. Significant Accounting Policies (Continued)

Pension

For purposes of measuring the net pension liability, 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 liability, 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, 2023, 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 or unrestricted. Net position restricted for bond indentures and enabling legislation represents assets restricted for the repayment of bond proceeds or by bond covenants. 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, 2023

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	\$ 165,047
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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	2,198,470
General obligation bonds	(86,153,337)
Accrued interest on general obligation bonds	<u>(335,475)</u>
Net position (deficit) of governmental activities	<u>\$ (84,125,295)</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	\$ 165,047
Principal debt payments recorded on the modified accrual basis of accounting are not recorded in the governmental activities	19,655,000
Accretion of interest related to capital appreciation bonds is an expense of the governmental activities	<u>(1,001,443)</u>
Change in net position of governmental activities	<u>\$ 18,818,604</u>

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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).

The Council 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 periods, maximum transaction amounts, and any authority to impose liquidity fees or redemption gates. Investment income earned is pro-rated to the Council 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 Council with overnight notice. The deposited funds are invested in accordance with investment guidelines of the BTI. The Council's balance, which is included in its cash and cash equivalents, reports a carrying value of \$164,301 as of June 30, 2023.

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)
Corporate bonds and notes	\$ 50,000	15
Commercial paper	6,804,022	25
Negotiable certificates of deposit	1,950,000	56
Repurchase agreements	834,500	3
Money market funds	220,607	3
	<u>\$ 9,859,129</u>	29

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 6. Deposit and Investment Risk Disclosures (Continued)

Interest rate risk - all other investments

As of June 30, 2023, 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)	\$ 93,060,865	\$ 93,060,865	\$ -
Commercial Paper (carried at fair value)	8,762,512	8,762,512	-
Money markets (carried at amortized cost)	205,784,002	205,784,002	-
	<u>\$307,607,379</u>	<u>\$307,607,379</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, 2023

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, 2023</u>
(a) Direct Federal Obligations	100%	30.25%
(b) Federally Guaranteed Obligations	100%	-
(c) Federal Agency Obligations	90%	-
(d) Money Markets	90%	66.90%
(e) Repurchase Agreements/Investment Contracts	90%	-
(f) Time Deposits/Certificates of Deposit	90%	-
(g) Demand Deposits	30%	-
(h) Corporate Obligations	15%	2.85%
(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, 2023

Note 6. Deposit and Investment Risk Disclosures (Continued)

Security Type	Rating	Carrying Value (In Thousands)	Percent of Pool Assets
Corporate Bonds and Notes	A-1	\$ 50,000	0.50%
Commercial Paper	A-1+	2,281,084	23.14
	A-1	4,522,938	45.88
Negotiable certificates of deposit	A-1+	553,000	5.61
	A-1	1,397,000	14.17
Money market funds	AAAm	220,607	2.24
Repurchase agreements (underlying securities):			
U.S. Treasury bonds and notes*	AA+	512,000	5.19
U.S. Agency bonds and notes	AA+	322,500	3.27
		<u>\$ 9,859,129</u>	<u>100.00%</u>

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

Credit risk - all other 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	Aaa-mf	AAAm	\$ 170,525,949
Money market**	No rating	No rating	35,258,053
U.S. Treasury Obligations*	Aaa	AA+	93,060,865
Commercial Paper	P-1	A-1	8,762,512
			<u>\$ 307,607,379</u>

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

** The total balance of this investment is FDIC insured

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023, 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, 2023

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	\$ 307,607,379
Less: cash equivalents	<u>(205,784,002)</u>
Carrying amount of investments	<u>\$ 101,823,377</u>
As reported on the Statement of Net Position - Proprietary Fund:	
Investments	<u>\$ 101,823,377</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 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, 2023.

