

**WEST VIRGINIA INFRASTRUCTURE  
AND JOBS DEVELOPMENT COUNCIL**

**FINANCIAL REPORT  
WITH OTHER INFORMATION**

**Year Ended June 30, 2021**

## CONTENTS

	Page	
INDEPENDENT AUDITOR’S REPORT.....	1	
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	3	
BASIC FINANCIAL STATEMENTS:		
Statement of Net Position .....	11	
Statement of Activities.....	12	
Balance Sheet - Governmental Fund .....	13	
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund .....	14	
Statement of Net Position - Proprietary Fund.....	15	
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund .....	16	
Statement of Cash Flows - Proprietary Fund.....	17	
Notes to Financial Statements.....	18	
REQUIRED SUPPLEMENTARY INFORMATION:		
Schedule of the Proportionate Share of the Net Pension Liability.....	47	
Schedule of Contributions to the PERS .....	48	
Schedule of the Proportionate Share of the Net OPEB Liability .....	49	
Schedule of Contributions to the RHBT .....	50	
Notes to Required Supplementary Information .....	51	
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....		54



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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, 2021, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

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, 2021, 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.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Council, and do not purport to, and do not present fairly the financial position of the State of West Virginia as of June 30, 2021, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2021, 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 5, 2021

**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, 2021. 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 \$10.3 million from \$847.934 million to \$858.228 million
- Deferred outflows of resources decreased \$17 thousand from \$883 thousand to \$866 thousand
- Total liabilities decreased \$6 million from \$168 million to \$162 million
- Deferred inflows of resources increased \$5,841 from the previous year
- Net position increased \$17 million from \$680 million to \$697 million

**Governmental Activities:**

- Total assets decreased \$94 from the previous year
- Deferred outflows of resources decreased \$659 thousand
- Total liabilities decreased \$17.6 million
- The deficiency in net position decreased \$17 million

**Government Wide:**

- Total assets increased \$10.3 million from \$847.934 million to \$858.228 million
- Deferred outflows of resources decreased \$676 thousand from \$5.059 million to \$4.383 thousand
- Total liabilities decreased \$24 million from \$310 million to \$286 million
- Deferred inflows of resources decreased \$5,841 from the prior year
- Net position increased by \$34.10 million from \$542.6 million to \$576.7 million

**Other Highlights:**

- 13 water and wastewater projects and 3 economic development loans were closed for the year ended June 30, 2021, on behalf of the Council
- 56 water and wastewater projects and 1 economic development grant were closed for the year ended June 30, 2021, 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:

	<b>Table 1</b>			
	<b>Net Position</b>			
	2021	2021	2020	2020
	Business Type	Governmental	Business Type	Governmental
	Activities	Type Activities	Activities	Type Activities
<b>ASSETS</b>				
Cash equivalents	\$ 193,360,354	\$ 1	\$ 202,960,750	\$ 95
Investments, restricted	101,017,267	-	90,303,175	-
Loans receivable, net, restricted	561,683,200	-	553,105,507	-
Other	2,167,078	-	1,564,500	-
Total assets	<u>\$ 858,227,899</u>	<u>\$ 1</u>	<u>\$ 847,933,932</u>	<u>\$ 95</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources from pensions	\$ 111,195	\$ -	\$ 51,736	\$ -
Deferred outflows of resources from OPEB	14,760	-	10,421	-
Deferred loss on refunding	740,323	3,516,453	821,413	4,175,445
Total deferred outflows of resources	<u>\$ 866,278</u>	<u>\$ 3,516,453</u>	<u>\$ 883,570</u>	<u>\$ 4,175,445</u>
<b>LIABILITIES</b>				
Bond payable, net	\$ 158,654,885	\$ 123,793,167	\$ 165,474,970	\$ 141,373,467
Net pension liability	132,672	-	47,307	-
Net OPEB liability	11,494	-	23,078	-
Other	2,796,512	511,117	2,837,994	585,858
Total liabilities	<u>\$ 161,595,563</u>	<u>\$ 124,304,284</u>	<u>\$ 168,383,349</u>	<u>\$ 141,959,325</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources from pensions	\$ 13,125	\$ -	\$ 35,485	\$ -
Deferred inflows of resources from OPEB	40,903	-	12,702	-
Total deferred inflows of resources	<u>\$ 54,028</u>	<u>\$ -</u>	<u>\$ 48,187</u>	<u>\$ -</u>
<b>NET POSITION</b>				
Restricted	\$ 659,591,278	\$ 1	\$ 637,091,406	\$ 95
Unrestricted (deficit)	37,853,308	(120,787,831)	43,294,560	(137,783,880)
Total net position	<u>\$ 697,444,586</u>	<u>\$ (120,787,830)</u>	<u>\$ 680,385,966</u>	<u>\$ (137,783,785)</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**

	2021 Business Type Activities	2021 Governmental Type Activities	2020 Business Type Activities	2020 Governmental Type Activities
<b>Revenues</b>				
<b>Program revenues</b>				
Charges for services	\$ 4,747,349	\$ -	\$ 3,809,917	\$ -
<b>General revenues</b>				
Miscellaneous revenues	1,142	-	3,564	-
Intergovernmental	46,000,000	21,935,925	38,198,002	21,947,627
Investment earnings	290,219	14,253	4,192,976	139,488
Total general revenues	46,291,361	21,950,174	42,394,542	22,087,115
Total revenues	51,038,710	21,950,178	46,204,459	22,087,115
<b>Expenses</b>				
General & administrative	1,361,803	-	1,165,798	-
Interest on long-term debt	6,017,255	4,939,876	6,282,230	5,668,565
Infrastructure & economic development	26,315,379	-	11,367,335	-
Loss on uncollectible loans	300,000	-	5,711,781	-
Transfers (in) out	(14,347)	14,347	(139,753)	139,753
Total expenses	33,980,090	4,954,223	24,387,391	5,808,318
Changes in net position	17,058,620	16,995,955	21,817,068	16,278,797
Beginning net position (deficit)	680,385,966	(137,783,785)	658,568,898	(154,062,582)
Ending net position (deficit)	\$ 697,444,586	\$ (120,787,830)	\$ 680,385,966	\$ (137,783,785)

