WEST VIRGINIA STATE RAIL AUTHORITY

A COMPONENT UNIT OF THE STATE OF WEST VIRGINIA
AND THE WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION

YEAR ENDED JUNE 30, 2021

AND

INDEPENDENT AUDITOR'S REPORT

Suttle & Stalnaker Certified Public Accountants
A Professional Limited Liability Company

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Suttle & Stalnaker | Certified Public Accountants
A Professional Limited Liability Company

INDEPENDENT AUDITOR'S REPORT

To the Members
West Virginia State Rail Authority
Moorefield, West Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 - 10 and the pension schedules, other post-employment benefits schedules, and related notes on pages 38 - 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 4, 2021

The management of the West Virginia State Rail Authority (the Authority) offers readers of our financial statements the following narrative overview and analysis of our financial activities for the year ended June 30, 2021. Please read it in conjunction with the Authority's basic financial statements and notes to the financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's net position increased by approximately $2.5 million as a result of this year's operations. The increase in the Authority's net position was due to an increase in non-operating revenue.

- Operating expenses increased by approximately $2.5 million during the year ended June 30, 2021, and operating revenues decreased by approximately $192 thousand. This resulted in an operating loss increase of approximately $2.7 million compared to the year ended June 30, 2020. Salaries and benefits, car hire, diesel fuel, and liability and property insurance stayed steady from FY21 to FY20. In FY21, $3.5M was transferred from the State of West Virginia to the Authority and $1.8 million was used to pay for the Buffalo Creek and Gauley Railroad (BCGRR). This accounts for the increase in operating expenses. Freight revenue decreased due to handling less cars again in FY21. South Branch Valley Railroad (SBVR) handled less cars because our largest customer is still receiving a large amount of corn in trucks.

- Non-operating revenues (expenses) were approximately $11.7 million in the year ended June 30, 2021, compared to non-operating revenues (expenses) of approximately $4.7 million in the year ended June 30, 2020. The increase in total non-operating revenues (expenses) of approximately $7.0 million was due to a $3.5 million appropriated in FY21 for the Maryland Area Railroad Commuter (MARC) train operations as compared to $1.1 million in FY20. In addition, more State appropriations were used in FY21 compared to FY20 for deferred projects utilizing re-appropriated funds to complete. Further, the Authority received $1.8 million from the Division of Natural Resources to purchase the BCGRR.

- The Authority completed approximately $2.3 million in capital improvements in the year ended June 30, 2021, including $1.4 million for bridge replacement and $300 thousand for tie replacement on the South Branch Valley Railroad, $56 thousand for new vehicles, and approximately $600 thousand on the West Virginia Central Railroad (WVCR) work on a new bridge at Trout Run.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes management's discussion and analysis report, the independent auditor's report, and the basic financial statements of the Authority. The financial statements also include notes that explain in more detail some of the information in the financial statements.

The financial statements of the Authority report information using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The Statement of Net Position includes all the Authority's assets and liabilities and provides information about the investments in resources (assets) and the obligations to creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority.

All the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority's costs are recovered from revenues and how much of the cost is supplemented by appropriations from the State of West Virginia.

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It provides answers to such questions as where cash came from, what was cash used for, and what was the change in the cash balance during the reporting period.

CONDENSED FINANCIAL STATEMENTS

Condensed financial information from the Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position for the years ended June 30, 2021, and 2020 are as follows:

Condensed Statements of Net Position

	2021	2020	Variance
Current assets	$ 10,315,131	$ 7,505,973	$ 2,809,158
Capital assets, net	38,718,314	36,727,568	1,990,746
Deferred outflows of resources	149,937	73,593	76,344
Total assets plus deferred outflows of resources	49,183,382	44,307,134	4,876,248
Current liabilities	3,599,646	1,231,618	2,368,028
Noncurrent liabilities	248,424	317,552	(69,128)
Deferred inflows of resources	204,655	156,594	48,061
Total liabilities plus deferred inflows of resources	4,052,725	1,705,764	2,346,961
Net position			
Net investment in capital assets	38,718,314	36,727,568	1,990,746
Unrestricted	6,412,343	5,873,802	538,541
Total net position	$ 45,130,657	$ 42,601,370	$ 2,529,287

Condensed Statements of Revenues, Expenses, and Changes in Net Position

	2021	2020	Variance
Operating revenues			
Freight	$ 1,254,941	$ 1,318,929	$ (63,988)
Miscellaneous	324,584	452,916	(128,332)
Total operating revenues	1,579,525	1,771,845	(192,320)
Depreciation expense	2,159,875	2,114,479	45,396
Other operating expenses	8,634,011	6,219,089	2,414,922
Total operating expenses	10,793,886	8,333,568	2,460,318
Operating loss	(9,214,361)	(6,561,723)	(2,652,638)
Non-operating revenues (expenses)	11,743,648	4,748,573	6,995,075
Change in net position	2,529,287	(1,813,150)	4,342,437
Total net position – beginning	42,601,370	44,414,520	(1,813,150)
Total net position – ending	$ 45,130,657	$ 42,601,370	$ 2,529,287

FINANCIAL ANALYSIS

- For the year ended June 30, 2021, the Authority's current assets increased approximately $2.8 million. This amount includes an increase of approximately $876 thousand in amounts due from other governments as well as an increase of approximately $1.9 million in cash. Both are due to timing of projects and payments received and paid at year end.

