
**WEST VIRGINIA
ECONOMIC DEVELOPMENT AUTHORITY**

COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 and 2020

AND

INDEPENDENT AUDITOR'S REPORTS



**Suttle &
Stalnaker**

Certified
Public
Accountants

A Professional Limited Liability Company



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying combined financial statements of the West Virginia State Economic Development Authority (the Authority), a component unit of the State of West Virginia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2021, and the change in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Authority as of June 30, 2020, were audited by other auditors whose report dated September 25, 2020, expressed an unmodified opinion on those statements.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 - 9 and the pension schedules, other post-employment benefits schedules, and related notes on pages 63 - 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

As discussed in Note 1, the combined financial statements of the Authority are intended to present the financial position, the change in financial position, and cash flows of only that portion of the business-type activities of the State of West Virginia that is attributable to the transactions of the Authority. They do not purport to, and do not present fairly the financial position of the State of West Virginia, as of June 30, 2021, the change in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2021, 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.

A handwritten signature in cursive script that reads "Suttle & Stalaker, PLLC".

Charleston, West Virginia
October 14, 2021

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

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This section will discuss the financial performance of the West Virginia Economic Development Authority (WVEDA) and its blended combined entities, West Virginia Enterprise Advancement Corporation (WVEAC) and West Virginia Enterprise Capital Fund (WVECF); collectively referred to as "the Authority." The annual combined financial report presents our discussion and analysis of the Authority for fiscal years ended on June 30, 2021, 2020, and 2019. Please read it in conjunction with the Authority's combined financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The Authority's total net position increased approximately \$7.18 million for the year ended June 30, 2021, and \$4.47 million for the year ended June 30, 2020.
- Total assets increase by approximately \$6.48 million for the year ended June 30, 2021 and approximately \$5.13 million for the year ended June 30, 2020.
- Total liabilities decreased by approximately \$573 thousand for the year ended June 30, 2021 and increased by approximately \$708 thousand for the year ended June 30, 2020.
- Loan and lease originations for the year totaled approximately \$39.18 million for the year ended June 30, 2021 and approximately \$14.06 million for the year ended June 30, 2020.

OVERVIEW OF THE COMBINED FINANCIAL STATEMENTS

The annual combined financial statements consist of: management's discussion and analysis (this section), the combined financial statements and notes to the combined financial statements, and other required supplementary information related to pensions and OPEB.

- The Authority's combined financial statements provide information about the overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of Combined Statements of Net Position, Combined Statements of Revenues, Expenses, and Changes in Net Position, and Combined Statements of Cash Flows.
- The basic combined financial statements also include "Notes to Combined Financial Statements," which provide explanations and additional information related to amounts reported in the combined financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and content of each of the combined financial statements. The prior year results referred to throughout this section for comparison purposes are as previously reported.

The combined financial statements report information about the Authority's use of accounting methods which are similar to those used by private sector companies. These combined financial statements are presented in a manner similar to a private business, such as real estate development, investment banking, commercial lending, construction management, and private consulting, subject to the provisions of generally accepted accounting principles followed by governments for special purpose governments engaged in business-type activities.

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

FINANCIAL ANALYSIS OF THE AUTHORITY

Combined Statements of Net Position: The following table summarizes the balances in the Combined Statements of Net Position as of June 30, 2021, 2020, and 2019.

	(in millions)			% Change FY 21-20	% Change FY 20-19
	2021	2020	2019		
Current assets	\$ 87.54	\$ 95.30	\$ 96.51	(8.14)	(1.25)
Capital assets, net	31.12	33.57	23.37	(7.30)	43.65
Other noncurrent assets	<u>186.02</u>	<u>169.33</u>	<u>173.19</u>	9.86	(2.23)
Total assets	304.68	298.20	293.07	2.17	1.75
Deferred outflows of resources	<u>0.19</u>	<u>0.10</u>	<u>0.09</u>	90.00	11.11
Total assets and deferred outflows of resources	<u>\$ 304.87</u>	<u>\$ 298.30</u>	<u>\$ 293.16</u>	2.20	1.75
Current liabilities	\$ 12.52	\$ 13.76	\$ 14.18	(9.01)	(2.96)
Noncurrent liabilities	<u>114.09</u>	<u>113.42</u>	<u>112.29</u>	0.59	1.01
Total liabilities	126.61	127.18	126.47	(0.45)	0.56
Deferred inflows of resources	<u>0.30</u>	<u>0.34</u>	<u>0.38</u>	(11.76)	(10.53)
Total liabilities and deferred inflows of resources	<u>126.91</u>	<u>127.52</u>	<u>126.85</u>	(0.48)	0.53
Net position:					
Net investment in capital asset	31.12	33.15	22.82	(6.12)	45.27
Restricted	6.02	7.49	7.33	(19.63)	2.18
Unrestricted	<u>140.82</u>	<u>130.14</u>	<u>136.16</u>	8.21	(4.42)
Total net position	<u>177.96</u>	<u>170.78</u>	<u>166.31</u>	4.20	2.69
Total liabilities, deferred inflows of resources, and net position	<u>\$ 304.87</u>	<u>\$ 298.30</u>	<u>\$ 293.16</u>	2.20	1.75

The Authority's overall net position increased by approximately \$7.18 million for the year ended June 30, 2021. Net position increased by approximately \$4.47 million for the year ended June 30, 2020. Net position increased by approximately \$5.22 million for the year ended June 30, 2019. Total assets increased by approximately \$6.48 for the year ended June 30, 2021, increased approximately \$5.13 million for the year ended June 30, 2020 and increased approximately \$12.67 million for the year ended June 30, 2019.

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

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FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Combined Statements of Revenues, Expenses, and Changes in Net Position: The following table summarizes the balances in the Combined Statements of Revenues, Expenses, and Changes in Net Position for fiscal years 2021, 2020, and 2019.

	(in millions)			% Change FY 21-20	% Change FY 20-19
	2021	2020	2019		
Operating revenues:					
Interest on loans	\$ 4.40	\$ 4.38	\$ 4.82	0.46	(9.13)
Lease revenues	4.21	3.78	4.52	11.38	(16.37)
Gain on recovery of accrued interest	2.65	-	-	100.00	-
Other revenues	<u>0.20</u>	<u>-</u>	<u>0.16</u>	100.00	(100.00)
Total operating revenues	<u>11.46</u>	<u>8.16</u>	<u>9.50</u>	40.44	(14.11)
Operating expenses:					
Administrative	2.56	1.47	1.26	74.15	16.67
Depreciation	1.00	1.04	1.05	(3.85)	(0.95)
Provision for loan losses	(0.36)	(0.02)	1.47	1,700.00	(101.36)
Loss in equity investments	<u>-</u>	<u>-</u>	<u>0.45</u>	-	(100.00)
Total operating expenses	<u>3.20</u>	<u>2.49</u>	<u>4.23</u>	28.51	(41.13)
Operating income	<u>8.26</u>	<u>5.67</u>	<u>5.27</u>	45.68	7.59
Nonoperating revenues(expenses):					
Interest on invested cash	0.37	1.80	1.80	(79.44)	-
Interest expense	(2.05)	(3.06)	(1.87)	(33.01)	63.64
Payments made on behalf of the Authority	0.01	0.01	0.02	-	50.00
Gain on disposal of real estate	<u>0.59</u>	<u>0.05</u>	<u>-</u>	1,080.00	(100.00)
Total nonoperating revenues (expenses)	<u>(1.08)</u>	<u>(1.20)</u>	<u>(0.05)</u>	(10.00)	2,300.00
Change in net position	7.18	4.47	5.22	60.63	(14.37)
Net position, beginning of year	<u>170.78</u>	<u>166.31</u>	<u>161.09</u>	2.69	3.24
Net position, end of year	<u>\$ 177.96</u>	<u>\$ 170.78</u>	<u>\$ 166.31</u>	4.20	2.69

Within the Authority's activities, the primary revenue sources are interest income on active loans and lease revenue. Nonoperating revenue includes interest income on invested cash. Total revenues exceeded total expenses by \$7.18 million and \$4.47 million for the years ending June 30, 2021, and 2020, respectively.

During 2021, the Authority had no write-offs of uncollectible loans. The allowance for loan loss is 5.17% of the total loan portfolio at June 30, 2021.

During 2020, the Authority had write-offs of uncollectable loans of \$40,445, or 0.032% of the total loans. The allowance for loan loss is 6.03% of the total loan portfolio at June 30, 2020.

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

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CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The Authority independently, or in cooperation with private and/or other governmental entities, acquires, invests in, and/or develops vacant industrial sites, existing facilities, unimproved land, equipment, and other real estate for private or governmental use. Sites developed and equipment purchased for private use are marketed or leased to businesses that will create new job opportunities and tax ratables for the municipalities. Sites developed for governmental use are leased to the State or State entities. For the majority of these leases, future minimum lease rental payments are equal to the debt service payments related to the bonds or notes issued for the applicable property.

Debt - Total notes payable increased by approximately \$2.076 million. This was primarily related to an increase in net borrowing on our revolving loan agreement with the West Virginia Board of Treasury Investments to finance loans and leases for economic development purposes. The Authority had loan closings during FY 2021 totaling approximately \$30 million, with the Authority receiving approximately \$16 million from the increased notes payable from the West Virginia Board of Treasury Investments.

Additional information regarding capital assets and debt can be found in the notes to the combined financial statements.

CURRENTLY KNOWN FACTS AND CONDITIONS HAVING A SIGNIFICANT EFFECT ON FINANCIAL POSITION

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020 the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

During FY 2021 the Authority received an award from the USEDA (United States Economic Development Agency) under its CARES (Coronavirus Aid, and Economic Security) Act Revolving Loan Fund Supplemental Disaster Recovery and Resiliency Awards program of approximately \$10.4 million. This award will be used to fund a loan program to assist business and communities to prevent, prepare for, respond to, and recover from the impacts of the COVID-19 pandemic. The Authority intends to provide loan financing to qualified applicants operating businesses within the boundaries of the State of West Virginia.

