

**WEST VIRGINIA
WATER DEVELOPMENT AUTHORITY**

**FINANCIAL REPORT
WITH SUPPLEMENTARY FINANCIAL INFORMATION**

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the West Virginia Water Development Authority (the Authority), a component unit of the State of West Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2023, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the proportionate share of the net pension liability (asset), the schedule of contributions to the PERS, the schedule of the proportionate share of the net OPEB liability (asset), the schedule of contributions to the RHBT, and the notes to required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
October 10, 2023, except for the
section on Supplementary Information,
for which the date is January 5, 2024

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

INTRODUCTION

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

The Authority maintains a variety of programs to provide long-term, short-term and private-activity financing at favorable interest rates for design, construction and/or acquisition of wastewater and/or water systems. Generally, the Authority's programs are funded with proceeds from water development bonds issued by the Authority. Moneys in the various programs are loaned to municipalities, public service districts and other political subdivisions through the purchase of revenue bonds or notes issued by these local governmental agencies. The loans are repaid from the revenues of the wastewater and/or water systems or other permanent financing. Because the Authority's bonds are considered a moral obligation of the State, the aggregate principal amount of bonds and/or notes issued by the Authority may not exceed \$500 million outstanding at any time; provided that before the Authority issues bonds or notes in excess of \$400 million, the Legislature must pass a resolution authorizing this action. As of June 30, 2023, the Authority has \$205,870,000 in bonds principal outstanding.

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

During the 2022 West Virginia Legislature's regular session House Bill 4566 was passed and signed into law by the Governor. This legislation created the Economic Enhancement Grant Fund (EEGF). This fund is governed, administered and accounted for by the directors, officers and management of the Authority. The legislation authorized the Authority to make grants to cover all or a portion of the costs of water, sewer, economic development or tourism projects. At the 2022 second extraordinary session, House Bill 217 was passed and signed into law by the Governor. This legislation provided the Authority \$250,000,000 from the Coronavirus State Fiscal Recovery Fund to fund the eligible projects. During the 2023 West Virginia Legislature's regular session House Bill 2883 was passed and signed into law by the Governor. This legislation increased the EEGF funding by \$177,000,000 for a total of \$427,000,000, as of June 30, 2023.

This discussion and analysis of the Authority's financial activities for the year ended June 30, 2023 is designed to assist the reader in focusing on significant financial issues and activities of the Authority and to identify significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 10.

(Continued)

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

USING THIS REPORT

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

FINANCIAL HIGHLIGHTS

Total assets of the Authority increased a total of \$169 million or 35%. Deferred outflows of resources decreased by \$663 thousand or 12%. There was an increase in total liabilities of \$152 million or 38%. Deferred inflows of resources decreased \$385 thousand or 42%. Total net position increased \$17 million or 20%. Total revenues increased by \$22 million or 206% from the previous year. This was primarily due to an increase in investment revenue of \$14 million from the prior year and \$9 million in EEGF Revenue. Total expenses increased by \$9 million or 127% from the prior year. This was due primarily due to \$8 million in EEGF grant expenses.

THE AUTHORITY AS A WHOLE

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

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

Table 1
Net Position

	2023 WDA	2022 WDA	Increase (Decrease)
Assets			
Current assets	\$ 491,211,898	\$ 310,072,268	\$ 181,139,630
Non-current assets	157,582,553	169,692,205	(12,109,652)
Total assets	\$ 648,794,451	\$ 479,764,473	\$ 169,029,978
Deferred outflows of resources			
Deferred loss on bond refundings	\$ 4,755,420	\$ 5,399,146	\$ (643,726)
Deferred outflows of resources from OPEB amounts	25,423	29,603	(4,180)
Deferred outflows of resources from pension amounts	115,929	130,523	(14,594)
Total deferred outflows of resources	\$ 4,896,772	\$ 5,559,272	\$ (662,500)
Liabilities			
Current liabilities	\$ 429,925,624	\$ 261,219,325	\$ 168,706,299
Design loan program notes payable	-	6,375,836	(6,375,836)
Net OPEB liability	8,049	-	8,049
Net pension liability	41,647	-	41,647
Long-term debt outstanding	123,139,288	133,437,661	(10,298,373)
Total liabilities	\$ 553,114,608	\$ 401,032,822	\$ 152,081,786
Deferred inflows of resources			
Deferred gain on refunding	\$ 477,038	\$ 500,859	\$ (23,821)
Deferred inflows of resources from OPEB amounts	42,766	72,674	(29,908)
Deferred inflows of resources from pension amounts	1,118	332,019	(330,901)
Total deferred inflows of resources	\$ 520,922	\$ 905,552	\$ (384,630)
Net position			
Net investment in capital assets	\$ 4,076,706	\$ 4,009,500	\$ 67,206
Restricted by revenue bond agreements	40,736,820	20,689,625	20,047,195
Restricted for OPEB and Pension	-	256,333	(256,333)
Unrestricted	55,242,167	58,430,013	(3,187,846)
Total net position	\$ 100,055,693	\$ 83,385,371	\$ 16,670,322

(Continued)

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

THE AUTHORITY AS A WHOLE (Continued)

Total assets increased by \$169 million or 35%. Increase to assets was due mainly to an increase of cash and cash equivalents of \$180 million, which was primarily due to the receipt of \$177 million received in additional funding from the Coronavirus State Fiscal Recovery Fund for the EEGF. This is primarily offset by a reduction of revenue bonds receivable of \$10 million, and design program notes receivable of \$1 million.

Deferred outflow of resources decreased by \$663 thousand or 12% which was primarily the result of current year amortizations of loss on refunding in the amount of \$644 thousand.

Total liabilities increased by \$152 million or 38% which was primarily the result of an increase in unearned revenue in the amount of \$168 million due to cash received from the Coronavirus State Fiscal Recovery Fund, less the amount of EEGF grant revenue recognized in the current year. This was offset primarily by a decrease in revenue bonds payable of \$10 million, and the repayment of the \$6 million in design loan program notes payable.

Deferred inflows of resources decreased \$385 thousand or 42% due to a decrease in the deferred inflows of resources for pensions of \$331 thousand, a decrease in the deferred gain on refunding of \$24 thousand, as well as a decrease in the deferred inflows of resources from OPEB's of \$30 thousand.

Unrestricted net position decreased \$3 million, primarily explained by a \$3.7 million decrease in interest revenue design loan program notes receivable.

Restricted net position increased \$20.0 million due mainly to a reduction in revenue bonds payable of \$10 million, an increase in restricted cash of \$182 million, which was primarily offset by an increase in unearned revenue of \$168 million.