- The Authority's capital assets increased approximately $2 million which is the net depreciation expense of approximately $2.2 million and capital asset additions of $4.2 million. The $4.2 million capital asset additions for the year ended June 30, 2021, were the result of numerous projects on the South Branch Valley Railroad (SBVR), the West Virginia Central Railroad (WVCR) and Cass Railroad as well as the purchase of the BCGRR in the current year.

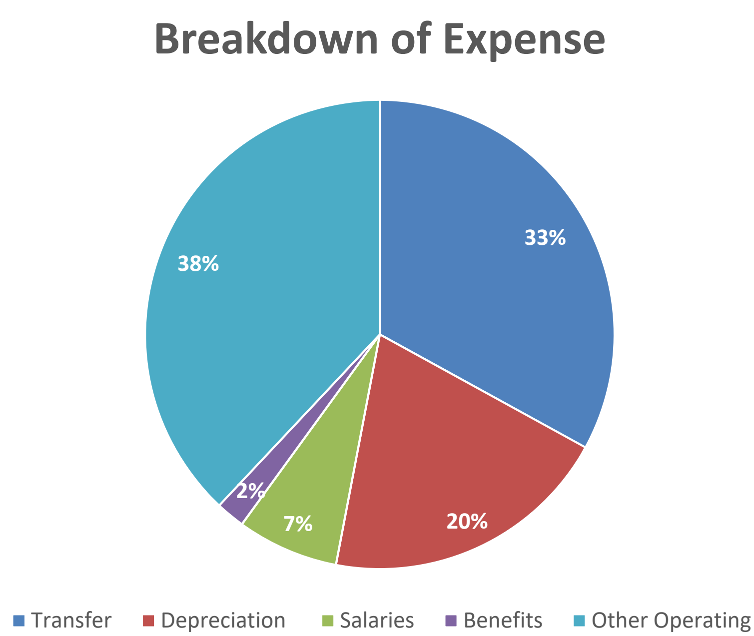
- The Authority's current liabilities increased approximately $2.4 million. In FY21 current liabilities were up due to a pending payment of approximately $2.0 million to the state of Maryland for the MARC train.

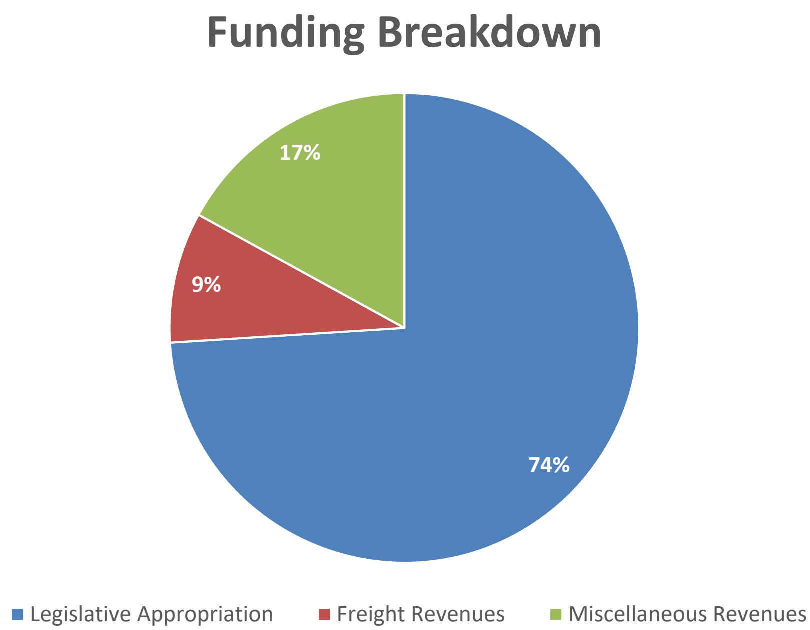
- The Authority's budget for the fiscal year ended June 30, 2021, consisted of funds received from the State of West Virginia General Fund, operating revenues from SBVR, revenues from the operator of the WVCR, and miscellaneous revenues received from the leases and licenses on railroad rights-of-way.

- Freight revenue of approximately $1.3 million was earned from the operations of the SBVR, which was in line with the year ended June 30, 2021, budgeted projections. Miscellaneous revenues of approximately $325 thousand were earned in addition to the freight revenue. The miscellaneous revenue is made up of right-of-way leases on the SBVR and WVCR, royalties from gas wells, and income received from the excursion train operators. This revenue is used to help pay the operating expenses of the SBVR. Total operating revenues decreased by approximately 10.85% in the fiscal year ended June 30, 2021. Miscellaneous revenue decreased by approximately 28.33% in the fiscal year ended June 30, 2021. Decrease in miscellaneous revenue is due to a reduction in the amount received from oil and gas royalties in FY21 as compared to FY20.

- The Authority received an approximate $9.9 million appropriation from the general fund of the State of West Virginia for capital improvement projects and maintenance projects on the SBVR and WVCR, upkeep of the Maryland Rail Commuter (MARC) train stations in the eastern panhandle, and the general operating costs of the Authority. This appropriation is about 74% of the total funds received. Funds will continue to be utilized for capital improvements and maintenance costs on the SBVR and WVCR to safely maintain the condition of both railroads.

The following graphs provide a visual representation of the funding (revenue and other income sources) and expenditures for the fiscal year ended June 30, 2021.





CAPITAL ASSETS

The Authority's net capital assets as of June 30, 2021 and 2020 were $38.7 million and $36.7 million, respectively. This investment in capital assets includes land, buildings, railroad infrastructure, rail cars and equipment.

