
**WEST VIRGINIA
ECONOMIC DEVELOPMENT AUTHORITY**

COMBINED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

AND

INDEPENDENT AUDITOR'S REPORTS



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 Audit of the Financial Statements

Opinions

We have audited the accompanying 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, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 10, the pension schedules, other post-employment benefit schedules, and related notes on pages 61 through 66 be presented to supplement the basic combined financial statements. Such information is the responsibility of management and, although not a part of the basic combined 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 combined 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 combined financial statements, and other knowledge we obtained during our audit of the basic combined 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 - Reporting Entity

As discussed in Note 1, the combined financial statements of the Authority are intended to present the financial position, the changes 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, 2023, the changes 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.

Emphasis of Matter - Loan and Equity Investments

As discussed in Note 6, the combined financial statements include loan and equity investments carried at \$6,502,242 at June 30, 2023, whose values have been estimated by the Authority for purposes of evaluating recoverability or whether other than temporary declines in value have occurred. These valuations include significant inherent uncertainty, due to the absence of readily ascertainable market values and because recoverability is highly dependent upon future events. Therefore, those estimated values may differ significantly from the values that would have been used had a ready market existed, and the differences could be material. 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 November 1, 2023, on our consideration of the Authority's internal control over financial reporting and 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.



Charleston, West Virginia
November 1, 2023

**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 Jobs Investment Trust (the Trust), West Virginia Enterprise Advancement Corporation (WVEAC) and West Virginia Enterprise Capital Fund (WVECF) collectively referred to as "the Authority." Senate Bill 523 transferred management, administration, oversight, and responsibility of the West Virginia Jobs Investment Trust to the Authority beginning July 1, 2022 and therefore is presented as a part of the Authority beginning fiscal year 2023. The annual combined financial report presents our discussion and analysis of the Authority for fiscal years ended on June 30, 2023 and 2022. 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 \$683.84 million for the year ended June 30, 2023.
- Total assets increased by approximately \$1,080.16 million for the year ended June 30, 2023.
- Total liabilities increased by approximately \$384.28 million for the year ended June 30, 2023.
- Loan and lease originations for the year totaled approximately \$28.10 million for the year ended June 30, 2023.

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 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 Fund 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)

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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, 2023 and 2022.

	(in millions)		% Change
	2023	2022	FY 23-22
Current assets	\$ 1,193.95	\$ 95.32	1,152.57
Capital assets, net	16.69	29.12	(42.69)
Other noncurrent assets	180.19	186.23	(3.24)
Total assets	1,390.83	310.67	347.69
Deferred outflows of resources	0.41	0.27	51.85
Total assets and deferred outflows of resources	\$ 1,391.24	\$ 310.94	347.43
Current liabilities	\$ 483.22	\$ 10.87	4,345.45
Noncurrent liabilities	18.75	106.82	(82.45)
Total liabilities	501.97	117.69	326.52
Deferred inflows of resources	0.10	0.70	(85.71)
Total liabilities and deferred inflows of resources	502.07	118.39	324.08
Net position:			
Net investment in capital assets	16.69	29.12	(42.69)
Restricted	24.44	15.80	54.68
Unrestricted	848.04	147.63	474.44
Total net position	889.17	192.55	361.79
Total liabilities, deferred inflows of resources, and net position	\$ 1,391.24	\$ 310.94	347.43

The Authority's overall net position increased by approximately \$683.84 million for the year ended June 30, 2023. Net position increased by approximately \$14.59 million for the year ended June 30, 2022. Total assets increased by approximately \$1,080.16 million for the year ended June 30, 2023 and increased approximately \$5.99 million for the year ended June 30, 2022.

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 2023 and 2022.

	(in millions)		% Change
	2023	2022	FY 23-22
Operating revenues:			
Interest on loans	\$ 3.89	\$ 5.48	(29.01)
Income from loan and equity investments	2.08	-	100.00
Lease revenues	1.23	1.49	(17.45)
Other revenues	0.51	2.55	(80.00)
Total operating revenues	7.71	9.52	(19.01)
Operating expenses:			
Administrative	12.74	1.20	961.67
Depreciation	0.09	0.57	(84.21)
Grants disbursed	10.00	-	100.00
Provision for loan losses	29.02	0.28	10,264.29
Losses on loan and equity investments	0.22	-	100.00
Total operating expenses	52.07	2.05	2,440.00
Operating income (loss)	(44.36)	7.47	(693.84)
Nonoperating revenues(expenses):			
Earnings on invested cash	24.03	(0.46)	(5,323.91)
Interest expense	(0.50)	(1.80)	(72.22)
CARES Act	-	9.39	(100.00)
Payments made on behalf of the Authority	(0.03)	(0.01)	(200.00)
Distributions from the State of West Virginia	705.00	-	100.00
Gain (loss) on disposal of real estate	(0.30)	-	(100.00)
Total nonoperating revenues	728.20	7.12	10,127.53
Change in net position	683.84	14.59	4,587.05
Net position, beginning of year	192.55	177.96	8.20
Restatement - WVJIT	12.78	-	100.00
Net position, beginning of year as restated	205.33	177.96	15.38
Net position, end of year	\$ 889.17	\$ 192.55	361.79

Within the Authority's activities, the primary revenue sources are interest income on active loans and lease revenue. During fiscal year 2023, approximately \$705.00 million was received from the State of West Virginia. Total revenues exceeded total expenses by \$683.84 million and \$14.59 million for the years ending June 30, 2023 and 2022, respectively.

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

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FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

During 2023, the Authority had no write-offs of uncollectible loans. The allowance for loan loss is 22.1% of the total loan portfolio at June 30, 2023.

During 2022, the Authority had write-offs of uncollectible loans of \$81,480, or 0.056% of the total loans. The allowance for loan loss is 5.48% of the total loan portfolio at June 30, 2022.

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 decreased by approximately \$97.97 million. This was primarily related to paying off the 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 fiscal year 2023 totaling approximately \$28.10 million, with the Authority receiving approximately a \$7.6 million increase in notes payable from the West Virginia Board of Treasury Investments to provide loan insurance for broadband projects.

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

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

Senate Bill 523 was passed during the 2022 regular session, which impacted the Authority. Effective July 1, 2022, the West Virginia Jobs Investment Trust Board was terminated and as of that date, all funds of the West Virginia Jobs Investment Trust shall be governed, administered, and accounted for by the Authority as a special purpose account separate and distinct from any other moneys, fund, or funds owned or managed by the Authority.

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

10

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

Additionally, Senate Bill 2001 was passed during the 2022 second extraordinary session, which impacted the Authority. In August of 2023, the Authority received an appropriation from the State of West Virginia in the amount of \$600 million as part of the State's fiscal year 2022 budget bill. This appropriation is to be used as funding for infrastructure and economic development projects in the state; discontinuing the revolving loan from the Board of Treasury Investments to the Authority; establishing a special revenue fund to receive moneys appropriated to the Authority; allowing the Authority to invest the moneys in the fund; providing that a certain amount of moneys in the fund be used for high impact economic development projects; establishing accounting and auditing standards related to the fund; establishing project status reporting requirements related to the fund; and providing that documents and materials related to high impact economic development projects are exempt from certain provisions of the code, except that certain required records and reports and final agreements or resolutions of the Authority are not exempt from certain provisions of the code.

