

**WEST VIRGINIA MUNICIPAL
PENSIONS OVERSIGHT BOARD**

**AUDITOR COMMUNICATIONS TO MANAGEMENT
AND THOSE CHARGED WITH GOVERNANCE**

June 30, 2022

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REQUIRED COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

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

We have audited the financial statements of the West Virginia Municipal Pensions Oversight Board (the Board) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated June 21, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Board are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by the Board during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates were those used in the preparation of the pension and other postemployment benefits (OPEB) liabilities, related deferred inflows of resources and deferred outflows of resources, and the related pension and OPEB expense which are based on an allocation of actuarially determined amounts involving the Board and its participation in the West Virginia Public Employee's Retirement System and West Virginia Retiree Health Benefit Trust Fund. We evaluated the key factors and assumptions, including the Schedules of Employer Allocations of Pension and OPEB Amounts by Employer, audited by other auditors, in determining that the related amounts are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is the disclosure of commitments in Note 9 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements identified as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 28, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Board's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Board's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the schedules of proportionate share of the net pension liability (asset), the schedules of contributions to the PERS, the schedules of proportionate share of the net OPEB liability (asset), and the schedules of contributions to the RHBT, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Matters (Continued)

We were engaged to report on the Schedule of Statutory Commitments, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the West Virginia Municipal Pensions Oversight Board and management of the Board and is not intended to be, and should not be, used by anyone other than these specified parties.

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

Charleston, West Virginia
September 28, 2022

Stephen Neddo
Chairman

Blair Taylor
Executive Director

Vacant
Secretary/Treasurer



Municipal Pensions Oversight Board

Board Members
Jason Matthews,
Vice Chairman
Travis Blosser
Jeffrey Fleck
David Lanham
Sarah Long
Michael Payne
Thompson Pearcy
Craig Slaughter

September 28, 2022

Brown, Edwards & Company, L.L.P.
300 Chase Tower
707 Virginia Street, East
Charleston, West Virginia 25301

This representation letter is provided in connection with your audit of the financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), which comprise the financial position of the Board as of June 30, 2022 and 2021, and the changes in financial position and cash flows for the years then ended, and the disclosures (collectively, the “financial statements”), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 21, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the Board. There are no component units required by generally accepted accounting principles to be included in the financial reporting entity.

3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events including instances of noncompliance subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the Board is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Board from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13. We have no knowledge of any fraud or suspected fraud that affects the Board and involves:

a. Management,

b. Employees who have significant roles in internal control, or

c. Others where the fraud could have a material effect on the financial statements.

14. We have no knowledge of any allegations of fraud or suspected fraud affecting the Board's financial statements communicated by employees, former employees, regulators, or others.

15. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.

16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

17. We have disclosed to you the names of the Board's related parties and all the related party relationships and transactions, including any side agreements.

Government—specific

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

19. We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.

20. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.

21. The Board has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.

22. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.

23. We have appropriately disclosed all information for conduit debt obligations in accordance with GASBS No. 91.

24. We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

25. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

26. As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.

27. The Board has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

28. The Board has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

29. The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

30. The financial statements include all fiduciary activities required by GASB No. 84, as amended.

31. The financial statements properly classify all funds and activities in accordance with GASBS No. 34, as amended.

32. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

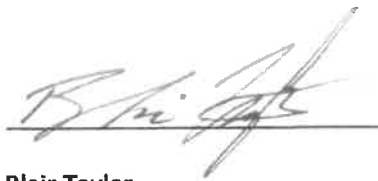
33. Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

34. Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.

35. Provisions for uncollectible receivables have been properly identified and recorded.

36. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

37. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
38. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
39. Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
40. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
41. We have appropriately disclosed the Board's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
42. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
43. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
44. With respect to the Schedule of Statutory Commitments (other financial information).
- a. We acknowledge our responsibility for presenting other financial information in accordance with accounting principles generally accepted in the United States of America, and we believe the other financial information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the other financial information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- b. If the other financial information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

A handwritten signature in black ink, appearing to read "Blair Taylor", written over a horizontal line.

Blair Taylor
Executive Director

A handwritten signature in black ink, appearing to read "Les Smith", written over a horizontal line.

Les Smith
Accountant

**WEST VIRGINIA MUNICIPAL PENSIONS
OVERSIGHT BOARD**

**FINANCIAL REPORT WITH
OTHER FINANCIAL INFORMATION**

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Board'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 Board, as of June 30, 2022 and 2021, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board'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 Board's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The schedule of statutory commitments is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of statutory commitments 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 28, 2022 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 28, 2022

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021
(Unaudited)

Our discussion and analysis of the West Virginia 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, 2022. Please read it in conjunction with the Board's financial statements, which follow.

