

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Audit Committee Meeting Minutes

315 70th Street, SE – 2nd Floor Conference Room
Microsoft TEAMS Optional

October 10, 2023

3:00 p.m.

The Audit Committee Meeting of the Board of Trustees of the West Virginia College and Jumpstart Savings Programs was called to order on Tuesday, October 10, 2023, at 3:02 p.m. A silent roll call was taken, and a quorum was established. The following members were present: Phillip Uy (Chair), Phyllis Arnold, Brian Weingart, and Dr. Bonny Copenhaver.

The following representatives of Brown, Edwards & Company L.L.P attended: Rob Adams and Faye McQuinn.

The following WVSTO staff members attended: Amy Willard, Amy Hamilton, Andrea Herrick, Lindsay Marchio, Gina Joynes, Karl Shanholtzer and Elizabeth Liston.

The agenda consisted of the following:

Call to Order – Silent Roll Call

- I. Approval of the minutes of the October 13, 2022 Audit Committee meeting.
- II. Presentation of FY2023 Audited Financial Statements of the Board of Trustees of the West Virginia College and Jumpstart Savings Programs and related communications by independent auditors Brown, Edwards & Company L.L.P.
- III. Internal Audit presentation of Risk Assessment review.
- IV. Review of Audit Committee Charter and duties therein, including proposed changes.

Adjournment

Agenda Item I.

The first order of business on the agenda was the approval of the minutes from the October 13, 2022, Audit Committee Meeting. The minutes were previously circulated with the Board packet. As there were no additions or corrections to the minutes, a motion to accept the minutes was made by Phyllis Arnold and seconded by Brian Weingart. There being no discussion, the Chair polled the members, and the minutes were approved as presented.

Agenda Item II.

The Chair recognized Amy Willard, Assistant Treasurer of Savings Programs, to introduce representatives Rob Adams and Faye McQuinn from Brown, Edwards and Company L.L.P (Brown Edwards) for the presentation of the FY23 Audited Financial Statements.

Mr. Adams reported Brown Edwards previously performed the audit of the closed WV Prepaid Tuition Plan and under the new audit contract, the audit now includes the new Jumpstart Savings Program. Mr. Adams noted another auditor performs the audit of the SMART529 College Savings Program trust fund and they rely on the opinion of those auditors for a portion of their report. Mr. Adams turned the meeting over to Faye McQuinn, who is now a Director with Brown Edwards.

Ms. McQuinn summarized highlights of the draft *Auditor's Communication to Management and Those Charged with Governance* where she stated there were no new accounting standards adopted for the year. She also noted key disclosures in Footnote 3 and one related to the Board's investments with the Board of Treasury Investments. She reported no difficulties with the audit and noted that Brown Edwards does not give an opinion related to the Required Supplementary Information (RSI) contained in the financial statements.

Ms. McQuinn moved on to the June 30, 2023 Financial Statements prepared by Treasury staff. She walked through the Table of Contents, pointing out major sections of the financial statements, such as the Management's Discussion and Analysis (MDA), RSI, and FARS schedules. For the *Independent Auditor's Report*, Ms. McQuinn noted that opinion states that the financial statements are fairly stated in all material respects. She further noted that the opinion refers to the opinion of the other auditors who audit the College Savings Program. Overall, she indicated there was a clean audit opinion and strong results.

Ms. McQuinn noted the MDA is essentially a high-level analysis of the financials. She indicated the Enterprise Fund Statement of Net Position reflected a net position of \$4.4 million in the Board's Administrative Account. However, there was a considerable shift from cash at the end of the previous year to investments. She noted that operating income was \$160,572 and the change in net position was \$663,568.

Ms. McQuinn touched on the Statement of Fiduciary Net Position which is a comparison of all the fiduciary funds of the Board. The College Savings Trust Fund accounts for 99% of the fiduciary fund. The Jumpstart Savings Program Trust Fund is new for the fiscal year. The WV Prepaid Tuition Escrow Account, which is a custodial fund, was moved to the Board's oversight last year.