The Authority received another legislative appropriation in the amount of \$482 million as a result of HB 2883 on April 13, 2023. The HB 2883 appropriation was made from American Rescue Plan Act funds available through the State's Coronavirus State Fiscal Recovery Fund. Due to the appropriation being made from federal funds, the \$482 million is reported as deferred revenue on the Authority's combined statement of net position until the funds are expended. HB 2882 appropriated another \$105 million to the Authority that was received on May 15, 2023 and was intended to be used for Form Energy's new battery manufacturing facility. The new battery manufacturing plant is expected to create a minimum of 750 new full-time jobs and will represent a total investment of up to \$760 million, including \$290 million from the Authority.

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 STATEMENT OF NET POSITION
JUNE 30, 2023

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ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS

Cash and cash equivalents	\$ 1,170,776,473
Restricted cash due to others	301,627
Investments	1,480,621
Current portion of loans receivable	10,859,360
Current portion of investment in direct financing leases	4,827,706
Accrued interest receivable	5,692,761
Accounts receivable, net of allowance	4,421
Prepaid expenses	5,778
Total current assets	<u>1,193,948,747</u>

NONCURRENT ASSETS

Restricted cash and cash equivalents	24,442,473
Loans receivable, net of allowance, less current portion	119,744,867
Investment in equity	5,343,496
Investment in loans, net of allowance	1,158,746
Investment in direct financing leases, less current portion	29,497,082
Real estate, property, and equipment, less accumulated depreciation	16,688,857
	<u>196,875,521</u>
Total assets	<u>1,390,824,268</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources related to pension	328,775
Deferred outflows of resources related to OPEB	80,045
	<u>408,820</u>
Total assets and deferred outflows of resources	<u>\$ 1,391,233,088</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 164,843
Accrued interest payable	30,388
Amounts due to other State agencies	596,529
Deferred revenue	482,000,000
Current portion of compensated absences	73,111
Current portion of loans payable	353,077
Total current liabilities	<u>483,217,948</u>

NONCURRENT LIABILITIES

Other noncurrent liabilities	281,780
Compensated absences, less current portion	71,164
Loans payable, less current portion	18,250,194
Net pension liability	119,778
Net OPEB liability	23,984
	<u>18,746,900</u>
Total liabilities	<u>501,964,848</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources related to pension	919
Deferred inflows of resources related to OPEB	99,466
	<u>100,385</u>

Net position:

Investment in capital assets	16,688,857
Restricted	24,442,473
Unrestricted	848,036,525
Total net position	<u>889,167,855</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 1,391,233,088</u>

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

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2023

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OPERATING REVENUES

Interest on loans	\$ 3,889,440
Income from loan and equity investments	2,082,318
Lease revenue	1,231,425
Other	504,848

Total operating revenues	7,708,031
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OPERATING EXPENSES

Administrative	12,740,045
Depreciation	91,651
Grant disbursements	10,000,000
Provision for (recoveries of) loan losses	29,023,896
Losses on loan and equity investments	217,662
Total operating expenses	52,073,254

Operating income (loss)	(44,365,223)
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NONOPERATING REVENUE (EXPENSE)

Net, earnings on cash and investments	24,033,996
Interest expense	(499,072)
Payments made on behalf of the Authority	(26,444)
Distributions from the State of West Virginia	705,000,000
Net gain(loss) on disposal of real estate	(303,587)

Total nonoperating revenue	728,204,893
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Change in net position	683,839,670
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NET POSITION, beginning of year	205,328,185
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NET POSITION, ending	\$ 889,167,855
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The accompanying notes are an integral part of these financial statements.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
COMBINED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023

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OPERATING ACTIVITIES	
Cash receipts from lending, leasing, and investing activities	\$ 19,375,575
Cash receipts from other activities	564,944
Cash payments for:	
Grants	(10,000,000)
Loans and leases originated	(28,102,596)
Administrative expenses	(12,915,247)
Net cash used in operating activities	<u>(31,077,324)</u>
NON-CAPITAL FINANCING ACTIVITIES	
Proceeds from loans payable	22,728,462
Principal payments on loans payable	(120,694,288)
Distributions received from the State of West Virginia	705,000,000
American Rescue Plan Act proceeds	482,000,000
CARES Act proceeds	1,377,643
Interest paid	(499,072)
Net cash provided by non-capital financing activities	<u>1,089,912,745</u>
CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of real estate and equipment	(1,946,761)
Proceeds from disposal of real estate and equipment	<u>14,018,612</u>
Net cash provided by capital and related financing activities	<u>12,071,851</u>
INVESTING ACTIVITIES	
Net interest earnings	<u>24,086,769</u>
Net cash provided by investing activities	<u>24,086,769</u>
Net increase in cash and cash equivalents	1,094,994,041
CASH AND CASH EQUIVALENTS, beginning	<u>100,526,532</u>
CASH AND CASH EQUIVALENTS, ending	<u><u>\$ 1,195,520,573</u></u>
CASH AND CASH EQUIVALENTS include the following balances from the Combined Statement of Net Position	
Cash and cash equivalents	\$ 1,170,776,473
Restricted cash due to others	301,627
Restricted cash and cash equivalents	<u>24,442,473</u>
	<u><u>\$ 1,195,520,573</u></u>
Reconciliation of operating income (loss) to net cash used in operating activities	
Operating income (loss)	\$ (44,365,223)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:	
Loans and leases originated	(28,102,596)
Principal collected on loans	6,333,315
Collections on net investment in direct financing leases	7,125,507
Depreciation	91,651
Provision for loan and lease losses	29,023,896
Recoveries	37,678
Losses on loan and equity investments	217,662
OPEB expense - special funding	(26,444)
Changes in operating accounts:	
(Increase) decrease in accrued interest receivable	627,443
(Increase) decrease in due from others	60,096
(Increase) decrease in loan and equity investments	(1,951,551)
(Increase) decrease in deferred outflows from pension	(12,895)
(Increase) decrease in deferred outflows from OPEB	(4,352)
Increase (decrease) in accounts payable	84,126
Increase (decrease) in accrued interest payable	(118,735)
Increase (decrease) in amounts due to other State agencies	66,666
Increase (decrease) in compensated absences	(1,700)
Increase (decrease) in net pension liability	713,718
Increase (decrease) in net OPEB liability	29,441
Increase (decrease) in deferred inflows pension	(771,774)
Increase (decrease) in deferred inflows OPEB	<u>(133,253)</u>
Net cash used in operating activities	<u><u>\$ (31,077,324)</u></u>
Supplemental disclosure of cash flow information:	
Investee loan balances converted to equity investments	\$ 1,889,563
Loss on disposal of real estate and equipment	(303,587)

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

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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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 Jobs Investment Trust, the West Virginia Enterprise Advancement Corporation, and the West Virginia Enterprise Capital Fund.

**WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023**

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

Description of entities (Continued)

West Virginia Jobs Investment Trust (the Trust)

The West Virginia Jobs Investment Trust is a public body corporate created under the provisions of Article 7, Chapter 12 of the West Virginia Code, as amended, and known as the Jobs Investment Trust Act. The mission of the Trust is to develop, promote, and expand the West Virginia economy by making investment funds available to eligible businesses, thus stimulating economic growth and providing or retaining jobs within the State of West Virginia.

On March 5, 2022 the West Virginia legislature passed and the governor signed Senate Bill 523 which went into effect on June 5, 2022. The Bill effectively terminates the historical Board of the West Virginia Jobs Investment Trust and transfers the management, administration, oversight, and responsibility of the Trust to the WVEDA. As a result, the fiscal financial reporting responsibility was transferred to the WVEDA from the previous fiscal agent, the West Virginia Housing Development Fund, on July 1, 2022.

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

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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

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.

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, the valuation of investments in loans and equity, 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.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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

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.

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.

Investments in loans and equity

The Trust invests in entities by providing loans and capital in the form of equity investments. Equity investments in non-consolidated investee entities are accounted for using the equity method or cost basis depending upon the level of ownership and/or the Authority's ability to exercise significant influence over the operating and financial policies of the investee. Equity investments owned less than 20 percent are recorded using the cost basis and equity investments in more than 20 percent of the outstanding stock of the investees are accounted for using the equity method. There are no consolidated investee entities that require consolidation under GAAP. When the equity method is used, equity investments are recorded at original cost and adjusted periodically to recognize the Authority's proportionate share of the investees' net income or losses after the date of investment, as well as by any dividend received. When net losses from an investment accounted for under the equity method exceed its carrying amount, the investment balance is reduced to zero and additional losses are not provided for. The Authority resumes accounting for the investment under the equity method if the entity subsequently reports net income and the Authority's share of that net income exceeds the share of net losses not recognized during the period the equity method was suspended. Investments are written down only when there is clear evidence that a decline in value that is other than temporary has occurred. Dividends from equity investments carried at cost are recognized as revenue when received. Investments are regularly evaluated for declines in carrying value considered to be other than temporary by management. Because of uncertainties in the estimation process, estimated values may change in the near term and those changes may be material.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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

Investments (Continued)

Loans to investees are stated at unpaid principal balances, net of any reserve for loan losses based upon a specific identification method as approved by the Board of Directors. Applied loan loss reserves reflect management's and the Board of Directors judgement of probable loan losses inherent in the investee portfolio at the statement of net position date. The Board of Directors uses at least an annual process to establish the reserve for loan losses. The evaluation process used by management and the Board of Directors relies on a consistent analysis of investee loans, significant judgment in determining the estimation method that fits the characteristics of each investee loan, including responses to changes in economic conditions, financial condition, leadership in investee organizations, business and product development, and any collateral, among other influences. From time to time, events or other factors may also affect the analysis of investee loan balances. Additions to loan loss reserves are reflected in the statement of revenues, expenses, and changes in net position as losses on loan and equity investments. Interest on loans is recognized over the term of the loan and is calculated using the stated or modified terms on each applicable loan based on principal amounts outstanding. Loans made by the Trust involve venture risks not normally associated with commercial lending, including loans to development stage companies, and are considered investments in the entities that have the potential to be converted to equity interests at a later date. Accordingly, the Trust's investments in loans are reported separately from the Authority's loans receivable related to traditional commercial lending activities on the statement of net position.

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.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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

Allowance for loan and credit losses (Continued)

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.

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 statement of net position.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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

Deferred outflows of resources / deferred inflows of resources (Continued)

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 statement of net position.

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.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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

Pension

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

Postemployment benefits other than pensions (OPEB)

For purposes of measuring the net OPEB liability (asset), 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.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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Note 2. Cash and Cash Equivalents

At June 30, 2023, the carrying amount of deposits with financial institutions, the STO, and the BTI were as follows:

	<u>2023</u>
Deposits:	
WV Money Market Pool at BTI	\$ 1,166,837,707
WV Government Money Market Pool at BTI	4,312,353
WV Short Term Bond Pool at BTI	19,097,305
Cash held at State Treasurer's Office	5,271,787
Cash held at outside financial institutions	<u>1,421</u>
	<u>\$ 1,195,520,573</u>

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).

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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Note 2. Cash and Cash Equivalents (Continued)

Credit risk (Continued)

At June 30, 2023, the WV Money Market Pool investments had a total carrying value of \$9,859,129,000, of which the Authority's ownership represents 11.8%. The following table provides information on the credit ratings of the WV Money Market pool's investments (in thousands):

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

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

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.

At June 30, 2023, the WV Government Money Market Pool investments had a total carrying value of \$374,978,000, of which the Authority's ownership represents 1.2%. The following table provides information on the credit ratings of the WV Government Money Market pool investments (in thousands):

Security Type	Rating	Carrying Value (In Thousands)	Percent of Pool Assets
U.S. Treasury notes*	AA+	\$ 11,997	2.20%
U.S. Treasury bills*	A-1+	3,949	1.06
U.S. agency bonds and notes	AA+	49,500	13.19
U.S. agency discount notes	A-1+	146,775	39.14
Money market funds	AAAm	257	0.07
Repurchase agreements (underlying securities):			
U.S. Treasury bonds and notes*	AA+	85,000	22.67
U.S. Agency bonds and notes	AA-	77,500	20.67
		<u>\$ 374,978</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.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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Note 2. Cash and Cash Equivalents (Continued)

Credit risk (Continued)

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).

At June 30, 2023, the WV Short Term Bond Pool investments had a total carrying value of \$701,550,000, of which the Authority's ownership represents 2.7%. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

Security Type	Rating	Carrying Value	Percent of Pool Assets
U.S. Treasury notes*	AA+	\$ 139,870	19.94%
U.S. government agency bonds	AA+	2,351	0.34
U.S. agency collateralized mortgage obligations			
U.S. government guaranteed*	AA+	7,288	1.04
Non- U.S. government guaranteed	AA+	864	0.12
Corporate fixed- and floating-rate bonds and notes	AAA	5,776	0.82
	AA+	5,220	0.74
	AA	6,279	0.90
	AA-	17,640	2.51
	A+	51,316	7.32
	A	57,546	8.20
	A-	103,749	14.81
	BBB+	44,723	6.37
	BBB	21,770	3.10
	BBB-	41,697	5.94
	BB+	3,505	0.50
	NR	11,189	1.59
Collateralized mortgage obligations	AAA	3,071	0.44
	NR	10,606	1.51
Municipal Securities	AAA	9,010	1.28
	AA+	12,571	1.79
	AA	11,095	1.58
	AA-	7,693	1.10
	NR	2,764	0.39
Asset-backed securities	AAA	97,491	13.90
	NR	17,814	2.54
Money market funds	AAAm	8,652	1.23
		<u>\$ 701,550</u>	<u>100.00%</u>

NR = Not Rated

* U.S. Treasury 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
YEAR ENDED JUNE 30, 2023

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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, 2023:

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

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	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury notes	\$ 11,997	3
U.S. Treasury bills	3,949	90
U.S. Agency bonds and notes	49,500	3
U.S. Agency discount notes	146,775	36
Repurchase agreements	162,500	3
Money market funds	257	3
	<u>\$ 374,978</u>	17