REQUESTS FOR INFORMATION

The combined financial report is designed to provide an overview of the finances of the Authority for those with an interest in this organization. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the West Virginia Economic Development Authority at Northgate Business Park, 180 Association Drive, Charleston, West Virginia 25311.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
COMBINED STATEMENTS OF NET POSITION
JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents	\$ 72,795,323	\$ 83,577,436
Restricted cash due to others	301,627	301,627
Current portion of loans receivable, net of allowance	2,434,603	1,008,688
Current portion of investment in direct financing leases	6,843,683	6,036,642
Accrued interest receivable	5,166,847	4,372,415
Total current assets	<u>87,542,083</u>	<u>95,296,808</u>
NONCURRENT ASSETS		
Investments	1,661,461	1,752,322
Restricted cash and cash equivalents	6,021,790	7,487,472
Loans receivable, less current portion	136,881,368	117,478,815
Investment in direct financing leases, less current portion	41,450,295	42,605,492
Real estate, property, and equipment, less accumulated depreciation	31,124,917	33,572,548
	<u>217,139,831</u>	<u>202,896,649</u>
Total assets	<u>304,681,914</u>	<u>298,193,457</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pension	159,307	68,179
Deferred outflows of resources related to OPEB	33,502	33,768
	<u>192,809</u>	<u>101,947</u>
Total assets and deferred outflows of resources	<u>\$ 304,874,723</u>	<u>\$ 298,295,404</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 45,906	\$ 27,751
Accrued interest payable	168,580	2,896,535
Amounts due to other State agencies	463,198	396,531
Current portion of compensated absences	42,893	32,025
Current portion of loans payable	11,798,858	10,404,409
Total current liabilities	<u>12,519,435</u>	<u>13,757,251</u>
NONCURRENT LIABILITIES		
Other noncurrent liabilities	281,780	281,780
Compensated absences, less current portion	45,591	23,001
Loans payable, less current portion	113,494,639	112,813,120
Net pension liability	207,900	83,651
Net OPEB liability	56,425	220,240
	<u>114,086,335</u>	<u>113,421,792</u>
Total liabilities	<u>126,605,770</u>	<u>127,179,043</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension	25,230	72,919
Deferred inflows of resources related to OPEB	278,644	267,451
	<u>303,874</u>	<u>340,370</u>
Net position:		
Investment in capital assets	31,124,917	33,145,531
Restricted	6,021,790	7,487,472
Unrestricted	140,818,372	130,142,988
Total net position	<u>177,965,079</u>	<u>170,775,991</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 304,874,723</u>	<u>\$ 298,295,404</u>

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

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
COMBINED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2021 AND 2020

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	2021	2020
OPERATING REVENUES		
Interest on loans	\$ 4,400,000	\$ 4,381,828
Lease revenue	4,213,859	3,777,461
Gain on recovery of accrued interest	2,651,247	-
Other	194,047	2,031
	11,459,153	8,161,320
OPERATING EXPENSES		
Administrative	2,559,963	1,471,694
Depreciation	998,247	1,040,370
Provision for (recoveries of) loan losses	(362,484)	(16,337)
Total operating expenses	3,195,726	2,495,727
Operating income	8,263,427	5,665,593
NONOPERATING REVENUE (EXPENSE)		
Net, interest earnings on cash and investments	371,004	1,801,802
Interest expense	(2,048,025)	(3,061,462)
Payments made on behalf of the Authority	10,513	13,352
Net gain on disposal of real estate	592,169	50,144
Total nonoperating revenue (expense)	(1,074,339)	(1,196,164)
Change in net position	7,189,088	4,469,429
NET POSITION, beginning of year	170,775,991	166,306,562
NET POSITION, ending	\$ 177,965,079	\$ 170,775,991

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

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
 COMBINED STATEMENTS OF CASH FLOWS
 YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Cash receipts from lending and leasing activities	\$ 26,879,070	\$ 24,513,760
Cash receipts from other activities	194,047	2,901,991
Cash payments for:		
Loans and leases originated	(39,177,471)	(13,057,989)
Administrative expenses	(2,674,802)	(1,315,499)
Net cash provided by (used in) operating activities	<u>(14,779,156)</u>	<u>13,042,263</u>
NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from loans payable	14,873,521	13,057,989
Principal payments on loans payable	(12,797,553)	(12,417,208)
Interest paid	(2,048,025)	(3,061,462)
Net cash provided by (used in) non-capital financing activities	<u>27,943</u>	<u>(2,420,681)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of real estate and equipment	(13,673)	(50,068)
Proceeds from disposal of real estate and equipment	2,055,226	-
Net cash provided by (used in) capital and related financing activities	<u>2,041,553</u>	<u>(50,068)</u>
INVESTING ACTIVITIES		
Purchase of investments, net of proceeds	90,861	(15,850)
Net interest earnings	371,004	1,801,802
Net cash provided by (used in) investing activities	<u>461,865</u>	<u>1,785,952</u>
Net increase (decrease) in cash and cash equivalents	(12,247,795)	12,357,466
CASH AND CASH EQUIVALENTS, beginning	91,366,535	79,009,069
CASH AND CASH EQUIVALENTS, ending	<u>\$ 79,118,740</u>	<u>\$ 91,366,535</u>
CASH AND CASH EQUIVALENTS include the following balances from the Combined Statements of Net Position		
Cash and cash equivalents	\$ 72,795,323	\$ 83,577,436
Restricted cash due to others	301,627	301,627
Restricted cash and cash equivalents	6,021,790	7,487,472
	<u>\$ 79,118,740</u>	<u>\$ 91,366,535</u>
Reconciliation of operating income to net cash provided by (used in) operating activities		
Operating income	\$ 8,263,427	\$ 5,665,593
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Loans and leases originated	(39,177,471)	(13,057,989)
Principal collected on loans	12,349,003	13,781,374
Collections on net investment in direct financing leases	6,348,156	5,838,999
Depreciation	998,247	1,040,370
Provision for loan and lease losses	(362,484)	(16,337)
Recoveries	362,484	56,782
Gain on recovery of accrued interest	(2,651,247)	-
OPEB expense - special funding	10,513	13,352
Changes in operating accounts:		
(Increase) decrease in accrued interest receivable	(794,432)	(294,624)
(Increase) decrease in deferred outflows of resources from pensions	(91,128)	591
(Increase) decrease in deferred outflows of resources from OPEB	266	(14,035)
Increase (decrease) in accounts payable	18,155	(25,259)
Increase (decrease) in accrued interest payable	(76,708)	80,976
Increase (decrease) in amounts due to other State agencies	66,667	70,916
Increase (decrease) in compensated absences	33,458	16,210
Increase (decrease) in net pension liability	124,249	(35,085)
Increase (decrease) in net OPEB liability	(163,815)	(40,426)
Increase (decrease) in deferred inflows pension	(47,689)	2,274
Increase (decrease) in deferred inflows OPEB	11,193	(41,419)
Net cash provided by (used in) operating activities	<u>\$ (14,779,156)</u>	<u>\$ 13,042,263</u>
Supplemental disclosure of non-cash investing and financing activities:		
Increase (decrease) in fair value of investments	\$ 90,861	\$ (15,850)
Gain on disposal of capital assets	592,170	50,144
Capital assets converted to direct financing lease activities	-	1,000,000
Non-cash special funding contributions related to OPEB	10,513	13,352
Foreclosure of property	-	12,143,448

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

Note 1. Description of Organization and Summary of Significant Accounting Policies

Description of entities

West Virginia Economic Development Authority (WVEDA)

The West Virginia Economic Development Authority (WVEDA) is a public corporation and government instrumentality under Chapter 31, Article 15, of the West Virginia Code (the Code). The WVEDA is administered by a nine member Board of Directors comprised of the Governor, Tax Commissioner, and seven at-large members appointed by the Governor. The WVEDA has statutory authority to borrow funds from the West Virginia Board of Treasury Investments to loan to borrowers.

Under the Code, the WVEDA is charged with the responsibility to develop and advance the business prosperity and economic welfare of the State of West Virginia by providing financial assistance in the form of loans and direct financing and operating leases to industrial development agencies and enterprises for the promotion and retention of new and existing commercial and industrial development. The WVEDA is empowered to borrow money and issue bonds, notes, commercial paper, and other debt instruments and to furnish money, credit, or credit enhancement for the promotion of business development projects. Credit enhancement is available through the WVEDA's loan guarantee programs, which were created to ensure payment or repayment of bonds and notes issued by the WVEDA and certain other public bodies, or other types of debt instruments entered into by an enterprise or state public body with a financial institution.

The WVEDA's loans are secured by deeds of trust on property, security interests in equipment, promissory notes, and, in certain cases, have supplemental collateral comprised of letters of credit, lease assignments, and/or personal guarantees. The WVEDA's loan terms are set by its Board of Directors (the Board) whose members periodically review market conditions. The amount the WVEDA may lend for projects varies depending upon the nature of the project and form of lending, as prescribed by the Board.

In evaluating how to define the WVEDA for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity is made by applying the criteria set forth in accounting principles generally accepted in the United States of America (GAAP) for governments. GAAP defines component units as those entities which are legally separate organizations for which the members of the board are financially accountable, or the organizations for which the nature and significance of their relationship with the WVEDA are such that exclusion would cause the WVEDA's statements to be misleading. In accordance with GAAP, the WVEDA's statements are prepared on a blended, or combined, basis and include the activities of the WVEDA, the West Virginia Enterprise Advancement Corporation, and the West Virginia Enterprise Capital Fund.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

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Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Description of entities (Continued)

West Virginia Enterprise Advancement Corporation (WVEAC)

The WVEAC is a nonprofit organization created to advance the economic development and social welfare of the State of West Virginia and its people. Its objectives include the promotion and assistance of business growth and development to foster increased employment opportunities throughout the State of West Virginia through the promotion and development of accessible risk capital. To further these objectives, WVEAC has invested in and is the 100% owner of the West Virginia Enterprise Capital Fund. The WVEAC is exempt from federal income tax on its exempt purpose activities as an organization described in Section 501(c)(3) of the Internal Revenue Code.

West Virginia Enterprise Capital Fund, LLC (WVECF)

The WVECF was incorporated on September 24, 2001. The WVECF is in the business of making venture capital available to companies doing business in the State of West Virginia through investments in venture capital companies as provided under the West Virginia Venture Capital Act. The WVECF is managed by its sole member, the WVEAC.

The WVECF operates as a Limited Liability Company as permitted under West Virginia State Code. As such, the WVECF's net income or loss is allocated to its sole member, a nonprofit organization, in accordance with the regulations of the Internal Revenue Service. Accordingly, no income tax provision has been included in these financial statements.

The WVEDA, WVEAC, and the WVECF are collectively referred to as the "Authority" in these financial statements.

Basis of presentation

The Authority is a component unit of the State of West Virginia, and is accounted for as a proprietary fund special purpose government engaged in business-type activities. In accordance with GAAP, the combined financial statements are prepared on the accrual basis of accounting with a flow of economic resources measurement focus, which requires recognition of revenue when earned and expenses when incurred.

The Authority is included in the State's financial statements as a discretely presented component unit. Because of the Authority's presentation in these financial statements as a special purpose government engaged in business-type activities, there may be differences in presentation of amounts reported in these financial statements and the financial statements of the State of West Virginia as a result of major fund determination.

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Use of estimates

Certain estimates and assumptions are required by management in the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP). The significant estimates and assumptions that affect the reported amounts of assets and liabilities at the statement of net position dates and revenues and expenses for the years then ended are those required in the determination of the allowance for loan losses, and the accumulated depreciation of capitalized assets. Actual results in the near-term could differ from the estimates used to prepare these financial statements.

Cash and cash equivalents

Cash and cash equivalents include short-term investments with original maturities of 90 days or less. Cash and cash equivalents principally consist of amounts on deposit with the State Treasurer's Office (STO) and those that are pooled funds managed by the West Virginia Board of Treasury Investments (BTI). Balances maintained in the West Virginia Money Market and West Virginia Government Money Market pools are recorded at amortized cost. Balances maintained in the West Virginia Short Term Bond Pool are recorded at fair value. Net investment income is allocated to participants in the pools based upon the funds that have been invested in each pool. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying combined financial statements.

Investments

Venture Capital Investments

The WVECF invests in venture capital entities which are managed by various fund managers. The investments involve risks not normally associated with investing, including equity interests in development stage companies. The risks associated with these investments are affected by many factors, such as economic outlook, ability to raise capital, and ability to attract customers. Collateral values securing venture capital investments are not readily determinable. Venture capital investments are not readily marketable, and, therefore, no quoted prices are available. The Fund manager has estimated the value of these investments after consideration of such factors as the cost of the investment, actual performance compared to expected performance, earnings potential, and other relevant factors. All venture capital investments were written down to zero during the year end June 30, 2019.

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

As the Authority's basis in the venture capital investments is zero, the Authority ceases reporting losses unless the Authority has guarantees of debt or future funding commitments. The Authority informed all remaining investees during the year ended June 30, 2019 that they would not fund any future capital calls, therefore, there are no remaining commitments to fund.

Other Investments

Other investments include certain amounts held by the BTI for the Authority in a participant directed investment account which maintains a single U.S. Treasury Bond which matures August 15, 2023 and is recorded at fair value.

Loans

The Authority extends commercial loans to customers. A substantial portion of the loan portfolio is represented by commercial loans throughout West Virginia. The ability of the Authority's debtors to honor their contracts is dependent upon the operating results of the customers and the value of real and personal property held as collateral.