Financial Highlights

- The Insurance Premium Tax increased by \$3,152,453 or approximately 17.24% during fiscal year 2022.
- Distributions to municipal pension plans decreased \$725,689 or approximately 3.57% during fiscal year 2022.
- Interest income (loss) from investments decreased from \$60,709 to \$(317,554) during fiscal year 2022.
- The Board's net position increased during fiscal year 2022 in the amount of \$909,218.

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 and 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, 2022, 2021, and 2020 (Table 1) and changes in the Board's net position for the years then ended (Table 2), with emphasis on the most recent year.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021
(Unaudited)

Table 1
Net Position

	2022	2021	2020
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 30,566,591	\$ 29,720,436	\$ 32,413,427
Accounts receivable	-	1,343	11,370
Net OPEB asset	783	-	-
Net Pension asset	128,697	-	-
Capital assets, net	7,989	9,391	9,500
	<u>30,704,060</u>	<u>29,731,170</u>	<u>32,434,297</u>
Deferred outflows of resources related to pensions	60,637	60,504	25,433
Deferred outflows of resources related to OPEB	22,561	7,203	3,725
Total deferred outflows of resources	<u>83,198</u>	<u>67,707</u>	<u>29,158</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 30,787,258</u>	<u>\$ 29,798,877</u>	<u>\$ 32,463,455</u>
<u>LIABILITIES</u>			
Current liabilities	\$ 26,965	\$ 37,260	\$ 37,846
Non-current liabilities:			
Net pension liability	-	79,211	33,028
Net OPEB liability	-	4,991	17,684
Total liabilities	<u>26,965</u>	<u>121,462</u>	<u>88,558</u>
Deferred inflows of resources related to pensions	167,649	6,027	21,005
Deferred inflows of resources related to OPEB	27,489	15,451	8,010
Total deferred inflows of resources	<u>195,138</u>	<u>21,478</u>	<u>29,015</u>
<u>Total liabilities and deferred inflows of resources</u>	<u>\$ 222,103</u>	<u>\$ 142,940</u>	<u>\$ 117,573</u>
<u>NET POSITION</u>			
Net investment in capital assets	\$ 7,989	\$ 9,391	\$ 9,500
Restricted for pension and OPEB	129,480	-	-
Restricted by enabling legislation	30,427,686	29,646,546	32,336,382
Total net position	<u>\$ 30,565,155</u>	<u>\$ 29,655,937</u>	<u>\$ 32,345,882</u>

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021
(Unaudited)

Table 2
Changes in Net Position

	2022	2021	2020
Operating revenues:			
Insurance premium tax	\$ 21,437,127	\$ 18,284,674	\$ 20,204,656
Operating expenses:			
Distributions to municipal pension plans	19,616,219	20,341,908	18,622,368
Administrative expense	593,481	693,894	642,191
	<u>20,209,700</u>	<u>21,035,802</u>	<u>19,264,559</u>
Operating income (loss)	1,227,427	(2,751,128)	940,097
Non-operating revenues (expenses):			
Interest and other income (loss)	(317,554)	60,709	558,489
Payments on behalf of State of West Virginia	(655)	474	1,072
	<u>909,218</u>	<u>(2,689,945)</u>	<u>1,499,658</u>
Change in net position	909,218	(2,689,945)	1,499,658
Net position, beginning of year	<u>29,655,937</u>	<u>32,345,882</u>	<u>30,846,224</u>
Net position, end of period	<u>\$ 30,565,155</u>	<u>\$ 29,655,937</u>	<u>\$ 32,345,882</u>

Changes in Net Position

As is noted in Table 2 the Board had a positive change in net position in the amount of \$909,218. Several factors contributed to the positive effect on net position. First, the Board experienced a significant increase in the insurance premium tax revenue in the amount of \$3,152,453 for fiscal year 2022. 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 increases future payments to the local police and fire pension plans. Secondly, distributions to pension plans decreased for fiscal year 2022 in the amount of \$725,689. One of the primary objectives of the Board is to distribute the premium tax into the accounts of the pension plans as soon as the plans meet the criteria for state aid. 96% of the September 2021 allocation was distributed by June 30, 2022, which is a slight increase from the same time of the previous year. Third, for the first time in the history of the MPOB, and as a result of positive market conditions we were able to replace net pension and OPEB liabilities with net pension and OPEB assets in the amounts of \$128,697 and \$783, respectively. Lastly, during fiscal year 2022 the Board decided to invest \$10,000,000 of the funds in the West Virginia Money Market Pool managed by the Board of Treasury Investments into the West Virginia Short Term Bond Pool, which is also managed by the Board of Treasury Investments. Due to the unfavorable conditions in the bond market the Board experienced losses, which had a negative impact to our net position in the amount of (\$317,554).