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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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 +/- 30 percent band around the effective duration of the portfolio's benchmark (the ICE BofAML 1-3 US Corporate & Government Index). As of June 30, 2023, the effective duration of the benchmark was 672 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	Carrying Value (In Thousands)	Effective Duration (Days)
U.S. Treasury notes	\$ 139,870	709
U.S. government agency bonds	2,351	530
U.S. agency collateralized mortgage obligations	8,152	63
Corporate fixed-rate bonds and notes	355,045	660
Corporate floating-rate bonds and notes	15,365	(39)
Corporate mortgage-based securities	13,677	346
Municipal securities	43,133	374
Asset-backed securities	115,305	618
Money market funds	8,652	-
	<u>\$ 701,550</u>	609

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.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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Note 2. Cash and Cash Equivalents (Continued)

Other Risks of Investing (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

Investments consist of the following at June 30, 2023:

WVEDA – American Woodmark at BTI	\$ <u>1,480,621</u>
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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.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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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, 2023 were as follows (there were no Level 2 or Level 3 investments):

	Level 1 Quoted Price in Active Market
U.S. Treasury Bond	\$ 1,480,621

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 13 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 \$24,442,473 at June 30, 2023.

Note 6. Investments in Loans and Equity Securities of Investee Companies (the Trust)

In accordance with the mission of the Trust, the investments in loans and equities described below provide capital to companies involved in job producing economic development activities. These transactions involve venture risks not normally associated with commercial lending and investing, including loans and equity interests in development stage companies. In most cases, judgement as to recoverability or valuation are highly dependent upon intangibles such as patents, unique technologies or processes, or inventions rather than the recent financial results of the investee companies, many of whom may have yet to yield significant revenues or are experiencing operating losses. Future events including among other things, the ability of the investee companies to raise capital from outside investors, commence production, or acquire customer contracts, will be key to recoverability. The Authority has considered these factors in determining whether or not loans are collectible or whether other than temporary impairment of investments has occurred.

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Note 6. Investments in Loans and Equity Securities of Investee Companies (the Trust) (Continued)

The following is a reconciliation of the beginning and ending balances for investments in loans and equities during the year ended June 30, 2023.

Balance, June 30, 2022	<u>\$ 4,768,353</u>
Total gains or losses (unrealized/realized) included in earnings and repayments on investments	(260,674)
Purchases, issuances, and settlements	<u>1,994,563</u>
Balance, June 30, 2023	<u>\$ 6,502,242</u>

Loans and equity investments consisted of the following at June 30, 2023:

Loans:	Principal or Shares	Carrying Value
AmeriCarbon, LLC 7% note, due January 31, 2025	500,000	\$ 500,000
Greenbrier Technical Services, Inc. 8% note, due December 30, 2023 (extended from original due date of April 19, 2017)	141,661	141,661
EcoC2 Industries, LLC 7% note, due February 11, 2024	100,000	100,000
SIOX, LLC 8% note, due December 1, 2023 (extended from original due date of March 30, 2019)	135,754	135,754
Wright Wold Scientific, LLC 10% note, due September 30, 2024 (extended from original due date of January 31, 2022)	125,000	125,000
West Virginia Laboratories, LLC 8% note, payable from revenue agreement, due September 30, 2026	156,331	<u>156,331</u>
		<u>\$ 1,158,746</u>

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Note 6. Investments in Loans and Equity Securities of Investee Companies (the Trust) (Continued)

Equities:	Principal or Shares	Carrying Value
American Benefit Corporation Series A preferred stock	825	\$ 699,650
Crosscutting Concepts, LLC Common and Series A preferred stock*	616,139	150,244
ABC Holding Company Common stock	517	499,230
Endolumik Series A-1 preferred stock	63,286	705,000
InspectionGo, Inc. Series A-2 preferred stock	7,430,771	1,038,823
Valtari Bio (formerly CereDx, Inc.) Series A preferred stock	27,385	354,808
Core10, Inc. Series A preferred stock	68,750	545,000
Realx Ventures, Inc. Common and preferred stock	180,845	<u>1,350,741</u>
		<u><u>\$ 5,343,496</u></u>

* Reported on the equity method. The Trust has a 37.50% ownership in the company.

American Benefit Corporation provides comprehensive support related to employee benefit, actuarial, and pension services.

ABC Holding Company was formed in December 2013 following ABC's acquisition of Cincinnati-based TPA, Stoner & Associates. ABC provides intelligent planning, management, and administrative support on employee health plans.

Note 6. Investments in Loans and Equity Securities of Investee Companies (the Trust) (Continued)

Crosscutting Concepts, LLC, formerly known as Vandalia Science Education, develops, designs, manufactures, markets, and distributes innovative hands-on science education products for high school and post-secondary education.

Greenbrier Technical Services, Inc. (GTS), founded in 1989, provides engineering solutions to the banking, elevator equipment and mining industries. The Company has two major components: manufacturing and repair. GTS manufactures replacement parts, repairs printed circuit boards and modules, provides parts sourcing services, engineering and reverse engineering services. GTS has a flexible manufacturing facility capable of fulfilling orders in quantities from one to thousands.

Valtari Bio (formerly CereDx, Inc.) is focused on advancing the treatment of strokes through the development of next-generation precision diagnostics and therapeutics. The development of the Company's two key diagnostic tests could advance current diagnostic treatment paths in ER's, EMS vehicles, urgent care facilities and primary care offices. These tests are expected to provide a clear diagnosis in twenty minutes or less.

SIOX, LLC, a Delaware Limited Liability Corporation, is developing a simple low cost process for acquiring and manufacturing high purity synthetic magnetite. Magnetite is one of three common naturally occurring iron oxides and is the most magnetic of all the naturally occurring minerals on earth. Applications for magnetite include, but are not limited to, automotive brakes, batteries, fertilizer and paints.

EcoC2 Industries, LLC is a company poised to lead economic decarbonization of plastics manufacturing, one of the most significant sources of man-made greenhouse gas emissions on the planet. This dramatic impact is made possible by the convergence of the following forces: (i) development of the Company's proprietary technology, which employs patent-pending innovation built upon decades of industry-wide research; (ii) opportune timing in the shale gas development cycle; and (iii) market-driven and political prioritization on environmental sustainability.

Core10, Inc. is a 100% U.S. based software development company that creates financial technology solutions for the banking, healthcare, insurance and retail sectors, among others. Shared between Tennessee and West Virginia, the talent base provided by Core 10 is very highly regarded while mitigating problems associated with off shoring. The Company is headquartered in Nashville, TN with an innovation center in Huntington, WV. The new innovation center enables the Company to compete with traditional IT outsourcing by offering high level product design on a very competitive pricing model.

Wright Wold Scientific, LLC (dba SwiftTag) is a West Virginia based Limited Liability Corporation. SwiftTag began to develop a streamlined process for inventory and identification of laboratory animals. The SwiftTag system used RFID technology to seamlessly integrate animal tagging and tracking in an efficient and hands-off manner. The information gathered through the RFID tag can be sent to a digital receiving unit to be uploaded into a software system.