(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, decreased \$10 million, from \$203 million last year to \$193 million at the end of the current year. The decrease in cash was primarily the result of: the transfer of money market funds to investments of \$14 million; expenses for loans and grants totaling \$34 million and \$26 million for grants; principal and interest payments on outstanding bonds payable of \$6 million and \$7 million respectively; an increase of receivables of \$9 million; and general and administrative expenses of \$1.2 million.

Offsetting these decreases were: receipt of \$46 million in Excess Lottery funds; \$780 thousand in investment earnings; and the principal repayment of loans of \$26.6 million.

**Investments** increased \$10.7 million due to the transfer of funds from money market accounts.

**Loans receivable** decreased \$8.6 million. This decrease was a result of repayments received exceeding loan disbursements.

**Deferred outflows of resources** had a decrease of \$676 thousand. This was due to an increase of \$59.5 thousand of deferred outflows for pensions, a \$4.3 thousand increase in deferred outflows for OPEB, and a reduction of \$740 thousand in deferred loss on refunding.

**Total liabilities** decreased \$24.4 million primarily due to a net repayments of \$24.4 million in bonds payable from the previous year.

**Deferred inflows of resources** increased by \$5,841 due to the current year pension and OPEB activity.

**Restrictions of net position** are 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 \$22 million during the current year. This increase was a result of: a decrease in cash of \$4.2 million; an increase in investments of \$10.7 million; an increase in Loans and Interest Receivable of \$9.1 million; and a decrease in Long-term Debt and Interest Payable of \$6.9 million.

(Continued)



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

**FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (Continued)**

**Unrestricted Net Position** for business type activities as of June 30, 2021, is \$37.9 million, a decrease from the prior year of approximately \$5.4 million. This is due to the receipt of excess lottery revenue of \$46 million offset by: payment of general and administrative expenses of \$1.4 million; \$14.4 million for new projects; \$9.9 million to the Clean Water State Revolving Fund; and \$2.2 million for the State Match to the federally sponsored Drinking Water Treatment Revolving Fund.

**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, 2021, is \$577 million.

**Charges for services** consist of interest earnings on loans to projects which increased during the current year by \$900 thousand. Loans receivable had a net increase of \$8.6 million during the current year as additional new loans began paying.

**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 2021. 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.

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

Investment earnings decreased \$4 million from the prior year. Interest rates for the money market accounts, as well as US Treasury Notes and corporate bonds, decreased during the fiscal year resulting in lower earnings.

**Interest on long-term debt** decreased approximately \$994 thousand. The decrease is the result of lower interest rates obtained from several bond refundings in recent years.

(Continued)

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

**FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (Continued)**

**Infrastructure and economic development activity** consists of grants paid to projects, binding commitments as well as the contributions for the required State match for the federally sponsored Drinking Water Treatment Revolving Fund and the Clean Water State Revolving Fund. The current year disbursement of State Matching funds was approximately \$2.2 million allocated to the Drinking Water Treatment Revolving Fund and \$9.9 million was allocated to the Clean Water State Revolving Fund. As of year-end, the Council has 63 binding commitments for water and wastewater projects. These include 18 loans and 45 grants for which the funds are committed and not disbursed as described in Note 15 to the financial statements.

**Loss on uncollectible loans** decreased \$5.4 million due primarily due to the status of one loan changing from 'uncollectible' to 'forgiven.'

**BUDGETARY HIGHLIGHTS**

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

Section 18a and related subsections of the West Virginia Code provide for certain deposits to accounts available to the Council for debt service payments and to fund water, wastewater, and economic development projects. Deposits for debt service payments are to be made during each fiscal year in the amount of \$6 million. For the year ended June 30, 2021, 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, 2022, \$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 in any congressional district 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.

In accordance with House Bill 2022, \$46 million was appropriated to the West Virginia Infrastructure Fund during fiscal year 2021 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.

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

**DEBT ADMINISTRATION**

The Infrastructure General Obligation 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 general obligation bonds is paid from mineral severance taxes in the State's general fund. As of June 30, 2021, there were four (4) Series of Bonds outstanding totaling \$115,722,628. The Series 1999 A Capital Appreciation Bonds are outstanding in the amount of \$47,172,628, the 2011 Series A Refunding Bonds in the amount of \$745,000, the 2015 Series A Refunding in the amount of \$50,405,000, and 2017 Series Refunding Bonds in the amount of \$17,400,000. Bonds matured and paid in fiscal year 2021 totaled \$18,645,000. 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 Investors Service, Inc. ("Moody's").

The West Virginia Water Development Authority (the Authority) is authorized to issue bonds, on behalf of the Council, 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 is 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, 2021, the 2012 Series A Bonds have principal outstanding in the amount of \$22,725,000 and the 2016 Series A Bonds have principal outstanding in the amount \$63,475,000. The 2012 Series A Bonds paid principal in the amount of \$90,000 and the 2016 Series A Bonds paid \$3,010,000.

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

As of June 30, 2021, 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, 2021, \$59,360,000 of principal was outstanding. \$2,885,000 principal was paid in Fiscal Year 2021. These bonds are secured by the State's Excess Lottery Revenue Fund.