Investment Type	Level 1	Level 2	Level 3	Total
U.S. Treasury obligations	\$ -	\$ 93,060,865	\$ -	\$ 93,060,865
Commercial paper	-	8,762,512	-	8,762,512
Total	<u>\$ -</u>	<u>\$101,823,377</u>	<u>\$ -</u>	<u>\$101,823,377</u>

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

**NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

Note 8. Long-Term Debt

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

	<u>Balance July 1, 2022</u>	<u>Additions/ Accretions</u>	<u>Debt Reductions</u>	<u>Balance June 30, 2023</u>
Governmental fund type:				
General Obligation Bonds				
1999 Series A Capital				
Appreciation Bonds	\$ 40,757,064	\$ 1,952,644	\$ 8,700,000	\$ 34,009,708
2011 Series A Refunding	375,000	-	375,000	-
2015 Series A Refunding	45,055,000	-	9,180,000	35,875,000
2017 Series Refunding	12,700,000	-	1,400,000	11,300,000
	<u>98,887,064</u>	<u>1,952,644</u>	<u>19,655,000</u>	<u>81,184,708</u>
Proprietary fund type:				
Revenue and Refunding Bonds				
2012 Series A Refunding	22,725,000	-	155,000	22,570,000
2014 Series A	56,330,000	-	3,180,000	53,150,000
2016 Series A Refunding	60,250,000	-	3,230,000	57,020,000
	<u>139,305,000</u>	<u>-</u>	<u>6,565,000</u>	<u>132,740,000</u>
Total	<u>\$ 238,192,064</u>	<u>\$ 1,952,644</u>	<u>\$ 26,220,000</u>	<u>\$ 213,924,708</u>

Debt service fund (governmental activity)

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 \$19,665,000 and \$2,282,975, respectively for the year ended June 30, 2023.

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, 2023

Note 8. Long-Term Debt (Continued)

Debt service fund (governmental activity) – continued

	Principal	Interest	Total
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>\$ 47,175,000</u>	<u>\$ 4,138,775</u>	<u>\$ 51,313,775</u>

Capital Appreciation Bonds:

	Principal, net of amounts to be accreted in future years	Amounts to be accreted in future years	Total
2024	\$ 9,230,881	\$ 169,119	\$ 9,400,000
2025	8,743,379	656,621	9,400,000
2026	8,149,460	1,100,540	9,250,000
2027	7,885,988	1,564,012	9,450,000
Total capital appreciation bonds	<u>\$ 34,009,708</u>	<u>\$ 3,490,292</u>	<u>\$ 37,500,000</u>
Total general obligation bonds and capital appreciation bonds	81,184,708		
Add: unamortized premium	4,968,629		
Less: amount due within one year	<u>(21,954,348)</u>		
Amount due after one year	<u>\$ 64,198,989</u>		

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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
2024	\$ 6,850,000	\$ 5,935,800	\$ 12,785,800
2025	7,160,000	5,608,188	12,768,188
2026	7,310,000	5,284,556	12,594,556
2027	7,645,000	4,935,488	12,580,488
2028	8,010,000	4,564,739	12,574,739
	36,975,000	26,328,771	63,303,771
2029-2033	44,255,000	16,869,613	61,124,613
2034-2038	35,270,000	6,682,575	41,952,575
2039-2043	12,660,000	1,998,156	14,658,156
2044-2046	3,580,000	230,000	3,810,000
	95,765,000	25,780,344	121,545,344
Total revenue and refunding bonds	132,740,000	\$ 52,109,115	\$ 184,849,115
Add: unamortized premium	11,424,715		
Less: amount due within one year	(7,685,085)		
Amount due after one year	\$ 136,479,630		

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 \$8,248,406 and \$492,689 respectively were available for revenue bond debt service of \$6,914,150, comprised of \$3,385,000 for principal and \$3,529,150 for interest, respectively for the year ended June 30, 2023.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 2023. 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 Senate Bill 250. 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, 2023, the Council contributed \$3,220,600 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 2023, \$5,588,100 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, 2023, the Council had incurred \$1,172,516 of expenses of which \$293,026 remains unpaid at June 30, 2023.

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, 2023

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 employees are established by the CPRB. Current funding policy requires contributions, consisting of member contributions of 4.5% of annual earnings and employer contributions of 9.0%, 10.0%, and 10.0% for the years ended June 30, 2023, 2022, and 2021, respectively. All members hired July 1, 2015 and later will contribute 6% of annual earnings.

During the years ended June 30, 2023, 2022, and 2021, the Council's contributions to PERS required and made were approximately \$36,405, \$39,823, and \$41,859, respectively.