Ms. McQuinn said there were no major changes to the notes to the financial statements as compared to the prior year, but said there was now more information regarding the new Jumpstart Savings Program. She specifically pointed out Note 3 regarding the College Savings Program and mentioned that the OPEB and pension footnotes make up 10-12 pages of the financial statements.

Moving on to the *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*, Brown Edwards noted no specific significant deficiencies or material weaknesses in internal control. As part of obtaining reasonable assurance about the financial statements, Brown Edwards performed certain tests of compliance with certain provisions of laws and regulations. Ms. McQuinn noted the auditors do not provide an opinion on compliance but disclosed there were no instances of non-compliance or other issues noted during the audit. This is considered a clean opinion.

Ms. McQuinn reported the audit went well and Brown Edwards appreciated the assistance of Greg Curry and Amy Willard.

The Chair asked if there were any questions for Brown Edwards, and none were heard. The Chair asked for a motion to accept the FY 2023 Audited Financial Statements and all related communications. Ms. Copenhaver made the motion, and it was seconded by Mr. Weingart. As there was no discussion, the Chair polled the members and the motion carried. The draft of the FY2023 Audited Financial Statements of the Board of Trustees of the West Virginia College and Jumpstart Savings Programs and all related communications are attached hereto and made a part hereof.

Agenda Item II.

The Chair noted the next agenda item was an Internal Audit presentation by Lisa Rutherford. He noted that Ms. Rutherford was unable to attend the meeting due to illness and is unable to present. He indicated that Board staff will coordinate possible dates to reschedule the presentation in advance of the December quarterly board meeting and that the meeting will be announced in accordance with the Open Meetings Act.

Agenda Item III.

The Chair moved to the final agenda item, which was a review of the Audit Committee Charter. The Chair recognized Ms. Willard for a presentation.

Ms. Willard noted that her presentation was intended to serve two purposes – to review proposed changes from Board staff to update the language in the charter and to provide a general overview of the duties outlined in the charter. The materials distributed in advance included a red line copy of the proposed changes as well as a clean copy of the proposed updated language.

She reported that the charter was last updated on September 8, 2021. The changes to the charter proposed by Board staff included the following:

- Updated throughout for the Board's name change as a result of SB 8 in the 2022 legislative session (i.e. Prepaid Tuition to Jumpstart)
- Updated throughout to change references from Program to Board to be consistent with the financial statement presentation

- Removal of actuarial duties specifically related to the now-closed Prepaid Tuition Trust Fund, such as actuarial reports

Ms. Willard then walked the Committee through the general content of the charter document. The first section outlines the purpose of the Audit Committee and the Committee's primary duties and responsibilities. Section two outlines the Board's authority to conduct or authorize investigations into any matters within its scope or responsibility. Section three outlines the composition of the Committee and section four relates to Committee meetings, requiring at least one annual meeting. Section five of the charter outlines in detail the responsibilities and duties of the Committee in the following areas: Financial Statements and Reporting, Internal and External Audit, Financial Reporting Process, Ethical and Legal Compliance, Internal Control, and Other Responsibilities.

The Chair asked if there were any additional proposed changes beyond the changes presented by Board Staff. Ms. Copenhaver made a motion to replace the reference to electing a chairman with electing a chair. The motion was seconded by Mr. Weingart. During discussion, Ms. Arnold noted that she preferred the term chairperson instead of just chair. Ms. Arnold further expressed general concern about the duties outlined in the Audit Committee charter and whether the Committee had been able to fulfill all of them. The Chair polled the members and the motion to replace the reference to electing a chairman with electing a chair passed.

The Chair asked for any additional proposed changes to the Charter. Hearing no further proposals, the Chair asked for a motion to accept all the proposed changes to the Audit Committee Charter and to recommend the revised Audit Committee Charter to the full Board for approval at the next quarterly meeting. Ms. Copenhaver made the motion, and it was seconded by Mr. Weingart. The Chair polled the members and the motion carried.