Note 6. Investments in Loans and Equity Securities of Investee Companies (the Trust) (Continued)

InspectionGo, Inc. is a privately held company located in Morgantown, West Virginia. The company has developed the "iGO" platform to help home inspection companies with all their core business needs. The following services are available: mobile booking platform ("iGO Demand"), bookkeeping services ("iGO Accounting/Services"), training ("iGO Academy"), and a community to provide marketing strategies as well as coaching from other successful companies ("iGO Community").

RealX Ventures, Inc. is a SaaS company that operates the nation's first and largest exchange to connect landowners with energy developers who want to lease or purchase property for solar and wind. Over 6 million acres and 100K + commercial rooftops will be leased/purchased over the next decade to reach the Country's renewable energy goals (50% by 2050).

West Virginia Laboratories, LLC. (WV Labs) is a start-up, for-profit business in Charleston, WV that is committed to becoming a trusted leader in service excellence and innovative quality solutions within the clinical laboratory service industry. The mission of WV Labs is to bring critical lifesaving services, advanced technology, and innovative solutions to underserved communities. Their vision is a connected WV healthcare system in which streamlined data collection and sharing improves patient outcomes and the overall health of the population. Ultimately, their goal is to interrupt the progression of disease, treat it more effectively, find cures, and prevent it.

AmeriCarbon, LLC (AmeriCarbon) was formed for the purpose of revolutionizing the coal tar pitch industry. Traditionally, firms harvest coal tar pitch as a byproduct of coking ovens in the steel-making process. AmeriCarbon produces their proprietary eco-pitch through direct coal liquefaction, a process that bypasses the predominantly offshore steel industry and creates highly refined coal tar pitch with quality levels exceeding normative industry standards. AmeriCarbon's processes onshore critical American supply chain components while increasing pitch quality.

Endolumik has created a surgical device that offers a novel solution to a pressing problem in sleeve gastrectomy procedures used to combat obesity.

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Note 7. Loans

Loans by class are summarized as follows at June 30, 2023:

Commercial:	
Real estate	\$ 68,335,653
Real estate and equipment	11,238,173
Equipment	7,037,878
Service:	
Real estate	12,979,809
Real estate and equipment	2,239,445
Equipment	187,827
Other	2,020,199
Industrial:	
Real estate	34,695,300
Real estate and equipment	10,102,585
Equipment	6,903,735
Other	<u>11,925,197</u>
Total loans	167,665,801
Less allowance for loan loss	<u>(37,061,574)</u>
Loans receivable net of allowance	130,604,227
Less current portion	<u>(10,859,360)</u>
Noncurrent loans receivable	<u><u>\$119,744,867</u></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.

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Note 8. 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 at June 30, 2023, segregated by class of loans:

	30-59 Days Past Due	60-89 Days Past Due	90 Days Or More Past Due	Total Past Due	Current	Total Loans Receivable	90 Days Or More and Accruing
Secured by real estate:							
Commercial	\$ -	\$ -	\$ 914,211	\$ 914,211	\$ 67,421,442	\$ 68,335,653	\$ 914,211
Service	-	-	7,057,026	7,057,026	5,922,783	12,979,809	7,057,026
Industrial	1,190,296	-	1,428,690	2,618,986	32,076,314	34,695,300	-
Secured by equipment:							
Commercial	-	-	12,603	12,603	7,025,275	7,037,878	12,603
Service	-	-	-	-	187,827	187,827	-
Industrial	-	-	571,378	571,378	6,332,357	6,903,735	571,378
Secured by real estate & equipment:							
Commercial	-	-	2,515,658	2,515,658	8,722,515	11,238,173	2,515,658
Service	-	-	-	-	2,239,445	2,239,445	-
Industrial	-	-	106,117	106,117	9,996,468	10,102,585	106,117
Other							
Service	-	-	-	-	2,020,199	2,020,199	-
Industrial	-	-	-	-	11,925,197	11,925,197	-
Total	\$ 1,190,296	\$ -	\$ 12,605,683	\$ 13,795,979	\$ 153,869,822	\$ 167,665,801	\$ 11,176,993

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Note 8. Loan Credit Quality (Continued)

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 June 30, 2023:

Secured by real estate:

Industrial	<u>\$ 2,669,334</u>
Total	<u><u>\$ 2,669,334</u></u>

There were no loans modified as TDRs during the year ended June 30, 2023.

There have been no loans modified as TDRs within the previous twelve months that have subsequently defaulted as of June 30, 2023.

As of June 30, 2023, 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.

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.

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Note 8. Loan Credit Quality (Continued)

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.

The following table sets forth the Authority's credit quality indicators information at June 30, 2023, segregated by class of loans (there were no loans graded as loss):

	Pass	Special Mention	Sub- Standard	Doubtful	Total
Secured by real estate:					
Commercial	\$ 19,766,624	\$ 25,763,245	\$ 310,859	\$ 22,494,925	\$ 68,335,653
Service	5,922,783	-	7,057,026	-	12,979,809
Industrial	30,779,574	1,246,392	2,669,334	-	34,695,300
Secured by equipment:					
Commercial	7,025,275	-	12,603	-	7,037,878
Service	187,827	-	-	-	187,827
Industrial	5,375,280	70,219	886,858	571,378	6,903,735
Secured by real estate and equipment:					
Commercial	5,015,516	3,706,999	2,515,658	-	11,238,173
Service	2,239,445	-	-	-	2,239,445
Industrial	9,996,468	-	106,117	-	10,102,585
Other					
Service	2,020,199	-	-	-	2,020,199
Industrial	-	11,925,197	-	-	11,925,197
Total	<u>\$ 88,328,991</u>	<u>\$ 42,712,052</u>	<u>\$ 13,558,455</u>	<u>\$ 23,066,303</u>	<u>\$ 167,665,801</u>

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Note 8. 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 at June 30, 2023, segregated by class of loans (there were no amounts of recognized interest income on these loans):

	Unpaid Principal Balance	Related Allowance
With an allowance recorded:		
Secured by real estate:		
Commercial	\$ 47,821,529	\$23,881,574
Service	7,057,026	3,600,000
Industrial	3,452,190	1,720,000
Total secured by real estate	<u>\$ 58,330,745</u>	<u>\$29,201,574</u>
Secured by equipment:		
Commercial	\$ 12,603	\$ 10,000
Service	-	-
Industrial	1,528,456	950,000
Total secured by equipment	<u>\$ 1,541,059</u>	<u>\$ 960,000</u>
Secured by Both:		
Commercial	\$ 6,222,657	\$ 1,850,000
Service	-	-
Industrial	106,117	70,000
Total secured by both	<u>\$ 6,328,774</u>	<u>\$ 1,920,000</u>
Secured by Other:		
Industrial	\$ 11,925,197	\$ 200,000
Total secured by other	<u>\$ 11,925,197</u>	<u>\$ 200,000</u>

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Note 9. 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 for the inherent imprecision in the allowance for credit losses analysis. During the year ended June 30, 2023, 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 \$37,061,574 adequate to cover loan losses inherent in the loan portfolio as of June 30, 2023. The following table presents by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans at June 30, 2023.