(Continued)

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

THE AUTHORITY AS A WHOLE (Continued)

Table 2
Changes in Net Position

	2023 WDA	2022 WDA	Increase (Decrease)
Revenues:			
Operating revenues:			
Charges for services	\$ 9,188,986	\$ 9,668,181	\$ (479,195)
Economic Enhancement Grant			
Fund revenue	8,627,497	-	8,627,497
Other	477,212	\$425,195	52,017
Total operating revenues	18,293,695	10,093,376	8,200,319
Nonoperating revenues:			
Interest and investment revenue	14,041,884	477,459	13,564,425
Total revenues	32,335,579	10,570,835	21,764,744
Expenses:			
Operating expenses	10,427,859	\$1,199,148	9,228,711
Nonoperating expenses:			
Interest expense	5,237,398	5,710,396	(472,998)
Total expenses	15,665,257	6,909,544	8,755,713
Change in net position	16,670,322	3,661,291	13,009,031
Beginning net position	83,385,371	79,724,080	3,661,291
Ending net position	\$ 100,055,693	\$ 83,385,371	\$ 16,670,322

Charges for services decreased \$479 thousand. This is primarily due to repayments of loans in the portfolio being applied to principal rather than interest as they are being paid down over time.

EEGF revenue increased \$9 million due to fiscal year 2023 being the initial year for project expenditures and corresponding revenues.

Other increased \$52 thousand primarily due to an increase in miscellaneous revenue.

Interest and investment revenue increased by \$14 million due to higher short-term interest rates available to the Authority from period to period on increased asset balances.

Operating expenses increased by \$9 million due to EEGF grant payments.

(Continued)

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

DEBT ADMINISTRATION

As a financing entity, the business of the Authority is debt issuance and administration, including servicing. By statute, the maximum amount of bonds the Authority is authorized to have outstanding includes debt issued for the Authority and by the Authority on behalf of the West Virginia Infrastructure and Jobs Development Council. While the redemption of bonds is economically prudent because of the resulting debt service savings, any reduction in the liability for long-term debt enables the Authority to manage debt capacity for future needs as well as for new programs. The Authority, therefore, continues to monitor its long-term outstanding debt for prepayment and refunding opportunities for debt service savings. At year end, the Authority had \$126,280,000 in revenue and refunding bonds outstanding versus \$135,509,000 in the prior year, a decrease of approximately 6.81%.

As of June 30, 2023, the 2012 Series A-I and B-I, 2012 Series A-II and B-II, 2013 Series A-II, 2016 Series A-II, and 2012 Series A-III and B-III had a Moody's rating of A1 and a Fitch rating of A+.

As of June 30, 2023 the 2018 Series A-IV, had a Standard & Poor's rating of A. On November 9, 2022, the rating was lowered from AA- to A because Charleston Sanitary Board's (CSB) rating was lowered. The 2018 Series B-IV Bonds were privately placed and not rated by any rating agency.

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

CONTACTING THE AUTHORITY'S MANAGEMENT

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

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

June 30, 2023

ASSETS

CURRENT ASSETS

Cash and cash equivalents (Note 3)	\$ 42,312,844
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Receivables:

Revenue bonds, net of unamortized discount of \$41,323	11,135,172
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Design loan program notes receivable (Note 6)	4,011,198
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Interest	2,426,239
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Administrative fees	1,941
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Due from other agencies (Note 4)	486,394
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Total unrestricted current assets	<u>60,373,788</u>
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Restricted current assets:

Cash and cash equivalents (Note 3)	430,834,451
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Prepaid insurance	3,659
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Total current assets	<u>491,211,898</u>
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NONCURRENT ASSETS

Revenue bonds	6,421,500
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Capital assets, net (Note 7)	4,076,706
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Total unrestricted noncurrent assets	<u>10,498,206</u>
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Restricted noncurrent assets:

Cash and cash equivalents (Note 3)	16,337,405
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Revenue bonds, net of unamortized discount of \$629,717	130,684,705
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Prepaid insurance	62,237
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Total restricted noncurrent assets	<u>147,084,347</u>
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Total assets	<u><u>\$ 648,794,451</u></u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred loss on bond refundings	\$ 4,755,420
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Deferred outflows of resources from OPEB amounts (Note 10)	25,423
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Deferred outflows of resources from pension amounts (Note 9)	115,929
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Total deferred outflows of resources	<u><u>\$ 4,896,772</u></u>
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(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

(Continued)

June 30, 2023

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 150,641
Current portion of revenue bonds payable, including unamortized net premium of \$712,094 (Note 8)	10,314,094
Accrued interest payable	1,088,386
Unearned revenue	<u>418,372,503</u>

Total current liabilities	<u>429,925,624</u>
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NONCURRENT LIABILITIES

Accrued employee benefits	128,809
Net OPEB liability (Note 10)	8,049
Net pension liability (Note 9)	41,647
Liabilities payable from restricted assets: Noncurrent portion of revenue bonds payable, including unamortized net premium of \$6,332,479 (Note 8)	<u>123,010,479</u>

Total noncurrent liabilities	<u>123,188,984</u>
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Total liabilities	<u><u>\$ 553,114,608</u></u>
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DEFERRED INFLOWS OF RESOURCES

Deferred gain on refunding	\$ 477,038
Deferred inflows of resources from OPEB amounts (Note 10)	42,766
Deferred inflows of resources from pension amounts (Note 9)	1,118
Total deferred inflows of resources	<u><u>\$ 520,922</u></u>

NET POSITION

Restricted by revenue bond agreements	\$ 40,736,820
Unrestricted	55,242,167
Net investment in capital assets	<u>4,076,706</u>

Total net position	<u><u>\$ 100,055,693</u></u>
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The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended June 30, 2023

OPERATING REVENUES

Charges for services	\$ 9,188,986
Economic Enhancement Grant Fund revenue	8,627,497
Miscellaneous	<u>477,212</u>

Total operating revenues	<u>18,293,695</u>
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OPERATING EXPENSES

Economic Enhancement Grant Fund expense	8,401,308
Depreciation and amortization	170,945
General and administrative (Note 11)	<u>1,855,606</u>

Total operating expenses	<u>10,427,859</u>
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Operating income	<u>7,865,836</u>
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NONOPERATING REVENUES (EXPENSES)

Interest and investment revenue	14,041,884
Interest expense	<u>(5,237,398)</u>

Total nonoperating revenues	<u>8,804,486</u>
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CHANGE IN NET POSITION	16,670,322
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Total net position, beginning of year	<u>83,385,371</u>
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Total net position, end of year	<u><u>\$ 100,055,693</u></u>
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The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2023