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021
(Unaudited)

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, 2022 and 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents (Note 3)	\$ 30,566,591	\$ 29,720,436
Accounts receivable	-	1,343
Total current assets	<u>30,566,591</u>	<u>29,721,779</u>
Noncurrent assets:		
Capital assets, net (Note 4)	7,989	9,391
Net OPEB asset, restricted (Note 6)	783	-
Net Pension asset, restricted (Note 5)	128,697	-
Total noncurrent assets	<u>137,469</u>	<u>9,391</u>
Total assets	<u>30,704,060</u>	<u>29,731,170</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions (Note 5)	60,637	60,504
Deferred outflows of resources related to OPEB (Note 6)	22,561	7,203
Total deferred outflows of resources	<u>83,198</u>	<u>67,707</u>
 Total assets and deferred outflows of resources	 <u>\$ 30,787,258</u>	 <u>\$ 29,798,877</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 1,380	\$ 2,097
Accrued payroll liabilities	25,585	35,163
Total current liabilities	<u>26,965</u>	<u>37,260</u>
Noncurrent liabilities:		
Net pension liability (Note 5)	-	79,211
Net OPEB liability (Note 6)	-	4,991
Total noncurrent liabilities	<u>-</u>	<u>84,202</u>
Total liabilities	<u>26,965</u>	<u>121,462</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions (Note 5)	167,649	6,027
Deferred inflows of resources related to OPEB (Note 6)	27,489	15,451
Total deferred inflows of resources	<u>195,138</u>	<u>21,478</u>
 Total liabilities and deferred inflows of resources	 <u>\$ 222,103</u>	 <u>\$ 142,940</u>
 <u>NET POSITION</u>		
Net investment in capital assets	\$ 7,989	\$ 9,391
Restricted for pension and OPEB	129,480	-
Restricted by enabling legislation	30,427,686	29,646,546
Total net position	<u>\$ 30,565,155</u>	<u>\$ 29,655,937</u>

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, 2022 and 2021

	2022	2021
Operating revenues:		
Insurance premium tax	\$ 21,437,127	\$ 18,284,674
Operating expenses:		
Distributions to municipal pension plans	19,616,219	20,341,908
Administrative:		
Salaries and wages	235,421	251,790
Employee benefits	348	43,237
Professional fees	285,737	339,185
Depreciation	6,697	7,527
Miscellaneous	65,278	52,155
Total operating expenses	20,209,700	21,035,802
Operating income (loss)	1,227,427	(2,751,128)
Non-operating revenues (expenses):		
OPEB payment on behalf of State of West Virginia	(655)	474
Income (loss) from investments	(317,554)	60,709
Total non-operating revenues (expenses)	(318,209)	61,183
Change in net position	909,218	(2,689,945)
Net position, beginning of year	29,655,937	32,345,882
Net position, end of year	\$ 30,565,155	\$ 29,655,937

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Cash received from insurance premium taxes	\$ 21,437,127	\$ 18,284,674
Cash paid to municipal pension plans	(19,616,219)	(20,341,908)
Cash paid to employees	(301,515)	(308,342)
Cash paid to suppliers	(350,389)	(380,706)
Net cash provided by (used in) operating activities	1,169,004	(2,746,282)
Cash flows from capital and related financing activities:		
Purchase of property and equipment	(5,295)	(7,418)
Cash flows from investing activities:		
Investment earnings (losses)	(317,554)	60,709
Net increase (decrease) in cash and cash equivalents	846,155	(2,692,991)
Cash and cash equivalents, beginning of year	29,720,436	32,413,427
Cash and cash equivalents, end of year	30,566,591	\$ 29,720,436
 Reconciliation of operating gain (loss) to net cash used in operating activities:		
Operating income (loss)	1,227,427	\$ (2,751,128)
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:		
Depreciation	6,697	7,527
OPEB expense - special funding	(655)	474
Pension expense	(24,957)	19,595
OPEB expense	(6,329)	(3,903)
Changes in operating accounts:		
(Increase) decrease in accounts receivables	1,343	10,027
Increase (decrease) in accounts payable	(717)	606
Increase (decrease) in accrued payroll liabilities	(9,578)	(1,192)
(Increase) in deferred outflows of resources-Pension	(21,462)	(23,461)
(Increase) in deferred outflows of resources -OPEB	(2,765)	(4,827)
Net cash provided by (used in) operating activities	\$ 1,169,004	\$ (2,746,282)

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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 State investment pools maintained by the West Virginia Board of Treasury Investments (BTI). The West Virginia Money Market Pool is carried at amortized cost and the West Virginia Short Term Bond Pool is carried at fair value.