The Authority primarily acquires its assets with proceeds from the general fund appropriation from the State of West Virginia. Rehabilitation and improvements to the SBVR and WVCR are part of the Authority's capital improvement program.

Capital asset additions for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Work Equipment	$ 56,642	$ -
Buildings	-	63,770
Locomotive, freight, and passenger cars	-	-
Railroad infrastructure	3,192,110	1,481,325
Leasehold Improvements	-	140,000
Construction in progress	910,729	-
Total	$ 4,159,481	$ 1,685,095

Readers interested in more detailed information regarding capital assets should review the accompanying notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Authority's year ending June 30, 2022, budget includes approximately $6.1 million from the State of West Virginia and approximately $2.5 million from projected freight and miscellaneous revenue. This funding will be used to complete capital improvement and rehabilitation projects on the SBVR and WVCR. The funding from the State of West Virginia includes approximately $4.0 million in appropriated funds for projects underway but not completed in 2021.

The SBVR's track structure has improved significantly over the past fifteen years. By establishing a long-term capital improvement program, the Authority has been able to raise the weight restriction on railcars and improve safety of the operation. New locomotives have been added to the fleet to ensure that the SBVR can move traffic in a reliable and timely manner. This is particularly important in handling unit trains for the Pilgrim's Pride feed mill in Moorefield. Pilgrim's Pride is the largest employer in the South Branch Valley, so it is vital that the Authority continue to upgrade the rail infrastructure and maintain the track to promote the economic success of the area it serves. The SBVR capital improvement projects planned for the fiscal year ending June 30, 2022, include continuing to upgrade and repair bridges, upgrading the shop facility, and replacing ties.

The capital improvement projects planned on the WVCR for the fiscal year ending June 30, 2022, include replacing cross ties and upgrading bridges. This railroad has completed over twenty years of operations and continues to be a strong economic factor to the areas that it serves. In addition, the Cass Railroad continues to do well under the oversight of the Authority. This railroad is operated by the same operator as the WVCR. The operator (Durbin & Greenbrier Valley Railroad) and the Authority are partnering to replace the tracks between Durbin and Cass that were washed out in the 1985 flood. A capital improvement project planned for FY22 is to complete the bridge replacement on this out of service section. This bridge will be the final connection to complete this project.

The acquisition of the BCGRR is the first phase in the State acquiring the Elk River Trail. The BCGRR will be the only railroad portion and will include a trail beside it that will connect to the Elk River Trail. This will be a tourist only railroad. Currently, FEMA funds are being administered by the Clay County Business Development Authority through Homeland Security, to restore the railroad. This restoration project will take about a year to complete. After the repairs are completed, a decision will be made as to what type of tourist excursion will operate on the railroad.

REQUESTS FOR INFORMATION

This financial report is designed to provide an overview of the finances of the Authority for those with an interest in this organization. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the West Virginia State Rail Authority at 120 Water Plant Drive, Moorefield, West Virginia, 26836.

WEST VIRGINIA STATE RAIL AUTHORITY
STATEMENT OF NET POSITION
JUNE 30, 2021

ASSETS	
Current assets	
Cash and cash equivalents	$ 9,212,210
Trade receivables	26,812
Inventories	16,081
Interest receivable	4,144
Due from other governmental entities	1,055,884
Total current assets	10,315,131
Noncurrent assets	
Capital assets	76,989,847
Accumulated depreciation	(38,271,533)
Total noncurrent assets	38,718,314
Deferred outflows	
Deferred outflows related to pension	120,002
Deferred outflows related to other post-employment benefits	29,935
Total deferred outflows	149,937
Total assets and deferred outflows	49,183,382
LIABILITIES	
Current liabilities	
Accounts payable	2,679,709
Accrued expenses	45,752
Compensated absences	85,974
Due to other governmental entities	784,847
Unearned revenue	3,364
Total current liabilities	3,599,646
Noncurrent liabilities	
Other post-employment benefits liability	57,714
Net pension liability	151,051
Unearned revenue	39,659
Total noncurrent liabilities	248,424
Total liabilities	3,848,070
Deferred inflows	
Deferred inflows related to pension	14,632
Deferred inflows related to other post-employment benefits	190,023
Total deferred inflows	204,655
Total liabilities and deferred inflows	4,052,725
NET POSITION	
Net investment in capital assets	38,718,314
Unrestricted	6,412,343
Total net position	$ 45,130,657

WEST VIRGINIA STATE RAIL AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2021

Operating revenues	
Freight	$ 1,254,941
Miscellaneous	324,584
Total operating revenues	1,579,525
Depreciation expense	2,159,875
Other operating expenses	8,634,011
Total operating expenses	10,793,886
Operating income (loss)	(9,214,361)
Nonoperating revenues (expenses)	
Intergovernmental revenue	9,868,441
Contributions from other Agencies	1,826,170
Interest income	52,416
Payments on behalf	5,481
Gain (loss) on disposition of assets	(8,860)
Total nonoperating revenues (expenses)	11,743,648
Change in net position	2,529,287
Total net position - beginning	42,601,370
Total net position - ending	$ 45,130,657