	Commercial	Service	Industrial	Unallocated	Total
Allowance for credit losses:					
Beginning balance	\$ 1,475,000	\$ 350,000	\$ 2,490,000	\$ 3,685,000	\$ 8,000,000
Charge-offs	-	-	-	-	-
Recoveries	7,572	-	30,106	-	37,678
Provision	24,259,002	3,250,000	419,894	1,095,000	29,023,896
Ending balance	<u>\$25,741,574</u>	<u>\$ 3,600,000</u>	<u>\$ 2,940,000</u>	<u>\$ 4,780,000</u>	<u>\$ 37,061,574</u>
Ending balance: Individually evaluated for impairment	<u>\$25,741,574</u>	<u>\$ 3,600,000</u>	<u>\$ 2,940,000</u>	<u>\$ -</u>	<u>\$ 32,281,574</u>
Ending balance: Collectively evaluated for impairment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,780,000</u>	<u>\$ 4,780,000</u>
Loans receivable:					
Ending balance	<u>\$86,611,704</u>	<u>\$17,427,279</u>	<u>\$63,626,818</u>		<u>\$167,665,801</u>

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Note 10. Capital Asset and Leasing Activities

Real estate, property, and equipment include the following at June 30, 2023:

Land	\$ 14,736,541
Buildings and improvements	2,949,698
Equipment	<u>429,660</u>
	18,115,899
Less accumulated depreciation - buildings	(1,047,287)
Less accumulated depreciation - equipment	<u>(379,755)</u>
	<u><u>\$ 16,688,857</u></u>

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

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>
Land held for lease	\$17,920,410	\$1,938,384	\$ (5,122,253)	\$14,736,541
Building and improvements	19,829,022	-	(16,879,324)	2,949,698
Equipment	<u>435,810</u>	<u>8,377</u>	<u>(14,527)</u>	<u>429,660</u>
	38,185,242	1,946,761	(22,016,104)	18,115,899
Less accumulated depreciation				
Building	(8,663,886)	(77,306)	7,693,905	(1,047,287)
Equipment	<u>(365,410)</u>	<u>(14,345)</u>	<u>-</u>	<u>(379,755)</u>
	<u><u>\$29,155,946</u></u>	<u><u>\$1,855,110</u></u>	<u><u>\$(14,322,198)</u></u>	<u><u>\$16,688,857</u></u>

** Beginning balances include WV Jobs Investment Trust.

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Note 10. Capital Asset and Leasing Activities (Continued)

The Authority leases certain property to commercial entities under direct financing leases with planned end dates ranging from 2024 to 2044. Lease payment rates, terms, and other provisions vary based on the lease agreement.

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. At June 30, 2023 the Authority's net investment in direct financing leases consisted of:

Total minimum lease payments receivable	\$ 40,166,088
Less unearned interest	<u>(5,841,300)</u>
Total	34,324,788
Less current portion	<u>(4,827,706)</u>
 Total noncurrent portion	 <u><u>\$ 29,497,082</u></u>

At June 30, 2023, future minimum lease payments receivable under direct financing leases are as follows:

June 30,	Total Payments
2024	\$ 5,878,462
2025	4,908,320
2026	4,853,136
2027	4,719,109
2028	3,942,680
2029-2033	12,848,426
2034-2038	1,518,556
2039-2043	1,418,357
2044	<u>79,042</u>
	 <u><u>\$ 40,166,088</u></u>

Lease revenue includes interest from direct financing leases of \$1,231,425 for the year ended June 30, 2023.

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Note 11. 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 at June 30, 2023:

Revolving loan agreement with the West Virginia Board of Treasury Investments to borrow up to \$80 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.

\$ 17,324,115

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.

184,010

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.

1,095,146

Total

18,603,271

Less current portion

(353,077)

Long term portion

\$ 18,250,194

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Note 11. Loans Payable (Continued)

At June 30, 2023, future minimum principal and interest payments on loans payable are as follows:

June 30	Principal	Interest	Total
2024	\$ 353,077	\$ 396,297	\$ 749,374
2025	174,290	420,394	594,684
2026	179,591	415,092	594,683
2027	185,054	409,630	594,684
2028	190,661	405,105	595,766
2029-2033	196,483	1,979,243	2,175,726
2034-2038	-	1,976,031	1,976,031
2039-2044	17,324,115	2,074,508	19,398,623
	<u>\$ 18,603,271</u>	<u>\$ 8,076,300</u>	<u>\$ 26,679,571</u>

Changes in loans payable for the year ended June 30, 2023 were as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>\$ 116,569,097</u>	<u>\$ 22,728,462</u>	<u>\$(120,694,288)</u>	<u>\$ 18,603,271</u>	<u>\$ 353,077</u>

Note 12. 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, 2023 consisted of the following:

Balances included in loans payable:

WV Infrastructure & Jobs Development Council	\$ 1,279,156
WV Board of Treasury Investments	17,324,115

Balances included in amount due to other State
Agencies:

Lottery Commission	12,845
Development Office	540,333
Governor's Office	43,351
	<u>\$ 19,199,800</u>

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Note 13. 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, 2023, the Authority had outstanding commitments to make loans of \$454,509,516. 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, 2023, the Authority's maximum exposure to financial guarantees expiring at various intervals through March 2028, is \$3,691,387. As of June 30, 2023, loans of \$6,520,725, 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 year ended June 30, 2023, the Authority did not pay any claims under the Loan Insurance Program.

Note 14. 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.

Note 14. Risk Management (Continued)

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 year ended June 30, 2023.

Note 15. 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.

Note 15. Pension Plan (Continued)

Benefits Provided (Continued)

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.

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 9.0%, 10.0%, and 10.0% for the years ended June 30, 2023, 2022, and 2021. 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 \$120,315, \$79,310, and \$61,109, for the fiscal years ended June 30, 2023, 2022 and 2021, respectively.

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

At June 30, 2023, the Authority reported a liability of \$119,778, for its proportionate share of the net pension liability. The June 30, 2023 the net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to the measurement date of June 30, 2022. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all employers, actuarially determined. At the June 30, 2022 measurement date, the Authority's proportionate share was 0.080421%, which was an increase of 0.034780% from its proportionate share measured as of June 30, 2021.

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Note 15. Pension Plan (Continued)

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

For the year ended June 30, 2023, the Authority recognized pension expense of \$64,647. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2023	
	Deferred Outflows of Resources	Deferred inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 72,216	\$ -
Difference between expected and actual experience	45,945	-
Changes in assumptions	78,825	-
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	11,474	919
The Authority's contributions made subsequent to the measurement date	120,315	-
Total	<u>\$ 328,775</u>	<u>\$ 919</u>

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 \$120,315 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2024	\$ 98,965
2025	28,658
2026	(34,663)
2027	114,581
	<u>\$ 207,541</u>

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Note 15. Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75%
Salary increases	2.75% - 6.75%, average, including inflation
Investment rate of return	7.25%, 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 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, headcount weighted, projected with scale MP-2018 for disabled males, and 117% of Pub-2010 General/Teachers Disabled Female table, headcount weighted, projected with scale MP-2018 for disabled females, 112% of Pub-2010 Contingent Survivor Male table, below-median, headcount weighted, projected generationally with Scale MP-2018 for beneficiary males, and 115% of Pub-2010 Contingent Survivor Female table, below-median, headcount weighted, projected generationally with scale MP-2018 for beneficiary females.