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)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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 (asset), 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 (asset), 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, restricted for pension and OPEB, or as 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)

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

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 (expenses).

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2022 and 2021, the carrying amounts of deposits with the STO and the BTI are as follows:

	2022	2021
Cash on hand at STO	\$ 36,112	\$ 76,358
Investments with BTI reported as cash equivalents:		
WV Money Market Pool	20,897,751	29,644,078
WV Short Term Bond Pool	9,632,728	-
	\$ 30,566,591	\$ 29,720,436

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 and the West Virginia Short Term Bond 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. Investments in the West Virginia Money Market Pool are available to the Board with overnight notice. Investments in the West Virginia Short Term Bond Pool are available to the Board on the first day of each month.

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 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. Neither the BTI itself nor the West Virginia Short Term Bond Pool has been rated for credit risk by any organization. The West Virginia Money Market Pool and West Virginia Short Term Bond Pool are subject to credit risk.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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

Security Type	Rating	Carrying Value (in Thousands)	Percent of Pool Assets
U.S. Treasury notes *	AA+	\$ 37,503	0.47%
Commercial Paper	A-1+	1,956,052	24.01
	A-1	3,849,657	47.26
Negotiable certificates of deposit	A-1+	208,000	2.55
	A-1	1,141,000	14.01
	A+	117,500	1.44
Money market funds	AAAm	217,659	2.67
Cash	A-1+	824	0.01
Repurchase agreements (underlying securities):			
U.S. Treasury bonds and notes*	AA+	117,400	1.44
U.S. Agency bonds and notes	AA+	500,000	6.14
		<u>\$ 8,145,595</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 West Virginia Short Term Bond Pool by requiring all long-term corporate debt be rated BBB- or higher by Standard & Poor's (or its equivalent) and all short-term corporate debt be rated A-1 or higher by Standard & Poor's (or its equivalent). Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's (or its equivalent). The following table provides information on the credit ratings of the West Virginia Short Term Bond Pool's investments (in thousands):

Security Type	Rating	Carrying Value (in Thousands)	Percent of Pool Assets
U.S. Treasury notes *	AA+	\$ 89,910	13.03%
U.S. government agency bonds	AA+	2,403	0.34
U.S. agency collateralized mortgage obligations			
U.S. government guaranteed*	AA+	10,577	1.53
Non-U.S. government guaranteed	AA+	2,732	0.40
Corporate fixed- and floating-rate bonds and notes	AAA	3,421	0.50
	AA+	1,983	0.29
	AA	3,077	0.45
	AA-	22,231	3.22
	A+	57,764	8.37
	A	58,155	8.43
	A-	90,582	13.13
	BBB+	61,433	8.90

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Security Type	Rating	Carrying Value (in Thousands)	Percent of Pool Assets
	BBB	35,313	5.12
	BBB-	44,896	6.51
	NR	24,283	3.52
Collateralized mortgage obligations	AAA	3,126	0.45
	NR	15,296	2.22
Municipal Securities	AAA	7,713	1.12
	AA+	12,362	1.79
	AA	7,262	1.05
	AA-	2,179	0.32
	A	2,469	0.36
	NR	4,279	0.62
Asset-backed securities	AAA	94,217	13.66
	NR	26,361	3.82
Money market funds	AAAm	5,856	0.85
		<u>\$ 689,880</u>	<u>100.00%</u>

NR = Not Rated

* U.S. Treasury issues are explicitly guaranteed by the United States government and are not considered to have 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 and West Virginia Short Term Bond Pool are 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 notes	\$ 37,503	1
Commercial paper	5,805,709	23
Negotiable certificates of deposit	1,466,500	25
Repurchase agreements	617,400	1
Money market funds	217,659	1
Cash	824	1
	<u>\$ 8,145,595</u>	<u>21</u>

(Continued)

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

The overall effective duration of the investments of the West Virginia 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, 2022, the effective duration of the benchmark was 686 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 West Virginia Short Term Bond Pool:

Security Type	Carrying Value (In Thousands)	Effective Duration (Days)
U.S. Treasury notes	\$ 89,910	816
U.S. government agency bonds	2,403	815
U.S. agency collateralized mortgage obligations	13,309	75
Corporate fixed-rate bonds and notes	369,328	657
Corporate floating-rate bonds and notes	33,810	(19)
Commercial mortgage-backed securities	18,422	585
Municipal Securities	36,264	433
Asset-backed securities	120,578	474
Money market funds	5,856	-
	\$ 689,880	584