WEST VIRGINIA STATE RAIL AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

Cash flows from operating activities		
Cash received from customers and government	$	1,575,177
Cash paid to and on behalf of employees		(743,459)
Cash paid to suppliers and government		(5,597,333)
Net cash provided (used) by operating activities		(4,765,615)
Cash flows from noncapital financing activities		
Transfers in from State of West Virginia		8,992,455
Transfers in from other Agencies		1,826,170
Net cash provided (used) by noncapital financing activities		10,818,625
Cash flows from capital and related financing activities		
Purchase of capital assets		(4,159,481)
Net cash provided (used) by capital and related financing activities		(4,159,481)
Cash flows from investing activities		
Receipts of interest		52,416
Net cash provided (used) by investing activities		52,416
Increase (decrease) in cash and cash equivalents		1,945,945
Cash and cash equivalents, beginning of year		7,266,265
Cash and cash equivalents, end of year	$	9,212,210
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating loss	$	(9,214,361)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities		
Depreciation		2,159,875
Other post-employment benefits expense - special funding situation		5,481
Changes in operating assets and liabilities		
(Increase) decrease in trade receivables		(984)
(Increase) decrease in inventories		36
(Increase) decrease in interest receivable		13,721
(Increase) decrease in deferred outflows		(76,344)
Increase (decrease) in accounts payable		1,723,401
Increase (decrease) in accrued expenses		(46,845)
Increase (decrease) in compensated absences		11,205
Increase (decrease) in due to other governmental entities		680,267
Increase (decrease) in unearned revenue		(3,364)
Increase (decrease) in other post-employment benefits		(157,686)
Increase (decrease) in net pension liability		91,922
Increase (decrease) in deferred inflows		48,061
Net cash provided (used) by operating activities	$	(4,765,615)

The Accompanying Notes Are An Integral Part Of These Financial Statements

NOTE 1 - DESCRIPTION OF ORGANIZATION AND FINANCIAL REPORTING ENTITY

In 1975, the West Virginia Legislature created the West Virginia State Rail Authority (the Authority) under the provisions of Chapter 29, Article 18 of the Code of West Virginia, 1931, as amended, known as the "West Virginia Railroad Maintenance Act." The Authority was created to participate in the rehabilitation, improvement, and restoration of the financial stability of the railway system in the State of West Virginia and enable it to remain viable in the public sector as a mode of transportation. The Authority maintains the South Branch Valley Railroad and the West Virginia Central Railroad, and is responsible for the rails-to-trails program operation. During fiscal year 2021, the Authority acquired the Buffalo Creek and Gauley Railroad which will be a tourist only railroad. The Secretary of Transportation serves as a member of the Authority, and the remaining six members are appointed by the Governor.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Accounting</u> - The Authority is considered an enterprise fund and uses the flow of economic resources measurement focus and the accrual method of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Enterprise funds are operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expense, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

<u>Financial Statement Presentation</u> - The Authority prepares its financial statements in accordance with GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis - for States and Local Governments*, as amended.

<u>Use of Estimates</u> - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from management's estimates.

<u>Cash and Cash Equivalents</u> - For purposes of the Statement of Net Position, the Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the "State Treasurer") are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI, and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures, and the trust agreements when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Changes in fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal on the first day of each month for the WV Short Term Bond Pool and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

The BTI maintains the Consolidated Fund investment fund, which consists of investment pools and participant-directed accounts, in three of which the Authority may invest. These pools have been structured as multi-participant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Blvd. East, Room E-122, Charleston, West Virginia 25305 or http://www.wvbti.com.

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligations); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificates of deposit; state and local government securities (SLGS); and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposit, loans approved by the legislature and any other program investments authorized by the legislature.

<u>Allowance for Doubtful Accounts</u> - It is the Authority's policy to provide for future losses on uncollectible accounts, contracts, grants, and loans receivable based on an evaluation of the underlying account, contract, grant, and loan balances, the historical collectability experienced by the Authority on such balances, and such other factors which, in the Authority's judgment, require consideration in estimating doubtful accounts. As of June 30, 2021, management feels that all receivables will be collected; therefore, no allowance for doubtful accounts has been booked.

<u>Inventories</u> - Inventories are stated at the lower of cost or market; cost is valued using the weighted average cost method.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets - Purchases of capital assets are capitalized at cost and, except for land, which is not depreciated, are depreciated using the straight-line method over the estimated useful lives of the assets ranging from five to forty years. Buildings and railroad infrastructure with an initial cost of $100,000 or more and furniture and equipment with an initial cost of $5,000 or more are recorded at cost. When assets are disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in operations. The cost of maintenance and repairs is charged to operations as incurred; significant renewals and betterments are capitalized. Capital assets are reviewed annually for impairment.

Compensated Absences - Employees fully vest in all earned but unused annual leave, and the Authority accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay.

The Authority's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn one and one-half sick leave days for each month of service and are entitled to extend their health insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Additional information can be found in Note 11.

Other Post Employment Benefit (OPEB) Liability - For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 11 for further discussion.

Deferred Outflow of Resources - A deferred outflow of resources is a consumption of net position by the Authority that is applicable to a future reporting period.

Deferred Inflow of Resources - A deferred inflow of resources is an acquisition of net position by the Authority that is applicable to a future reporting period.

Net Pension Liability - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement System (PERS) and additions to/deductions from PERS's 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.

Operating Revenues and Expenses - Balances classified as operating revenues and expenses are those which comprise the Authority's ongoing operations. Principal operating revenues are charges to customers for use of the rail lines. Principal operating expenses are the costs of providing the goods and services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position - The Authority displays net position in three components, if applicable: net investment in capital assets; restricted; and unrestricted.