Any desired explanation of the significance of such ratings described above, should be obtained from 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 2022 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, 2021**

	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash equivalents, including restricted amounts of \$155,082,868 (Note 6)	\$ 1	\$ 193,360,354	\$ 193,360,355
Investments, restricted (Notes 6 and 7)	-	101,017,267	101,017,267
Accrued interest receivable, restricted	-	2,150,588	2,150,588
Loans receivable, net of allowances of \$20,728,150, restricted	-	561,683,200	561,683,200
Miscellaneous receivable	-	16,490	16,490
	<u>1</u>	<u>858,227,899</u>	<u>858,227,900</u>
Total assets	<u>\$ 1</u>	<u>\$ 858,227,899</u>	<u>\$ 858,227,900</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Losses on bond refundings	\$ 3,516,453	\$ 740,323	\$ 4,256,776
Deferred outflows of resources from OPEB (Note 11)	-	14,760	14,760
Deferred outflows of resources from pensions (Note 10)	-	111,195	111,195
	<u>3,516,453</u>	<u>866,278</u>	<u>4,382,731</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 48,844	\$ 48,844
Due to other State of West Virginia agencies (Note 9)	-	320,493	320,493
Accrued interest payable	511,117	2,427,175	2,938,292
Net OPEB liability (Note 11)	-	11,494	11,494
Net pension liability (Note 10)	-	132,672	132,672
General obligation bonds (Note 8)			
Due within one year, net of unamortized premium of \$1,581,759	20,726,759	-	20,726,759
Due after one year, net of unamortized premium of \$6,488,780	103,066,408	-	103,066,408
Revenue bonds (Note 8)			
Due within one year, net of unamortized premium of \$835,085	-	7,090,085	7,090,085
Due after one year, net of unamortized premium of \$12,259,800	-	151,564,800	151,564,800
Total liabilities	<u>\$ 124,304,284</u>	<u>\$ 161,595,563</u>	<u>\$ 285,899,847</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferrend inflows of resources from OPEB (Note 11)	\$ -	\$ 40,903	\$ 40,903
Deferrend inflows of resources from pensions (Note 10)	-	13,125	13,125
	<u>-</u>	<u>54,028</u>	<u>54,028</u>
<b>NET POSITION</b>			
Restricted (Note 14)	\$ 1	\$ 659,591,278	\$ 659,591,279
Unrestricted (deficit)	(120,787,831)	37,853,308	(82,934,523)
Total net position	<u>\$ (120,787,830)</u>	<u>\$ 697,444,586</u>	<u>\$ 576,656,756</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, 2021**

Functions/Programs	Expenses	Program Revenue	Net (Expenses) Revenue and Changes in Net Position		Total
			Governmental Activities	Business-Type Activities	
Governmental activities:					
Interest and bond issuance costs on long-term debt	\$ 4,939,876	\$ -	\$ (4,939,876)	\$ -	\$ (4,939,876)
Business-type activities:					
Infrastructure and jobs development	33,994,437	4,747,349	-	(29,247,088)	(29,247,088)
Total primary government	<u>\$ 38,934,313</u>	<u>\$ 4,747,349</u>	<u>\$ (4,939,876)</u>	<u>\$ (29,247,088)</u>	<u>\$ (34,186,964)</u>
General revenues:					
Intergovernmental (Note 9)			\$ 21,935,925	\$ 46,000,000	\$ 67,935,925
Other			-	1,142	1,142
Investment earnings			14,253	290,219	304,472
Transfers in (out)			(14,347)	14,347	-
Total general revenues and transfers			<u>21,935,831</u>	<u>46,305,708</u>	<u>68,241,539</u>
Change in net position			16,995,955	17,058,620	34,054,575
Net position (deficit), beginning of year			<u>(137,783,785)</u>	<u>680,385,966</u>	<u>542,602,181</u>
Net position (deficit), end of year			<u>\$ (120,787,830)</u>	<u>\$ 697,444,586</u>	<u>\$ 576,656,756</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, 2021**

	Debt Service Fund
<b>ASSETS</b>	
Cash equivalents	\$ 1
<b>FUND BALANCE</b>	
Restricted fund balance	\$ 1

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, 2021**

	Debt Service Fund
REVENUES:	
Intergovernmental (Note 9)	\$ 21,935,925
Investment earnings	14,253
Total revenues	<u>21,950,178</u>
EXPENDITURES:	
Debt service:	
Principal	18,645,000
Interest	3,290,925
Total expenditures	<u>21,935,925</u>
OTHER FINANCING SOURCES (USES):	
Transfers out	<u>(14,347)</u>
Net change in fund balance	(94)
FUND BALANCE, beginning	<u>95</u>
FUND BALANCE, ending	<u><u>\$ 1</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, 2021**

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash equivalents, including restricted amounts of \$155,082,868 (Note 6)	\$ 193,360,354
Investments, restricted (Notes 6 and 7)	101,017,267
Current portion of loans receivable, restricted	24,537,561
Accrued interest receivable, restricted	2,150,588
Miscellaneous receivable	16,490
Total current assets	<u>321,082,260</u>
<b>NONCURRENT ASSETS</b>	
Loans receivable, net of allowances of \$20,728,150, restricted	<u>537,145,639</u>
Total assets	<u><u>\$ 858,227,899</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources from OPEB (Note 11)	\$ 14,760
Deferred outflows of resources from pensions (Note 10)	111,195
Loss on bond refundings	740,323
	<u><u>\$ 866,278</u></u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts payable	\$ 48,844
Due to other State of West Virginia agencies (Note 9)	320,493
Accrued interest payable	2,427,175
Current portion of revenue bonds payable, net of unamortized premium of \$835,085 (Note 8)	7,090,085
Total current liabilities	<u>9,886,597</u>
<b>NONCURRENT LIABILITIES</b>	
Net OPEB liability (Note 11)	11,494
Net pension liability (Note 10)	132,672
Noncurrent portion of revenue bonds payable, net of unamortized premium of \$12,259,800 (Note 8)	151,564,800
Total liabilities	<u><u>\$ 161,595,563</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources from OPEB (Note 11)	\$ 40,903
Deferred inflows of resources from pensions (Note 10)	13,125
	<u><u>\$ 54,028</u></u>
<b>NET POSITION</b>	
Restricted (Note 14)	\$ 659,591,278
Unrestricted	37,853,308
Total net position	<u><u>\$ 697,444,586</u></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, 2021**