OPERATING ACTIVITIES

Receipts of grant funds	\$ 177,000,000
Receipts of principal on bonds receivable	10,298,439
Receipts of interest on bonds receivable	9,260,381
Receipts of administrative fees on bonds receivable	477,008
Receipts of principal on design loan program notes receivable	1,519,286
Receipts of reimbursements from other agencies	3,053,748
Disbursements of grants	(8,401,308)
Disbursements from issuance of bonds receivable	(638,559)
Disbursements from issuance of design loan program notes receivable	(194,546)
Disbursements of general and administrative expense	(1,161,763)
Disbursements on behalf of employees	(656,922)
Disbursements on behalf of other agencies	(2,977,232)
Net cash provided by operating activities	<u>187,578,532</u>

CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	<u>(234,492)</u>
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NONCAPITAL FINANCING ACTIVITIES

Proceeds from draw down of design loan program notes payable	1,642,425
Repayments on design loan program notes payable	(8,018,261)
Principal paid on revenue and refunding bonds	(9,229,000)
Interest paid on revenue and refunding bonds	(5,426,097)
Net cash used in noncapital financing activities	<u>(21,030,933)</u>

INVESTING ACTIVITIES

Investment earnings	<u>13,950,893</u>
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Net increase in cash and cash equivalents	180,264,000
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CASH AND CASH EQUIVALENTS, beginning	<u>309,220,700</u>
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CASH AND CASH EQUIVALENTS, ending	<u><u>\$ 489,484,700</u></u>
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Cash and cash equivalents consist of:

Cash and cash equivalents	\$ 42,312,844
Restricted cash and cash equivalents (current)	430,834,451
Restricted cash and cash equivalents (noncurrent)	16,337,405
	<u><u>\$ 489,484,700</u></u>

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS

(Continued)

Year Ended June 30, 2023

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 7,865,836
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization expense	170,945
Changes in operating accounts:	
Due from other agencies	76,516
Revenue bonds receivable	9,618,557
Design loan program notes receivable	1,324,740
Accrued interest receivable	112,718
Administrative fees receivable	(204)
Net OPEB asset	1,936
Net Pension asset	254,297
Deferred outflows of resources from pension and OPEB	18,774
Accounts payable	57,304
Accrued employee benefits	15,723
Unearned revenue	168,372,503
Net OPEB liability	8,049
Net pension liability	41,647
Deferred inflows of resources from pension and OPEB	<u>(360,809)</u>
Net cash provided by operating activities	<u><u>\$ 187,578,532</u></u>

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

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 1. Reporting Entity

The West Virginia Water Development Authority (the Authority) is a governmental instrumentality of the State of West Virginia (the State) and a body corporate, created under the provisions of Chapter 22C, Article 1 of the Code of West Virginia, 1931, as amended, and known as the West Virginia Water Development Act. The Authority's mission is to provide West Virginia communities effective financial assistance for development of wastewater, water and economic infrastructure that will improve health, protect the streams of the State, improve drinking water quality and encourage economic growth. This is accomplished by administering and managing the West Virginia Water Development Revenue Bond Programs, serving as the State-designated fiduciary of the West Virginia Infrastructure Fund, managing the Bureau for Public Health's Drinking Water Treatment Revolving Fund (See Note 14), administering the Department of Environmental Protection's Clean Water State Revolving Fund, and being an active member of the West Virginia Infrastructure and Jobs Development Council.

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

During the 2022 West Virginia Legislature's Regular Session House Bill 4566 was passed and signed into law by the Governor. This legislation created the Economic Enhancement Grant Fund (EEGF). This fund is governed, administered and accounted for by the directors, officers and management of the Authority. The legislation authorized the Authority to make grants to cover all or a portion of the costs of water, sewer, economic development or tourism projects. During the 2023 West Virginia Legislative's Regular Session House Bill 2883 was passed and signed in to law by the Governor, appropriating \$177,000,000 to the Authority for the EEGF for fiscal year ended June 30, 2023. During the 2023 West Virginia Legislative's Regular Session House Bill 2024 was passed and signed into law by the Governor, appropriating an additional \$53,000,000 to the Authority for the EEGF for fiscal year ending June 30, 2024.

The State is able to impose its will over the Authority, therefore the Authority is considered a component unit of the State.

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

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 2. Significant Accounting Policies

Basis of presentation

The Authority is accounted for as a proprietary fund special purpose government engaged in business type activities. In accordance with GAAP, the financial statements are prepared on the accrual basis of accounting, using the flow of economic resources measurement focus. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

The Authority is included in the State's financial statements as a discretely presented component unit proprietary fund and business type activity. There may be differences between the amounts reported in these financial statements and the financial statements of the State as a result of major fund determination.

Cash and cash equivalents

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

Allowance for uncollectible loans and service charges

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

Restricted assets

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

Capital assets

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

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

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 2. Significant Accounting Policies (Continued)

Unearned revenue

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

Accrued employee benefits

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

Bond premiums, discounts, and issuance costs

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

Arbitrage rebate payable

The United States Internal Revenue Code of 1986, as amended (the “Code”), prescribes restrictions applicable to the Authority as issuer of Water Development Revenue and Refunding Bonds. Among those include restrictions on earnings on the bond proceeds. The Code requires payment to the federal government of investment earnings on certain bond proceeds in excess of the amount that would have been earned if the proceeds were invested at a rate equal to the yield on the bonds. As of June 30, 2023, the Authority is not liable to the federal government as a result of arbitrage.

Deferred outflows of resources / deferred inflows of resources

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

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

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 2. Significant Accounting Policies (Continued)

Pension

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

Postemployment benefits other than pensions (OPEB)

For purposes of measuring the net OPEB 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.

Net position

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

Note 3. Deposit and Investment Risk Disclosures

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

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

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 3. Deposit and Investment Risk Disclosures (Continued)

periods, maximum transaction amounts, and any authority to impose liquidity fees or redemption gates. Investment income earned is pro-rated to the Authority at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to the Authority with overnight notice. The deposited funds are invested in accordance with investment guidelines of the BTI. The Authority's balance, which is included in its cash and cash equivalents, reports a carrying value of \$452,063,096 as of June 30, 2023.

Interest rate risk - West Virginia Money Market Pool

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

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

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

Interest rate risk - all other investments

As of June 30, 2023, the Authority had the following investments outside of the BTI deposits (which include certain cash equivalents) and maturities:

Type	Maturities (in Years)			
	Carrying Value	Less Than 1	1-5	6-10
Money Market	<u>\$ 36,828,295</u>	<u>\$ 36,828,295</u>	<u>\$ -</u>	<u>\$ -</u>

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

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 3. Deposit and Investment Risk Disclosures (Continued)

Concentration of credit risk - West Virginia Money Market Pool

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

Concentration of credit risk – all other investments

As of June 30, 2023, the Authority had deposit and investment balances outside of BTI deposits in Dreyfus Government Cash Management money market and Blackrock Liquidity Funds money market accounts, which are greater than or equal to 5 percent of the deposit and investment balances presented in the statement of net position.