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

Restricted Net Position - Restricted net position represents the assets whose use or availability has been restricted, and the restrictions limit the Authority's ability to use the resources to pay current liabilities. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed. As of June 30, 2021, there was no restricted net position.

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

Transfers - Transfers represent legally authorized appropriations under West Virginia State Code by the West Virginia Legislature.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

NOTE 3 - CASH INVESTMENTS AND CASH EQUIVALENTS

The composition of cash and cash equivalents were as follows at June 30, 2021:

	Amortized Cost	Estimated Fair Value
Cash on deposit with State Treasurer	$ 2,850,051	$ 2,850,051
Cash on deposit with State Treasurer invested in BTI (WV Money Market Pool)	3,975,148	3,975,148
Cash on deposit with State Treasurer invested in BTI (WV Short Term Bond Pool)	2,387,011	2,387,011
	$ 9,212,210	$ 9,212,210

BTI DISCLOSURE INFORMATION - (In Thousands)

Investments and Deposits

The BTI has adopted an investment policy in accordance with the "Uniform Prudent Investor Act." The "prudent investor rule" guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. 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. Due to the short-term nature of the Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the Consolidated Fund.

WV Money Market Pool - Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the year ended June 30, 2021, the WV Money Market Pool has been rated AAAm by Standard & Poor's. A fund rated AAAm has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. AAAm is the highest principal stability fund rating assigned by Standard & Poor's. Neither the BTI itself nor any of the other Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the Consolidated Fund pools and accounts, seven are subject to credit risk: WV Money Market Pool, WV Government Money Market Pool, WV Short Term Bond Pool, WV Bank Pool, Loan Pool, Reserve Pool, and School Fund Account.

NOTE 3 - CASH INVESTMENTS AND CASH EQUIVALENTS (Continued)

The BTI limits the exposure to credit risk in the WV 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 A-1 or higher by Standard & Poor's (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. As of June 30, 2021, the WV Money Market Pool investment had a total carrying value of $6,843,002 of which the Authority's ownership represents .06%.

WV Short Term Bond Pool - Credit Risk

The BTI limits the exposure to credit risk in the WV 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 pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

	Credit Rating			
Security Type	Moody's	S&P	Carrying Value (in Thousands)	Percent of Pool Assets
U.S. Treasury notes *	Aaa	AA+	$ 123,066	15.08%
U.S. agency collateralized mortgage obligations				
U.S. government guaranteed*	Aaa	AA+	16,295	2.00
Non-U.S. government guaranteed	Aaa	AA+	6,779	0.83
Corporate fixed- and floating-rate bonds and notes	Aaa	AAA	3,627	0.44
	Aaa	AA+	6,684	0.82
	Aa1	AA	2,549	0.31
	Aa2	AA+	1,354	0.17
	Aa2	AA	5,665	0.69
	Aa2	AA-	4,019	0.49
	Aa2	A+	4,400	0.54
	Aa2	NR	5,858	0.72
	Aa3	AA+	5,258	0.64
	Aa3	AA-	21,288	2.61
	Aa3	A+	7,793	0.96
	Aa3	A	4,168	0.51
	A1	AA	1,623	0.20
	A1	AA-	8,860	1.09
	A1	A+	28,261	3.46
	A1	A	14,323	1.76
	A1	A-	10,621	1.30
	A1	BBB+	8,103	0.99
	A2	A+	15,952	1.96
	A2	A	48,388	5.93
	A2	A-	28,214	3.46
	A2	BBB+	27,127	3.32

NOTE 3 - CASH INVESTMENTS AND CASH EQUIVALENTS (Continued)

	Credit Rating			
Security Type	Moody's	S&P	Carrying Value (in Thousands)	Percent of Pool Assets
	A3	AA-	2,329	0.29
	A3	A+	9,145	1.12
	A3	A	9,351	1.15
	A3	A-	21,011	2.58
	A3	BBB+	24,656	3.02
	Baa1	A-	5,451	0.67
	Baa1	BBB+	19,851	2.43
	Baa1	BBB	3,115	0.38
	Baa1	NR	1,976	0.24
	Baa2	A-	6,101	0.75
	Baa2	BBB+	11,436	1.40
	Baa2	BBB	27,925	3.42
	Baa2	BBB-	10,177	1.25
	Baa3	BBB	17,015	2.09
	Baa3	BBB-	22,599	2.77
	Baa3	NR	5,846	0.72
	Ba1	BBB-	6,703	0.82
	NR	A+	6,290	0.77
	NR	A-	5,935	0.73
	NR	BBB+	4,507	0.55
	NR	BBB	7,927	0.97
	NR	BBB-	1,588	0.19
Collateralized mortgage obligations	NR	AAA	79	0.01
Municipal Securities	Aa1	AAA	2,484	0.30
	Aa1	AA+	11,211	1.37
	Aa1	AA	2,789	0.34
	Aa2	AA+	6,630	0.81
	Aa2	AA	15,973	1.96
	Aa2	AA-	8,230	1.01
	Aa2	NR	8,556	1.05
	Aa3	AA-	2,233	0.27
	NR	AAA	2,876	0.35
	NR	AA+	3,172	0.39
Asset-backed securities	Aaa	AAA	19,696	2.41
	Aaa	NR	27,153	3.33
	Aa1	NR	8,183	1.00
	NR	AAA	49,648	6.09
Money market funds	Aaa	AAAm	5,756	0.72
			$ 815,878	100.00%

NR = Not Rated

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

At June 30, 2021, the Authority's ownership represents .29% of amounts held by the BTI.

