WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

FINANCIAL REPORT WITH OTHER FINANCIAL INFORMATION

June 30, 2020

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BROWN EDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), a component unit of the State of West Virginia, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Municipal Pensions Oversight Board, as of June 30, 2020 and 2019, and the changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, and the schedule of the proportionate share of the net pension liability, the schedule of contributions to the PERS, the schedule of the proportionate share of the net OPEB liability, the schedule of contributions to the RHBT, and the notes to required supplementary information on pages 30 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The schedule of statutory commitments on page 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedule of statutory commitments on page 37 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of statutory commitments on page 37 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2020 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Board's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
September 21, 2020

Our discussion and analysis of the Municipal Pensions Oversight Board's (the Board) financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the Board's financial statements, which follow.

Financial Highlights

- The Insurance Premium Tax increased by $181,773 or less than 1% during fiscal year 2020.
- Distributions to municipal pension plans decreased $146,516 or less than 1% during fiscal year 2020.
- Interest income decreased from $679,475 to $558,489 during fiscal year 2020.
- The Board's net position increased during fiscal year 2020 in the amount of $1,499,658.

Using This Report

This report consists of a series of financial statements. The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Fund Net Position display and report the Board's net position and changes in their position. The Board's net position, which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is normally how one would measure the Board's financial health or financial position.

The Board as a Whole

The Board is accounted for as a proprietary fund engaged in business-type activities. The Board is considered a component unit of the State and its financial statements are presented in the comprehensive annual financial report of the State as a discretely presented component unit.

During the third month of each quarter the Board receives, from the West Virginia Insurance Commission, a portion of the casualty & fire insurance premiums to distribute, net of operating expenses, to the municipal police and fire pension plans. To receive the premium distribution, there must be an actuarial study of the pension plan, the employer must make the required contributions and an annual report must be provided to the Board.

Duties of the Board include assisting municipal pension funds' boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal pension funds' boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds.

Our analysis below shows the Board's net position as of June 30, 2020, 2019, and 2018 (Table 1) and changes in the Board's net position for the years then ended (Table 2), with emphasis on the most recent year.

Table 1
Net Position

	2020	2019	2018
ASSETS			
Current assets:			
Cash and cash equivalents	$ 30,413,427	$ 30,948,545	$ 29,668,433
DROP receivable	11,370	-	-
Capital assets, net	9,500	9,412	3,763
	32,434,297	30,957,957	29,672,196
Deferred outflows of resources related to pensions	25,433	25,868	30,381
Deferred outflows of resources related to OPEB	3,725	3,592	2,124
Total deferred outflows of resources	29,158	29,460	32,505
Total assets and deferred outflows of resources	$ 32,463,455	$ 30,987,417	$ 29,704,701
LIABILITIES			
Current liabilities	$ 37,846	$ 49,632	$ 29,351
Non-current liabilities:			
Net pension liability	33,028	39,726	65,444
Net OPEB liability	17,684	22,300	23,776
Total liabilities	88,558	111,658	118,571
Deferred inflows of resources related to pensions	21,005	24,041	20,522
Deferred inflows of resources related to OPEB	8,010	5,494	3,913
Total deferred inflows of resources	29,015	29,535	24,435
Total liabilities and deferred inflows of resources	$ 117,573	$ 141,193	$ 143,006
NET POSITION			
Net investment in capital assets	$ 9,500	$ 9,412	$ 3,763
Restricted by enabling legislation	32,336,382	30,836,812	29,557,932
Total net position	$ 32,345,882	$ 30,846,224	$ 29,561,695

Table 2
Changes in Net Position

	2020	2019	2018
Operating revenues:			
Insurance premium tax	$ 20,204,656	$ 20,022,883	$ 19,440,332
Operating expenses:			
Distributions to municipal pension plans	18,622,368	18,768,884	18,507,540
Administrative expense	642,191	650,354	696,971
	19,264,559	19,419,238	19,204,511
Operating income	940,097	603,645	235,821
Non-operating revenues:			
Interest and other income	558,489	679,475	397,483
Payments on behalf	1,072	1,409	1,499
Total non-operating revenues	559,561	680,884	398,982
Change in net position	1,499,658	1,284,529	634,803
Net position, beginning of year, as previously stated	30,846,224	29,561,695	28,938,258
Net effect of change in accounting policy	-	-	(11,366)
Net position, beginning of year, restated	30,846,224	29,561,695	28,926,892
Net position, end of period	$ 32,345,882	$ 30,846,224	$ 29,561,695