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

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

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

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

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 3. Deposit and Investment Risk Disclosures (Continued)

Credit risk – West Virginia Money Market Pool

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

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

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

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

Credit Risk – all other investments

The following table provides information on the credit ratings of the Authority's deposits and short-term investments outside of BTI deposits as of June 30, 2023:

Security Type	Fitch	Moody's	Standard & Poor's	Carrying Value
Money market	AAAmF	Aaa-mf	AAAm	\$ 18,060,670
Money market	Not Rated	Aaa-mf	AAAm	18,767,625
				<u>\$ 36,828,295</u>

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 3. Deposit and Investment Risk Disclosures (Continued)

Custodial credit risk - West Virginia Money Market Pool

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

Custodial credit risk – all other investments

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

Cash consisted of the following at June 30, 2023:

Cash on deposit with State Treasurer	\$ 591,112
Petty cash	<u>2,197</u>
	<u>\$ 593,309</u>

The Authority has no securities that are subject to foreign currency risk.

A reconciliation of the amounts disclosed as cash and investments included in this Note to cash and cash equivalents, restricted cash and cash equivalents, and investments in the Statement of Net Position as of June 30, 2023, is as follows:

Deposits and Investments:

Cash and cash equivalents as reported on the Statement of Net Position	\$ 42,312,844
Add: restricted cash and cash equivalents (current)	430,834,451
Add: restricted cash and cash equivalents (noncurrent)	16,337,405
Less: cash equivalents and restricted cash equivalents disclosed as investments in this Note	<u>(488,891,391)</u>
Total cash as disclosed in this Note	<u>\$ 593,309</u>

Note 4. Due From Other Agencies

Certain agencies of the State were indebted to the Authority at June 30, 2023, in connection with services performed by the Authority on behalf of the agencies. Amounts due the Authority at June 30, 2023 are as follows:

West Virginia Infrastructure and Jobs Development Council, net	\$ 240,916
Department of Environmental Protection Clean Water State Revolving Fund	74,015
Bureau for Public Health Drinking Water Treatment Revolving Fund	<u>171,463</u>
	<u>\$ 486,394</u>

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 5. Revenue Bonds Receivable

As of June 30, 2023, the face value of revenue bonds of municipalities, public service districts and other political subdivisions purchased with proceeds from Water Development Revenue Bonds was \$138,880,750. Management's intentions are to hold such bonds until maturity; therefore, management believes the face amount of the bonds is fully collectible.

Although not required, the Authority purchased supplemental bonds of municipalities and public service districts using other available funds. As of June 30, 2023, the face value of supplemental bonds was \$10,031,667.

Note 6. Design Loan Program Notes Receivable

The Design Loan Program provides funding to governmental agencies for the cost of the design of water and wastewater projects around the state. As of June 30, 2023, financing has been made available to close twenty-one (21) design loans in the amount of \$10,639,459. Disbursements are made to the local governmental agencies from the program based on approved requisitions. As of June 30, 2023, the cumulative total of \$8,713,642 was disbursed to local government agencies under the Design Loan program. The balance of remaining program notes receivable was \$4,011,198, which is presented as current assets in the statement of net position.

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	\$ 526,194	\$ -	\$ -	\$ 526,194
Construction work in progress	158,400	201,135	-	359,535
Total capital assets not being depreciated	684,594	201,135	-	885,729
Furniture and equipment	7,262,449	33,357	-	7,295,806
Land improvements	22,650	-	-	22,650
Building	4,100,298	-	-	4,100,298
Total capital assets, being depreciated	11,385,397	33,357	-	11,418,754
Less accumulated depreciation for:				
Furniture and equipment	7,036,696	87,380	-	7,124,076
Land improvements	5,490	1,510	-	7,000
Building	1,018,305	78,396	-	1,096,701
Total accumulated depreciation	8,060,491	167,286	-	8,227,777
Total capital assets, net	\$ 4,009,500	\$ 67,206	\$ -	\$ 4,076,706

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Revenue Bonds Payable

The following is a summary of the Authority's bond transactions for the year ended June 30, 2023:

	Balance at June 30, 2022	Bonds issued	Bonds retired	Bonds refunded	Balance at June 30, 2023
Revenue bonds	\$ 128,990,000	\$ -	\$ 8,860,000	\$ -	\$ 120,130,000
Revenue bonds from direct placements	6,519,000	-	369,000	-	6,150,000
	<u>\$ 135,509,000</u>	<u>\$ -</u>	<u>\$ 9,229,000</u>	<u>\$ -</u>	<u>\$ 126,280,000</u>

Revenue and refunding bonds outstanding at June 30, 2023, were as follows:

Series	Final Maturity	Interest Rates %	Balance
2012 A-I	11/1/25	2.000-3.000	\$ 510,000
2012 B-I	11/1/26	3.000-4.500	5,465,000
2012 A-II	11/1/23	2.000-3.000	560,000
2012 B-II	11/1/33	2.000-4.000	8,780,000
2012 A-III	7/1/39	3.000-4.000	11,900,000
2012 B-III	7/1/40	2.000-3.750	7,295,000
2013 A-II	11/1/29	2.000-5.000	17,610,000
2016 A-II	11/1/39	2.000-5.000	40,645,000
2018 A-IV	11/1/44	2.500-5.000	27,365,000
2018 B-IV*	11/1/35	3.500	6,150,000
			<u>\$ 126,280,000</u>

*Direct placement bonds

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

Total future maturities of bond principal and interest on Authority indebtedness at June 30, 2023, are as follows:

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Revenue Bonds Payable (Continued)

Loan Program I

	Principal	Interest	Total
2024	\$ 1,450,000	\$ 202,100	\$ 1,652,100
2025	1,505,000	146,244	1,651,244
2026	1,570,000	87,869	1,657,869
2027	1,450,000	29,000	1,479,000
	<u>\$ 5,975,000</u>	<u>\$ 465,213</u>	<u>\$ 6,440,213</u>

Loan Program II

	Principal	Interest	Total
2024	\$ 6,095,000	\$ 2,712,125	\$ 8,807,125
2025	5,770,000	2,459,275	8,229,275
2026	6,000,000	2,219,500	8,219,500
2027	6,080,000	1,949,450	8,029,450
2028	6,165,000	1,687,225	7,852,225
	<u>30,110,000</u>	<u>11,027,575</u>	<u>41,137,575</u>
2029 – 2033	23,905,000	5,073,100	28,978,100
2034 – 2038	10,265,000	1,574,900	11,839,900
2039 – 2040	3,315,000	125,500	3,440,500
	<u>37,485,000</u>	<u>6,773,500</u>	<u>44,258,500</u>
	<u>\$ 67,595,000</u>	<u>\$ 17,801,075</u>	<u>\$ 85,396,075</u>