Loans are stated at unpaid principal balances, net of the allowance for loan losses.

Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

Allowance for loan and credit losses

The allowance for loan and credit losses consists of an allowance for loan losses on outstanding loans and certain credit financial instruments of the Authority.

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the statement of net position date. The Authority uses a process to establish the allowance for loan losses semi-annually. To determine the total allowance for loan losses, management estimates the reserves needed for each loan. The allowance for loan losses consists of amounts applicable to (1) commercial - real estate portfolio, (2) commercial - equipment, and (3) commercial-both real estate and equipment.

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

The establishment of the allowance for loan losses relies on a consistent process that requires layers of management review and significant judgment in determining the estimation method that fits the credit risk characteristics of each portfolio segment, including responses to changes in economic conditions, customer behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts or to release balances from the allowance for loan losses. The Authority's allowance for loan losses is sensitive to risk ratings assigned to individually evaluated loans and economic assumptions. Individual loan risk ratings are evaluated based on each specific situation by experienced staff.

Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by staff of loan portfolio performance. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

Real estate and equipment held under lease

Real estate and equipment held under lease are carried at cost or, if contributed, at the market value of the property as of the date contributed. Depreciation on equipment and buildings is computed using the straight-line method with estimated useful lives of 5 to 40 years.

Compensated absences

Employees fully vest in all earned but unused annual leave, and the Authority accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. The estimated obligation for such benefits, as they relate to employees of the Authority, are recorded as a liability in the accompanying combined financial statements.

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 certain pension and OPEB related amounts as deferred outflows of resources on the combined statements of net position.

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

Note 1. Description of Organization and Summary of Significant Accounting Policies (Continued)

Unearned lease revenue

The Authority reports lease payments received in advance as unearned lease revenue and recognizes lease revenue over the remaining term of the lease.

Net position

The Authority displays net position in three components: net investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets - This component of net position consists primarily of capital assets, including restricted capital assets (if any), net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position - Restricted net position consists of assets whose use or availability has been externally restricted, and the restrictions limit the Authority's ability to use the resources to pay current liabilities. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

Unrestricted Net Position - Unrestricted net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." In the governmental environment, net position is often designated to indicate that management does not consider it to be available for general operations. These types of constraints on resources are internal, and management can remove or modify them. Such internal designations are not reported on the face of the statement of net position.

Operating revenues and expenses

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

Nonoperating revenues and expenses

Nonoperating revenues and expenses include activities that do not have the characteristics of operating revenues and expenses, such as contributions, investment income, other revenues, and interest expense that are defined as nonoperating by GAAP.

Note 1. Description of Organization and Summary of 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 RHBT and additions to/deductions from RHBT's fiduciary net position have been determined on the same basis as they are reported by The West Virginia Retiree Health Benefit Trust Fund (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.

Loan insurance program

The Authority extends non-exchange financial guarantees under its Loan Insurance Program. This program administered by the Authority, provides up to a 90% guarantee of actual loss from a bank to its borrower. The maximum liability to the Authority may not exceed \$500,000 per transaction. The Authority is required to recognize a liability when qualitative, historical and other factors indicate that it is more likely than not that the Authority will be required to make a payment on the financial guarantee, including the evaluation of whether the participating bank has liquidated all collateral of the borrower, including the pursuit of personal guarantees.

Broadband loan insurance program

House Bill 3093 enacted by the West Virginia Legislature on April 8, 2017 and effective as of July 7, 2017 provided that the BTI would provide up to \$50,000,000 to the Authority to provide loan insurance for debt instruments to expand broadband within West Virginia subject to the requirements set forth in the legislation.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

Note 2. Cash and Cash Equivalents

At June 30, 2021 and 2020, the carrying amount of deposits with financial institutions, the STO, and the BTI were as follows:

	2021	2020
Deposits:		
WV Money Market Pool at BTI	\$ 38,965,083	\$ 46,350,930
WV Government Money Market Pool at BTI	6,321,790	7,787,473
WV Short Term Bond Pool at BTI	19,428,789	19,120,394
Cash held at State Treasurer's Office	14,401,655	17,838,720
Cash held at outside financial institutions	1,423	269,018
	\$ 79,118,740	\$ 91,366,535

The State Treasurer has statutory responsibility for the daily cash management activities of the State's agencies, departments, boards and commissions and transfers funds to the BTI for investment in accordance with West Virginia statutes, policies set by the BTI and by provisions of bond indentures and trust agreements when applicable and thus the Authority follows these investment policies.

In accordance with West Virginia Code §31-15-23, the economic development fund, to which shall be credited any appropriation made by the Legislature to the authority, any funds which the authority is authorized to receive under any provision of this code, other funds which the board directs to be deposited into the fund, and such other deposits as are provided for in this section, is hereby continued in the state treasury as a special account. Whenever the Authority determines that the balance in the fund is in excess of the immediate requirements for loans, it may request that such excess be invested until needed for loan purposes, in which case such excess shall be invested in a manner consistent with the investment of other temporary state funds. If the Authority determines that funds held in the fund are in excess of the amount needed to carry out the purposes of this article, it may take such action as is necessary to release such excess and transfer it to the general fund of the treasury.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Two of the BTI pools, the WV Money Market and WV Government Money Market Pools, have been rated AAAM by Standard & Poor's. A fund rated AAAM has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. AAAM is the highest principal stability fund rating assigned by Standard & Poor's. Neither the BTI itself nor any other of the BTI pools or accounts has 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 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 pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

Note 2. Cash and Cash Equivalents (Continued)

Credit risk (Continued)

At June 30, 2021 and 2020, the WV Money Market Pool investments had a total carrying value of \$6,843,002,000 and \$5,149,351,000, respectively, of which the Authority's ownership represents 0.57% and 0.90%, respectively. The following table provides information on the credit ratings of the WV Money Market pool's investments (in thousands):

Security Type	Credit Rating		2021		2020	
	Moody's	S&P	Carrying Value (in Thousands)	Percent of Pool Assets	Carrying Value (in Thousands)	Percent of Pool Assets
U.S. Treasury notes *	Aaa	AA+	\$ 37,505	0.55 %	\$ -	- %
U.S. Treasury bills *	P-1	A-1+	354,997	5.19	1,017,343	19.76
Commercial paper	P-1	A-1+	1,302,573	19.04	861,472	16.73
	P-1	A-1	2,634,701	38.50	1,834,384	35.62
Negotiable certificates of deposit	P-1	A-1+	138,500	2.02	302,738	5.88
	P-1	A-1	812,504	11.88	469,111	9.11
Money market funds	Aaa	AAAm	1,600	0.02	1,581	0.03
	NR	AAAm	217,022	3.17	217,022	4.21
Repurchase agreements (underlying securities):						
U.S. Treasury bonds and notes*	Aaa	AA+	1,325,680	19.37	-	-
U.S. Agency bonds and notes	Aaa	AA+	17,920	0.26	445,700	8.66
			<u>\$ 6,843,002</u>	<u>100.00 %</u>	<u>\$ 5,149,351</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.

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

Note 2. Cash and Cash Equivalents (Continued)

Credit risk (Continued)

At June 30, 2021 and 2020, the WV Government Money Market Pool investments had a total carrying value of \$223,466,000 and \$264,558,000, respectively, of which the Authority's ownership represents 2.96% and 2.94%, respectively. The following table provides information on the credit ratings of the WV Government Money Market pool investments (in thousands):

Security Type	Credit Rating		2021		2020	
	Moody's	S&P	Carrying Value (in Thousands)	Percent of Pool Assets	Carrying Value (in Thousands)	Percent of Pool Assets
U.S. Agency bonds and notes	Aaa	AA+	\$ 47,124	21.08 %	\$ 33,850	12.79 %
U.S. Treasury notes *	P-1	AA+	-	0.00	27,041	10.23
U.S. Treasury bills *	P-1	A-1+	102,496	45.87	30,986	11.71
U.S. Agency discount notes	P-1	A-1+	52,697	23.58	125,304	47.36
Money market funds	Aaa	AAAm	149	0.07	177	0.07
Repurchase agreements (underlying securities):						
U.S. Treasury bonds and notes*	Aaa	AA+	21,000	9.40	47,200	17.84
			<u>\$ 223,466</u>	<u>100.00 %</u>	<u>\$ 264,558</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.

The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all long term corporate debt to be rated BBB- or higher by Standard & Poor's (or its equivalent) and all short-term corporate debt to be rated A-1 or higher by Standard & Poor's (or its equivalent). Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America.

At June 30, 2021 and 2020, the WV Short Term Bond Pool investments had a total carrying value of \$815,878,000 and \$810,077,000, respectively, of which the Authority's ownership represents 2.38% and 2.36%, respectively. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

Note 2. Cash and Cash Equivalents (Continued)

Credit Risk (Continued)

Security Type	Credit Rating		2021			2020		
	Moody's	S&P	Carrying	Percent of		Carrying	Percent of	
			Value (in Thousands)	Pool Assets		Value (in Thousands)	Pool Assets	
U.S. Treasury notes *	Aaa	AA+	\$ 123,066	15.08	%	\$ 121,838	15.04	%
U.S. agency collateralized								
U.S. government guaranteed *	Aaa	AA+	16,295	2.00		20,539	2.54	
Non-U.S. government	Aaa	AA+	6,779	0.83		15,762	1.95	
Corporate fixed-and floating-rate	Aaa	AAA	3,627	0.44		3,694	0.46	
	Aaa	AA+	6,684	0.82		6,719	0.83	
	Aa1	AA	2,549	0.31		2,565	0.32	
	Aa2	AA+	1,354	0.17		5,181	0.64	
	Aa2	AA	5,665	0.69		5,753	0.71	
	Aa2	AA-	4,019	0.49		6,432	0.79	
	Aa2	A+	4,400	0.54		-	-	
	Aa2	NR	5,858	0.72		5,954	0.73	
	Aa3	AA+	5,258	0.64		2,076	0.26	
	Aa3	AA-	21,288	2.61		18,385	2.27	
	Aa3	A+	7,793	0.96		5,759	0.71	
	Aa3	A	4,168	0.51		12,477	1.54	
	A1	AA	1,623	0.20		-	-	
	A1	AA-	8,860	1.09		7,480	0.92	
	A1	A+	28,261	3.46		30,064	3.71	
	A1	A	14,323	1.76		5,150	0.64	
	A1	A-	10,621	1.30		10,553	1.30	
	A1	NR	-	-		5,283	0.65	
	A1	BBB+	8,103	0.99		-	-	
	A2	A+	15,952	1.96		17,992	2.22	
	A2	A	48,388	5.93		33,012	4.08	
	A2	A-	28,214	3.46		28,326	3.50	
	A2	BBB+	27,127	3.32		-	-	
	A2	NR	-	-		3,100	0.38	
	A3	AA-	2,329	0.29		-	-	
	A3	A+	9,145	1.12		9,595	1.18	
	A3	A	9,351	1.15		9,366	1.16	
	A3	A-	21,011	2.58		28,248	3.49	
	A3	BBB+	24,656	3.02		44,538	5.50	
	Baa1	A-	5,451	0.67		11,726	1.45	
	Baa1	BBB+	19,851	2.43		17,585	2.17	
	Baa1	BBB	3,115	0.38		8,656	1.07	
	Baa1	NR	1,976	0.24		2,132	0.26	
	Baa2	A-	6,101	0.75		10,242	1.26	
	Baa2	BBB+	11,436	1.40		10,361	1.28	
	Baa2	BBB	27,925	3.42		38,950	4.81	
	Baa2	BBB-	10,177	1.25		4,404	0.54	

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

Note 2. Cash and Cash Equivalents (Continued)