	<u>Enterprise Fund</u>
INTEREST CHARGES FOR SERVICES	\$ 4,747,349
OPERATING EXPENSES	
Infrastructure and economic development	26,315,379
Provisions for uncollectible loans	300,000
General and administrative (Note 12)	<u>1,361,803</u>
Total operating expenses	<u>27,977,182</u>
Operating loss	(23,229,833)
NONOPERATING REVENUES (EXPENSES)	
Miscellaneous income	1,142
Intergovernmental (Note 9)	46,000,000
Investment earnings, net	290,219
Interest on bonds	<u>(6,017,255)</u>
Total nonoperating revenues, net	40,274,106
Transfers in	<u>14,347</u>
Change in net position	17,058,620
NET POSITION, beginning	<u>680,385,966</u>
NET POSITION, ending	<u><u>\$ 697,444,586</u></u>

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

**WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**

**Year Ended June 30, 2021**

	<u>Enterprise Fund</u>
<b>OPERATING ACTIVITIES</b>	
Receipts of principal on loans	\$ 25,242,684
Receipts of interest on loans	3,947,830
Disbursements of loans	(34,120,377)
Disbursements of grants	(26,315,379)
Disbursements of general and administrative expenses	(706,609)
Disbursements on behalf of employees	(578,177)
Net cash used in operations	<u>(32,530,028)</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers	14,347
Proceeds from sale of assets held by others	1,142
Excess lottery and other appropriations	46,000,000
Principal paid on revenue bonds	(5,985,000)
Interest paid on revenue bonds	(6,873,925)
Net cash provided by noncapital financing activities	<u>33,156,564</u>
<b>INVESTING ACTIVITIES</b>	
Purchase of investments	(183,413,587)
Proceeds from sale of investments	172,407,865
Investment earnings	778,790
Net cash used in investing activities	<u>(10,226,932)</u>
Net decrease in cash and cash equivalents	(9,600,396)
CASH EQUIVALENTS, beginning	<u>202,960,750</u>
CASH EQUIVALENTS, ending	<u><u>\$ 193,360,354</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (23,229,833)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Provision for loan losses	300,000
Pension expense	45,405
OPEB expense	20,248
Noncash OPEB contribution support	(1,092)
Changes in operating accounts:	
Due to other agencies	41,920
Loans receivable	(8,877,693)
Miscellaneous receivables	242
Accrued interest receivable	(799,761)
Accounts payable	19,273
Deferred outflows of resources due to pension contributions	(41,859)
Deferred outflows of resources due to OPEB contributions	(6,878)
Net cash used in operating activities	<u><u>\$ (32,530,028)</u></u>

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

# WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### 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 comprehensive annual 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, 2021

### 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 includes 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, 2021

### 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 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.

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, 2021

### 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, 2021, 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 or unrestricted. Restricted net position 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, 2021**

**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	\$	1
---	----	---

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	3,516,453
General obligation bonds	(123,793,167)
Accrued interest on general obligation bonds	<u>(511,117)</u>
Net position (deficit) of governmental activities	<u>\$ (120,787,830)</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	\$	(94)
Principal debt payments recorded on the modified accrual basis of accounting are not recorded in the governmental activities	18,645,000	
Accretion of interest related to capital appreciation bonds is an expense of the governmental activities	<u>(1,648,951)</u>	
Change in net position of governmental activities	<u>\$ 16,995,955</u>	



# WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### 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's Debt Service Fund, which is included in the General Obligation Debt Service Fund's cash balances, reports a carrying amount of \$1 at June 30, 2021.

#### 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)
Repurchase agreements	\$ 1,343,600	6
U.S. Treasury notes	37,505	1
U.S. Treasury bills	354,997	13
Commercial paper	3,937,274	73
Negotiable certificates of deposit	951,004	65
Money market funds	218,622	1
	<u>\$ 6,843,002</u>	52

(Continued)

# WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 6. Deposit and Investment Risk Disclosures (Continued)

#### Interest rate risk - all other investments

As of June 30, 2021, 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)	\$ 86,229,380	\$ 86,229,380	\$ -
Commercial paper (carried at fair value)	14,787,887	14,787,887	-
Money markets (carried at amortized cost)	193,360,354	193,360,354	-
	<u>\$294,377,621</u>	<u>\$294,377,621</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.

Investments matched to obligations of the Council would include investments of reserve funds for each of the Authority's outstanding revenue and refunding bond issues. The General Revenue Bond Resolution requires that, while the bonds are outstanding, there be on deposit in the reserve funds an amount equal to the maximum amount of principal installments and interest coming due during the current or any succeeding year. The Council has both the intent and the ability to hold long-term securities until final maturity and thus is limited in its exposure to interest rate risk on these long-term obligations.