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 pool's investment in a single corporate issuer. The BTI investment policy prohibits the West Virginia Money Market Pool and the West Virginia Short Term Bond 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 nor the West Virginia Short Term Bond Pool hold securities that were subject to foreign currency risk.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 4 - CAPITAL ASSETS

A summary of capital asset activity is as follows:

	Historical Cost at June 30, 2020	Additions	Disposals	Historical Cost at June 30, 2021	Additions	Disposals	Historical Cost at June 30, 2022
Leasehold improvements	\$ 6,882	\$ -	\$ -	\$ 6,882	\$ -	\$ -	\$ 6,882
Furnishings and equipment	26,536	13,319*	8,918	30,937	5,295	-	36,232
	<u>\$ 33,418</u>	<u>\$ 13,319</u>	<u>\$ 8,918</u>	<u>\$ 37,819</u>	<u>\$ 5,295</u>	<u>\$ -</u>	<u>\$ 43,114</u>
	Accumulated Depreciation June 30, 2020	Additions	Disposals	Accumulated Depreciation June 30, 2021	Additions	Disposals	Accumulated Depreciation June 30, 2022
Leasehold improvements	\$ 5,898	\$ 984	\$ -	\$ 6,882	\$ -	\$ -	\$ 6,882
Furnishings and equipment	18,020	12,144*	8,618	21,546	6,697	-	28,243
	<u>\$ 23,918</u>	<u>\$ 13,128</u>	<u>\$ 8,618</u>	<u>\$ 28,428</u>	<u>\$,697</u>	<u>\$ -</u>	<u>\$ 35,125</u>
Total	<u>\$ 9,500</u>	<u>\$ 191</u>	<u>\$ 300</u>	<u>\$ 9,391</u>	<u>\$ (1,402)</u>	<u>\$ -</u>	<u>\$ 7,989</u>

* Amounts include fully depreciated assets added for tracking purposes.

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.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 5 - RETIREMENT PLAN (Continued)

Benefits Provided (Continued)

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% for the years ended June 30, 2022, 2021, and 2020, 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 \$21,462, \$23,461, and \$23,328 for the fiscal years ended June 30, 2022, 2021, and 2020, respectively.

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

On June 30, 2022, and 2021, the Board reported a liability (asset) of \$(128,697) and \$79,211, respectively for its proportionate share of the net pension liability (asset). The 2022 net pension liability (asset) was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of July 1, 2020, rolled forward to the measurement date of June 30, 2021. The 2021 net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to the measurement date of June 30, 2020. The Board's proportion of the net pension liability (asset) was based on the Board's contributions to the pension plan relative to the contributions of all participating employers. On June 30, 2021, the Board's proportionate share was 0.014659%, which was a decrease of .00032% from its proportionate share measured as of June 30, 2020.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 5 - RETIREMENT PLAN (Continued)

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

For the years ended June 30, 2022 and 2021, the Board recognized pension expense of \$(24,957) and \$19,595 respectively. At June 30, 2022 and 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>June 30, 2022</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 164,839
Differences between expected and actual experience	14,688	488
Changes in assumptions	24,487	1,043
Changes in proportion and differences between Board's contributions and proportionate share of contributions	-	1,279
Board's contributions subsequent to the measurement date	21,462	-
Total	<u>\$ 60,637</u>	<u>\$ 167,649</u>
<u>June 30, 2021</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 25,106	\$ -
Differences between expected and actual experience	11,657	1,633
Changes in assumptions	-	3,490
Changes in proportion and differences between Board's contributions and proportionate share of contributions	280	904
Board's contributions subsequent to the measurement date	23,461	-
Total	<u>\$ 60,504</u>	<u>\$ 6,027</u>

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 5 - RETIREMENT PLAN (Continued)

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

The Board reported \$21,462 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 (or increase in the net pension asset) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$	(24,386)
2024		(21,394)
2025		(34,143)
2026		(48,551)

Actuarial assumptions and methods

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

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

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

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

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

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

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 5 - RETIREMENT PLAN (Continued)

Actuarial assumptions and methods (continued)

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

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

Long-term expected rates of return

The long-term rates of return on pension plan investments was 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Weighted Average Expected Real Rate of Return</u>
Domestic equity	27.5%	5.5%	1.51%
International equity	27.5%	7.0%	1.93%
Fixed income	15.0%	2.2%	0.33%
Real estate	10.0%	6.6%	0.66%
Private equity	10.0%	8.5%	0.85%
Hedge funds	10.0%	4.0%	0.40%
Total	100.0%		5.68%
Inflation (CPI)			2.10%
			<u>7.78%</u>

Discount rate

The discount rates used to measure the total pension liability were 7.25 percent and 7.5 percent for the 2021 and 2020 actuarial valuations, respectively. 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.