NOTE 3 - CASH INVESTMENTS AND CASH EQUIVALENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All Consolidated Fund pools and accounts are subject to interest rate risk.

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

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury notes	$ 37,505	1
U.S. Treasury bills	354,997	13
Commercial paper	3,937,274	73
Negotiable certificates of deposit	951,004	65
Repurchase agreements	1,343,600	6
Money market funds	218,622	1
	$ 6,843,002	52

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

Security Type	Carrying Value (In Thousands)	Effective Duration (Days)
U.S. Treasury notes	$ 123,066	638
U.S. agency collateralized mortgage obligations	23,074	213
Corporate fixed-rate bonds and notes	461,933	720
Corporate floating-rate bonds and notes	33,136	(6)
Collateralized mortgage obligations	79	752
Municipal Securities	64,154	608
Asset-backed securities	104,680	626
Money market funds	5,756	-
	$ 815,878	638

NOTE 3 - CASH INVESTMENTS AND CASH EQUIVALENTS (Continued)

Other Risks of Investing

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

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

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

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

Deposits

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. None of the above pools contain nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

NOTE 4 - CAPITAL ASSETS

Capital assets balances and the activity for the year ended June 30, 2021 is summarized below:

	June 30, 2020 Balance	Additions	Deletions	June 30, 2021 Balance
Capital assets				
Land	$ 5,685,216	$ -	$ -	$ 5,685,216
Land improvements	1,031,716	-	-	1,031,716
Buildings and improvements	842,830	-	-	842,830
Office equipment	45,325	-	-	45,325
Work equipment	2,208,578	56,642	-	2,265,220
Locomotives, freight and passenger cars	4,108,092	-	-	4,108,092
Railroad infrastructure	58,195,021	3,192,110	62,708	61,324,423
Leasehold improvements	776,296	-	-	776,296
Construction in progress	-	910,729	-	910,729
Total capital assets	$ 72,893,074	$ 4,159,481	$ 62,708	$ 76,989,847
Accumulated depreciation				
Land improvements	$ 353,755	$ 59,136	$ -	$ 412,891
Buildings and improvements	474,590	16,615	-	491,205
Office equipment	45,325	-	-	45,325
Work equipment	1,778,179	80,119	-	1,858,298
Locomotives, freight and passenger cars	2,426,750	142,612	-	2,569,362
Railroad infrastructure	31,017,090	1,837,502	53,848	32,800,744
Leasehold improvements	69,817	23,891	-	93,708
Total accumulated depreciation	$ 36,165,506	$ 2,159,875	$ 53,848	$ 38,271,533

NOTE 5 - RELATED PARTY TRANSACTIONS WITH THE STATE OF WEST VIRGINIA

The Authority enters into certain transactions with various agencies of the State of West Virginia. The following summarizes the nature and terms of the most significant transactions.

The Authority's employees participate in various benefit plans offered by the State of West Virginia. Employer contributions to these plans are mandatory. During the year ended June 30, 2021, the Authority incurred payroll related expenditures of approximately $62,460 for employee health insurance benefits provided through the West Virginia Public Employees Insurance Agency and approximately $47,134 in employer matching contributions to the State Public Retirement System. The Authority also paid the West Virginia Department of Highways approximately $1,353,440 for bridge inspections, engineering services, labor and materials. In addition, during the year ended June 30, 2021, the Authority received transfers of $9,868,441 in appropriated funds. A substantial decrease in this revenue or assistance would have a significant effect on the operations of the Authority.

At June 30, 2021, the Authority had amounts due from the State of West Virginia of $1,055,884. The Office of the Secretary of Administration, Finance Division transferred $8,812,557 to the Authority for the year ended June 30, 2021.

NOTE 6 - SIGNIFICANT CUSTOMERS AND FUNDING SOURCES

During the year ended June 30, 2021, approximately 88% of the Authority's freight traffic was attributable to a single customer. A significant decrease in this revenue or assistance would have a significant effect on the operations of the Authority.

NOTE 7 - RISK MANAGEMENT

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

BRIM is a public entity risk pool that provides coverage for general, liability, and property damage in the amount of $1,000,000 per occurrence. Such coverage may be provided to the Authority by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM. BRIM engages an independent actuary to assist in the determination of its premiums so as to minimize the likelihood of premium adjustments to the Authority or other participants in BRIM's insurance program. As a result, management does not expect significant differences between the premiums the Authority is currently charged by BRIM and the ultimate cost of that insurance based on the Authority's actual loss experience. Furthermore, there have been no settlements that have exceeded this coverage in the last three years.

Through its participation in PEIA, the Authority has obtained health, life, and prescription drug coverage for all its employees. In exchange for payment of premiums to PEIA and a third-party insurer, the Authority has transferred its risks related to health, life, prescription drug coverage, and job-related injuries. PEIA issues publicly available financial reports that include financial statements and required supplementary information; these reports may be obtained at www.peia.wv.gov.

The Authority has obtained coverage for job related injuries through the purchase of a worker's compensation insurance policy from American Zurich Insurance Company. In exchange for premiums, the Authority transfers its risk of loss related to employee injuries to American Zurich Insurance Company.

NOTE 8 - RETIREMENT PLAN

Plan Description - The Authority contributes to the West Virginia Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board. PERS also provides delayed retirement, early retirement, death and disability benefits. The West Virginia Consolidated Public Retirement Board 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.