#### 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 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, 2021

### 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, 2021</u>
(a) Direct Federal Obligations	100%	29.29%
(b) Federally Guaranteed Obligations	100%	-
(c) Federal Agency Obligations	90%	-
(d) Money Markets	90%	65.68%
(e) Repurchase Agreements/Investment Contracts	90%	-
(f) Time Deposits/Certificates of Deposit	90%	-
(g) Demand Deposits	30%	-
(h) Corporate Obligations	15%	5.03%
(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 bonds to be rated A+ or higher by Standard & Poor’s (or its equivalent) and short-term corporate debt be rated A-1 or higher by Standard & Poor’s (or its equivalent) or higher. The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. 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, 2021

### Note 6. Deposit and Investment Risk Disclosures (Continued)

Security Type	Credit Rating		Carrying Value (in Thousands)	Percent of Pool Assets
	Moody's	S&P		
U.S. Treasury notes *	Aaa	AA+	\$ 37,505	0.55%
U.S. Treasury bills *	P-1	A-1+	354,997	5.19
Commercial Paper	P-1	A-1+	1,302,573	19.04
	P-1	A-1	2,634,701	38.50
Negotiable certificates of deposit	P-1	A-1+	138,500	2.02
	P-1	A-1	812,504	11.88
Money market funds	Aaa	AAAm	1,600	0.02
	NR	AAAm	217,022	3.17
Repurchase agreements (underlying securities):				
U.S. Treasury bonds and notes*	Aaa	AA+	1,325,680	19.37
U.S. Agency bonds and notes	Aaa	AA+	17,920	0.26
			<u>\$ 6,843,002</u>	<u>100.00%</u>

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

#### Credit risk - all other investments

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

Security Type	Moody's	Standard &	Carrying Value
		Poors	
Money markets	Aaa-mf	AAAm	\$ 193,360,354
U.S. Treasury Obligations	Aaa	AA+	86,229,380
Commercial paper	P-1	NR	14,787,887
			<u>\$ 294,377,621</u>

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

(Continued)

## WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021

#### 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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the BTI will not be able to recover the value of its investments 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. In all transactions, 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, 2021, 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, 2021

### 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	\$ 294,377,621
Less: cash equivalents	<u>(193,360,354)</u>
Carrying amount of investments	<u>\$ 101,017,267</u>
As reported on the Statement of Net Position - Proprietary Fund:	
Investments	<u>\$ 101,017,267</u>

### Note 7. Investments Measured at Fair Value

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

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

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

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

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

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

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

Commercial paper is reported at fair value using broker quotes that utilize observable market inputs.

The table below summarizes the recurring fair value measurements of the investment securities based on the fair value hierarchy as of June 30, 2021.

Investment Type	Level 1	Level 2	Level 3	Total
U.S. Treasury obligations	\$ -	\$ 86,229,380	\$ -	\$ 86,229,380
Commercial paper	-	14,787,887	-	14,787,887
Total	<u>\$ -</u>	<u>\$ 101,017,267</u>	<u>\$ -</u>	<u>\$ 101,017,267</u>

# WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 8. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2021:

	Balance July 1, 2020	Additions/ Accretions	Debt Reductions	Balance June 30, 2021
Governmental fund type:				
General Obligation Bonds				
1999 Series A Capital				
Appreciation	\$ 53,151,169	\$ 2,646,459	\$ 8,625,000	\$ 47,172,628
2011 Series A Refunding	1,110,000	-	365,000	745,000
2015 Series A Refunding	55,535,000	-	5,130,000	50,405,000
2017 Series Refunding	21,925,000	-	4,525,000	17,400,000
	<u>131,721,169</u>	<u>2,646,459</u>	<u>18,645,000</u>	<u>115,722,628</u>
Proprietary fund type:				
Revenue and Refunding Bonds				
2012 Series A Refunding	22,815,000	-	90,000	22,725,000
2014 Series A	62,245,000	-	2,885,000	59,360,000
2016 Series A Refunding	66,485,000	-	3,010,000	63,475,000
	<u>151,545,000</u>	<u>-</u>	<u>5,985,000</u>	<u>145,560,000</u>
Total	<u>\$ 283,266,169</u>	<u>\$ 2,646,459</u>	<u>\$ 24,630,000</u>	<u>\$ 261,282,628</u>

### Debt service fund

The proceeds from the Council's bond programs, which originated with a 1994 Constitutional Amendment authorizing the issuance of \$300,000,000 in Infrastructure General Obligation Bonds, provide financial assistance to infrastructure and economic development projects throughout the state. All general obligation bonds are considered a moral obligation of the State of West Virginia. The source of repayment for the general obligation, capital appreciation, and refunding bonds is the annual receipt of \$21.9 million of mineral severance tax revenue deposited into the Governmental Fund from the State's general fund. Principal, net of accretion, and interest paid on these bonds were \$18,645,000 and \$3,290,925, respectively for the year ended June 30, 2021.

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, 2021

### Note 8. Long-Term Debt (Continued)

	Principal	Interest	Total
2022	\$ 10,420,000	\$ 2,809,900	\$ 13,229,900
2023	10,955,000	2,282,975	13,237,975
2024	11,065,000	1,736,225	12,801,225
2025	11,555,000	1,255,175	12,810,175
2026	12,115,000	836,375	12,951,375
	<u>56,110,000</u>	<u>8,920,650</u>	<u>65,030,650</u>
2027	<u>12,440,000</u>	<u>311,000</u>	<u>12,751,000</u>
	<u>\$ 68,550,000</u>	<u>\$ 9,231,650</u>	<u>\$ 77,781,650</u>

### Capital Appreciation Bonds:

	Principal, net of amounts to be accrued in future years	Amounts to be accrued in future years	Total
2022	\$ 8,568,023	\$ 156,977	\$ 8,725,000
2023	8,092,280	607,720	8,700,000
2024	8,281,630	1,118,370	9,400,000
2025	7,844,254	1,555,746	9,400,000
2026	7,311,403	1,938,597	9,250,000
	<u>40,097,590</u>	<u>5,377,410</u>	<u>45,475,000</u>
2027	<u>7,075,038</u>	<u>2,374,962</u>	<u>9,450,000</u>
Total capital appreciation bonds	<u>\$ 47,172,628</u>	<u>\$ 7,752,372</u>	<u>\$ 54,925,000</u>
Total general obligation bonds and capital appreciation bonds	115,722,628		
Add: unamortized premium	8,070,539		
Less: amount due within one year	<u>(20,726,759)</u>		
Amount due after one year	<u>\$ 103,066,408</u>		