The economic assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2020. All other assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Long-term expected rates of return

The long-term rates of return on pension plan investments were determined using a building-block method in which estimates of expected 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. The target allocation and best estimates of long-term geometric rates of return for each major asset class as of June 30, 2022 are summarized below:

Asset Class	Target Allocation	Long-term Expected Real Return
Domestic equity	27.5%	5.5%
International equity	27.5%	7.0%
Fixed income	15.0%	2.2%
Real estate	10.0%	6.5%
Private equity	10.0%	9.5%
Hedge funds	10.0%	3.8%

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NOTES TO COMBINED FINANCIAL STATEMENTS
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Note 15. Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projections 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 from employers 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 rates of return on pension plan investments were 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 table presents the Authority's proportionate share of the net pension liability calculated using the current discount rate of 7.25%, 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 (6.25%) or one percentage point higher (8.25%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Net pension liability (asset)	\$ 847,414	\$ 119,778	\$ (503,003)

Note 16. Other Postemployment 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.

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Note 16. Other Postemployment Benefits (OPEB) (Continued)

Plan Description (Continued)

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.

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, 2022 were:

	February 2022- June 2023	July 2021- January 2022
Paygo premium	<u>\$ 48</u>	<u>\$ 116</u>

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Note 16. Other Postemployment Benefits (OPEB) (Continued)

Contributions (Continued)

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.

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 \$11,935, \$33,502, and \$14,400, for the years ended June 30, 2023, 2022, and 2021, 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.

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Note 16. Other Postemployment Benefits (OPEB) (Continued)

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

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

The Authority's proportionate share of the net OPEB liability	\$ 23,984
State's special funding proportionate share of the net OPEB liability associated with the Authority	<u>8,216</u>
Total portion of net OPEB liability associated with the Authority	<u>\$ 32,200</u>

The net OPEB liability reported at June 30, 2023 was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021. The Authority's proportion of the net OPEB liability was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date. At June 30, 2022, the Authority's proportion was 0.021548695%, which is an increase of 0.003194715% from its proportion measured as of June 30, 2021.

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Note 16. Other Postemployment Benefits (OPEB) (Continued)

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

For the year ended June 30, 2023, the Authority recognized OPEB expense of \$(108,596) and support provided by the State under special funding situations revenue of \$(26,444). At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 30,595
Changes in assumptions	15,381	60,938
Net difference between projected and actual earnings on OPEB plan investments	3,722	-
Reallocation of Opt-Out Employer Change in Proportionate share	-	87
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	49,007	7,846
The Authority's contributions subsequent to the measurement date	11,935	-
Total	<u>\$ 80,045</u>	<u>\$ 99,466</u>

Deferred outflows of resources related to OPEB of \$11,935 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	
2024	\$ (67,142)
2025	9,657
2026	18,109
2027	8,020
	<u>\$ (31,356)</u>

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Note 16. Other Postemployment Benefits (OPEB) (Continued)

Actuarial assumptions

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

Inflation	2.25%
Wage inflation rate	2.75%
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 2023, decreasing by 0.50% for two years then by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032. Trend rate for Medicare per capita costs of 8.83% for plan year end 2023, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032.
Actuarial cost method	Entry Age Normal Cost Method.
Amortization method	Level percentage of payroll 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.

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.

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NOTES TO COMBINED FINANCIAL STATEMENTS
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Note 16. Other Postemployment Benefits (OPEB) (Continued)

Actuarial assumptions (Continued)

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

- Projected capped subsidies;
- Per capita claim costs;
- Healthcare trend rates;
- Coverage and continuance;
- Percentage eligible for tobacco-free premium discount; and
- Retired employee assistance program participation

The long-term expected rate of return of 6.65% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.00% for long-term assets invested with the 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 estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. Target asset allocations, capital market assumptions (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.

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%	4.8%
Core plus fixed income	15%	2.1%
Core real estate	10%	4.1%
Hedge Fund	10%	2.4%
Private Equity	10%	6.8%

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Note 16. Other Postemployment Benefits (OPEB) (Continued)

Discount rate

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

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:

	<u>1% Decrease (5.65%)</u>	<u>Current Discount Rate (6.65%)</u>	<u>1% Increase (7.65%)</u>
Net OPEB liability (asset)	\$ 61,647	\$ 23,984	\$ (8,327)

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:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Net OPEB liability (asset)	\$ (13,635)	\$ 23,984	\$ 68,496

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Note 17. 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. The adoption of GASB Statement No. 91, *Conduit Debt Obligations*, did not impact the Authority's accounting for the bonds.

As of June 30, 2023, there were 43 revenue bonds with principal amounts payable consisting of the following:

Bonds backed by leases with other State agencies	\$ 137,463,286
Other bonds outstanding	<u>4,663,027,677</u>
	<u>\$ 4,800,490,963</u>

Note 18. State Small Business Credit Incentive

In April 2022, the United State Office of the Treasury notified the State of West Virginia that it has approved its State Small Business Credit Initiative ("SSBCI") application. The State of West Virginia, via the Office of the Governor, was the recipient of SSBCI program funds, and the State's Deputy Chief of Staff was the authorized representative of the State under this federally sponsored program. The Trust will serve as the contracting entity responsible for the administration and disbursement of the SSBCI funds to venture capital entities and lenders on behalf of the State in future fiscal years.

In June 2022, the State received its first distribution of the SSBCI funding of approximately \$22 million, which is being held in an escrow account maintained at the West Virginia State Treasurer's Office. In the Trust's portfolio, there have been two investments and one loan approval granted by the West Virginia Capital Access Committee (the oversight committee designated to approve the SSBCI funds, to which certain members of management of the Trust participate) as of June 30, 2023.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
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Note 19. New Accounting Pronouncements

Newly Adopted Statements Issued by GASB

The Authority implemented GASB 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 adoption of GASB Statement No. 91 did not have a significant impact on the financial statements.

The Authority also implemented GASB 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 provide 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 adoption of GASB Statement No. 94 did not have a significant impact on the financial statements.

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Note 19. New Accounting Pronouncements (Continued)

Newly Adopted Statements Issued by GASB (Continued)

The Authority also implemented GASB 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 adoption of GASB Statement No. 96 did not have a significant impact on the financial statements.