(Continued)

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 5 - RETIREMENT PLAN (Continued)

Sensitivity of the Board's proportionate share of the net pension liability (asset) to changes in the discount rate

The following table presents the Board's proportionate share of the net pension liability (asset) calculated using the current discount rate of 7.25 percent as well as what the Board's proportionate share of the net pension liability (asset) 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 (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Board's proportionate share of the net pension liability (asset)	\$ 1,471	\$ (128,697)	\$ (238,566)

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.

(Continued)

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2022, 2021, and 2020, respectively, were:

2022	2022	2021	2020
2/1/22-6/30/22	7/1/21-1/31/22		
\$ 48	\$ 116	\$ 160	\$ 168

Contributions to the OPEB plan from the Board were \$2,764, \$4,827, and \$2,170 for the years ended June 30, 2022, 2021, and 2020, 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.

(Continued)

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

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

At June 30, 2022 and 2021, the Board reported a liability (asset) for its proportionate share of the RHBT net OPEB liability (asset) 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 (asset), the related State support, and the total portion of the net OPEB liability (asset) that was associated with the Board was as follows:

	2022	2021
The Board's proportionate share of the net OPEB liability (asset)	\$ (783)	\$ 4,991
State's special funding proportionate share of the net OPEB liability (asset) associated with the Board	(154)	1,104
Total portion of net OPEB liability (asset) associated with the Board	\$ (937)	\$ 6,095

The net OPEB liability (asset) reported at June 30, 2022 was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2020, and rolled forward to a measurement date of June 30, 2021. The Board's proportion of the net OPEB liability (asset) 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, 2021, the Board's proportion was .002632 percent, which is an increase of .001502 percent from its proportion measured as of June 30, 2020.

For the years ended June 30, 2022 and 2021, respectively, the Board recognized OPEB expense (revenue) of \$(6,984) and \$(3,429) and for support provided by the State under special funding situations revenue of \$(655) and \$474. At June 30, 2022 and 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

	June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,392
Net difference between projected and actual earnings on OPEB plan investments	-	5,401
Changes in assumptions	-	16,562
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	19,797	-
Reallocation of opt-out employer change in proportionate share	-	134
The Board's contributions subsequent to the measurement date of June 30, 2021	2,764	-
Total	\$ 22,561	\$ 27,489

	June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,236
Net difference between projected and actual earnings on OPEB plan investments	378	-
Changes in assumptions	-	11,265
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	1,998	664
Reallocation of opt-out employer change in proportionate share	-	286
The Board's contributions subsequent to the measurement date of June 30, 2020	4,827	-
Total	\$ 7,203	\$ 15,451

Deferred outflows of resources related to OPEB of \$2,764 resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (or an increase in the net OPEB asset) in the year ended June 30, 2023. 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:

2023	\$ (6,213)
2024	(3,336)
2025	3,423
2026	(1,566)

(Continued)

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions

The total OPEB liability, reported as of June 30, 2022 and 2021, was determined by an actuarial valuation as of June 30, 2020, with measurement dates of June 30, 2021 and 2020, respectively, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Rates based on 2015-2020 OPEB experience study and dependent on pension plan participation and attained age, and range from 2.75% to 5.18%, including inflation
Investment rate of return	6.65%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2020, decreasing by .50% one year, then by .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 ratably each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll
Remaining amortization period	20 years closed period beginning June 30, 2017

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

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

(Continued)

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions (Continued)

There were no assumptions changes from the actuarial valuation as of June 30, 2020, measured at June 30, 2020 to a roll-forward measurement date of June 30, 2021.

The long-term expected rate of return of 6.65% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.00% for long-term assets invested with the West Virginia Investment Management Board (WVIMB) and an expected short-term rate of return of 2.5% for assets invested with the BTI. Long-term pre-funding assets are invested with the WVIMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the BTI.

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

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

Discount rate

A single discount rate of 6.65% was used to measure the total OPEB liability. The 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.