Changes in Net Position

As is noted in Table 2 the Board had a change in net position in the amount of $1,499,658. Several factors contribute to both a negative and positive effect on net position. First, the Board experienced an increase in the insurance premium tax revenue in the amount of $181,773 for fiscal year 2020. While the Board has no control over the premium tax revenue as it is subject to economic and market conditions, an increase in revenue to the Board directly benefits the local police and fire pension plans. Secondly, distributions to pension plans decreased for fiscal year 2020 in the amount of $146,516. One of the primary objectives of the MPOB is to distribute the premium tax into the accounts of the pension plans as soon as the plans meet the criteria for state aid. 92% of the September 2019 allocation was distributed by June 30, 2020. Finally, because of short-term rate decreases in the WV Money Market Pool, the MPOB return on investments managed by the Board of Treasury Investments have decreased from 2.47% as of June 2019 to 1.71% as of June 2020. This rate decrease contributed to our interest income decrease of $120,986.

Currently Known Facts and Conditions

The Board's financial position remains stable and does not foresee or plan to engage in any activities that will have a negative impact on its financial stability.

Requests for Information

This financial report is designed to provide a general overview of the Board's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Blair Taylor, Executive Director, Municipal Pensions Oversight Board, 301 Eagle Mountain Road, Suite 251, Charleston, West Virginia 25311.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF NET POSITION
June 30, 2020 and 2019

ASSETS	**2020**	**2019**
Current Assets:		
Cash and cash equivalents (Note 3)	$ 32,413,427	$ 30,948,545
DROP receivable	11,370	-
Capital assets, net (Note 4)	9,500	9,412
	32,434,297	30,957,957
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions (Note 5)	25,433	25,868
Deferred outflows of resources related to OPEB (Note 6)	3,725	3,592
Total deferred outflows of resources	29,158	29,460
Total assets and deferred outflows of resources	$ 32,463,455	$ 30,987,417
LIABILITIES		
Current liabilities:		
Accounts payable	$ 1,491	$ 10,918
Accrued payroll liabilities	36,355	38,714
Total current liabilities	37,846	49,632
Noncurrent liabilities:		
Net pension liability (Note 5)	33,028	39,726
Net OPEB liability (Note 6)	17,684	22,300
Total noncurrent liabilities	50,712	62,026
Total liabilities	88,558	111,658
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions (Note 5)	21,005	24,041
Deferred inflows of resources related to OPEB (Note 6)	8,010	5,494
Total deferred inflows of resources	29,015	29,535
Total liabilities and deferred inflows of resources	$ 117,573	$ 141,193
NET POSITION		
Net investment in capital assets	$ 9,500	$ 9,412
Restricted by enabling legislation	32,336,382	30,836,812
Total net position	$ 32,345,882	$ 30,846,224

The Notes to Financial Statements are an integral part of these statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

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

Years Ended June 30, 2020 and 2019

	2020	**2019**
Operating revenues:		
Insurance premium tax	$ 20,204,656	$ 20,022,883
Operating expenses:		
Distributions to municipal pension plans	18,622,368	18,768,884
Administrative:		
Salaries and wages	251,835	224,823
Employee benefits	32,531	47,977
Professional fees	282,594	307,429
Depreciation	4,632	2,623
Miscellaneous	70,599	67,502
Total operating expenses	19,264,559	19,419,238
Operating income	940,097	603,645
Non-operating revenues:		
OPEB payment on behalf of State of West Virginia	1,072	1,409
Interest and other income	558,489	679,475
Total non-operating revenues	559,561	680,844
Change in net position	1,499,658	1,284,529
Net position, beginning of year	30,846,224	29,561,695
Net position, end of year	$ 32,345,882	$ 30,846,224

The Notes to Financial Statements are an integral part of these statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

STATEMENTS OF CASH FLOW

Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from insurance premium taxes	$ 20,204,656	$ 20,022,883
Cash paid to municipal pension plans	(18,622,368)	(18,768,884)
Cash paid to employees	(297,185)	(277,826)
Cash paid to suppliers	(373,990)	(367,264)
Net cash provided by operating activities	911,113	608,909
Cash flows from capital and related financing activities:		
Purchase of property and equipment	(4,720)	(8,272)
Cash flows from investing activities:		
Investment earnings	558,489	679,475
Net increase in cash and cash equivalents	1,464,882	1,280,112
Cash and cash equivalents, beginning of year	30,948,545	29,668,433
Cash and cash equivalents, end of year	$ 32,413,427	$ 30,948,545

Reconciliation of operating income to net cash provided by operating activities:

	2020	2019
Operating income	$ 940,097	$ 603,645
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,632	2,623
OPEB expense - special funding	1,072	1,409
Pension expense	14,029	4,837
OPEB expense	(63)	831
Changes in operating accounts:		
(Increase) decrease in DROP receivables	(11,370)	-
Increase (decrease) in accounts payable	(9,427)	7,667
Increase (decrease) in accrued payroll liabilities	(2,359)	12,614
(Increase) in deferred outflows of resources-pension	(23,328)	(22,523)
(Increase) in deferred outflows of resources -OPEB	(2,170)	(2,194)
Net cash provided by operating activities	$ 911,113	$ 608,909

The Notes to Financial Statements are an integral part of these statements.

NOTE 1 - REPORTING ENTITY

The West Virginia Legislature passed Senate Bill 4007 on November 19, 2009, creating the West Virginia Municipal Pensions Oversight Board (the Board). The Board was created for the purpose of monitoring and improving the performance of municipal policemen's and firemen's pension and relief funds to assure prudent administration, investment, and management of their funds. Duties of the oversight board include assisting municipal boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds. The oversight board also monitors the performance required of the various funds to qualify to receive distributions of insurance premium tax revenues pursuant to the West Virginia Code. The Board is considered a component unit of the State and its financial statements are presented in the comprehensive annual financial report of the State as a discretely presented component unit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Board is accounted for as a proprietary fund engaged in business-type activities. The financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make certain estimates and develop assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results could differ from management's estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits with the West Virginia State Treasurer's Office (STO) and short-term interest-earning investments in the West Virginia Money Market Pool, a State internal investment pool maintained by the West Virginia Board of Treasury Investments (BTI). The West Virginia Money Market Pool is carried at amortized cost.

Capital Assets

The Board has adopted a policy of capitalizing assets for individual items exceeding $1,000 in cost and a useful life greater than one year. These assets include leasehold improvements, furnishings, and equipment. Depreciation is computed using the straight-line method over the estimated economic useful lives of the assets for five years.

Accrued Employee Benefits

In accordance with State policy, the Board permits employees to accumulate earned but unused vacation and sick pay benefits. A liability for vacation pay is accrued when earned. To the extent that accumulated sick leave is expected to be converted to benefits on retirement, the benefits are funded by the Board's participation in the West Virginia Retiree Health Benefit Trust.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Board reports deferred outflows of resources related to pensions and other post-employment benefits as on the statements of net position.

The statement of net position reports a separate financial statement element called *deferred inflows of resources.* This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Board reports deferred inflows of resources related to pensions and other post-employment benefits on the statements of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee 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 are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the West Virginia Retiree Health Benefit Trust OPEB Plan (RHBT) and additions to/ deductions from RHBT's fiduciary net position have been determined on the same basis as they are reported by RHBT. For this purpose RHBT recognized benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for certain pooled investments, money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

Net Position

Net position is presented as restricted by enabling legislation, or as the net investment in capital assets, which represents the net book value of all capital assets of the Board. Net position restricted by enabling legislation is required to first be used for the administrative expenses of the Board, with all remaining net position available for disbursement to the municipal policemen's and firemen's pension and relief funds. All expenses are incurred for restricted purposes.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds such as the Board are revenues and expenses that result from providing services and producing goods and/or services. Operating revenues include premium tax revenues, recognized when earned. Operating expenses of the Board include administrative expenses and pension distributions, recognized when incurred. All revenues not meeting this definition are reported as nonoperating revenues.

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2020 and 2019, the carrying amounts of deposits with the STO and the BTI are as follows:

	2020	2019
Cash on hand at STO	$ 62,008	$ 43,149
Investments with BTI reported as cash equivalents	32,351,419	30,905,396
	$ 32,413,427	$ 30,948,545

The State Treasurer has statutory responsibility for 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 Code, policies set by the BTI and by provisions of bond indentures and trust agreements when applicable.

The Board's cash balances are invested by the BTI in the BTI's West Virginia Money Market Pool. Investment income is pro-rated to the Board at rates specified by the BTI based on the balance of the deposits maintained by the Board in relation to the total deposits of all participants in the pool. Such funds are available to the Board with overnight notice.

The BTI's investment policy is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The West Virginia Money Market Pool has 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. The BTI itself has not been rated for credit risk by any organization.