Credit Risk (Continued)

Security Type	Credit Rating		2021		2020	
	Moody's	S&P	Carrying Value (in Thousands)	Percent of Pool Assets	Carrying Value (in Thousands)	Percent of Pool Assets
	Baa3	BBB	17,015	2.09	10,276	1.27
	Baa3	BBB-	22,599	2.77	25,583	3.16
	Baa3	NR	5,846	0.72	-	-
	Ba1	BBB	-	-	2,005	0.25
	Ba1	BBB-	6,703	0.82	8,289	1.02
	NR	A+	6,290	0.77	-	-
	NR	A-	5,935	0.73	-	-
	NR	A	-	-	6,478	0.80
	NR	AA-	-	-	1,817	0.22
	NR	BBB+	4,507	0.55	4,575	0.56
	NR	BBB	7,927	0.97	-	-
	NR	BBB-	1,588	0.19	-	-
Collateralized mortgage obligations	NR	AAA	79	0.01	2,668	0.33
Municipal Securities	Aaa	AAA	-	-	4,060	0.50
	Aa1	AAA	2,484	0.30	-	-
	Aa1	AA+	11,211	1.37	6,475	0.80
	Aa1	AA	2,789	0.34	8,928	1.10
	Aa1	NR	-	-	7,054	0.87
	Aa2	AA+	6,630	0.81	-	-
	Aa2	AA	15,973	1.96	9,872	1.22
	Aa2	AA-	8,230	1.01	8,337	1.03
	Aa2	NR	8,556	1.05	3,528	0.44
	Aa3	AA-	2,233	0.27	-	-
	NR	AAA	2,876	0.35	2,618	0.32
	NR	AA+	3,172	0.39	3,187	0.39
Asset-backed securities	Aaa	AAA	19,696	2.41	29,701	3.66
	Aaa	NR	27,153	3.33	40,232	4.97
	Aa1	NR	8,183	1.00	7,961	0.98
	NR	AAA	49,648	6.09	38,951	4.81
Money market funds	Aaa	AAA	5,756	0.72	7,585	0.94
			<u>\$ 815,878</u>	<u>100.00 %</u>	<u>\$ 810,077</u>	<u>100.00 %</u>

NR = Not Rated

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

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

Note 2. Cash and Cash Equivalents (Continued)

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The overall weighted average maturity of the investments of the WV 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 at June 30, 2021 and 2020:

Security Types	2021		2020	
	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
Repurchase agreements	\$ 1,343,600	6	\$ 445,700	1
U.S. Treasury notes	37,505	1	-	-
U.S. Treasury bills	354,997	13	1,017,343	37
Commercial paper	3,937,274	73	2,695,856	52
Negotiable certificates of deposit	951,004	65	771,849	58
Money market funds	218,622	1	218,603	1
	<u>\$ 6,843,002</u>	52	<u>\$ 5,149,351</u>	44

The overall weighted average maturity of the investments of the WV Government 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 Government Money Market Pool:

Security Types	2021		2020	
	Carrying Value (In Thousands)	WAM (Days)	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 21,000	1	\$ 47,200	1
U.S. Treasury notes	-	-	27,041	80
U.S. Treasury bills	102,496	54	30,986	79
U.S. Agency discount notes	52,697	41	125,304	65
U.S. Agency bonds and notes	47,124	50	33,850	10
Money market funds	149	1	177	1
	<u>\$ 223,466</u>	45	<u>\$ 264,558</u>	50

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

Note 2. Cash and Cash Equivalents (Continued)

Interest Rate Risk (Continued)

The overall effective duration of the investments of the WV Short Term Bond Pool is limited to a +/- 20 percent band around the effective duration of the portfolio's benchmark (the ICE BofAML 1-3 US Corporate & Government Index). As of June 30, 2021, the effective duration of the benchmark was 664 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool:

Security Types	2021		2020	
	Carrying Value (In Thousands)	Effective Duration (Days)	Carrying Value (In Thousands)	Effective Duration (Days)
Corporate floating-rate bonds and notes	\$ 33,136	(6)	\$ 16,475	377
Corporate fixed-rate bonds and notes	461,933	720	454,306	641
U.S. Treasury notes and bonds	123,066	638	121,838	773
U.S. Agency collateralized mortgage obligations	23,074	213	36,301	366
Collateralized mortgage obligations	79	752	2,668	752
Municipal securities	64,154	608	54,059	800
Asset-backed securities	104,680	626	116,845	442
Money market funds	5,756	-	7,585	-
	<u>\$ 815,878</u>	638	<u>\$ 810,077</u>	620

Other risks of investing

Other risks of investing can include concentration of credit risk, custodial credit risk, and foreign currency risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of a pool or account's investment in a single corporate issuer. The BTI investment policy prohibits those pools and accounts permitted to hold corporate securities from investing more than 5% of their assets in any one corporate name or one corporate issue.

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

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Note 2. Cash and Cash Equivalents (Continued)

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. None of the BTI investment pools or accounts hold interests in foreign currency or interests valued in foreign currency.

Cash held in outside financial institutions

Limited cash and cash equivalents are held outside of the STO and the BTI and consist of demand deposits maintained with high credit quality financial institutions. At times, the balances with the institutions may exceed amounts covered by FDIC insurance limit; however, management believes that the financial institutions are credit worthy.

Note 3. Investments

	2021	2020
Investments:		
WVEDA – American Woodmark at BTI	\$ 1,661,461	\$ 1,752,322

WV Economic Development Authority - American Woodmark

This account holds a U.S. Treasury bond that matures on August 15, 2023. The Authority’s Board of Directors approved this investment by resolution dated March 18, 2006. This security is not exposed to credit risk, custodial credit risk, concentration of credit risk, or foreign currency risk.

Note 4. Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, an exit price. Fair value is a market-based measurement, not an entity-specific measurement. The Authority categorizes fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America.

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

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

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

Level 3 - Unobservable inputs for an asset or liability.

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Note 4. Fair Value (Continued)

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The recurring fair value measurements of the investments of the Authority as of June 30, 2021 and 2020 were as follows (there were no Level 2 or Level 3 investments):

	Level 1	
	Quoted Price in Active Market	
	2021	2020
U.S. Treasury Bond	<u>\$ 1,661,461</u>	<u>\$ 1,752,322</u>

Note 5. Restricted Net Position

The West Virginia Legislature enacted legislation creating and funding a program to enhance the availability of loans from commercial lending institutions for economic development purposes. Cash balances relating to this program are invested in the BTI's amortized cost investment pools and have been set aside, together with interest earnings thereon, to meet these objectives by serving to guarantee portions of certain loans made for economic development purposes. See Note 12 to the financial statements for further disclosure of the guarantee program.

The West Virginia Legislature enacted legislation creating and funding a program to make available insurance on qualifying debt instruments for the purpose of the deployment of broadband in West Virginia, subject to certain legislative restrictions. Cash balances relating to this program are invested in the BTI's amortized cost investment pools and have been set aside, together with interest earnings thereon, to meet these objectives by serving this restrictive purpose. The restricted net position balances for these two programs amounted to \$6,021,790 and \$7,487,472 at June 30, 2021 and 2020, respectively.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

Note 6. Loans

Loans by class are summarized as follows:

	<u>2021</u>	<u>2020</u>
Commercial:		
Real estate	\$ 53,688,025	\$ 41,718,283
Real estate and equipment	7,352,135	7,843,581
Equipment	8,460,858	9,602,140
Service:		
Real estate	16,095,377	17,279,547
Real estate and equipment	4,671,080	4,971,855
Equipment	130,513	146,649
Other	2,100,000	-
Industrial:		
Real estate	22,321,723	21,655,545
Real estate and equipment	9,306,076	11,193,227
Equipment	9,662,172	11,576,676
Other	<u>13,128,012</u>	<u>100,000</u>
Total loans	146,915,971	126,087,503
Less allowance for loan loss	<u>(7,600,000)</u>	<u>(7,600,000)</u>
Loans receivable net of allowance	139,315,971	118,487,503
Less current portion	<u>(2,434,603)</u>	<u>(1,008,688)</u>
Noncurrent loans receivable	<u>\$ 136,881,368</u>	<u>\$ 117,478,815</u>

The Authority's loans have been extended to customers operating in West Virginia.

Commercial loans may be collateralized by the assets underlying the borrower's business such as equipment, inventory, or real property. Commercial real estate loans are generally secured by the underlying real property. The ultimate collectability of a substantial portion of the Authority's loan portfolio is susceptible to changes in the local market conditions.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
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YEARS ENDED JUNE 30, 2021 AND 2020

Note 7. Loan Credit Quality

Management monitors the credit quality of loans on an ongoing basis. Measurement of delinquency and past due status are based on the contractual terms of each loan.

For all loan classes, past due loans are reviewed on a monthly basis to identify loans for nonaccrual status. Generally, when full collection of the principal and interest is jeopardized, the loan is placed on nonaccrual. The accrual of interest income generally is discontinued when a loan becomes 90 days or more past due as to principal or interest. However, regardless of the delinquency status, if a loan is fully secured or in the process of collection and resolution of collection is expected in the near term (generally less than 90 days), then the loan may not be placed on nonaccrual. When interest accruals are discontinued, unpaid interest recognized in income in the current year is reversed, and unpaid interest accrued in prior years is charged to the allowance for loan losses. The Authority's method of income recognition for loans that are classified as nonaccrual is to recognize interest income on a cash basis or to apply the cash receipt to principal when the ultimate collectability of the principal is in doubt. Management may elect to continue the accrual of interest when the estimated net realized value of collateral exceeds the principal balance and accrued interest, and the loan is in the process of collection.

Nonaccrual loans will not normally be returned to accrual status unless all past due principal and interest have been paid.

The following table sets forth the Authority's age analysis of its past due loans, segregated by class of loans:

	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>90 Days or More Past Due</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans Receivable</u>	<u>90 Days or More and Accruing</u>
As of June 30, 2021:							
Secured by real estate:							
Commercial	\$ -	\$ -	\$ -	\$ -	\$ 53,688,025	\$ 53,688,025	\$ -
Service	-	-	4,738,532	4,738,532	11,356,845	16,095,377	-
Industrial	-	-	1,609,664	1,609,664	20,712,059	22,321,723	-
Secured by equipment:							
Commercial	-	-	-	-	8,460,858	8,460,858	-
Service	-	-	-	-	130,513	130,513	-
Industrial	1,167,617	-	-	1,167,617	8,494,555	9,662,172	-
Secured by real estate & equipment:							
Commercial	-	-	3,174,570	3,174,570	4,177,565	7,352,135	-
Service	-	-	-	-	4,671,080	4,671,080	-
Industrial	-	-	145,720	145,720	9,160,356	9,306,076	145,720
Other	-	-	-	-	15,228,012	15,228,012	-
Total loans	<u>\$ 1,167,617</u>	<u>\$ -</u>	<u>\$ 9,668,486</u>	<u>\$ 10,836,103</u>	<u>\$136,079,868</u>	<u>\$146,915,971</u>	<u>\$ 145,720</u>

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NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

Note 7. Loan Credit Quality (Continued)

	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>90 Days or More Past Due</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans Receivable</u>	<u>90 Days or More and Accruing</u>
As of June 30, 2020:							
Secured by real estate:							
Commercial	\$ -	\$ -	\$ -	\$ -	\$41,718,283	\$41,718,283	\$ -
Service	-	-	5,362,532	5,362,532	11,917,015	17,279,547	-
Industrial	-	593,795	1,699,715	2,293,510	19,362,035	21,655,545	-
Secured by equipment:							
Commercial	-	-	-	-	9,602,140	9,602,140	-
Service	-	-	-	-	146,649	146,649	-
Industrial	1,229,767	-	-	1,229,767	10,346,909	11,576,676	-
Secured by real estate & equipment:							
Commercial	-	-	3,264,571	3,264,571	4,579,010	7,843,581	3,264,571
Service	-	-	-	-	4,971,855	4,971,855	-
Industrial	-	-	164,367	164,367	11,028,860	11,193,227	164,367
Other	-	-	-	-	100,000	100,000	-
Total loans	<u>\$ 1,229,767</u>	<u>\$ 593,795</u>	<u>\$10,491,185</u>	<u>\$12,314,747</u>	<u>\$113,772,756</u>	<u>\$126,087,503</u>	<u>\$ 3,428,938</u>

The Authority generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal balance has been charged off and no restructuring has occurred, or the loans reach a certain number of days past due. The following table sets forth the Authority's nonaccrual loans, segregated by class of loans (as applicable) as of:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Secured by real estate:		
Commercial	\$ 3,174,570	\$ 1,442,150
Service	4,738,532	5,362,532
Industrial	<u>1,609,664</u>	<u>1,699,715</u>
Total	<u>\$ 9,522,766</u>	<u>\$ 8,504,397</u>

There were no loans modified as TDRs during the years ended June 30, 2021 and 2020.