Loan Program III

	Principal	Interest	Total
2024	\$ 835,000	\$ 663,159	\$ 1,498,159
2025	855,000	636,753	1,491,753
2026	890,000	609,488	1,499,488
2027	910,000	581,363	1,491,363
2028	945,000	552,378	1,497,378
	<u>4,435,000</u>	<u>3,043,141</u>	<u>7,478,141</u>
2029 – 2033	5,205,000	2,244,700	7,449,700
2034 – 2038	6,205,000	1,225,656	7,430,656
2039 – 2041	3,350,000	156,563	3,506,563
	<u>14,760,000</u>	<u>3,626,919</u>	<u>18,386,919</u>
	<u>\$ 19,195,000</u>	<u>\$ 6,670,060</u>	<u>\$ 25,865,060</u>

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Revenue Bonds Payable (Continued)

Loan Program IV

	Bonds		Bonds from Direct Placement		Total
	Principal	Interest	Principal	Interest	
2024	\$ 840,000	\$ 1,195,744	\$ 382,000	\$ 208,565	\$ 2,626,309
2025	865,000	1,163,619	395,000	194,967	2,618,586
2026	905,000	1,119,369	409,000	180,898	2,614,267
2027	815,000	1,076,369	423,000	166,338	2,480,707
2028	855,000	1,034,619	438,000	151,270	2,478,889
	<u>4,280,000</u>	<u>5,589,720</u>	<u>2,047,000</u>	<u>902,038</u>	<u>12,818,758</u>
2029 – 2033	4,965,000	4,470,344	2,431,000	511,193	12,377,537
2034 – 2038	6,380,000	3,061,719	1,672,000	89,145	11,202,864
2039 – 2043	8,075,000	1,428,581	-	-	9,503,581
2044 – 2045	3,665,000	134,034	-	-	3,799,034
	<u>23,085,000</u>	<u>9,094,678</u>	<u>4,103,000</u>	<u>600,338</u>	<u>36,883,016</u>
	<u>\$ 27,365,000</u>	<u>\$ 14,684,398</u>	<u>\$ 6,150,000</u>	<u>\$ 1,502,376</u>	<u>\$ 49,701,774</u>

	Revenue bonds	Direct Placement Bonds	Total
Total all loan programs	\$ 120,130,000	\$ 6,150,000	\$ 126,280,000
Add: unamortized net premium	<u>7,044,573</u>	<u>-</u>	<u>7,044,573</u>
Total all loan programs, net	127,174,573	6,150,000	133,324,573
Less: current portion of revenue bonds payable	<u>9,932,094</u>	<u>382,000</u>	<u>10,314,094</u>
Noncurrent portion of revenue bonds payable	<u>\$ 117,242,479</u>	<u>\$ 5,768,000</u>	<u>\$ 123,010,479</u>

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 8. Revenue Bonds Payable (Continued)

The proceeds from the Authority's Revenue Bond Program provide financial assistance to municipalities, public service districts and other public subdivisions to meet the requirements of state and federal water pollution control and safe drinking water laws. All bonds are considered a moral obligation of the state of West Virginia. All assets of the Authority except capital assets have been pledged to fulfill the commitments of the bonds over the life of the debt. The Direct Placement Bonds are secured by revenues from Loan Program IV Local Bonds of the governmental agency. Principal and interest paid on bonds payable for the year ended June 30, 2023, was \$9,229,000 and \$5,426,097, respectively, and principal payments and interest received on pledged notes receivable were \$10,298,439 and \$9,260,381, respectively, at June 30, 2023.

Note 9. Pension Plan

Plan description

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

Benefits provided

PERS provides retirement benefits as well as death and disability benefits. For employees hired prior to July 1, 2015, qualification for normal retirement at age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. For all employees hired July 1, 2015 and later, qualification for normal retirement is age 62 with 10 years of service. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the highest annual compensation during any period of three consecutive years within the last fifteen years of earnings. For all employees hired July 1, 2015 and later, average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings. For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired July 1, 2015 and later, this age increases to 64 with 10 years of service.

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 9. Pension Plan (Continued)

Contributions

Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. Contributions as a percentage of payroll for employees are established by the CPRB. Current funding policy requires consistency of member contributions of 4.5% of annual earnings, and employer contributions of 9.0%, 10%, and 10% of covered payroll for the years ended June 30, 2023, 2022, and 2021, respectively. All members hired July 1, 2015 and later will contribute 6% of annual earnings.

During the years ended June 30, 2023, 2022, and 2021, the Authority's contributions to PERS required and made were approximately \$47,400, \$50,356, and \$48,348, respectively.

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

At June 30, 2023, the Authority reported a liability of \$41,647 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2023 was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021, rolled forward to the measurement date of June 30, 2022. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2022. At June 30, 2022, the Authority's proportion was 0.027966 percent, which was a decrease of 0.000999 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Authority recognized pension expense of \$27,444. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 25,113	\$ -
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	28	1,118
Difference in assumptions	27,411	-
Differences between expected and actual experience	15,977	-
The Authority's contributions made subsequent to the measurement date of June 30, 2022	47,400	-
Total	<u>\$ 115,929</u>	<u>\$ 1,118</u>

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 9. Pension Plan (Continued)

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

The amount of \$47,400 above reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2023

2024	\$	26,064
2025		2,035
2026		(26,424)
2027		65,736

Actuarial assumptions

The total pension liability in the June 30, 2021 actuarial valuation, which was used for the measurement date of June 30, 2022, was determined using the following actuarial assumptions:

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

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

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

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

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 9. Pension Plan (Continued)

Actuarial assumptions (continued)

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 percentages 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%	5.3%	1.46%
International equity	27.5%	6.1%	1.68%
Fixed income	15.0%	2.2%	0.33%
Real estate	10.0%	6.5%	0.65%
Private equity	10.0%	9.5%	0.95%
Hedge funds	10.0%	3.8%	0.38%
Total	100.00%		5.45%
Inflation (CPI)			1.80%
			<u>7.25%</u>

Discount rate

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

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 9. Pension Plan (Continued)

Actuarial assumptions (continued)

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

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Authority'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:

	<u>1% Decrease</u> <u>(6.25%)</u>	<u>Current Discount</u> <u>Rate (7.25%)</u>	<u>1% Increase</u> <u>(8.25%)</u>
Authority's proportionate share of the net pension asset (liability)	\$ 294,687	\$ 41,647	\$ (174,918)

Note 10. Other Postemployment Benefits

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

Benefits provided

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

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 10. Other Postemployment Benefits (Continued)

Benefits provided (continued)

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

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

Contributions

West Virginia Code section 5-16D-6 assigns to the PEIA Finance Board the authority to establish and amend contribution requirements of the plan members and the participating employers. Participating employers are required by statute to contribute at a rate assessed each year by the RHBT. The annual contractually required rate is the same for all participating employers. Employer contributions represent what the employer was billed during the respective year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments. The annual contractually required per active policyholder per month rates for State non-general funded agencies and other participating employers effective June 30, 2023, 2022 and 2021, respectively, were:

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

Contributions to the OPEB plan from the Authority were \$5,940, \$8,481, and \$16,277 for the years ended June 30, 2023, 2022, and 2021, respectively.