The BTI limits the exposure to credit risk in the West Virginia Money Market Pool by requiring all long-term debt to be rated A+ or higher by Standard & Poor's (or its equivalent), and short-term corporate debt be rated A-1 or higher by Standard & Poor's (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Money Market Pool's investments (in thousands):

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Security Type	Credit Rating Moody's	Credit Rating S&P	Carrying Value (in Thousands)	Percent of Pool Assets
U.S. Treasury bills *	P-1	A-1+	$ 1,017,343	19.76%
Commercial Paper	P-1	A-1+	861,472	16.73
	P-1	A-1	1,834,384	35.62
Negotiable certificates of deposit	P-1	A-1+	302,738	5.88
	P-1	A-1	469,111	9.11
Money market funds	Aaa	AAAm	1,581	0.03
	NA	AAAm	217,022	4.21
Repurchase agreements (underlying securities):				
U.S. Treasury bonds and notes			445,700	8.66
			$ 5,149,351	100.00%

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

Interest Rate Risk

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

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

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury bills	$ 1,017,343	37
Commercial paper	2,695,856	52
Negotiable certificates of deposit	771,849	58
Repurchase agreements	445,700	1
Money market funds	218,603	1
	$ 5,149,351	44

Other Risks of Investing

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

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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

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.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The West Virginia Money Market Pool does not hold interests in foreign currency or interests valued in foreign currency.

NOTE 4 - CAPITAL ASSETS

A summary of capital asset activity is as follows:

	Historical Cost at June 30, 2018	Additions	Disposals	Historical Cost at June 30, 2019	Additions	Disposals	Historical Cost at June 30, 2020
Leasehold improvements	$ 6,882	$ -	$ -	$ 6,882	$ -	$ -	$ 6,882
Furnishings and equipment	13,544	8,272	-	21,816	4,720	-	26,536
	$ 20,426	$ 8,272	$ -	$ 28,698	$ 4,720	$ -	$ 33,418

	Accumulated Depreciation June 30, 2018	Additions	Disposals	Accumulated Depreciation June 30, 2019	Additions	Disposals	Accumulated Depreciation June 30, 2020
Leasehold improvements	$ 3,926	$ 986	$ -	$ 4,912	$ 986	$ -	$ 5,898
Furnishings and equipment	12,737	1,637	-	14,374	3,646	-	18,020
	$ 16,663	$ 2,623	$ -	$ 19,286	$ 4,632	$ -	$ 23,918
Total	$ 3,763	$ 5,649	$ -	$ 9,412	$ 88	$ -	$ 9,500

NOTE 5 - RETIREMENT PLAN

Plan Description

The Board contributes to the Public Employees Retirement System (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. CPRB issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained at www.wvretirement.com.

Benefits Provided

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

Tier I: Employees who retire at or after age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80 years or greater, are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of three consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer or, if the employee has less than three years of credited service, the average of the annual rate of compensation received by the employee during the total years of credited service. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

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

Contributions

Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. Current funding policy requires employer contributions of 10%, 10%, and11%, for the years ended June 30, 2020, 2019, and 2018, respectively. The employee contribution rate is 4.5% and 6% for Tier I and Tier II employees, respectively. The Board's contribution to the Plan, excluding the employee's contribution paid by the Board, approximated $23,328, $22,523, and $23,440, for the fiscal years ended June 30, 2020, 2019, and 2018, respectively.

(Continued)

NOTE 5 - RETIREMENT PLAN (Continued)

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

On June 30, 2020 and 2019, the Board reported a liability of $33,028 and $39,726, respectively for its proportionate share of the net pension liability. The 2020 net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to the measurement date of June 30, 2019. The 2019 net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018. The Board's proportion of the net pension liability was based on the Board's contributions to the pension plan relative to the contributions of all participating employers. On June 30, 2019, the Board's proportionate share was 0.015361%, which was a decrease of .000022% from its proportionate share measured as of June 30, 2018.

For the years ended June 30, 2020 and 2019, the Board recognized pension expense of $14,029 and $4,837, respectively. At June 30, 2020 and 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 11,938
Differences between expected and actual experience	1,278	2,885
Changes in assumptions	-	6,063
Changes in proportion and differences between Board's contributions and proportionate share of contributions	827	119
Board's contributions subsequent to the measurement date	23,328	-
Total	$ 25,433	$ 21,005

June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 23,377
Differences between expected and actual experience	1,971	98
Changes in proportion and differences between Board's contributions and proportionate share of contributions	1,374	566
Board's contributions subsequent to the measurement date	22,523	-
Total	$ 25,868	$ 24,041

(Continued)

NOTE 5 - RETIREMENT PLAN (Continued)

The Board reported $23,328 as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. 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:	
2021	(3,183)
2022	(17,081)
2023	(2,102)
2024	3,466

Actuarial assumptions and methods

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0%
Salary increases	3.1.% – 6.5% average, including inflation
Investment rate of return	7.5%, 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 employees, 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 Annuitant, Scale AA fully generational General Retiree Female table below-median, headcount weighted, projected with scale MP-2018 for retired healthy females, 118% of Pub-2010 General / Teachers Disabled Male table, below median, headcount weighted, projected with scale MP-2018 for disabled males, and 118% of Pub-2010 General / Teachers Disabled Female table, below-median, headcount weighted, projected with scale MP-2018 for disabled females.