NOTE 8 - RETIREMENT PLAN (Continued)

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

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

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

Contributions - While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 10.0% for the years ended June 30, 2021, 2020, and 2019, respectively. The employee contribution rate is 4.5% and 6.0% for Tier I and Tier II employees, respectively. The Authority's contribution to the Plan, excluding the employee's contribution paid by the Authority, approximated $47,134, $46,017, and $39,979 for the fiscal years ended June 30, 2021, 2020, and 2019, respectively.

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

At June 30, 2021, the Authority reported a liability of $151,051 for its proportionate share of the net pension liability. The 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 Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the Authority's proportionate share was 0.03%, which was consistent with its proportionate share measured as of June 30, 2019.

NOTE 8 - RETIREMENT PLAN (Continued)

For the year ended June 30, 2021, the Authority recognized pension expense of $33,171. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 47,707	$ -
Differences between expected and actual experience	22,150	3,103
Changes of assumptions	-	6,632
Changes in proportion and differences between Authority contributions and proportionate share of contributions	3,011	4,897
Authority contributions subsequent to the measurement date	47,134	-
Total	$ 120,002	$ 14,632

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

Year ended June 30:	
2022	$ (11,180)
2023	28,048
2024	24,229
2025	17,139
	$ 58,236

Actuarial assumptions and methods - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

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

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

NOTE 8 - RETIREMENT PLAN (Continued)

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

Long-term expected rates of return

The long-term rates of return on pension plan investments were determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The target allocation and best estimates of long-term geometric rates of are summarized in the following table:

June 30, 2020			
Asset Class	Long-term Expected Real Rate of Return	Target Allocation	Weighted Average Expected Real Rate of Return
Domestic equity	5.5%	27.5%	1.60%
International equity	7.0%	27.5%	2.12%
Fixed income	2.2%	15.0%	0.50%
Real estate	6.6%	10.0%	0.61%
Private equity	8.5%	10.0%	0.88%
Hedge funds	4.0%	10.0%	0.44%
Total		100.0%	6.15%
Inflation (CPI)			2.00%
			8.15%

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

NOTE 8 - RETIREMENT PLAN (Continued)

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

		Total Net Pension Liability	
	1% Decrease	Discount Rate	1% Increase
	6.5%	7.5%	8.5%
PERS	$383,500	$151,051	$(46,473)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report available at the Consolidated Public Retirement Board's website at www.wvretirement.com.

NOTE 9 - NONCURRENT LIABILITIES

The following is a summary of long-term obligation transactions for the Authority for the year ended June 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
OPEB liability	$ 215,400	$ 5,721	$ (163,407)	$ 57,714	$ -
Net pension liability	59,129	136,164	(44,242)	151,051	-
Total noncurrent liabilities	$ 274,529	$ 141,885	$ (207,649)	$ 208,765	$ -

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Periodic Audits

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The Authority management believes disallowances, if any, will not have a significant financial impact on the Authority's financial position.

Litigation

Periodically, there are various claims and legal proceedings against the Authority arising from the normal course of business. Currently, there are no pending claims or legal proceedings against the Authority.

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS

As related to the implementation of GASB 75, following are the Authority's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, revenues, and the OPEB expense and expenditures for the fiscal year ended June 30, 2021:

		2021
Net OPEB liability	$	57,714
Deferred outflows of resources		29,935
Deferred inflows of resources		190,023
Revenues		5,481
OPEB expense		(52,202)
Contributions made by Authority		24,161

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

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

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

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Benefits Provided - The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

The medical and prescription drug insurance is provided through two options:

- Self-Insured Preferred Provider Benefit Plan – primarily for non-Medicare-eligible retirees and spouses
- External Managed Care Organizations – primarily for Medicare-eligible retirees and spouses

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

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

	2020
Paygo premium	$ 168

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

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

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

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

The Authority's contributions to the OPEB plan for the years ended June 30, 2021, 2020, and 2019, were $24,161, $25,256, and $26,748, respectively.

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Assumptions - The June 30, 2021 OPEB liability for financial reporting purposes was determined by an actuarial valuation as of June 30, 2020. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

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

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

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

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (Continued)

There assumption changes include:

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

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

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

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

Asset Class	Target Allocation	Long-term Expected Real Return
Global equity	55%	6.8%
Core plus fixed income	15%	4.1%
Core real estate	10%	6.1%
Hedge fund	10%	4.4%
Private equity	10%	8.8%

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Single discount rate - A single discount rate of 6.65% was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.65% and a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date to the extent benefits are effectively financed on a pay-as-you-go basis. The long-term municipal bond rate used to develop the single discount rate was 3.13% as of the beginning of the year and 2.45% as of the end of the year. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Future pre-funding assumptions include a $30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2025, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Sensitivity of the net OPEB liability to changes in the discount rate - The following presents Authority's proportionate share of the net OPEB liability as of June 30, 2021 calculated using the discount rate of 6.65%, as well as what Authority's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (5.65%) or one percentage point higher (7.65%) than the current rate.

	1% Decrease (5.65%)	Current Discount Rate (6.65%)	1% Increase (7.65%)
Net OPEB liability	$ 82,307	$ 57,714	$ 37,125

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate - The following presents the Authority's proportionate share of the net OPEB liability as of June 30, 2021 calculated using the healthcare cost trend rate, as well as what Authority's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB liability	$ 34,727	$ 57,714	$ 85,477

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB - The June 30, 2021 net OPEB liability was measured as of June 30, 2020, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to the measurement date of June 30, 2020.