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

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

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

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 10. Other Postemployment Benefits (Continued)

Contributions (continued)

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

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

Contributions by nonemployer contributing entities in special funding situations

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

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

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

At June 30, 2023, the Authority reported a liability for its proportionate share of the RHBT net OPEB liability that reflected a reduction for State OPEB support provided to the Authority. The amount recognized by the Authority as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Authority was as follows:

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 10. Other Postemployment Benefits (Continued)

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

	2023
Authority's proportionate share of the net OPEB liability	\$ 8,049
State's special funding proportionate share of the net OPEB liability associated with the Authority	2,737
Total portion of net OPEB asset associated with the Authority	<u>\$ 10,786</u>

The net OPEB liability reported at June 30, 2023 was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to a measurement date of June 30, 2022. The Authority's proportion of the net OPEB liability was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date. At June 30, 2022, the Authority's proportion was .007179 percent, which is an increase of .000667 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Authority recognized OPEB expense (revenue) of \$(17,556) and for support provided by the State under special funding situations revenue (expenses) of \$(7,753). At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,192
Changes in assumptions	5,124	20,300
Net difference between projected and actual earnings on OPEB plan investments	1,240	-
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	13,119	12,219
Reallocation of opt out employer change in proportionate share	-	55
Authority's contributions subsequent to the measurement date of June 30, 2022	5,940	-
Total	<u>\$ 25,423</u>	<u>\$ 42,766</u>

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 10. Other Postemployment Benefits (Continued)

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

The amount of \$5,940 reported as deferred outflows of resources related to OPEB resulting from Authority's contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending:

2024	\$ (23,188)
2025	(222)
2026	(2,977)
2027	3,104

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to a measurement date of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Rates based on 2015-2020 OPEB experience study and dependent on pension plan participation and attained age, and range from 2.75% to 5.18%, including inflation
Investment rate of return	6.65%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2023, decreasing by 0.50% for two years, then by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2032. Trend rate for Medicare per capita costs of 8.83% for plan year-end 2023, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached in plan year-end 2032.
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll
Remaining amortization period	20 years closed period beginning June 30, 2017

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 10. Other Postemployment Benefits (Continued)

Actuarial assumptions (continued)

Post-retirement mortality retirement rates were based on Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2021 and scaling factors of 100% for males and 108% for females for Teachers' Retirement System (TRS), Pub-2010 Below-Median Income General Healthy Retiree Mortality Tables projected with MP-2021 and scaling factors of 106% for males and 113% for females for PERS, and Pub-2010 Public Safety Healthy Retiree Mortality Tables projected with scale MP-2021 and scaling factors of 100% for males and females for West Virginia Death, Disability, and Retirement Fund (Trooper A) and West Virginia State Police Retirement System (Trooper B). Pre-retirement mortality rates were based on Pub-2010 General Employee Mortality Tables projected with MP-2021 for TRS, Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2021 for PERS, and Pub-2010 Public Safety Employee Mortality Tables projected with scale MP-2021 for Troopers A and B.

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

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

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

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

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

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 10. Other Postemployment Benefits (Continued)

Actuarial assumptions (continued)

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

Discount rate

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

Other key assumptions

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

OPEB subsequent event

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

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

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

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 10. Other Postemployment Benefits (Continued)

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

The following presents the Authority's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the Authority'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:

	1% Decrease (5.65%)	Current Discount Rate (6.65%)	1% Increase (7.65%)
Authority's proportionate share of the net OPEB liability (asset)	\$ 20,536	\$ 8,049	\$ (2,774)

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

The following presents the Authority's proportionate share of the net OPEB liability, as well as what the Authority'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:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Authority's proportionate share of the net OPEB liability (asset)	\$ (4,542)	\$ 8,049	\$ 22,818

Note 11. General and Administrative Expenses

General and administrative expenses for the year ended June 30, 2023, are as follows:

Personal services	\$ 625,456
Legal	241,047
Professional	571,280
Trustee	33,555
Employee benefits	11,083
Public employees insurance	59,151
Office supplies/printing	(32,383)

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 11. General and Administrative Expenses (Continued)

Advertising	214
Repairs and maintenance	43,815
Travel	5,815
Utilities	37,193
Telecommunications	63,044
Payroll taxes	8,746
Computer supplies/services	137,928
Janitorial	11,893
Miscellaneous	3,316
Rental	6,374
Administrative	2,282
Insurance	16,428
Training and development	9,369
	<hr/>
	\$ 1,855,606

Note 12. Risk Management

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

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

The Authority participates in the West Virginia Board of Risk and Insurance Management to obtain coverage for general liability, property damage, business interruption, errors and omissions, and natural disasters. Coverage is offered in exchange for an annual premium. There were no changes in coverage or claims in excess of coverage for the year ended June 30, 2023.

Note 13. New Accounting Pronouncements

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

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

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 14. Administration Matter

Senate Bill 561 was passed by the West Virginia Legislature during the 2023 Regular Session. The legislation became effective July 1, 2023. The legislation transferred administration of the West Virginia Drinking Water Treatment Revolving Fund (“Fund”) from the Bureau for Public Health to the West Virginia Department of Environmental Protection. The Fund, less the set-aside account funds, shall continue to be administered and managed by the Authority which is now under the direction of the West Virginia Department of Environmental Protection.