(Continued)

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions (Continued)

Other key assumptions

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

OPEB subsequent event

Subsequent to the OPEB valuation with a measurement date of June 30, 2020, the RHBT was still experiencing the effects of a global pandemic that was declared by the World Health Organization due to an outbreak and spread of the COVID-19 virus. The OPEB valuation with a measurement date of June 30, 2021, 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

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

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

	1% Decrease (5.65%)	Current Discount Rate (6.65%)	1% Increase (7.65%)
The Board's proportionate share of the net OPEB liability (asset)	\$ 4,200	\$ (783)	\$ (4,920)

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

The following presents the Board's proportionate share of the net OPEB liability (asset), as well as what the Board's proportionate share of the net OPEB liability (asset) 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 (asset)	\$ (5,779)	\$ (783)	\$ 5,303

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

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, 2021 allocation, but have not been disbursed as of June 30, 2022 is \$1,086,151.

The amount available to the Board for allocation to the pension plans in September 2022 is \$18,133,819.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (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.

In June 2022, the GASB issued **Statement No. 101**, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The Board 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 MUNICIPAL PENSIONS OVERSIGHT BOARD
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
 PUBLIC EMPLOYEES RETIREMENT SYSTEM PLAN**

	Years Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Board's proportion (percentage) of the net pension liability (asset)	0.014659%	0.014983%	0.015361%	0.015383%	0.015161%	0.014991%	0.015321%	0.0151900%
Board's proportionate share of the net pension liability (asset)	\$ (128,697)	\$ 79,211	\$ 33,028	\$ 39,726	\$ 65,444	\$ 137,788	\$ 85,568	\$ 56,062
Board's covered payroll	\$ 234,612	\$ 233,280	\$ 224,823	\$ 212,736	\$ 208,950	\$ 209,706	\$ 207,776	\$ 203,412
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(54.855%)	33.955%	14.691%	18.674%	31.323%	65.705%	41.183%	27.561%
Plan fiduciary net position as a percentage of the total pension liability	111.07%	92.89%	96.99%	96.33%	93.67%	86.11%	91.29%	93.98%

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

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

	Years Ended June 30,										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	
Statutorily required contribution	\$ 21,462	\$ 23,461	\$ 23,328	\$ 22,523	\$ 23,440	\$ 25,142	\$ 28,310	\$ 29,089	\$ 29,495	\$ 28,127	
Contributions in relation to the statutorily required contribution	(21,462)	(23,461)	(23,328)	(22,523)	(23,440)	(25,142)	(28,310)	(29,089)	(29,495)	(28,127)	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
The Board's covered payroll	\$ 214,620	\$ 234,612	\$ 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%	10.0%	10.0%	11.0%	12.0%	13.5%	14.0%	14.5%	14.0%	

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

	Years Ended June 30,				
	2022	2021	2020	2019	2018
Board's proportion of the net OPEB liability (asset) (percentage)	0.002632181%	0.001129919%	0.001065873%	0.001039396%	0.000966902%
Board's proportionate share of the net OPEB liability (asset)	\$ (783)	\$ 4,991	\$ 17,684	\$ 22,300	\$ 23,776
State's proportionate share of the net OPEB liability (asset)	(154)	1,104	3,619	4,609	4,884
Total proportionate share of the net OPEB liability (asset)	<u>\$ (937)</u>	<u>\$ 6,095</u>	<u>\$ 21,303</u>	<u>\$ 26,909</u>	<u>\$ 28,660</u>
Board's covered employee payroll	\$ 234,612	\$ 251,835	\$ 224,823	\$ 212,736	\$ 208,930
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	(0.33%)	1.98%	7.87%	10.48%	11.38%
Plan fiduciary net position as a percentage of the total OPEB liability	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).

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

	Years Ended June 30,				
	2022	2021	2020	2019	2017
Statutorily required contribution	\$ 2,764	\$ 4,827	\$ 2,170	\$ 3,592	\$ 2,124
Contributions in relation to the statutorily required contribution	(2,764)	(4,827)	(2,170)	(3,592)	(2,124)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered employee payroll	\$ 215,802	\$ 234,612	\$ 251,835	\$ 224,823	\$ 212,736
Contributions as a percentage of covered employee payroll	1.28%	2.06%	0.86%	1.60%	1.00%
					0.95%

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2022

Note 1. Trend Information Presented

The accompanying schedules of the Board's proportionate share of the net OPEB and pension liabilities (assets) 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 2020 and 2018 valuations:

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

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

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

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

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2022

Note 2. OPEB Changes in Assumptions (Continued)

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

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

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

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

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

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

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2022

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.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022**