An experience study, which was based on the years 2013 through 2018, was completed prior to the 2019 actuarial valuation.

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0%
Salary increases	3.0% - 6%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on 100% of RP-2000 Non-Annuitant, Scale AA fully generational for active employees, 110% of RP-2000 Annuitant, Scale AA fully generational for healthy males, 101% of RP-2000 Annuitant, Scale AA fully generational for healthy females, 96% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled males, and 107% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled females.

The experience study, which was based on the years 2009 through 2014, was used for the 2018 actuarial valuation.

NOTE 5 - RETIREMENT PLAN (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Weighted Average Expected Real Rate of Return
Domestic equity	27.5%	5.8%	1.60%
International equity	27.5%	7.7%	2.12%
Fixed income	15.0%	3.3%	0.50%
Real estate	10.0%	6.1%	0.61%
Private equity	10.0%	8.8%	0.88%
Hedge funds	10.0%	4.4%	0.44%
Total	100.0%		6.15%
Inflation (CPI)			2.00%
			8.15%

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent 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 will continue to follow 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 Board's proportionate share of the net pension liability to changes in the discount rate

The following table presents the Board's proportionate share of the net pension liability calculated using the current discount rate of 7.5 percent as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
Total net pension liability (asset)	$ 153,848	$ 33,028	$ (69,178)

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

Plan description

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

Benefits provided

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

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

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

Contributions

West Virginia Code section 5-16D-6 assigns to the PEIA Finance Board the authority to establish and amend contribution requirements of the plan members and the participating employers. Participating employers are required by statute to contribute at a rate assessed each year by the RHBT. The annual contractually required rate is the same for all participating employers. Employer contributions represent what the employer was billed during the respective year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments. The annual contractually required per active policyholder per month rates for State non-general funded agencies and other participating employers effective June 30, 2020, 2019, and 2018, respectively, were:

(Continued)

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

	2020	2019	2018
Paygo Premium	$ 168	$ 183	$ 177

Contributions to the OPEB plan from the Board were $2,170, $2,194, and $2,124 for the years ended June 30, 2020, 2019, and 2018, respectively.

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

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

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

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

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

Contributions by nonemployer contributing entities in special funding situations

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

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

(Continued)

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions by nonemployer contributing entities in special funding situations (continued)

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

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

At June 30, 2020 and 2019, the Board reported a liability for its proportionate share of the RHBT net OPEB liability that reflected a reduction for State OPEB support provided to the Board. The amount recognized by the Board 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 Board was as follows:

	2020	2019
The Board’s proportionate share of the net OPEB liability	$ 17,684	$ 22,300
State’s special funding proportionate share of the net OPEB liability associated with the Board	3,619	4,609
Total portion of net OPEB liability associated with the Board	$ 21,303	$ 26,909

The net OPEB liability reported at June 30, 2020 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The Board’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, 2019, the Board’s proportion was .0011 percent, which is an increase of .0001 percent from its proportion measured as of June 30, 2018.

For the years ended June 30, 2020 and 2019, respectively, the Board recognized OPEB expense of $1,009 and $2,240 and for support provided by the State under special funding situations revenue of $1,072 and $1,409. At June 30, 2020 and 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

	June 30, 2020	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 2,062
Net difference between projected and actual earnings on OPEB plan investments	101	291
Changes in assumptions	-	3,587
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	1,450	1,594
Reallocation of opt-out employer change in proportionate share	4	476
The Board's contributions subsequent to the measurement date of June 30, 2019	2,170	-
Total	$ 3,725	$ 8,010

	June 30, 2019	
	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 330
Net difference between projected and actual earnings on OPEB plan investments	-	413
Changes in assumptions	-	2,227
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	1,398	2,524
The Board's contributions subsequent to the measurement date of June 30, 2018	2,194	-
Total	$ 3,592	$ 5,494

Deferred outflows of resources related to OPEB of $2,170 resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2021	$ (2,570)
2022	(2,291)
2023	(1,315)
2024	(279)

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions

The total OPEB liability, reported as of June 30, 2020, was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	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.
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll over a 20 year closed period
Remaining amortization period	20 years closed as of June 30, 2017

Post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and Teachers' Retirement System (TRS) and RP-2014 Healthy Annuitant Mortality Table projected with scale MP-2016 on a fully generational basis for West Virginia Death, Disability, and Retirement Fund (Troopers A) and West Virginia State Police Retirement System (Troopers B). Pre-retirement mortality rates were based on RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS and RP-2014 Employee Mortality Table projected with Scale MP-2016 on a fully generational basis for Troopers A and B.