There have been no loans modified as TDRs within the previous twelve months that have subsequently defaulted as of June 30, 2021.

As of June 30, 2021, there are no commitments to lend additional funds to any borrower whose loan terms have been modified in a troubled debt restructuring.

The Authority assigns credit quality indicators of pass, special mention, substandard, doubtful, and loss to its loans. The loans are internally assigned a grade based on a combination of the known creditworthiness of the borrower and on the loan's delinquency status. The Authority updates these grades on a semi-annual basis.

Note 7. Loan Credit Quality (Continued)

A loan classified as pass has strong asset quality and liquidity along with a multi-year track record of profitability.

Special mention loans have a potential weakness that deserves management's close attention. If left unmonitored, these potential weaknesses may result in deterioration of the repayment prospects for such loans or the borrower's credit position at some future date. Adverse economic or market conditions may also support a special mention rating. Other nonfinancial reasons for rating a credit exposure as special mention can include known borrower problems, pending litigation, or lending agreement issues.

A substandard loan contains weaknesses that, if left uncorrected, create some degree of doubt as to the likelihood of full collection of principal and interest. These loans require intensive supervision by management. Such loans are generally characterized by current or expected unprofitable operations, inadequate debt service coverage, inadequate liquidity, or marginal capitalization. Repayment may depend on collateral or other credit risk mitigants.

A loan classified as doubtful exhibits all the weaknesses inherent in one classified as substandard with the additional characteristic that the weaknesses make its collection in full, based on currently existing facts, conditions, and values, highly questionable and improbable. A doubtful loan has a high probability of total or substantial loss, but because of specific pending events that may strengthen the credit, its classification as loss is deferred at the present time. Doubtful borrowers are usually in default, lack adequate liquidity or capital, and lack the resources necessary to remain operationally solvent. Specific pending events may include mergers, acquisitions, liquidations, capital injections, the perfection of liens of additional collateral, the valuation of collateral, and refinancing. Loans classified as doubtful are also considered impaired. Generally, credit exposures are charged-off prior to being classified as doubtful.

Loans classified as loss are loans with expected loss of entire principle balance. The loan may be carried in this classified status if circumstances indicate a remote possibility that the amount will be repaid.

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Note 7. Loan Credit Quality (Continued)

The following table sets forth the Authority's credit quality indicators information, segregated by class of loans (there were no loans graded as doubtful or loss):

<u>June 30, 2021</u>	<u>Pass</u>	<u>Special Mention</u>	<u>Sub- Standard</u>	<u>Total</u>
Secured by real estate:				
Commercial	\$ 32,087,984	\$ 21,600,041	\$ -	\$ 53,688,025
Service	11,356,845	-	4,738,532	16,095,377
Industrial	15,131,474	5,580,585	1,609,664	22,321,723
Secured by equipment:				
Commercial	8,435,483	25,375	-	8,460,858
Service	130,513	-	-	130,513
Industrial	8,282,818	1,379,354	-	9,662,172
Secured by real estate and equipment:				
Commercial	3,355,596	3,996,539	-	7,352,135
Service	4,671,080	-	-	4,671,080
Industrial	9,160,356	-	145,720	9,306,076
Other	<u>15,128,012</u>	<u>-</u>	<u>100,000</u>	<u>15,228,012</u>
Total	<u>\$ 107,740,161</u>	<u>\$ 32,581,894</u>	<u>\$ 6,593,916</u>	<u>\$ 146,915,971</u>
<u>June 30, 2020</u>	<u>Pass</u>	<u>Special Mention</u>	<u>Sub- Standard</u>	<u>Total</u>
Secured by real estate:				
Commercial	\$ 18,629,391	\$ 23,088,892	\$ -	\$ 41,718,283
Service	11,917,015	-	5,362,532	17,279,547
Industrial	13,957,737	5,998,093	1,699,715	21,655,545
Secured by equipment:				
Commercial	9,567,738	34,402	-	9,602,140
Service	146,649	-	-	146,649
Industrial	10,085,711	1,490,965	-	11,576,676
Secured by real estate and equipment:				
Commercial	3,729,530	4,114,051	-	7,843,581
Service	4,971,855	-	-	4,971,855
Industrial	10,962,620	66,240	164,367	11,193,227
Other	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 83,968,246</u>	<u>\$ 34,792,643</u>	<u>\$ 7,326,614</u>	<u>\$ 126,087,503</u>

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Note 7. Loan Credit Quality (Continued)

Loans are designated as impaired when, in the opinion of management, based on current information and events, the collection of principal and interest in accordance with the loan contract is doubtful. Typically, such loans have exhibited a sustained period of delinquency or there have been significant events (such as bankruptcy, eminent foreclosure, or natural disasters) that impact repayment probability. Impairment is evaluated on an individual loan basis. Consistent with the Authority's existing method of income recognition for loans, interest on impaired loans, except those classified as nonaccrual, is recognized as income using the accrual method. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

The following table sets forth the Authority's impaired loans information, segregated by class of loans (there were no amounts of recognized interest income on these loans):

<u>June 30, 2021</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>
With an allowance recorded:		
Secured by real estate:		
Commercial	\$ 3,174,571	\$ 600,000
Service	4,738,532	900,000
Industrial	<u>1,609,664</u>	<u>1,000,000</u>
Total secured by real estate	<u>\$ 9,522,766</u>	<u>\$ 2,500,000</u>
<u>June 30, 2020</u>	<u>Unpaid Principal Balance</u>	<u>Related Allowance</u>
With an allowance recorded:		
Secured by real estate:		
Commercial	\$ 1,442,150	\$ 250,000
Service	5,362,532	900,000
Industrial	<u>1,699,715</u>	<u>1,000,000</u>
Total secured by real estate	<u>\$ 8,504,397</u>	<u>\$ 2,150,000</u>

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
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Note 8. Allowance for Credit Losses

The allowance for loan losses is management’s estimate of the probable credit losses inherent in the loan portfolio. Management’s evaluation of the adequacy of the allowance for loan losses and the appropriate provision for credit losses is based upon a semi-annual evaluation of the portfolio. This evaluation is inherently subjective and requires significant estimates, including the amounts and timing of estimated future cash flows and consideration of current economic trends, all of which are susceptible to constant and significant change. Allocations are made for specific loans based upon management’s estimate of the borrowers’ ability to repay and other factors impacting collectability. In addition, a portion of the allowance accounts is for the inherent imprecision in the allowance for credit losses analysis. During the year ended June 30, 2021, there were no material changes to the accounting policy or methodology related to the allowance for loan losses.

Loans deemed to be uncollectible are charged against the allowance for loan losses, while recoveries of previously charged-off amounts are credited to the allowance for loan losses. When a loan or a portion of a loan is identified to contain a loss, a charge-off recommendation is directed to management to charge off all or a portion of that loan.

If secured, the charge-off is generally made to reduce the loan balance to a level equal to the liquidation value of the collateral when payment of principal and interest is 120 days delinquent. Any loan, on which a principal or interest payment has not been made within 30 days, is reviewed monthly for appropriate action.

The Authority considers the allowance for loan losses of \$7,600,000 and \$7,600,000 adequate to cover loan losses inherent in the loan portfolio as of June 30, 2021 and 2020, respectively. The following table presents by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans.

<u>June 30, 2021</u>	<u>Commercial</u>	<u>Service</u>	<u>Industrial</u>	<u>Unallocated</u>	<u>Total</u>
Allowance for credit losses:					
Beginning balance	\$ 1,150,000	\$ 900,000	\$ 2,195,000	\$ 3,355,000	\$ 7,600,000
Charge-offs	-	-	-	-	-
Recoveries	309,273	20,000	33,211	-	362,484
Provision	<u>(209,273)</u>	<u>(20,000)</u>	<u>(38,211)</u>	<u>(95,000)</u>	<u>(362,484)</u>
Ending balance	<u>\$ 1,250,000</u>	<u>\$ 900,000</u>	<u>\$ 2,190,000</u>	<u>\$ 3,260,000</u>	<u>\$ 7,600,000</u>
Ending balance: Individually					
evaluated for impairment	<u>\$ 1,250,000</u>	<u>\$ 900,000</u>	<u>\$ 2,190,000</u>	<u>\$ -</u>	<u>\$ 4,340,000</u>
Ending balance: Collectively					
evaluated for impairment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,260,000</u>	<u>\$ 3,260,000</u>
Loans receivable:					
Ending balance	<u>\$ 69,501,018</u>	<u>\$ 23,996,970</u>	<u>\$ 54,417,983</u>	<u>\$ -</u>	<u>\$ 146,915,971</u>

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

Note 8. Allowance for Credit Losses (Continued)

<u>June 30, 2020</u>	<u>Commercial</u>	<u>Service</u>	<u>Industrial</u>	<u>Unallocated</u>	<u>Total</u>
Allowance for credit losses:					
Beginning balance	\$ 1,000,000	\$ 1,250,000	\$ 2,250,000	\$ 3,100,000	\$ 7,600,000
Charge-offs	(40,445)	-	-	-	(40,445)
Recoveries	-	3,291	53,491	-	56,782
Provision	<u>190,445</u>	<u>(353,291)</u>	<u>(108,491)</u>	<u>255,000</u>	<u>(16,337)</u>
Ending balance	<u>\$ 1,150,000</u>	<u>\$ 900,000</u>	<u>\$ 2,195,000</u>	<u>\$ 3,355,000</u>	<u>\$ 7,600,000</u>
Ending balance: Individually evaluated for impairment					
	<u>\$ 1,150,000</u>	<u>\$ 900,000</u>	<u>\$ 2,195,000</u>	<u>\$ -</u>	<u>\$ 4,245,000</u>
Ending balance: Collectively evaluated for impairment					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,355,000</u>	<u>\$ 3,355,000</u>
Loans receivable:					
Ending balance	<u>\$ 59,164,004</u>	<u>\$ 22,398,051</u>	<u>\$ 44,525,448</u>	<u>\$ -</u>	<u>\$126,087,503</u>

Note 9. Capital Asset and Leasing Activities

The Authority leases land, buildings, and equipment to commercial entities which are accounted for as operating leases. The leases expire over the next 1 to 10 years. Lessees of the property have the option to purchase the property at the end of the lease term at designated prices which are not considered bargain prices.