Pension liabilities, pension expense (revenue), and deferred outflows of resources and deferred inflows of resources related to pensions

On June 30, 2023, the Council reported a liability of \$41,481 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2023, was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021, rolled forward to the measurement date of June 30, 2022. The Council's proportion of the net pension liability 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, 2022. On June 30, 2022, the Council's proportion was 0.027855 percent, which was an increase of 0.000227 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Council recognized pension expense of \$16,494. On June 30, 2023, 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	\$ 25,013	\$ -
Changes in proportion and differences between the Council's contributions and proportionate share of contributions	27	1,113
Differences in assumptions	27,301	-
Differences between expected and actual experience	15,914	-
The Council's contributions made subsequent to the measurement date of June 30, 2022	36,405	-
Total	\$ 104,660	\$ 1,113

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 10. Pension Benefits (Continued)

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

The amount of \$36,405 reported as deferred outflows of resources related to pensions resulting from the Council's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,

2024	\$ 25,958
2025	2,026
2026	(26,321)
2027	65,479

Actuarial assumptions

The total pension liability in the June 30, 2021 actuarial valuation, which was used for the measurement date of June 30, 2022, 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, 2023

Note 10. Pension Benefit (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%	5.3%	1.46%
International equity	27.5%	6.1%	1.68%
Fixed income	15.0%	2.2%	0.33%
Real estate	10.0%	6.5%	0.65%
Private equity	10.0%	9.5%	0.95%
Hedge funds	10.0%	3.8%	0.38%
Total	100.00%		5.45%
Inflation (CPI)			1.80%
			7.25%

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 these 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 liability to changes in the discount rate

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Council's proportionate share of the net pension asset (liability)	\$ 293,510	\$ 41,481	\$ (174,220)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 primarily 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 Prescription Drug Plan (MAPD) 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, 2023, 2022, and 2021, respectively, were:

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

**NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

Note 11. Other Postemployment Benefits (Continued)

Contributions (Continued)

	2023	2022	2022	2021
		2/1/22-6/30/22	7/1/21-1/31/22	
Paygo Premium	\$ 70	\$ 48	\$ 116	\$ 160

Contributions to the OPEB plan from the Council were \$3,766, \$3,746, and \$6,878, for the years ended June 30, 2023, 2022, and 2021, 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 nonemployer contributing entities in special funding situations

The State of West Virginia is a nonemployer 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, 2023

Note 11. Other Postemployment Benefits (Continued)

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

At June 30, 2023, the Council reported a liability for its proportionate share of the RHBT net OPEB liability 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 liability, the related State support, and the total portion of the net OPEB liability that was associated with the Council was as follows:

	2023
Council's proportionate share of the net OPEB liability	\$ 4,055
State's special funding proportionate share of the net OPEB liability associated with the Council	1,379
Total portion of net OPEB liability associated with the Council	\$ 5,434

The net OPEB liability reported at June 30, 2023 was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to a measurement date of June 30, 2022. The Council's proportion of the net OPEB liability 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, 2022, the Council's proportion was .003616 percent, which is a decrease of .002594 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Council recognized OPEB expense (revenue) of \$(31,700) and for support provided by the State under special funding situations revenue (expenses) of \$(3,906). At June 30, 2023, 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	\$ -	\$ 5,135
Changes in assumptions	2,581	10,226
Net difference between projected and actual earnings on OPEB plan investments	625	-
Changes in proportion and differences between Council's contributions and proportionate share of contributions	6,609	6,156
Reallocation of opt out employer change in proportionate share	-	27
Council's contributions subsequent to the measurement date of June 30, 2022	3,766	-
Total	\$ 13,581	\$ 21,544

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

**NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

Note 11. Other Postemployment Benefits (Continued)

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

The amount of \$3,766 reported as deferred outflows of resources related to OPEB resulting from Council's contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:

2024	\$ (11,682)
2025	(106)
2026	(1,503)
2027	1,562

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to a measurement date of June 30, 2022, 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 2023, decreasing by 0.50% for two years, then by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2032. Trend rate for Medicare per capita costs of 8.83% for plan year-end 2023, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached in plan year-end 2032.
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, 2023

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-2021 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-2021 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-2021 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-2021 for TRS, Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2021 for TRS, Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2021 for PERS, and Pub-2010 Public Safety Employee Mortality Tables projected with scale MP-2021 for Troopers A and B.