At June 30, 2021, the Authority's proportionate share of the net OPEB liability was $70,475. Of this amount, the Authority recognized $57,714 as its proportionate share on the statement of net position. The remainder of $12,761 denotes the Authority's proportionate share of net OPEB liability attributable to the special funding.

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2020 and 2019. Employer contributions are recognized when due. At the June 30, 2020 measurement date, the Authority's proportion was 0.013%, which was consistent with its proportionate share calculated as of June 30, 2019.

For the year ended June 30, 2021, the Authority recognized OPEB expense of $(52,202). Of this amount, $(57,683) was recognized as the Authority's proportionate share of OPEB expense and $5,481 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. The Authority also recognized revenue of $5,481 for support provided by the State.

At June 30, 2021, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows.

	June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual non-investment experience	$ -	$ 37,420
Changes in proportion and difference between employer contributions and proportionate share of contributions	1,393	18,857
Net difference between projected and actual investment earnings	4,381	-
Changes in assumptions	-	130,272
Reallocation of opt-out employer change in proportionate share	-	3,474
Contributions after the measurement date	24,161	-
Total	$ 29,935	$ 190,023

The Authority will recognize the $24,161 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30:	
2022	$ (78,260)
2023	(69,078)
2024	(38,246)
2025	1,335
	$ (184,249)

Payables to the OPEB Plan - The Authority did not report any amounts payable for normal contributions to the OPEB plan as of June 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA STATE RAIL AUTHORITY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
June 30, 2021

Public Employees Retirement System
Last 10 Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Authority's proportion of the net pension liability (asset) (percentage)	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.04%		
Authority's proportionate share of the net pension liability (asset)	$ 151,051	$ 59,129	$ 73,609	$ 133,714	$ 286,159	$ 176,825	$ 119,170	$ 327,949		
Authority's covered payroll	$ 460,170	$ 399,790	$ 372,036	$ 425,342	$ 500,333	$ 427,221	$ 432,393	$ 481,486		
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	32.83%	14.79%	19.79%	31.44%	57.19%	41.39%	27.56%	68.11%		
Plan fiduciary net position as a percentage of the total pension liability	92.89%	96.99%	96.33%	93.67%	86.11%	91.29%	93.98%	79.70%		

* - The amounts presented for each fiscal year were determined as of June 30th of the previous year. (Measurement date)
This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

WEST VIRGINIA STATE RAIL AUTHORITY
SCHEDULE OF PENSION CONTRIBUTIONS
June 30, 2021

Public Employees Retirement System
Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	$ 47,134	$ 46,017	$ 39,979	$ 40,924	$ 51,041	$ 67,545	$ 59,811	$ 62,697	$ 67,408	$ 71,450
Contributions in relation to the contractually required contribution	(47,134)	(46,017)	(39,979)	(40,924)	(51,041)	(67,545)	(59,811)	(62,697)	(67,408)	(71,450)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 471,340	$ 460,170	$ 399,790	$ 372,036	$ 425,342	$ 500,333	$ 427,221	$ 432,393	$ 481,486	$ 492,759
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	11.00%	12.00%	13.50%	14.00%	14.50%	14.00%	14.50%

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

Last 10 Fiscal Years*

	2020	2020	2019	2018	2017	2016	2015	2014	2013	2012
Authority's proportion of the net OPEB liability (asset) (percentage)	0.01%	0.01%	0.01%	0.01%						
Authority's proportionate share of the net OPEB liability (asset)	$ 57,714	$ 215,400	$ 296,792	$ 351,600						
State's proportionate share of the net OPEB liability (asset)	12,761	44,080	61,339	72,219						
Total proportionate share of the net OPEB liability (asset)	$ 70,475	$ 259,480	$ 358,131	$ 423,819						
Authority's covered-employee payroll	$ 542,799	$ 465,064	$ 401,209	$ 431,873						
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	10.63%	46.32%	73.97%	81.41%						
Plan fiduciary net position as a percentage of the total OPEB liability	73.49%	39.69%	30.98%	25.10%						

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

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

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

Last 10 Fiscal Years

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	$ 24,161	$ 25,256	$ 26,748	$ 28,269	$ 29,369					
Contributions in relation to the statutorily required contribution	(24,161)	(25,256)	(26,748)	(28,269)	(29,369)					
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -					
Authority's covered-employee payroll	$ 562,966	$ 542,799	$ 465,064	$ 401,209	$ 431,873					
Contributions as a percentage of covered-employee payroll	4.29%	4.65%	5.75%	7.05%	6.80%					

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

Changes in Assumptions

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

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

Actuarial Changes Other Postemployment Benefits Plan

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

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

ADDITIONAL INFORMATION

Suttle & Stalnaker Certified Public Accountants
A Professional Limited Liability Company

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 Members
West Virginia State Rail Authority
Moorefield, 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 State Rail Authority (the Authority), a component unit of the State of West Virginia and West Virginia Department of Transportation, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 4, 2021. Our report also includes an emphasis of matter paragraph noting that the financial statements of the Authority are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities of the State of West Virginia and the West Virginia Department of Transportation that is attributable to the transactions of the Authority. They do not purport to, and do not present fairly the financial position of the State of West Virginia and West Virginia Department of Transportation, as of June 30, 2021, the changes in its financial position, or its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

Suttle & Stalnaker, PLLC

Charleston, West Virginia
October 4, 2021