(Continued)

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions (Continued)

The total OPEB liability, reported as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend 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.
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll over a 20 year closed period
Remaining amortization period	20 years closed as of June 30, 2017

Post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and Teachers' Retirement System (TRS) and RP-2014 Healthy Annuitant Mortality Table projected with scale MP-2016 on a fully generational basis for West Virginia Death, Disability, and Retirement Fund (Troopers A) and West Virginia State Police Retirement System (Troopers B). Pre-Retirement mortality rates were based on RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS and RP-2014 Employee Mortality Table projected with Scale MP-2016 on a fully generational basis for Troopers A and B.

The actuarial assumptions used in the June 30, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

Certain assumptions have been changed since the prior actuarial valuation of June 30, 2017 and measurement date of June 30, 2019. The net effect of assumption changes was approximately \$236 million. The assumption changes that most significantly impacted the total OPEB liability were an approximate \$11.8 million decrease in the per capita claims costs for Pre-Medicare and Medicare, as well as an approximate \$224.2 million decrease due to capped subsidy costs implemented in December 2019. Certain other assumption changes were noted but did not materially impact the total OPEB liability.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions (Continued)

The long-term expected rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the West Virginia Investment Management Board (WVIMB) and an expected short-term rate of return of 3.0% for assets invested with the WVBTI. Long-term pre-funding assets are invested with the WVIMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the WVBTI.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	49.5%	4.8%
Core Plus Fixed Income	13.5%	2.1%
Hedge Fund	9.0%	2.4%
Private Equity	9.0%	6.8%
Core Real Estate	9.0%	4.1%
Cash and cash equivalents	10.0%	0.3%

Discount rate

The discount rate used to measure the total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions will be made in accordance with prefunding and investment policies. Future pre-funding assumptions include a $30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2033, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Other key assumptions

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

(Continued)

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB subsequent event

Subsequent to the OPEB valuation with a measurement date of June 30, 2019 a global pandemic was declared by the World Health Organization due to an outbreak and spread of the coronavirus COVID-19 virus. The pandemic is impacting local and national economies. The extent of the impact of the pandemic on the Plans operations and net OPEB liability is unknown and will depend on certain developments, including the duration and spread of the virus, impact on plan participants, employees and vendors, and governmental, regulatory and private sector responses. On March 10, 2020, PEIA issued a policy for COVID-19 effective through September 30, 2020, which provides for certain COVID-19 related benefits and coverage. It also extended telemedicine, certain precertification requirements, dependent coverage and COBRA benefits. Certain benefits are further extended to the end of the COVID-19 emergency period.

This policy was not deemed to require re-measurement of the OPEB valuation. The OPEB valuation with a measurement date of June 30, 2019, does not reflect the recent and still developing impact of COVID-19, which is likely to influence healthcare claims experience, demographic experience and economic expectations. As these factors related to the pandemic develop, they could result in significant changes in assumptions for future valuations, which could result in significant changes to reported estimated net OPEB liability.

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

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
The Board's proportionate share of the net OPEB liability	$ 21,106	$ 17,684	$ 14,821

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

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

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
The Board's proportionate share of the net OPEB liability	$ 14,260	$ 17,684	$ 21,840

NOTE 7 - RISK MANAGEMENT

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

The Board has obtained coverage for job-related injuries of employees (workers compensation) and health coverage for its employees through a commercial insurer and West Virginia Public Employees Insurance Agency (WVPEIA). In exchange for the payment of premiums, the Board has transferred its risks related to health coverage for employees and job-related injuries of employees.

The Board participates in the West Virginia State Board of Risk and Insurance Management (WVBRIM), a public entity risk pool, to obtain coverage for general liability, personal injury liability, professional liability, stop gap liability, wrongful act liability, and comprehensive auto liability. There have been no reductions in insurance coverage from the prior year and no settlements in the past three fiscal years.