(Continued)



# WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### 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
2022	\$ 6,255,000	\$ 6,584,325	\$ 12,839,325
2023	6,565,000	6,266,150	12,831,150
2024	6,850,000	5,935,800	12,785,800
2025	7,160,000	5,608,188	12,768,188
2026	7,310,000	5,284,456	12,594,456
	<u>34,140,000</u>	<u>29,678,919</u>	<u>63,818,919</u>
2027-2031	41,275,000	20,868,438	62,143,438
2032-2036	43,980,000	10,395,794	54,375,794
2037-2041	18,945,000	3,253,613	22,198,613
2042-2046	7,220,000	762,825	7,982,825
	<u>111,420,000</u>	<u>35,280,670</u>	<u>146,700,670</u>
Total revenue and refunding bonds	145,560,000	<u>\$64,959,589</u>	<u>\$ 210,519,589</u>
Add: unamortized premium	13,094,885		
Less: amount due within one year	<u>(7,090,085)</u>		
Amount due after one year	<u>\$ 151,564,800</u>		

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 \$8,034,760 and \$578,985 respectively were available for revenue bond debt service of \$6,933,800, comprised of \$3,100,000 for principal and \$3,833,800 for interest, respectively for the year ended June 30, 2021.

# WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### **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 2021. 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. In accordance with House Bill 2021, \$46 million in Excess Lottery funds was appropriated to the West Virginia Infrastructure Council. 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, 2021, the Council contributed \$2,202,200 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 2021, \$9,908,400 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, 2021, the Council had incurred \$1,361,803 of expenses of which \$320,493 remains unpaid at June 30, 2021.

### **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](http://www.wvretirement.com)

(Continued)

## WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021

#### Note 10. Pension Benefits (Continued)

##### 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 on or after July 1, 2015, 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 on or after July 1, 2015, 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 on or after July 1, 2015, this age increases to 64 with 10 years of service.

##### Contributions

Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. Contributions as a percentage of payroll for employers are established by the CPRB. Current funding policy requires contributions, consisting of member contributions of 4.5% of covered payroll for all members hired before July 1, 2015, or member contributions of 6% for all members hired on or after July 1, 2015, and employer contributions of 10.0% for the years ended June 30, 2021, 2020, and 2019 respectively.

During the years ended June 30, 2021, 2020, and 2019, the Council's contributions to PERS required and made were approximately \$41,859, \$39,085, and \$32,161, respectively.

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

At June 30, 2021, the Council reported a liability of \$132,672 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2021 was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019, rolled forward to the measurement date of June 30, 2020. 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, 2020. At June 30, 2020, the Council's proportion was 0.025095 percent, which was an increase of 0.003093 percent from its proportion measured as of June 30, 2019.

(Continued)

# WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 10. Pension Benefits (Continued)

For the year ended June 30, 2021, the Council recognized pension expense of \$45,405. At June 30, 2021, 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	\$ 42,050	\$ -
Changes in assumptions	-	5,846
Changes in proportion and differences between the Council's contributions and proportionate share of contributions	7,762	4,544
Difference between expected and actual experience	19,524	2,735
The Council's contributions made subsequent to the measurement date of June 30, 2020	<u>41,859</u>	<u>-</u>
Total	<u>\$ 111,195</u>	<u>\$ 13,125</u>

The \$41,859 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year ended June 30,

2022	\$ (2,362)
2023	20,072
2024	23,367
2025	15,134

#### Actuarial assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0 percent
Salary increases	3.1 – 6.5 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense

(Continued)

# WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 10. Pension Benefits (Continued)

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, below-median, headcount weighted, projected generationally with scale MP-2018 for disabled females.

An experience study, which was based on the years 2013 through 2018, was used for the 2020 actuarial valuation.

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

Asset Class	Target Allocation	Long-term Expected Rate of Return	Weighted Average Expected Real Rate of Return
Domestic equity	27.5%	5.5%	1.51%
International equity	27.5%	7.0%	1.93%
Fixed income	15.0%	2.2%	0.33%
Real estate	10.0%	6.6%	0.66%
Private equity	10.0%	8.5%	0.85%
Hedge funds	10.0%	4.0%	0.40%
Total	100.00%		5.68%
Inflation (CPI)			1.90%
			7.58%

#### *Discount rate*

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

(Continued)

# WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 10. Pension Benefits (Continued)

*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 7.5 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 (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
The Council's proportionate share of the net pension liability (asset)	\$ 338,030	\$ 132,672	\$ (40,963)

### 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 publically available financial report of the RHBT that can be obtained at [www.peia.wv.gov](http://www.peia.wv.gov) or by writing to the West Virginia Public Employees Insurance Agency, 601 57<sup>th</sup> 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 CPRB sponsored retirement plans. RHBT provides medical and prescription drug insurance and life insurance benefits to those qualified participants. Life insurance is provided through a vendor and is fully funded by member contributions. The medical and prescription drug insurance is provided through two options; Self-Insured Preferred Provider Benefit Plan - primarily for non-Medicare-eligible retirees and spouses or External Managed Care Organizations - primarily for Medicare-eligible retirees and spouses.