Real estate, property, and equipment include the following at June 30:

	<u>2021</u>	<u>2020</u>
Held for lease:		
Land	\$ 19,420,410	\$ 19,420,410
Buildings and improvements	19,561,776	29,015,276
Equipment	<u>215,947</u>	<u>202,274</u>
	39,198,133	48,637,960
Less accumulated depreciation - buildings	(7,915,220)	(14,920,071)
Less accumulated depreciation - equipment	<u>(157,996)</u>	<u>(145,341)</u>
	<u>\$ 31,124,917</u>	<u>\$ 33,572,548</u>

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
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Note 9. Capital Asset and Leasing Activities (Continued)

Capital asset activity for the years ended June 30, 2021 and 2020, was as follows:

<u>June 30, 2021</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
Land held for lease	\$ 19,420,410	\$ -	\$ -	\$19,420,410
Building and improvements	29,015,276	-	(9,453,500)	19,561,776
Equipment	<u>202,274</u>	<u>13,673</u>	<u>-</u>	<u>215,947</u>
	48,637,960	13,673	(9,453,500)	39,198,133
Less accumulated depreciation				
Building	(14,920,071)	(985,592)	7,990,443	(7,915,220)
Equipment	<u>(145,341)</u>	<u>(12,655)</u>	<u>-</u>	<u>(157,996)</u>
	<u>\$ 33,572,548</u>	<u>\$ (984,574)</u>	<u>\$ (1,463,057)</u>	<u>\$31,124,917</u>
<u>June 30, 2020</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
Land held for lease	\$ 7,276,963	\$12,143,447	\$ -	\$19,420,410
Building and improvements	29,986,056	27,592	(998,372)	29,015,276
Equipment	<u>234,627</u>	<u>22,476</u>	<u>(54,829)</u>	<u>202,274</u>
	37,497,646	12,193,515	(1,053,201)	48,637,960
Less accumulated depreciation				
Building	(13,944,777)	(1,030,040)	54,746	(14,920,071)
Equipment	<u>(183,610)</u>	<u>(10,100)</u>	<u>48,369</u>	<u>(145,341)</u>
	<u>\$ 23,369,259</u>	<u>\$11,153,375</u>	<u>\$ (950,086)</u>	<u>\$33,572,548</u>

Under terms of the direct financing leases, either the lessor or lessee may elect to adjust the basic rent as of each successive fifth anniversary date following the lease commencement date by an amount necessary to fully amortize the initial purchase price based on the prevailing interest rate on such anniversary date. Future minimum lease payments are based on lease payments in effect at year end. The Authority's net investment in direct financing leases consisted of:

	<u>2021</u>	<u>2020</u>
Total minimum lease payments receivable	\$ 56,927,482	\$ 58,048,400
Less unearned interest	<u>(8,633,504)</u>	<u>(9,406,266)</u>
Total	48,293,978	48,642,134
Less current portion	<u>(6,843,683)</u>	<u>(6,036,642)</u>
Total noncurrent portion	<u>\$ 41,450,295</u>	<u>\$ 42,605,492</u>

**WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
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Note 9. Capital Asset and Leasing Activities (Continued)

At June 30, 2021, future minimum lease payments receivable under direct financing leases and non-cancellable operating leases in excess of one year are as follows:

<u>June 30</u>	<u>Operating Leases</u>	<u>Direct Financing Leases</u>	<u>Total</u>
2022	\$ 1,590,968	\$ 8,335,475	\$ 9,926,443
2023	1,590,968	8,330,664	9,921,632
2024	1,590,968	5,948,410	7,539,378
2025	1,590,968	4,908,320	6,499,288
2026	1,590,968	4,853,136	6,444,104
Thereafter	<u>1,590,968</u>	<u>24,551,477</u>	<u>26,142,445</u>
	<u>\$ 9,545,808</u>	<u>\$ 56,927,482</u>	<u>\$ 66,473,290</u>

Lease revenue includes interest from direct financing leases of \$1,477,918 and \$1,885,320 for the years ended June 30, 2021 and 2020, respectively.

Note 10. Loans Payable

The Authority receives financing from various funding sources in the form of direct borrowings. There are no direct placements. Direct borrowing includes the following:

	<u>June 30</u>	
	<u>2021</u>	<u>2021</u>
Revolving loan agreement with the West Virginia Board of Treasury Investments to borrow up to \$175 million to be re-loaned for economic development purposes, interest equal to the twelve-month average of the Board's yield on its cash liquidity pool, which was .38% for July 2017 and .89% for the remainder of fiscal year 2018, and 1.60% for fiscal year 2019 and adjustable annually thereafter on July 1 of each consecutive year, monthly payments of principal and interest payable in an amount sufficient to repay the outstanding principal balance over 10 years, secured by a security interest in the investments derived from the loan.	\$ 123,219,914	\$ 118,522,643

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

Note 10. Loans Payable (Continued)

	June 30	
	2021	2020
Revolving loan agreement with the West Virginia Board of Treasury Investments to borrow up to \$50 million to provide loan insurance for broadband projects, interest equal to the twelve-month average of the Board's yield on its money market pool, which was 1.3% and 2.26% at the end of fiscal year 2018 and 2019, respectively, and adjustable quarterly thereafter, quarterly payments of interest will be made as long as a principal balance remains outstanding. Note repayments are dependent upon moneys received from the broadband loan insurance recipients. Note was paid off during fiscal year 2021.	-	1,480,000
Note payable to West Virginia Board of Treasury Investments, non-recourse not to exceed \$25 million, interest at 3% per annum, principal due in annual installments, unsecured. Note repayments are dependent upon the proceeds received from the investments in venture capital funds. Note was paid off during fiscal year 2021.	-	324,155
Note payable to West Virginia Infrastructure and Jobs Development Council due in monthly installments of principal of \$10,417. Note is noninterest bearing and secured by real estate. Note was paid off during fiscal year 2021.	-	437,434
Note payable to West Virginia Infrastructure and Jobs Development Council due in monthly installments of \$20,703, final payment due March 1, 2024, interest rate at 3% and secured by real estate.	654,972	880,079
Note payable to West Virginia Infrastructure and Jobs Development Council due in monthly installments of \$16,641, final payment due June 1, 2029, interest rate at 3% and secured by real estate.	<u>1,418,611</u>	<u>1,573,218</u>
Total	125,293,497	123,217,529
Less current portion	<u>(11,798,858)</u>	<u>(10,404,409)</u>
Long term portion	<u>\$ 113,494,639</u>	<u>\$ 112,813,120</u>

**WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

Note 10. Loans Payable (Continued)

<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 11,798,858	\$ 1,889,369	\$ 13,688,227
2023	12,066,901	1,706,244	13,773,145
2024	12,196,114	1,514,919	13,711,033
2025	12,207,366	1,317,342	13,524,708
2026	12,401,731	1,122,976	13,524,707
2027-2031	<u>64,622,527</u>	<u>2,601,620</u>	<u>67,224,147</u>
	<u>\$ 125,293,497</u>	<u>\$ 10,152,470</u>	<u>\$ 135,445,967</u>

Changes in loans payable for the years ended June 30, 2021 and 2020 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
June 30, 2021	<u>\$ 123,217,529</u>	<u>\$ 14,873,521</u>	<u>\$ (12,797,553)</u>	<u>\$ 125,293,497</u>	<u>\$ 11,798,858</u>
June 30, 2020	<u>\$ 122,576,748</u>	<u>\$ 13,057,989</u>	<u>\$ (12,417,208)</u>	<u>\$ 123,217,529</u>	<u>\$ 10,404,409</u>

Note 11. Related Party Transactions with the State of West Virginia

The Authority enters into certain transactions with various agencies of the State of West Virginia for financing, employee benefits, and other services.

Amounts due to other State of West Virginia agencies as of June 30 consisted of the following:

	<u>2021</u>	<u>2020</u>
Balances included in loans payable:		
WV Infrastructure & Jobs Development Council	\$ 2,073,583	\$ 2,890,731
WV Board of Treasury Investments	123,219,914	120,326,798
Balances included in amount due to other State Agencies:		
Lottery Commission	12,847	12,847
Development Office	407,000	340,332
Governor's Office	<u>43,351</u>	<u>43,351</u>
	<u>\$ 125,756,695</u>	<u>\$ 123,614,059</u>

Note 12. Commitments and Contingencies

Commitments to extend credit are agreements between the Authority and borrowers which generally require the borrowers to meet certain conditions regarding the extension of credit and which expire on specified dates. In making these commitments, the Authority evaluates each borrower's creditworthiness. Upon extension of credit, the Authority requires the loan to be collateralized by equipment and/or real estate. At June 30, 2021, the Authority had outstanding commitments to make loans of \$92,193,882. During the year ended June 30, 2020, the Authority amended their funding policy for committed loans. Instead of earmarking BTI or EDA available resources on the commitment list, upon closing of the loan the Authority will determine whether the commitment can be first funded from current EDA funds. The Authority would then borrow any needed funds from the BTI as necessary to satisfy the commitment. Certain qualified loans meet eligibility criteria that are automatically committed to Title IX funds.

The Authority guarantees repayment of portions of certain loans made for economic development purposes under its Loan Insurance Program. These guarantees represent conditional commitments by the Authority to guarantee the performance of a borrower to a third party lender. The Authority annually reviews the outstanding Loan Insurance Program obligations with its established loan loss allowance account, and records a liability if and when the Authority recognizes that a claim is likely. As of June 30, 2021, the Authority's maximum exposure to financial guarantees expiring at various intervals through March 2028, is \$4,189,424. As of June 30, 2021 and 2020, loans of \$7,504,846 and \$7,685,590, respectively, were guaranteed under this program. Since the inception of the Loan Insurance Program, the maximum liability to the Authority, assuming no collateral value, has been less than the specified cash reserves set aside for future claims and liabilities. During the years ended June 30, 2021 and 2020, the Authority did not pay any claims under the Loan Insurance Program.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Authority's operations are heavily dependent on its ability to collect loan and lease repayments and other forms of income consistent with its operations. The outbreak is expected to have a continued adverse impact on economic and market conditions, continuing a period of local and global economic slowdown. As a result, the Authority has granted certain concessions to loan borrowers as of June 30, 2021 and 2020. Under these concession agreements, certain loan payments will be abated, deferred or modified without penalty for various periods, generally for a minimum of three months. The Authority has elected to account for loan concessions and deferrals resulting directly from COVID-19 as though the enforceable rights and obligations to the deferrals existed in the respective contracts at loan inception and will not account for the concessions as loan modifications, unless the concession results in a substantial increase in the debtor's obligations.

Note 12. Commitments and Contingencies (Continued)

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Authority's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the local and global situation on its financial condition, liquidity, operations, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the response to curb its spread, the Authority is not able to estimate the full potential effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity in future periods.

Note 13. Risk Management

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and life coverage; and natural disasters. The State of West Virginia has established the Board of Risk and Insurance Management (BRIM) and the Public Employees Insurance Agency (PEIA) as risk pools to account for and finance uninsured risks of losses for State agencies, institutions of higher education, and component units.

BRIM is a public entity risk pool that provides coverage for general, property, medical malpractice, and automobile liability. PEIA is also a public entity risk pool that provides coverage for employee and dependent health, life and prescription drug insurance. The Authority retains the risk of loss on certain tort and contractor claims in excess of the amount insured or covered by BRIM's insurance carrier.

Through its participation in the PEIA, the Authority has obtained health coverage for its employees. In exchange for payment of premiums to PEIA, the Authority has transferred its risks related to health coverage of its employees.

The Authority carries workers' compensation insurance coverage through a commercial carrier. The carrier is paid a quarterly premium to provide compensation for injuries sustained in the course of employment. In exchange for the payment of premiums, the Authority has transferred its risks for job-related injuries of employees.

There have been no changes in the coverages or amounts of coverage and there have been no claims in excess of coverage related to the Authority's risk management plan for the years ended June 30, 2021 and 2020.