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

The actuarial valuation as of June 30, 2021, reflects updates to the following assumptions which are revised at each measurement date:

- Updates to mortality projection scale (MP-2021);
- Projected capped subsidies;
- Per capita claim costs;
- Healthcare trend rates;
- Coverage and continuance;
- Percentage eligible for tobacco-free premium discount; and
- Retired employee assistance program participation

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:

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. Other Postemployment Benefits (Continued)

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%

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

RHBT had significant savings with the Humana contract renewal beginning fiscal years 2022 through 2025. In addition to the Humana contract savings, RHBT experienced favorable investment returns in fiscal year 2021, resulting in an excess in the premium stabilization reserve. RHBT is passing on these savings to PEIA active employers. There will be no PAYGO billed in fiscal year 2024. The 5-year financial plan, which was passed by the PEIA Finance Board in December 2021, originally had PAYGO to be billed at \$20M for fiscal year 2024.

For fiscal year ending June 30, 2025 financial reporting, many OPEB eligible employers will see \$0 OPEB contributions and a \$0 OPEB liability (asset) on the GASB 75 Schedules of Employer OPEB Allocations and OPEB Amounts by Employer.

The OPEB liability (asset) is allocated to all OPEB eligible employers based on OPEB contributions. These contributions include PAYGO, retiree leave conversion (health & life) and non-participating billings for a given fiscal year. For fiscal year 2024, there will be \$0 billed in PAYGO leaving only the remaining contribution types to be allocated. Many OPEB eligible employers are billed PAYGO only. These employers will have \$0 OPEB contributions resulting in a \$0 OPEB liability (asset) on the schedules for fiscal year 2025 (based on FY 2024 contributions), resulting in the remaining employers that do have other types of OPEB contributions absorbing the entire OPEB liability (asset). Based off the current year schedules, approximately 413 out of the 700+ employers have only PAYGO billings as contributions.

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. Other Postemployment Benefits (Continued)

Sensitivity of the Council’s proportionate share of the net OPEB liability to changes in the discount rate.

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

	<u>1% Decrease (5.65%)</u>	<u>Current Discount Rate (6.65%)</u>	<u>1% Increase (7.65%)</u>
Council’s proportionate share of the net OPEB liability (asset)	\$ 10,345	\$ 4,055	\$ (1,397)

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

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Council’s proportionate share of the net OPEB liability (asset)	\$ (2,288)	\$ 4,055	\$ 11,495

Note 12. Schedule of General and Administrative Expenses

General and administrative expenses in the enterprise fund for the year ended June 30, 2023, were as follows:

Salaries and benefits	\$ 551,620
Legal	316,042
Rentals	139,636
Travel and training	9,427
Office supplies	2,384
Computer services	2,630
Telecommunications	3,221
Trustee	105,176
Postage	190
Miscellaneous	42,190
Total general and administrative	<u>\$ 1,172,516</u>

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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, 2023.

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. The enterprise fund Statement of Net Position reports \$667,607,770 of net position restricted for bond indentures and enabling legislation of which \$85,735,848 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, 2023, \$80,002,892 and \$23,210,000, respectively, was designated by the Council for loans and grants to water and wastewater projects and economic development projects. The Council has also designated \$8,681,200 for contributions to two State agencies for the required State match for federally sponsored revolving funds.

Note 16. New Accounting Pronouncement

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

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 this new GASB Statement may have on prospective financial statements.

Note 17. Segment Information

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.