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

(Continued)

# WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 11. Other Postemployment Benefits (Continued)

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, 2021, 2020, and 2019, respectively, were:

	2021	2020	2019
Paygo Premium	\$ 160	\$ 168	\$ 183

Contributions to the OPEB plan from the Council were \$6,878, \$5,030, and \$2,684 for the years ended June 30, 2021, 2020, and 2019, 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.

(Continued)

# WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 11. Other Postemployment Benefits (Continued)

#### 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 West Virginia State Code §11B-2-32. The Financial Stability Fund is a plan to transfer an annual amount of \$5 million to the RHBT from special revenue funds to be used to lower retiree premiums, to help reduce benefit cuts, to help reduce premium increases or any combination thereof. The \$5 million transferred pursuant to this Code shall be transferred annually into the RHBT through June 30, 2020, which is the measurement date of the liability reported as of June 30, 2021. This funding is to the advantage of all RHBT contributing employers.

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

#### OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB

At June 30, 2021, 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:

	<u>2021</u>
Council's proportionate share of the net OPEB liability	\$ 11,494
State's special funding proportionate share of the net OPEB liability associated with the Council.	<u>2,542</u>
Total portion of net OPEB liability associated with the Council	<u>\$ 14,036</u>

(Continued)



# WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 11. Other Postemployment Benefits (Continued)

The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. 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, 2020, the Council's proportion was .002602 percent, which is an increase of .001211 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Council recognized OPEB expense (revenue) of \$20,248 and for support provided by the State under special funding situations revenue of \$1,092. At June 30, 2021, 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	\$ -	\$ 7,452
Changes in assumptions		25,943
Net difference between projected and actual earnings on OPEB plan investments	872	-
Changes in proportion and differences between Council's contributions and proportionate share of contributions	7,010	6,760
Reallocation of opt-out employer change in Proportionate Share		748
Council's contributions subsequent to the measurement date of June 30, 2020	6,878	-
Total	<u>\$ 14,760</u>	<u>\$ 40,903</u>

The amount of \$6,878 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 of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	\$ (14,037)
2023	(9,916)
2024	(8,907)
2025	(161)

(Continued)

# WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 11. Other Postemployment Benefits (Continued)

#### Actuarial assumptions

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

Inflation	2.25%
Salary increases	Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation
Investment rate of return	6.65%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2022, 6.50% per plan year ended 2023, decreasing by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2032. Trend rate for Medicare per capita costs of (31.11%) for plan year end 2022. 9.15% for plan year end 2023, 8.40% for plan year ended 2024, decreasing gradually each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll over a 20 year closed period
Remaining amortization period	20 years closed as of June 30, 2017

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

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

(Continued)

# WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 11. Other Postemployment Benefits (Continued)

#### Actuarial assumptions (Continued)

Certain assumptions have been changed since the prior actuarial valuation as of June 30, 2018 and a measurement date of June 30, 2020. The net effect of the assumption changes on the plan, in total, was approximately \$1,147 million.

- 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

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 rates 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 a forecast of 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, 2021

### Note 11. Other Postemployment Benefits (Continued)

#### Actuarial assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	52.25%	6.8%
Core Plus Fixed Income	14.25%	4.1%
Hedge Fund	9.50%	4.4%
Private Equity	9.50%	8.8%
Core Real Estate	9.50%	6.1%
Cash and cash equivalents	5.0%	0.25%

#### *Discount rate*

A single rate of 6.65% was used to measure the total OPEB liability. 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. Future pre-funding assumptions include a \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2025, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

#### *Other key assumptions*

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

#### OPEB subsequent event

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

(Continued)

# WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 11. Other Postemployment Benefits (Continued)

#### OPEB subsequent event (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	\$ 16,392	\$ 11,494	\$ 7,394

#### 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>
Authority's proportionate share of the net OPEB liability	\$ 6,916	\$ 11,494	\$ 17,024

# WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

### Note 12. Schedule of General and Administrative Expenses

General and administrative expenses in the enterprise fund for the year ended June 30, 2021, were as follows:

Salaries and benefits	\$ 595,867
Legal	379,797
Consulting and professional	45,429
Rentals	171,141
Travel and training	591
Office supplies	5,823
Computer services	1,955
Telecommunications	3,450
Trustee	96,566
Postage	138
Miscellaneous	61,046
Total general and administrative	<u>\$ 1,361,803</u>

### Note 13. Risk Management

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

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

The Council obtained coverage transferring its risk for general liability, property damage, business interruption, errors and omissions, and natural disasters from the West Virginia Board of Risk and Insurance Management in exchange for an annual premium. There were no changes in any of the above coverages or claims in excess of coverage for the year ended June 30, 2021.

### 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 \$659,591,278 of restricted net position, of which \$91,517,599 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, 2021, \$47,246,152 was designated by the Council for loans and grants to water and wastewater projects. The Council has also designated \$7,154,000 for contributions to two State agencies for the required State match for federally sponsored revolving funds.

## WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

### NOTES TO FINANCIAL STATEMENTS

June 30, 2021

#### Note 16. New Accounting Pronouncements

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

The GASB issued **Statement No. 87, *Leases*** in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after June 15, 2021.

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

The GASB issued **Statement No. 92, *Omnibus 2020*** in January 2020. This Statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for periods beginning after June 15, 2021.

The GASB issued **Statement No. 93, *Replacement of Interbank Offered Rates*** in March 2020. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate. The removal of the London Interbank Offered Rate as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. Paragraphs 13 and 14 of Statement No. 93, related to lease modifications is effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement were effective for periods beginning after June 15, 2020, and had no impact on the financial statements in the current fiscal year.

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

In June 2020, the GASB issued **Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32***. This Statement provides a more consistent financial reporting defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Certain requirements of this Statement are effective immediately and others for reporting periods beginning after June 15, 2021.