Note 15. Segment Information

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

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

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 15. Segement Information (Continued)

	Loan Program I	Loan Program II	Loan Program III
ASSETS			
Current - unrestricted	\$ 3,349,415	\$ 9,070,746	\$ 872,428
Noncurrent - unrestricted	-	-	-
Restricted - current and noncurrent	8,153,865	80,184,408	21,828,430
Capital assets, net	-	-	-
Total assets	<u>\$ 11,503,280</u>	<u>\$ 89,255,154</u>	<u>\$ 22,700,858</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension and OPEB	\$ -	\$ -	\$ -
Deferred loss on bond refundings	834,942	3,668,819	251,659
Total deferred outflows of resources	<u>\$ 834,942</u>	<u>\$ 3,668,819</u>	<u>\$ 251,659</u>
LIABILITIES			
Current	\$ 1,672,333	\$ 6,990,862	\$ 1,184,088
Long-term	4,935,014	65,299,071	18,525,432
Total liabilities	<u>\$ 6,607,347</u>	<u>\$ 72,289,933</u>	<u>\$ 19,709,520</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension and OPEB	\$ -	\$ -	\$ -
Deferred gain on refunding	-	-	-
Total deferred inflows of resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET POSITION			
Restricted by revenue bond agreements	\$ 4,053,793	\$ 18,554,156	\$ 3,554,657
Unrestricted	1,677,082	2,079,884	(311,660)
Net investment in capital assets	-	-	-
Total net position	<u>\$ 5,730,875</u>	<u>\$ 20,634,040</u>	<u>\$ 3,242,997</u>
OPERATING REVENUE	\$ 657,782	\$ 5,185,751	\$ 1,301,287
OPERATING EXPENSES			
Depreciation and amortization	-	-	-
Economic Enhancement Grant Fund expense	-	-	-
General and administrative	-	-	-
Allocation of general and administrative	83,315	859,259	225,668
OPERATING INCOME	574,467	4,326,492	1,075,619
NONOPERATING REVENUES (EXPENSES):			
Interest and investment revenue	87,098	363,061	72,817
Interest expense	(316,211)	(2,886,894)	(680,513)
Transfers (net)	(218,154)	154,036	225,580
Change in net position	127,200	1,956,695	693,503
Beginning net position	5,603,675	18,677,345	2,549,494
Ending net position	<u>\$ 5,730,875</u>	<u>\$ 20,634,040</u>	<u>\$ 3,242,997</u>
Net cash provided by (used in):			
Operating activities	\$ 1,919,637	\$ 9,820,237	\$ 1,970,853
Capital and related financing activities	-	-	-
Noncapital financing activities	(1,655,851)	(8,823,301)	(1,500,931)
Investing activities	78,842	331,504	63,358
Beginning cash and cash equivalents	2,148,277	8,953,846	2,811,208
Ending cash and cash equivalents	<u>\$ 2,490,905</u>	<u>\$ 10,282,286</u>	<u>\$ 3,344,488</u>

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

Note 15. Segement Information (Continued)

ASSETS	Loan Program IV	Supplemental	Total
Current - unrestricted	\$ 236,635	\$ 46,844,564	\$ 60,373,788
Noncurrent - unrestricted	-	6,421,500	6,421,500
Restricted - current and noncurrent	35,218,056	432,537,698	577,922,457
Capital assets - net	-	4,076,706	4,076,706
Total assets	<u>\$ 35,454,691</u>	<u>\$ 489,880,468</u>	<u>\$ 648,794,451</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension and OPEB	\$ -	\$ 141,352	\$ 141,352
Deferred loss on bond refundings	-	-	4,755,420
Total deferred outflows of resources	<u>\$ -</u>	<u>\$ 141,352</u>	<u>\$ 4,896,772</u>
LIABILITIES			
Current	\$ 1,555,196	\$ 418,523,145	\$ 429,925,624
Long-term	34,250,963	178,504	123,188,984
Total liabilities	<u>\$ 35,806,159</u>	<u>\$ 418,701,649</u>	<u>\$ 553,114,608</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pension and OPEB	\$ -	\$ 43,884	\$ 43,884
Deferred gain on refunding	477,038	-	477,038
Total deferred inflows of resources	<u>\$ 477,038</u>	<u>\$ 43,884</u>	<u>\$ 520,922</u>
NET POSITION			
Restricted by revenue bond agreements	\$ 490,055	\$ 14,084,159	\$ 40,736,820
Unrestricted	(1,318,561)	53,115,422	55,242,167
Net investment in capital assets	-	4,076,706	4,076,706
Total net position	<u>\$ (828,506)</u>	<u>\$ 71,276,287</u>	<u>\$ 100,055,693</u>
OPERATING REVENUE	\$ 1,860,082	\$ 9,288,793	\$ 18,293,695
OPERATING EXPENSES			
Depreciation and amortization	3,659	167,286	170,945
Economic Enhancement Grant Fund expense	-	8,401,308	8,401,308
General and administrative	-	1,855,606	1,855,606
Allocation of general and administrative	410,646	(1,578,888)	-
OPERATING INCOME	1,445,777	443,481	7,865,836
NONOPERATING REVENUES (EXPENSES):			
Interest and investment revenue	11,904	13,507,004	14,041,884
Interest expense	(1,319,032)	(34,748)	(5,237,398)
Transfers (net)	235,326	(396,788)	-
Change in net position	373,975	13,518,949	16,670,322
Beginning net position	(1,202,481)	57,757,338	83,385,371
Ending net position	<u>\$ (828,506)</u>	<u>\$ 71,276,287</u>	<u>\$ 100,055,693</u>
Net cash provided by (used in):			
Operating activities	\$ 2,881,804	\$ 170,986,001	\$ 187,578,532
Capital and related financing activities	-	(234,492)	(234,492)
Noncapital financing activities	(2,616,951)	(6,433,899)	(21,030,933)
Investing activities	10,887	13,466,302	13,950,893
Beginning cash and cash equivalents	57,123	295,250,246	309,220,700
Ending cash and cash equivalents	<u>\$ 332,863</u>	<u>\$ 473,034,158</u>	<u>\$ 489,484,700</u>

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

Public Employees Retirement System Plan

	Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	
Authority's proportion (percentage) of the net pension liability (asset)	0.027966%	0.028965%	0.031969%	0.038807%	0.034590%	0.038057%	0.039702%	0.043182%	0.040945%	
Authority's proportionate share of the net pension liability (asset)	\$ 41,647	\$ (254,297)	\$ 169,001	\$ 83,440	\$ 89,328	\$ 164,270	\$ 364,905	\$ 241,080	\$ 151,290	
Authority's covered payroll	\$ 518,231	\$ 494,467	\$ 497,894	\$ 567,261	\$ 530,152	\$ 530,764	\$ 553,481	\$ 587,420	\$ 507,753	
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	8.036%	(51.429%)	33.945%	14.710%	16.850%	30.950%	65.929%	41.040%	29.796%	
Plan fiduciary net position as a percentage of the total pension liability	98.17%	111.07%	92.89%	96.99%	96.33%	93.67%	86.11%	91.29%	93.98%	

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

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

SCHEDULE OF CONTRIBUTIONS TO THE PERS

	Years Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 47,400	\$ 50,356	\$ 48,347	\$ 49,789	\$ 56,511	\$ 57,366	\$ 63,388	\$ 74,720	\$ 81,986	\$ 72,599
Contributions in relation to the statutorily required contribution	\$ (47,400)	\$ (50,356)	\$ (48,347)	\$ (49,789)	\$ (56,511)	\$ (57,366)	\$ (63,388)	\$ (74,720)	\$ (81,986)	\$ (72,599)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 526,667	\$ 518,231	\$ 494,467	\$ 497,894	\$ 567,261	\$ 530,152	\$ 530,764	\$ 553,481	\$ 587,420	\$ 507,753
Contributions as a percentage of covered payroll	9.00%	9.72%	9.78%	10.00%	9.96%	11.00%	12.00%	13.50%	14.00%	14.30%