The Authority also implemented GASB Statement No. 99, *Omnibus 2022*, which has varying effective dates based upon each provision ranging from being effective immediately to fiscal years beginning after June 15, 2023. The requirements of this Statement address a variety of items, including specific provisions regarding the following topics: (1) guidance and terminology updates on reporting derivative instruments that do not meet the definition of either an investment derivative or hedging derivative, but are within the scope of GASB Statement No. 53; (2) clarification of provisions of GASB Statement Nos. 87, 94, and 96; (3) extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate; (4) accounting for Supplemental Nutrition Assistance Program (SNAP) benefits; (5) non-monetary transactions; (6) clarification related to the focus of government-wide financial statements under GASB Statement No. 34; and (7) terminology updates related to GASB Statement No. 63. The provisions effective during the current fiscal year did not have a significant impact on the financial statements, and the Authority has not yet determined the effect of the remaining provisions.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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Note 19. New Accounting Pronouncements (Continued)

Recent Statements Issued by GASB

GASB has issued Statement No. 100, *Accounting Changes and Error Corrections- an Amendment of GASB Statement No. 62*, which is effective for fiscal years beginning after June 15, 2023. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. Those changes include things like: certain changes in accounting principles, certain changes in estimates that result from a justified or preferable change in measurement or new methodology. This statement requires that changes in accounting principles and error corrections be reported retroactively by restating prior periods; changes to or within the reporting entity be reported by adjusting beginning balances of the current period; and changes in accounting estimates be reported prospectively by recognizing the change in the current period. If the change in accounting principle is the result of a new pronouncement the requirements only apply absent specific transition guidance in the pronouncement. Under this standard it is also necessary to display the total adjustment to beginning net position, fund balance, or fund net position on the face of the financial statements, by reporting unit. This statement also specifies both qualitative and quantitative disclosure requirements. Lastly, this statement provides guidance for if and how these changes should be reflected in required supplementary information and supplementary information. The Authority has not yet determined the effect that the adoption of GASB Statement No. 100 may have on its financial statements.

GASB has issued Statement No. 101, *Compensated Absences*, which is effective for fiscal years beginning after December 15, 2023. This statement modifies the criteria requiring a liability for compensated absences to be recognized. Under this statement a liability must be recognized for leave that has not been used, or leave that has been used but not yet paid in cash or settled through noncash means. Furthermore, the liability for leave that has not been used is recognized if the leave is attributed to services already rendered, that accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. If the leave is considered more likely than not to be settled through conversion to a defined benefit post-employment benefit it should not be included in the liability for compensated absences. This statement also specifies certain types of benefits where the liability is not recognized until leave commences or where the liability is not recognized until the leave is used. The statement also provides guidance for measuring the liability and modifies the disclosure requirements allowing for disclosure of only the net change in the liability, and no longer requiring disclosure of which governmental funds have been used to liquidate the liabilities. The Authority has not yet determined the effect that the adoption of GASB Statement No. 101 may have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
June 30, 2023

Public Employees Retirement System
Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's proportion of the net pension liability (asset) (percentage)	0.080421%	0.045641%	0.039325%	0.038905%	0.045977%	0.045458%	0.044215%	0.044515%	0.042673%	0.041376%
Authority's proportionate share of the net pension liability (asset)	\$ 119,778	\$ (400,689)	\$ 207,900	\$ 83,651	\$ 118,736	\$ 196,216	\$ 406,384	\$ 248,573	\$ 157,492	\$ 377,199
Authority's covered payroll	\$ 793,100	\$ 611,090	\$ 617,140	\$ 571,080	\$ 637,500	\$ 626,980	\$ 609,274	\$ 603,684	\$ 571,445	\$ 553,778
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	15.10 %	(65.57)%	33.69%	14.65%	18.63%	31.30%	66.70%	41.18%	27.56%	68.11%
Plan fiduciary net position as a percentage of the total pension liability	98.17%	111.07%	92.89%	96.99%	96.33%	93.67%	86.11%	91.29%	93.98%	79.70%

* - 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, 2023

Public Employees Retirement System
Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 120,315	\$ 79,310	\$ 61,109	\$ 61,714	\$ 57,117	\$ 70,118	\$ 75,237	\$ 82,252	\$ 84,516	\$ 82,859
Contributions in relation to the contractually required contribution	<u>(120,315)</u>	<u>(79,310)</u>	<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>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 1,336,833	\$ 793,100	\$ 611,090	\$ 617,140	\$ 571,080	\$ 637,500	\$ 626,980	\$ 609,274	\$ 603,684	\$ 571,445
Contributions as a percentage of covered payroll	9.00%	10.00%	10.00%	10.00%	10.00%	11.00%	12.00%	13.50%	14.00%	14.50%

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

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF NET OTHER POST-EMPLOYMENT BENEFITS (OPEB) LIABILITY (ASSET)
June 30, 2023

Last 10 Fiscal Years*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Authority's proportion of the net OPEB liability (asset) (percentage)	0.021549%	0.014142%	0.012775%	0.013274%	0.010000%	0.010000%
Authority's proportionate share of the net OPEB liability (asset)	\$ 23,984	\$ (4,205)	\$ 56,425	\$ 220,240	\$ 260,666	\$ 495,130
State's proportionate share of the net OPEB liability (asset)	<u>8,216</u>	<u>(828)</u>	<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)	\$ 32,200	\$ (5,033)	\$ 68,841	\$ 265,311	\$ 314,539	\$ 596,830
Authority's covered-employee payroll	\$ 704,660	\$ 726,805	\$ 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	3.40 %	(0.58)%	10.02%	41.92%	45.87%	85.74%
Plan fiduciary net position as a percentage of the total OPEB liability	93.59%	101.81%	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, 2023

Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 11,935	\$ 33,502	\$ 14,400	\$ 13,994	\$ 19,733	\$ 26,930	\$ 41,358
Contributions in relation to the statutorily required contribution	<u>(11,935)</u>	<u>(33,502)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 1,090,812	\$ 704,660	\$ 726,805	\$ 563,117	\$ 525,351	\$ 568,260	\$ 577,507
Contributions as a percentage of covered-employee payroll	1.09%	4.75%	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, 2023

Changes in Assumptions

An experience study for economic assumptions, which was based on the years 2015 through 2020, and an experience study for all other assumptions, 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, 2021 to reflect the most recent experience study:

	Projected Salary Increases			Mortality Rates	Withdrawal Rates		
	State	Nonstate	Inflation rate		State	Nonstate	Disability Rates
<u>2022</u>	2.75% - 5.55%	3.60% - 6.75%	2.75%	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; Beneficiary males-112% of Pub-2010 Contingent Survivor Male table, below-median, headcount weighted, projected generationally with Scale MP-2018; Beneficiary females-115% of Pub-2010 Contingent Survivor Female table, below-median, headcount weighted, projected generationally with Scale MP-2018	2.28-45.63%	2.5-35.88%	0.005-0.540%
<u>2021</u>	2.75% - 5.55%	3.60% - 6.75%	2.75%	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%	2.5-35.88%	0.005-0.540%
<u>2020</u>	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%
<u>2019</u>	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%
<u>2018</u>	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%
<u>2017</u>	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%
<u>2016</u>	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%
<u>2015</u>	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%
<u>2014</u>	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, 2023

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
<u>2022</u>	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 General Below-Median Healthy Retiree Mortality Tables projected with MP-2021 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-2021	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 2023, decreasing by 0.50% for two years then by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2032. Trend rate for Medicare per capita costs of 8.83% for plan year end 2023, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032.
<u>2021</u>	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 General Below-Median 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 2020, decreasing by 0.50% for one year then by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2032. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022, 9.15% for plan year end 2023, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
<u>2020</u>	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.
<u>2019</u>	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.
<u>2018</u>	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 8.5% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.13% 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.
<u>2017</u>	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, 2023, 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 November 1, 2023. 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, 2023, 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.

Report on 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 were not identified.

Report on 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 black ink that reads "Suttle & Stalaker, PLLC". The signature is written in a cursive, flowing style.

Charleston, West Virginia

November 1, 2023