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

**WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

**Note 17. Segment Information (Continued)**

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

	<u>Defined Loan Program</u>
<b>ASSETS</b>	
CURRENT	\$ 32,205,185
NONCURRENT	152,571,911
Total assets	<u>\$ 184,777,096</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Losses on bond refundings	<u>\$ 740,323</u>
<b>LIABILITIES</b>	
CURRENT	\$ 6,286,992
NONCURRENT	87,712,828
Total liabilities	<u>\$ 93,999,820</u>
<b>NET POSITION</b>	
Restricted	<u>\$ 91,517,599</u>
<b>OPERATING REVENUE</b>	
Charges for services	\$ 578,985
<b>OPERATING EXPENSES</b>	
General and administrative	349,308
Interest on bonds	3,675,941
Operating loss:	<u>(3,446,264)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest and investment revenue, net of arbitrage	2,509
Transfers (net)	(2,009,822)
Change in net position	<u>(5,453,577)</u>
Beginning net position	96,971,176
Ending net position	<u>\$ 91,517,599</u>
Cash flows related to the Defined Loan Program segment:	
Net cash provided by (used in):	
Operating activities	\$ 4,862,306
Noncapital financing activities	(5,237,131)
Investing activities	2,522
Beginning cash equivalents	22,793,962
Ending cash equivalents	<u>\$ 22,421,659</u>



## **REQUIRED SUPPLEMENTARY INFORMATION**

**THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

**Public Employees Retirement System Plan**

	Years Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
The Council's proportion (percentage) of the net pension liability	0.0251%	0.0220%	0.0156%	0.0129%	0.0194%	0.0222%	0.0209%
The Council's proportionate share of the net pension liability	\$ 132,872	\$ 47,307	\$ 40,358	\$ 55,576	\$ 178,377	\$ 123,848	\$ 77,670
The Council's covered payroll	\$ 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 as a percentage of its covered payroll	34.00%	14.71%	16.82%	30.70%	64.36%	41.04%	30.14%
Plan fiduciary net position as a percentage of the total pension liability	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								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 41,859	\$ 39,085	\$ 32,161	\$ 26,387	\$ 21,726	\$ 37,417	\$ 42,090	\$ 37,400	\$ 32,210
Contributions in relation to the statutorily required contribution	(41,859)	(39,085)	(32,161)	(26,387)	(21,726)	(37,417)	(42,090)	(37,400)	(32,210)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The Council's covered payroll	\$ 418,590	\$ 390,847	\$ 321,613	\$ 239,873	\$ 181,050	\$ 277,162	\$ 301,770	\$ 257,684	\$ 232,969
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	11.00%	12.00%	13.50%	13.95%	14.51%	13.83%

**THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

**Retiree Health Benefit Trust**

	Years Ended June 30,			
	2021	2020	2019	2018
The Council's proportion (percentage) of the net OPEB liability	0.00121100%	0.00139100%	0.00166300%	0.00205206%
The Council's proportionate share of the net OPEB liability	\$ 11,494	\$ 23,078	\$ 35,679	\$ 50,460
The State's proportionate share of the net OPEB liability associated with the Council	2,542	4,723	7,374	10,365
Total proportionate share of the net OPEB liability associated with the Council	<u>\$ 14,036</u>	<u>\$ 27,801</u>	<u>\$ 43,053</u>	<u>\$ 60,825</u>
The Council's covered employee payroll	\$ 33,290	\$ 42,866	\$ 42,914	\$ 67,537
The Council's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	34.53%	53.84%	83.14%	74.71%
Plan fiduciary net position as a percentage of the total OPEB liability	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,			
	2021	2020	2019	2018
Statutorily required contribution	\$ 6,878	\$ 5,030	\$ 2,684	\$ 3,345
Contributions in relation to the statutorily required contribution	(6,878)	(5,030)	(2,684)	(3,345)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
The Council's covered employee payroll	\$ 50,796	\$ 33,290	\$ 42,866	\$ 42,914
Contributions as a percentage of covered employee payroll	13.54%	15.11%	6.26%	7.79%

## THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

#### Note 1. Trend Information Presented

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

#### Note 2. OPEB Changes in Assumptions

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

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

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

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

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

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

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

(Continued)

## THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

### NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

#### **Note 2. OPEB Changes in Assumptions (Continued)**

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

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

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

The 2016 and 2015 valuations include consideration of the \$30 million annual appropriations under Senate Bill 419, through July 1, 2037, or if earlier, the year the benefit obligation is fully funded. Additionally, the presentation of covered payroll was changed for the June 30, 2015, actuarial valuation. Participating employees hired before July 1, 2010, pay retiree premiums that are subsidized based on years of service at retirement. Participating employees hired on or after July 1, 2010, are required to fully fund premium contributions upon retirement. Consequently, beginning June 30, 2015, actuarial valuation covered payroll represents only the payroll for those OPEB eligible participating employees that were hired before July 1, 2010, allowing a better representation of the 4 UAAL as a percentage of covered payroll, whereas, for the prior years, covered payroll is in total for all participating employees.

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

#### **Note 3. Pension Plan Amendments**

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

(Continued)

# THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

### Note 3. Pension Plan Amendments (Continued)

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

### Note 4. Pension Plan Assumptions

The information in the schedule of the proportionate share of the net pension liability 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>2019-2020</u>	<u>2015-2018</u>	<u>2014</u>
Projected salary increase			
State	3.1 - 5.3%	3.0 - 4.6%	4.25 - 6.0%
Nonstate	3.35 - 6.5%	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	3.00%	3.0% (2016-2018); 1.9% (2015)	2.2%
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-2017 Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, below-median, 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	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, 2021, 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 5, 2021.

**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 may exist that have not been identified.

## **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, L.L.P.*

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia  
October 5, 2021