(Continued)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 17. Segment Information (Continued)

	<u>Defined Loan Program</u>
ASSETS	
CURRENT	\$ 35,535,308
NONCURRENT	136,849,305
Total assets	<u>\$ 172,384,613</u>
DEFERRED OUTFLOWS OF RESOURCES	
Losses on bond refundings	<u>\$ 578,143</u>
LIABILITIES	
CURRENT	\$ 6,825,879
NONCURRENT	80,401,029
Total liabilities	<u>\$ 87,226,908</u>
NET POSITON	
Restricted	<u>\$ 85,735,848</u>
OPERATING REVENUE	
Charges for services	\$ 492,689
OPERATING EXPENSES	
General and administrative	266,786
Interest on bonds	3,360,691
Operating loss:	<u>(3,134,788)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue, net of arbitrage	780,868
Transfers (net)	(453,849)
Change in net position	<u>(2,807,769)</u>
Beginning net position	88,543,617
Ending net position	<u>\$ 85,735,848</u>
Cash flows related to the Defined Loan Program segment:	
Net cash provided by (used in):	
Operating activities	\$ 5,438,259
Noncapital financing activities	(3,966,158)
Investing activities	683,627
Beginning cash equivalents	24,444,221
Ending cash equivalents	<u>\$ 26,599,949</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,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
The Council's proportion (percentage) of the net pension liability (asset)	0.0279%	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)	\$ 41,481	\$ (242,553)	\$ 132,872	\$ 47,307	\$ 40,358	\$ 55,576	\$ 178,377	\$ 123,848	\$ 77,670
The Council's covered payroll	\$ 398,230	\$ 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	10.42%	(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	98.17%	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,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 36,405	\$ 39,823	\$ 41,859	\$ 39,085	\$ 32,161	\$ 26,387	\$ 21,726	\$ 37,417	\$ 42,090	\$ 37,400
Contributions in relation to the statutorily required contribution	(36,405)	(39,823)	(41,859)	(39,085)	(32,161)	(26,387)	(21,726)	(37,417)	(42,090)	(37,400)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The Council's covered payroll	\$ 404,500	\$ 398,230	\$ 418,590	\$ 390,847	\$ 321,613	\$ 239,873	\$ 181,050	\$ 277,162	\$ 301,770	\$ 257,684
Contributions as a percentage of covered payroll	9.00%	10.00%	10.00%	10.00%	10.00%	11.00%	12.00%	13.50%	13.95%	14.51%

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,					
	2023	2022	2021	2020	2019	2018
The Council's proportion (percentage) of the net OPEB liability (asset)	0.002594%	0.006211%	0.001211%	0.001391%	0.001663%	0.002052%
The Council's proportionate share of the net OPEB liability (asset)	\$ 4,055	\$ (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>1,379</u>	<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>\$ 5,434</u>	<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	\$ 30,880	\$ 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	13.13%	(3.64%)	34.53%	53.84%	83.14%	74.71%
Plan fiduciary net position as a percentage of the total OPEB liability	93.59%	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,					
	2023	2022	2021	2020	2019	2018
Statutorily required contribution	\$ 3,766	\$ 3,746	\$ 6,878	\$ 5,030	\$ 2,684	\$ 3,345
Contributions in relation to the statutorily required contribution	<u>(3,766)</u>	<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>	<u>\$ -</u>
The Council's covered employee payroll	\$ 95,690	\$ 30,880	\$ 50,796	\$ 33,290	\$ 42,866	\$ 42,914
Contributions as a percentage of covered employee payroll	3.94%	12.13%	13.54%	15.11%	6.26%	7.79%

See Independent Auditor's Report and accompanying Notes 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 2021 and 2020 valuations:

- Updates to mortality projection scale (MP-2021);
- Projected capped subsidies;
- Per capita claim costs;
- Healthcare trend rates;
- Coverage and continuance;
- Percentage eligible for tobacco-free premium discount; and
- Retired employee assistance program participation

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.

(Continued)

THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 2. OPEB Changes in Assumptions (Continued)

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.

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.

(Continued)

THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 3. Pension Plan Amendments (Continued)

- 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.
- 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>2019-2022</u>	<u>2015-2018</u>	<u>2014</u>
Projected salary increase			
State	3.1 - 5.3% (2019-2020); 2.75% - 5.55% (2021-2022)	3.0 - 4.6%	4.25 - 6.0%
Nonstate	3.35 - 6.5% (2019-2020); 3.60% - 6.75% (2021-2022)	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	3.00% (2019-2020); 2.75% (2021-2022)	3.0% (2016-2018); 1.9% (2015)	2.2%
Discount Rate	7.50% (2019-2020); 7.25% (2021-2022)	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, 2023, 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 10, 2023.

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 10, 2023