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

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)

Retiree Health Benefit Trust

	Years Ended June 30,					
	2023	2022	2021	2020	2019	2018
Authority's proportion (percentage) of the net OPEB liability (asset)	0.0071790%	0.0065110%	0.0079146%	0.0098895%	0.0081246%	0.0064466%
Authority's proportionate share of the net OPEB liability (asset)	\$ 8,049	\$ (1,936)	\$ 34,958	\$ 164,080	\$ 174,309	\$ 158,520
State's proportionate share of the net OPEB liability (asset) associated with the Authority	2,737	(381)	7,730	33,578	36,025	32,560
Total proportionate share of the net OPEB liability (asset) associated with the Authority	<u>\$ 10,786</u>	<u>\$ (2,317)</u>	<u>\$ 42,688</u>	<u>\$ 197,658</u>	<u>\$ 210,334</u>	<u>\$ 191,080</u>
Authority's covered employee payroll	\$ 175,644	\$ 131,859	\$ 104,972	\$ 131,838	\$ 111,957	\$ 214,103
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	4.5826%	(1.468%)	33.302%	124.460%	155.690%	74.040%
Plan fiduciary net position as a percentage of the total OPEB liability	93.59%	101.81%	73.49%	39.69%	30.98%	25.10%

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

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

SCHEDULE OF CONTRIBUTIONS TO THE RHBT

	Years Ended June 30,							
	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	\$ 5,940	\$ 8,481	\$ 16,277	\$ 15,258	\$ 17,733	\$ 17,523	\$ 8,604	\$ 19,152
Contributions in relation to the statutorily required contribution	\$ (5,940)	\$ (8,481)	\$ (16,277)	\$ (15,258)	\$ (17,733)	\$ (17,523)	\$ (8,604)	\$ (19,152)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered employee payroll	\$ 190,376	\$ 175,644	\$ 131,859	\$ 104,972	\$ 131,838	\$ 111,957	\$ 214,103	\$ 247,855
Contributions as a percentage of covered employee payroll	3.12%	4.83%	12.34%	14.54%	13.45%	15.65%	4.02%	7.73%

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2023

Note 1. Trend Information Presented

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

Note 2. OPEB Changes in Assumptions

Below are changes in assumptions between the 2021 and 2020 valuations:

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

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

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

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

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

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

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO REQUIRED FINANCIAL STATEMENTS

June 30, 2023

Note 2. OPEB Changes in Assumptions (Continued)

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

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

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

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

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

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

Note 3. Pension Plan Amendments

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

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. A member may retire with the pension reduced actuarially if the member is at least age 55 and has at least 10 years of contributory service, or at any age with 30 years of contributory service. For employees hired July 1, 2015 and later, qualification for normal retirement is 62 with 10 years of service. A member hired after July 1, 2015 may retire with the pension reduced actuarially if the member is between ages 60 and 62 with at least ten years of contributory service, between ages 57 and 62 with at least twenty years of contributory service, or between ages 55 and 62 with at least thirty years of contributory service.

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO REQUIRED FINANCIAL STATEMENTS

June 30, 2023

Note 3. Pension Plan Amendments (Continued)

- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired July 1, 2015 and later average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.
- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired July 1, 2015 and later, this age increases to 64 with at least ten years of contributory service, or age 63 with at least twenty years of contributory service.
- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired July 1, 2015 and later, are required to contribute 6% of annual earnings.

Note 4. Pension Plan Assumptions

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

<u>PERS</u>	<u>2019-2022</u>	<u>2015-2018</u>	<u>2014</u>
Projected salary increase			
State	3.1 - 5.3% (2019-2020); 2.75% - 5.55% (2021-2022)	3.0 - 4.6%	4.25 - 6.0%
Nonstate	3.35 - 6.5% (2019-2020); 3.60% - 6.75% (2021-2022)	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	3.00% (2019-2020); 2.75% (2021-2022)	3.0% (2016-2018); 1.9% (2015)	2.2%
Discount Rate	7.50% (2019-2020); 7.25% (2021-2022)	7.50%	7.50%
Mortality rates	Active-100% of Pub-2010 General Employees table, below median, headcount weighted, projected generationally with scale MP-2018 Retired healthy males-108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected generationally with scale MP-2018 Retired healthy females-122% of Pub-2010 Annuitant, Scale AA fully generational General Retiree Female table, below-median, headcount weighted, projected generationally with scale MP-2018 Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, headcount weighted, projected generationally with scale MP-2018 Disabled females-118% of Pub-2010 General / Teachers Disabled Female table, below-median, headcount weighted, projected generationally with scale MP-2018	Active-RP-2000 Non-Annuitant tables, Scale AA fully generational Retired healthy males – 110% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy females – 101% of RP-2000 Non-Annuitants, Scale AA fully generational Disabled males – 96% of RP-2000 Disabled Annuitant, Scale AA fully generational Disabled females – 107% of RP-2000 Disabled Annuitant, Scale AA fully generational	Healthy males – 1983 GAM Healthy females – 1971 GAM Disabled males-1971 GAM Disabled females-Revenue ruling 96-7
Withdrawal rates			
State	2.28-45.63%	1.75 - 35.1%	1 – 26%
Nonstate	2.50-35.88%	2 - 35.8%	2 – 31.2%
Disability rates	0.005-0.540%	0. - 67.5%	0 – 8%
Experience study	2013-2018 (2019-2020); 2015 – 2020 – economic assumptions and 2013 – 2018 all other assumptions (2021)	2009-2014	2004-2009



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Water Development Authority (the Authority), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 10, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority'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 10, 2023



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the West Virginia Water Development Authority's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2023. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Report on Internal Control Over Compliance (Continued)

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

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

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

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

Charleston, West Virginia
January 5, 2024

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2023

Federal Grantor	Federal Assistance Listing Number	Total Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of the Treasury: Direct Payments: Coronavirus State and Local Fiscal Recovery Funds	21.027	\$ 2,417,410	\$ 8,401,308

1 - BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal grant activity of the West Virginia Water Development Authority Economic Enhancement Grant Fund under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the Fund, it is not intended to and does not present the financial position, changes in fund net position or cash flows of the Fund.

2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3 – INDIRECT COST RATE

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

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

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

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

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as low-risk auditee? _____ Yes X No

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2023

Section II - Financial Statement Findings

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

Section III - Federal Award Findings and Questioned Costs

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