Note 14. 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

Benefits are provided through PERS using a two-tiered system. Effective July 1, 2015, PERS implemented the second tier, Tier II. Employees hired, for the first time, on or after July 1, 2015 are considered Tier II members. Tier I and Tier II members are subject to different regulations.

Tier I: Employees who retire at or after age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80 years or greater, are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of three consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer or, if the employee has less than three years of credited service, the average of the annual rate of compensation received by the employee during the total years of credited service. 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.

Tier II: Employees who retire at or after age 62 with ten or more years of credited service are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of five consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer. Terminated members with at least ten years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 64.

Note 14. Pension Plan (Continued)

Contributions

While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 10.0% for the years ended June 30, 2021, 2020, and 2019, respectively. The employee contribution rate is 4.5% and 6.0% for Tier I and Tier II employees, respectively. The Authority's contribution to the Plan, excluding the employee's contribution paid by the Authority, approximated \$61,109, \$61,714, and \$57,117, for the fiscal years ended June 30, 2021, 2020, and 2019, respectively.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2021 and 2020, the Authority reported a liability of \$207,900 and \$83,651, respectively, for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2021, was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to the measurement date of June 30, 2020. 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, 2020. At June 30, 2020, the Authority's proportion was .039325%, which was an increase of .00042 from its proportion measured as of June 30, 2019.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

Note 14. Pension Plan (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)

For the years ended June 30, 2021 and 2020, the Authority recognized pension expense of \$45,872 and \$29,494, respectively. At June 30, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 65,894	\$ -
Difference between expected and actual experience	30,594	4,286
Changes in assumptions	-	9,160
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	1,710	11,784
The Authority's contributions made subsequent to the measurement date of June 30, 2020	61,109	-
Total	\$ 159,307	\$ 25,230

	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 30,236
Difference between expected and actual experience	3,238	7,306
Changes in assumptions	-	15,357
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	3,227	20,020
The Authority's contributions made subsequent to the measurement date of June 30, 2019	61,714	-
Total	\$ 68,179	\$ 72,919

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
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Note 14. Pension Plan (Continued)

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (Continued)

Deferred outflows of resources related to pensions of \$61,109 resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>		
2022	\$	(15,664)
2023		18,805
2024		34,540
2025		35,287

Actuarial Assumptions

The total pension liability in the June 30, 2020 and 2019 actuarial valuation was determined using the following actuarial assumptions:

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

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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. Target allocations and best estimates of long-term geometric rates of return are summarized in the following table:

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

Note 14. Pension Plan (Continued)

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-term Expected Rate of Return	Weighted Average Expected Real Rate of Return
Domestic equity	27.5%	5.5%	1.60%
International equity	27.5%	7.0%	2.12%
Fixed income	15.0%	2.2%	0.50%
Real estate	10.0%	6.6%	0.61%
Private equity	10.0%	8.5%	0.88%
Hedge funds	10.0%	4.0%	0.44%
Total	100.00%		6.15%
Inflation (CPI)			2.00%
			<u>8.15%</u>

Discount Rate

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

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 7.5 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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability (asset)	\$ 529,702	\$ 207,900	\$ (64,190)

Note 15. Other Post Employment Benefits (OPEB)

Plan Description

The West Virginia Other Postemployment Benefit (OPEB) Plan (the Plan) is a cost-sharing, multiple employer, defined benefit other postemployment 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. Financial activities of the Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State established July 1, 2006 as an irrevocable trust. The Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by PEIA and the RHBT management with the approval of the PEIA Finance Board. The plan provides medical and prescription drug insurance, as well as life insurance, benefits to certain retirees of State agencies, colleges and universities, county boards of education, and other government entities who receive pension benefits under the PERS, STRS, TDCRS, TIAA-CREF, Plan G, Troopers Plan A, or Troopers Plan B pension systems, as administered by the West Virginia Consolidated Public Retirement Board (CPRB). The Plan is closed to new entrants.

The Plan's fiduciary net position has been determined on the same basis used by the Plan. The RHBT is accounted for as a fiduciary fund, and its financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with GAAP for fiduciary funds as prescribed or permitted by the GASB. The primary sources of revenue are plan members and employer contributions. Members' contributions are recognized in the period in which the contributions are due. Employer contributions and related receivables to the trust are recognized pursuant to a formal commitment from the employer or statutory or contractual requirement, when there is a reasonable expectation of collection. Benefits and refunds are recognized when due and payable.

RHBT is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, its financial report is also included in the State of West Virginia's Comprehensive Annual Financial Report. RHBT issues publicly available financial statements and required supplementary information for the OPEB plan. Details regarding this plan and a copy of the RHBT financial report may be obtained at www.peia.wv.gov.

Note 15. Other Post Employment Benefits (OPEB) (Continued)

Benefits Provided

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

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
- External Managed Care Organizations - primarily for Medicare-eligible retirees and spouses

Contributions

Employer contributions from the RHBT billing system represent what the employer was billed during the respective year for its portion of the pay-as-you-go (paygo) premiums, retiree leave conversion billings, and other matters, including billing adjustments.

Paygo premiums are established by the PEIA Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The paygo rates related to the measurement date of June 30, 2020 and 2019 were:

	2020	2019
Paygo premium	<u>\$ 168</u>	<u>\$ 183</u>

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 after July 1, 1997 or hired before 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 annual leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988 to June 30, 2001 may convert accrued sick or annual leave days into 50% of the required retiree healthcare contribution.

Note 15. Other Post Employment Benefits (OPEB) (Continued)

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 to the OPEB plan from the Authority were \$14,400, \$13,944, and \$19,733 for the years ended June 30, 2021, 2020, and 2019, respectively.

Contributions by Nonemployer Contributing Entities in Special Funding Situations

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

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

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

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
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Note 15. Other Post Employment Benefits (OPEB) (Continued)

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

At June 30, 2021, and 2020, 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:

	2021	2020
The Authority's proportionate share of the net OPEB liability	\$ 56,425	\$ 220,240
State's special funding proportionate share of the net OPEB liability associated with the Authority	12,416	45,071
Total portion of net OPEB liability associated with the Authority	\$ 68,841	\$ 265,311

The net OPEB liability reported at June 30, 2021 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. 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, 2020, the Authority's proportion was .0127747%, which is a decrease of .0004993 from its proportion measured as of June 30, 2019.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
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Note 15. Other Post Employment Benefits (OPEB) (Continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB (Continued)

For the years ended June 30, 2021, and 2020, respectively, the Authority recognized OPEB expense of \$(127,443) and \$(81,936) and for support provided by the State under special funding situations revenue of \$10,513 and \$13,352. At June 30, 2021, and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 36,585
Changes in assumptions	-	127,363
Net difference between projected and actual earnings on OPEB plan investments	6,193	1,910
Reallocation of Opt-Out Employer Change in Proportionate share	-	3,552
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	12,909	109,234
The Authority's contributions subsequent to the measurement date of June 30, 2020	14,400	-
Total	\$ 33,502	\$ 278,644

	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 25,686
Change in assumptions	-	44,666
Net difference between projected and actual earnings on OPEB plan investments	1,252	3,628
Reallocation of Opt-Out Employer Change in Proportionate share	54	5,925
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	18,518	187,546
The Authority's contributions subsequent to the measurement date of June 30, 2019	13,944	-
Total	\$ 33,768	\$ 267,451

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
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Note 15. Other Post Employment Benefits (OPEB) (Continued)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB (Continued)

Deferred outflows of resources related to OPEB of \$14,400 resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	\$(132,190)
2023	(80,699)
2024	(42,421)
2025	(4,232)

Note 15. Other Post Employment Benefits (OPEB) (Continued)

Actuarial assumptions

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

Inflation	2.25%
Wage inflation rate	2.75% for PERS and TRS, and 3.25% for Troopers.
Projected salary increases	Specific to the OPEB covered group. Ranging from 2.75% to 5.18% including inflation.
Investment rate of return	6.65%, net of OPEB plan investment expense, including inflation.
Asset valuation method	Investments are reported at fair (market) value.
Healthcare cost trend rates	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2022, 6.50% for plan year end 2023, decreasing by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022, 9.15% for plan year end 2023, 8.40% for plan year end 2024, decreasing gradually each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
Actuarial cost method	Entry Age Normal Cost Method.
Amortization method	Level percentage of payroll over a 20 year closed period.
Remaining amortization period	20 years closed as of June 30, 2017.
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2020 actuarial valuation.
Aging factors	Based on the 2013 SOA Study "Health Care Costs - From Birth to Death." Mortality rates based on PUB-2010 Mortality Tables.
Expenses	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of the annual expense.

Note 15. Other Post Employment Benefits (OPEB) (Continued)

Actuarial assumptions (Continued)

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2015 to June 30, 2020. These assumptions will remain in effect for valuation purposes until such time as the RHBT adopts revised assumptions.

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

The assumption changes include:

- 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.
- 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 SLA conversion rates for members who are eligible to convert sick and annual leave (SAL) balances at retirement and convert SAL balances into OPEB benefits.
- Lapse/Re-entry - Develop net lapse/re-entry rates for members who either lapse coverage after electing healthcare coverage or elect healthcare coverage after waiving coverage.
- Other demographic assumptions - develop termination, disability, and mortality rates based on experience specific to OPEB covered group.
- Salary increase - develop salary increase assumptions based on experience specific to the OPEB covered group.

The long-term expected rate of return of 6.65% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.00% for long-term assets invested with the WV Investment Management Board and an expected short-term rate of return of 2.50% for assets invested with the BTI.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return 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 rates of return by the target asset allocation percentage. Target asset allocations, capital market assumptions (CMA), and forecast returns were provided by the plan's investment advisors, including the West Virginia Investment Management Board (WV-IMB). The projected nominal return for the Money Market Pool held with the BTI was estimated based on the WV-IMB assumed inflation of 2.0% plus a 25 basis point spread.

Note 15. Other Post Employment Benefits (OPEB) (Continued)

Actuarial assumptions (Continued)

The target allocation and estimates of annualized long-term expected real returns assuming a 10-year horizon are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	55%	6.8%
Core plus fixed income	15%	4.1%
Core real estate	10%	6.1%
Hedge Fund	10%	4.4%
Private Equity	10%	8.8%

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% and a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date to the extent benefits are effectively financed on a pay-as-you-go basis. The long-term municipal bond rate used to develop the single discount rate was 3.13% as of the beginning of the year and 2.45% as of the end of the year. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Future pre-funding assumptions include a \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2025, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Subsequent event

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

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

Note 15. Other Post Employment Benefits (OPEB) (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%)
The Authority's proportionate share of the net OPEB liability	\$ 80,469	\$ 56,425	\$ 36,296

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
The Authority's proportionate share of the net OPEB liability	\$ 33,951	\$ 56,425	\$ 83,568

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

Note 16. Conduit Debt Obligations

The Authority has issued Industrial Development Revenue Bonds and Residential Care Facility First Mortgage Revenue Bonds to provide financial assistance to private-sector and governmental entities for the acquisition and construction of commercial and residential care facilities deemed to be in the public interest. The Authority has also issued Revenue Bonds to provide financial assistance to state and local governmental entities for the acquisition and construction of facilities deemed to be in the public interest. All of the bonds are secured by the property financed and revenues generated with the bond proceeds and are payable solely from payments received on the underlying obligations. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector or governmental entity served by the bond issuance. The Authority, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities of the Authority in the accompanying financial statements.