Note 4. Pension Plan Assumptions

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

<u>PERS</u>	<u>2019-2021</u>	<u>2015-2018</u>	<u>2014</u>
Projected salary increase			
State	3.1 - 5.3% (2019-2020); 2.75% - 5.55% (2021)	3.0 - 4.6%	4.25 - 6.0%
Nonstate	3.35 - 6.5% (2019-2020); 3.60% - 6.75% (2021)	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	3.0% (2019-2020); 2.75% (2021)	3.0% (2016-2018); 1.9% (2015)	2.2%
Discount rate	7.50% (2019-2020); 7.25% (2021)	7.50%	7.50%
Mortality rates	Active-100% of Pub-2010 General Employees table, below median, headcount weighted, projected generationally with scale MP-2018 Retired healthy males-108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected generationally with scale MP-2018 Retired healthy females-122% of Pub-2010 General Retiree Female table, below-median, headcount weighted, projected generationally with scale MP-2018 Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, headcount weighted, projected generationally with scale MP-2018 Disabled females-118% of Pub-2010 General / Teachers Disabled Female table, below-median, headcount weighted, projected generationally with scale MP-2018	Active-RP-2000 Non-Annuitant tables, Scale AA fully generational Retired healthy males – 110% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy females – 101% of RP-2000 Non-Annuitants, Scale AA fully generational Disabled males – 96% of RP-2000 Disabled Annuitant, Scale AA fully generational Disabled females – 107% of RP-2000 Disabled Annuitant, Scale AA fully generational	Healthy males – 1983 GAM Healthy females – 1971 GAM Disabled males-1971 GAM Disabled females-Revenue ruling 96-7
Withdrawal rates			
State	2.28-45.63%	1.75 - 35.1%	1 – 26%
Nonstate	2.950-35.88%	2 - 35.8%	2 – 31.2%
Disability rates	0.005-0.540%	0. - 67.5%	0 – .8%
Experience Study	2013-2018 (2019-2020); 2015 – 2020 - economic assumptions and 2013 – 2018 all other assumptions (2021)	2009-2014	2004-2009

SUPPLEMENTARY INFORMATION

West Virginia Municipal Pensions Oversight Board
Schedule of Statutory Commitments
June 30, 2022

	<u>Allocation</u>	<u>Expended</u>	<u>Balance</u>
<u>Police Departments</u>			
Beckley	\$ 541,053	\$ 541,053	\$ -
Belle	37,834	37,834	-
Bluefield	285,513	285,513	-
Charleston	1,866,884	1,866,884	-
Charles Town	11,327	11,327	-
Chester	45,725	45,725	-
Clarksburg	464,032	464,032	-
Dunbar	142,464	-	142,464
Elkins	129,164	129,164	-
Fairmont	420,069	420,069	-
Grafton	75,547	75,547	-
Huntington	1,121,406	1,039,656	81,750
Logan	61,569	-	61,569
Martinsburg	446,995	446,995	-
Morgantown	711,889	711,889	-
Moundsville	169,978	169,978	-
Nitro	191,890	191,890	-
Oak Hill	141,234	-	141,234
Parkersburg	733,446	733,446	-
Princeton	239,257	239,257	-
Point Pleasant	84,219	-	84,219
Saint Albans	250,358	250,358	-
South Charleston	477,883	477,883	-
Star City	62,140	-	62,140
Vienna	197,857	197,857	-
Weirton	421,139	421,139	-
Welch	50,028	-	50,028
Weston	43,377	-	43,377
Westover	125,428	125,428	-
Wheeling	844,536	844,536	-
Williamson	64,944	64,944	-
<u>Fire Departments</u>			
Beckley	520,888	520,888	-
Bluefield	212,545	212,545	-
Charleston	1,861,484	1,861,484	-
Clarksburg	474,095	474,095	-
Dunbar	172,856	-	172,856
Elkins	61,305	-	61,305
Fairmont	464,031	464,031	-
Grafton	49,899	49,899	-
Huntington	1,131,758	1,044,047	87,711
Logan	65,966	-	65,966
Martinsburg	377,521	377,521	-
Morgantown	629,777	629,777	-
Moundsville	71,466	71,466	-
Nitro	143,123	143,123	-
Parkersburg	708,237	708,237	-
Princeton	145,067	145,067	-
Saint Albans	259,683	259,683	-
South Charleston	515,492	515,492	-
Weirton	255,721	255,721	-
Weston	50,154	18,622	31,532
Wheeling	1,119,489	1,119,489	-
Williamson	78,499	78,499	-
	<u>\$ 19,828,241</u>	<u>\$ 18,742,090</u>	<u>\$ 1,086,151</u>

See Independent Auditor's Report



**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, 2022, 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 28, 2022.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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, S. L. P.
CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
September 28, 2022