NOTE 8 - TRANSACTIONS WITH THE STATE OF WEST VIRGINIA

Pursuant to West Virginia Code, the West Virginia Insurance Commission (the Commission) collects a 1% premium tax on fire and casualty insurance policies. The Commission distributes 65% of the premium tax receipts to the Board. The distributions from the Commission are reported as insurance premium tax revenues on the Board's Statements of Revenues, Expenses, and Changes in Fund Net Position. Other transactions with State of West Virginia agencies include expenses paid for general and administrative activities of the Board in the normal course of operations.

NOTE 9 - COMMITMENTS

The Board is required by its enabling legislation to allocate certain tax and other revenues, net of administrative expenses, to the municipal policemen's and firemen's pension and relief funds (the Funds) by September 1st of each year. The amount to be allocated to the Funds is calculated based upon the Board's prior calendar year insurance premium tax revenues, interest, and other income, less its administrative expenses for the same period. The amounts allocated to each Fund are paid after the allocation date as eligibility requirements to receive the payments are met by each of the Funds. Amounts allocated expire in 18 months if eligibility requirements are not met and the allocated amounts are not paid. Any expired allocation is re-allocated to all other eligible Funds at the next allocation date. The amount committed for payment to the Funds that remain on hand from the September 1, 2019 allocation, but have not been disbursed as of June 30, 2020 is $1,520,062.

The amount available to the Board for allocation to the pension plans in September 2020 is $19,968,579.

NOTE 10 – COVID-19 UNCERTAINTY

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

(Continued)

NOTE 10 – COVID-19 UNCERTAINTY (Continued)

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

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The Board has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The Board has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

The GASB issued Statement No. 92, *Omnibus 2020* in January 2020. This Statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for periods beginning after June 15, 2021. The Board has not yet determined the effect that the adoption of GASB Statement No. 92 may have on its financial statements.

The GASB issued Statement No. 96**,** *Subscription-Based Information Technology Arrangements* in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for periods beginning after June 15, 2022. The Board has not yet determined the effect that the adoption of GASB Statement No. 96 may have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM PLAN

	Years Ended June 30,					
	2020	**2019**	**2018**	**2017**	**2016**	**2015**
Board's proportion (percentage) of the net pension liability (asset)	0.015361%	0.015383%	0.015161%	0.014991%	0.015321%	0.151900%
Board's proportionate share of the net pension liability (asset)	$ 33,028	$ 39,726	$ 65,444	$ 137,788	$ 85,568	$ 56,062
Board's covered payroll	$ 224,823	$ 212,736	$ 208,930	$ 209,706	$ 207,776	$ 203,412
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	14.691%	18.674%	31.323%	65.705%	41.183%	27.561%
Plan fiduciary net position as a percentage of the total pension liability	96.99%	96.33%	93.67%	86.11%	91.29%	93.98%

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE PERS

	Years Ended June 30,							
	2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**	**2013**
Statutorily required contribution	$ 23,328	$ 22,523	$ 23,440	$ 25,142	$ 28,310	$ 29,089	$ 29,495	$ 28,127
Contributions in relation to the statutorily required contribution	(23,328)	(22,523)	(23,440)	(25,142)	(28,310)	(29,089)	(29,495)	(28,127)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
The Board's covered payroll	$ 233,280	$ 224,823	$ 212,736	$ 208,930	$ 209,706	$ 207,776	$ 203,412	$ 200,906
Contributions as a percentage of covered payroll	10.0%	10.0%	11.0%	12.0%	13.5%	14.0%	14.5%	14.0%

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

	Years Ended June 30,		
	2020	**2019**	**2018**
Board's proportion of the net OPEB liability (asset) (percentage)	0.001065873%	0.001039396%	0.000966902%
Board's proportionate share of the net OPEB liability (asset)	$ 17,684	$ 22,300	$ 23,776
State's proportionate share of the net OPEB liability (asset)	3,619	4,609	4,884
Total proportionate share of the net OPEB liability (asset)	$ 21,303	$ 26,909	$ 28,660
Board's covered employee payroll	$ 224,823	$ 212,736	$ 208,930
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	7.87%	10.48%	11.38%
Plan fiduciary net position as a percentage of the total OPEB liability	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).

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE RHBT

	Years Ended June 30			
	2020	**2019**	**2018**	**2017**
Statutorily required contribution	$ 2,170	$ 3,592	$ 2,124	$ 1,986
Contributions in relation to the statutorily required contribution	(2,170)	(3,592)	(2,124)	(1,986)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Board's covered employee payroll	$ 251,835	$ 224,823	$ 212,736	$ 208,930
Contributions as a percentage of covered employee payroll	0.86%	1.60%	1.00%	0.95%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

Note 1. Trend Information Presented

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

Note 2. OPEB Changes in Assumptions

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

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

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

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

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

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

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

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

Note 3. Pension Plan Amendments

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

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

- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015 average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.

- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, this age increases to 64 with at least ten years of contributory service, or age 63 with at least twenty years of contributory service.

- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired on or after July 1, 2015, are required to contribute 6% of annual earnings.

Note 4. Pension Plan Assumptions

Experience studies, which were based on the years 2009 through 2014 and 2013 through 2018, were completed prior to the 2015 and 2019 actuarial valuations, respectively. As a result, several assumptions were changed for the actuarial valuations as follows:

PERS	2019	2015-2018	2014
Projected salary increase			
State	3.1 - 5.3%	3.0 - 4.6%	4.25 - 6.0%
Nonstate	3.35 - 6.5%	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	3.0%	3.0% (2016-2018); 1.9% (2015)	2.2%
Mortality rates	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 / Teachers Disabled Female table, below-median, headcount weighted, projected with scale MP-2018	Active-RP-2000 Non-Annuitant tables, Scale AA fully generational Retired healthy males – 110% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy females – 101% of RP -2000 Non-Annuitants, Scale AA fully generational Disabled males – 96% of RP-2000 Disabled Annuitant, Scale AA fully generational Disabled females – 107% of RP-2000 Disabled Annuitant, Scale AA fully generational	Healthy males – 1983 GAM Healthy females – 1971 GAM Disabled males-1971 GAM Disabled females-Revenue ruling 96-7
Withdrawal rates			
State	2.28-45.63%	1.75 - 35.1%	1 – 26%
Nonstate	2.00-35.88%	2 - 35.8%	2 – 31.2%
Disability rates	0.005-0.540%	0. - 67.5%	0 – .8%

SUPPLEMENTARY INFORMATION

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
SCHEDULE OF STATUTORY COMMITMENTS
June 30, 2020

	Supplemental Allocation Detail September 2019 Expires 2/28/2021		
	Allocation	**Expended**	**Balance**
Police Departments			
Beckley	$ 561,153	$ 561,153	$ -
Belle	44,483	-	44,483
Bluefield	300,553	300,553	-
Charleston	1,914,536	1,914,536	-
Charles Town	11,460	-	11,460
Chester	36,609	17,807	18,802
Clarksburg	457,642	418,697	38,945
Dunbar	140,735	140,735	-
Elkins	119,469	119,469	-
Fairmont	420,498	420,498	-
Grafton	69,711	69,711	-
Huntington	1,091,330	1,091,330	-
Logan	60,163	-	60,163
Martinsburg	474,576	474,576	-
Morgantown	738,271	738,271	-
Moundsville	170,754	170,754	-
Nitro	175,848	175,848	-
Oak Hill	145,466	-	145,466
Parkersburg	752,245	752,245	-
Princeton	224,450	-	224,450
Point Pleasant	75,507	-	75,507
Saint Albans	269,689	269,689	-
South Charleston	447,012	447,012	-
Star City	66,137	-	66,137
Vienna	190,349	190,349	-
Weirton	408,735	346,526	62,209
Welch	55,131	-	55,131
Weston	58,705	-	58,705
Westover	95,351	95,351	-
Wheeling	839,091	839,091	-
Williamson	63,629	-	63,629
Fire Departments			
Beckley	500,554	500,554	-
Bluefield	240,729	240,729	-
Charleston	1,952,515	1,952,515	-
Clarksburg	478,835	437,224	41,611
Dunbar	181,634	187,634	(6,000)
Elkins	60,849	-	60,849
Fairmont	467,789	467,789	-
Grafton	40,812	40,812	-
Huntington	1,179,832	1,179,832	-
Logan	67,715	-	67,715
Martinsburg	377,658	377,658	-
Morgantown	631,772	631,772	-
Moundsville	76,882	76,882	-
Nitro	146,369	146,369	-
Parkersburg	716,265	716,265	-
Princeton	145,654	-	145,654
Saint Albans	247,721	247,721	-
South Charleston	470,681	353,010	117,671
Weirton	242,302	200,481	41,821
Weston	47,966	-	47,966
Wheeling	1,055,693	1,055,693	-
Williamson	77,688	-	77,688
	$ 19,887,203	$ 18,367,141	$ 1,520,062

See Independent Auditor's Report.

BROWNEDWARDS
certified public accountants

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 West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

Charleston, West Virginia
September 21, 2020