As of June 30, 2021 and 2020, there were 38 and 46 revenue bonds, respectively with principal amounts payable consisting of the following:

	2021	2020
Bonds backed by leases with other State agencies	\$ 321,441,792	\$ 513,102,663
Other bonds outstanding	3,863,813,600	3,583,203,082
	\$ 4,185,255,392	\$ 4,096,305,745

Note 17. New Accounting Pronouncements

Newly Adopted Statements Issued by GASB

The Authority implemented GASB Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2019. This Statement (1) establishes specific criteria for identifying activities that should be reported as fiduciary activities; (2) clarifies whether and how business-type activities should report their fiduciary activities; (3) establishes a custodial fund classification to replace agency funds to eliminate confusion with agencies of the government; (4) provides for the recognition of liabilities only when the government is compelled to disburse the resources; and (5) requires a statement of changes in net position for all fiduciary fund classifications. The adoption of GASB Statement No. 84 did not have a significant impact on the financial statements.

The Authority implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2020. This Statement requires that interest cost incurred before the end of the construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of the construction period will not be included in the historical cost of a capital asset reported in a business type activity or enterprise fund. The adoption of GASB Statement No. 89 did not have a significant impact on the financial statements.

Note 17. New Accounting Pronouncements (Continued)

The Authority implemented GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. This Statement removes LIBOR as an appropriate benchmark to coincide with its cessation at the end of calendar year 2021. The new guidance also addresses accounting and financial reporting implications that result from a change or replacement of any interbank offered rate (IBOR) in both hedging derivative instruments and leases. The standard also identifies appropriate benchmark interest rates for hedging derivatives. The adoption of GASB Statement No. 93 did not have a significant impact on the financial statements.

Recent Statements Issued by GASB

GASB has issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after June 15, 2021. This Statement requires lessees and lessors to report leases under a single model. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources for each lease. This Statement also requires additional notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The Authority has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

GASB has issued Statement No. 91, *Conduit Debt Obligations*, which is effective for fiscal years beginning after December 15, 2021. The requirements of this Statement eliminate the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity or inconsistency. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The Authority has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

GASB has issued Statement No. 92, *Omnibus 2020*, which is effective for fiscal years beginning after June 15, 2021. The requirements of this Statement address a variety of items, including specific provisions regarding the following topics: (1) GASB Statement No. 87 Implementation; (2) intra-entity transfers of assets; (3) postemployment benefits; (4) government acquisitions; (5) risk financing and insurance related activities of public entity risk pools; (6) fair value measurements and derivative instruments. The Authority has not yet determined the effect that the adoption of GASB Statement No. 92 may have on its financial statements.

Note 17. New Accounting Pronouncements (Continued)

GASB has issued Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*, which is effective for fiscal years beginning after June 15, 2022. The requirements of this Statement establish the definitions of PPPs and APAs and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions, but are outside of the scope of Lease or Service Concession Arrangement Guidance. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will require governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. The Authority has not yet determined the effect that the adoption of GASB Statement No. 94 may have on its financial statements.

GASB has issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, which is effective for fiscal years beginning after June 15, 2022. The requirements of this Statement establish a definition for SBITA which is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Generally, this Statement will require a government to recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. The Statement also establishes guidance for the treatment of costs related to SBITA activities other than subscription payments. Those activities are: Preliminary Project Stage, Initial Implementation Stage, and Operation and Additional Implementation Stage. This Statement also requires a government to disclose essential information about the arrangement such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability. The Authority has not yet determined the effect that the adoption of GASB Statement No. 96 may have on its financial statements.

Note 17. New Accounting Pronouncements (Continued)

GASB has issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.*, parts of which were effective immediately, while other provisions are effective for reporting periods beginning after June 15, 2021. The provisions that were immediately effective required that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan that the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform and (2) limits the applicability of the financial burden criterion in GASB Statement No. 84 to defined benefit pension plans and defined OPEB plans administered through trusts. This Statement also requires that an IRC Section 457 Plan be classified as either a pension plan or an other employee benefit plan depending on whether the plan meets the definition of a pension plan and clarifies that arrangements under IRC Section 457 should be assessed as a potential fiduciary activity under GASB Statement No. 84. As part of the supersession of GASB Statement No. 32, this Statement also requires that investments of all Section 457 plans should be measured as of the end of the plan’s reporting period in all circumstances. The portion of GASB Statement No. 97 that was effective immediately did not have a significant impact on the financial statements. The Authority has not yet determined the effect that the adoption of the remaining portions of GASB Statement No. 97 may have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2021

Public Employees Retirement System
 Last 10 Fiscal Years*

	Year Ended June 30						
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Authority's proportion of the net pension liability (asset) (percentage)	0.039325%	0.038905%	0.045977%	0.045458%	0.044215%	0.044515%	0.042673%
Authority's proportionate share of the net pension liability (asset)	\$ 207,900	\$ 83,651	\$ 118,736	\$ 196,216	\$ 406,384	\$ 248,573	\$ 157,492
Authority's covered payroll	\$ 617,140	\$ 571,080	\$ 637,500	\$ 626,980	\$ 609,274	\$ 603,684	\$ 571,445
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.69%	14.65%	18.63%	31.30%	66.70%	41.18%	27.56%
Plan fiduciary net position as a percentage of the total pension liability	92.89%	96.99%	96.33%	93.67%	86.11%	91.29%	93.98%

* - The amounts presented for each fiscal year were determined as of June 30th of the previous year. (Measurement date)

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2021

Public Employees Retirement System
 Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 61,109	\$ 61,714	\$ 57,117	\$ 70,118	\$ 75,237	\$ 82,252	\$ 84,516	\$ 82,859	\$ 77,531
Contributions in relation to the contractually required contribution	<u>(61,109)</u>	<u>(61,714)</u>	<u>(57,117)</u>	<u>(70,118)</u>	<u>(75,237)</u>	<u>(82,252)</u>	<u>(84,516)</u>	<u>(82,859)</u>	<u>(77,531)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 611,090	\$ 617,140	\$ 571,080	\$ 637,500	\$ 626,980	\$ 609,274	\$ 603,684	\$ 571,445	\$ 553,778
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	11.00%	12.00%	13.50%	14.00%	14.50%	14.00%

* - The amounts presented for each fiscal year were determined as of June 30th of the previous year. (Measurement date)

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY
June 30, 2021

Last 10 Fiscal Years*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Authority's proportion of the net OPEB liability (asset) (percentage)	0.012775%	0.013274%	0.010000%	0.010000%
Authority's proportionate share of the net OPEB liability (asset)	\$ 56,425	\$ 220,240	\$ 260,666	\$ 495,130
State's proportionate share of the net OPEB liability (asset)	<u>12,416</u>	<u>45,071</u>	<u>53,873</u>	<u>101,700</u>
Total proportionate share of the net OPEB liability (asset)	\$ 68,841	\$ 265,311	\$ 314,539	\$ 596,830
Authority's covered-employee payroll	\$ 563,117	\$ 525,351	\$ 568,260	\$ 577,507
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	10.02%	41.92%	45.87%	85.74%
Plan fiduciary net position as a percentage of the total OPEB liability	73.49%	39.69%	30.98%	25.10%

* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date).

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority should present information for those years for which information is available.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF OTHER POST-EMPLOYMENT BENEFITS (OPEB) CONTRIBUTIONS
June 30, 2021

Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 14,400	\$ 13,994	\$ 19,733	\$ 26,930	\$ 41,358
Contributions in relation to the statutorily required contribution	<u>(14,400)</u>	<u>(13,994)</u>	<u>(19,733)</u>	<u>(26,930)</u>	<u>(41,358)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 726,805	\$ 563,117	\$ 525,351	\$ 568,260	\$ 577,507
Contributions as a percentage of covered-employee payroll	1.98%	2.49%	3.76%	4.74%	7.16%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Authority should present information for those years for which information is available.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSION
YEAR ENDED JUNE 30, 2021

Changes in Assumptions

An experience study, which was based on the years 2013 through 2018, was approved by the Consolidated Public Retirement Board. As a result, valuation assumptions were changed as of June 30, 2019 to reflect the most recent experience study:

	Projected Salary Increases			Mortality Rates	Withdrawal Rates		
	State	Nonstate	Inflation rate		State	Nonstate	Disability Rates
2020	3.1% - 5.3%	3.35% - 6.5%	3.00%	Active-100% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018; Retired healthy males-108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018; Retired healthy females-122% of Pub-2010 General Retiree Female table, below-median, headcount weighted, projected with scale MP-2018; Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, headcount weighted, projected with scale MP-2018; Disabled females-117% of Pub-2010 General / Disabled Teachers Disabled Female table, headcount weighted, projected with scale MP-2018	2.28-45.63%	2-35.88%	0.005-0.540%
2019	3.1% - 5.3%	3.35% - 6.0%	3.00%	Active-100% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018; Retired healthy males-108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected 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 with scale MP-2018; Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, below-median, headcount weighted, projected with scale MP-2018; Disabled females-118% of Pub-2010 General / Disabled Teachers Disabled Female table, below-median, headcount weighted, projected with scale MP-2018	2.28-45.63%	2-35.88%	0.005-0.540%
2018	3.00% - 4.6%	3.35% - 6.0%	3.00%	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational	1.75-35.10%	2-35.88%	0.007-.675%
2017	3.00% - 4.6%	3.35% - 6.0%	3.00%	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational	1.75-35.10%	2-35.88%	0.007-.675%
2016	3.00% - 4.6%	3.35% - 6.0%	3.00%	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational	1.75-35.10%	2-35.88%	0.007-.675%
2015	3.00% - 4.6%	3.35% - 6.0%	1.90%	Healthy males - 110% of RP-2000 Non-Annuitant, Scale AA; Healthy females - 101% of RP-2000 Non-Annuitant, Scale AA; Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA; Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA	1.75-35.1%	2-35.8%	0-.675%
2014	4.25% - 6.0%	4.25% - 6.0%	2.20%	Healthy males - 1983 GAM; Healthy females-1971; disabled males - 1971 GAM; Disabled females - Revenue ruling 96-7	1-26%	2-31.2%	0-.8%

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OPEB
YEAR ENDED JUNE 30, 2021

Actuarial Changes Other Postemployment Benefits Plan

The actuarial assumptions used in the total OPEB liability calculation can change from year to year. Please see table below which summarizes the actuarial assumptions used for the respective measurement dates.

	Inflation Rate	Salary Increases	Wage Inflation Rate	Investment Rate of Return & Discount Rate	Mortality	Retirement Age	Aging Factors	Expenses	Healthcare Cost Trend Rates
2020	2.25%	Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation	2.75%	6.65%, net of OPEB plan investment expense, including inflation	Post-Retirement: Pub-2010 Below-Median Income General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 106% for males and 113% for females; Pre-Retirement: Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2019	Experience-based table of rates that are specific to the type of eligibility condition	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2022, 6.5% for plan year end 2023, decreasing by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2032. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022, 9.15% for plan year end 2023, 8.40% for plan year end 2024, decreasing gradually each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
2019	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
2018	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.0% and 10.0% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.
2017	2.75%	Dependent upon pension system. Ranging from 3.0% to 6.5%, including inflation	4.00%	7.15%, net of OPEB plan investment expense, including inflation	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis Pre-Retirement: RP– 2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis	Experience-based table of rates that are specific to the type of eligibility condition.	2013 SOA study "Health Care Costs - From Birth to Death"	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of annual expense.	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.5% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.

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 Economic 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 combined financial statements of the West Virginia Economic Development Authority (the Authority), a component unit of the State of West Virginia, as of and for the year ended June 30, 2021, and the related notes to the combined financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 14, 2021. Our report also includes an emphasis of matter paragraph noting that the financial statements of the Authority are intended to present the financial position, the change in financial position, and cash flows of only that portion of the business-type activities of the State of West Virginia that is attributable to the transactions of the Authority. They do not purport to, and do not present fairly the financial position of the State of West Virginia, as of June 30, 2021, the change in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's combined 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 combined financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Suttle & Stalaker, PLLC".

Charleston, West Virginia
October 14, 2021