The Chair noted one of the responsibilities listed in the Charter is to confirm annually that all responsibilities outlined in the Charter have been carried out by the Audit Committee. Ms. Willard noted that it may be appropriate to postpone the vote until after the Committee hears from Lisa Rutherford regarding the Internal Audit results. A motion to table the item until a later date was made by Bonny Copenhaver and seconded by Brian Weingart. The Chair polled the members and the motion carried.

Adjournment

The Chair asked if there was further business to be brought before the Board and none was heard. Brian Weingart moved the meeting be adjourned and the motion was seconded by Phyllis Arnold. Hearing no discussion, the members were polled, and the motion carried. The Chair declared the meeting adjourned at 3:40 p.m.

Prepared by Elizabeth Liston
Committee Approval Date: 11/7/23

Submitted by:

Phillip Uy

Phillip Uy, Chair

***Audited Financial Statements with
Other Financial Information***

**The Board of Trustees of the West Virginia College and
Jumpstart Savings Programs**

Year Ended June 30, 2023

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The Board of Trustees of the
West Virginia College and Jumpstart Savings Programs

Financial Statements with Other Financial Information as of and for the
Year Ended June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of the West Virginia College
and Jumpstart Savings Programs
Charleston, West Virginia

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the major fund of the business type activities and the fiduciary funds of the West Virginia College and Jumpstart Savings Programs (the Entity) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary funds of the Entity as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the West Virginia College Savings Program Plan Trust Fund (the College Savings Plan Trust Fund), which represents 99.9% of the statement of fiduciary net position and 99.9% of the changes in fiduciary net position. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the College Savings Plan Trust Fund, is based solely on the report of the other auditors.

Basis for Opinions

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

Emphasis-of-Matter – Reporting Entity

As discussed in Note 1, the financial statements present only the Entity and do not purport to, and do not, present fairly the financial position of the State of West Virginia as of June 30, 2023, the changes in its financial position, and where applicable, their cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. Accordingly, no such opinion is expressed.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Entity's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of the Board's Proportionate Share of the Net OPEB Liability (Asset) and Schedule of the Board's Contributions to the OPEB Plan, Schedule of the Board's Proportionate Share of the Net Pension Liability (Asset), and Schedule of the Board's Contributions to the West Virginia Public Employees Retirement System, and the accompanying notes to required supplementary information, as noted on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Entity's basic financial statements. The other financial information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit and the report of the other auditors, the financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2023 on our consideration of the Entity'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 Entity's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Entity's internal control over financial reporting and compliance.

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
_____, 2023

DRAFT

The Board of Trustees of the
West Virginia College and Jumpstart Savings Programs
Management's Discussion and Analysis (Unaudited)

June 30, 2023

As management of the Board of Trustees of the West Virginia College and Jumpstart Savings Programs (the "Board"), we offer readers of the financial statements this discussion and analysis by management, of the financial performance for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented in this section in conjunction with the financial statements, including notes to the financial statements, which follow this section.

Financial Highlights

The Fiduciary Net Position of the College Savings Program is \$2,887,006,372 as of June 30, 2023. The net position of the College Savings Program increased \$108,117,425 over June 30, 2022. Net investment earnings and contributions were \$443,693,128 and redemptions and expenses were \$335,575,703 for the year ended June 30, 2023. Net position of the fiduciary fund represents funds held in trust for individual investors, and, as such, is not available to support operations of the funds.

The Fiduciary Net Position of the Jumpstart Savings Program Trust Fund is \$2,410 as of June 30, 2023. The Jumpstart Savings Program Trust Fund opened to the public on July 1, 2022. Accordingly, there was no activity for the Jumpstart Savings Program Trust Fund during the fiscal year-ended June 30, 2022.

At June 30, 2023, the Prepaid Tuition Trust Escrow Fund had a net position of \$1,044,314. At June 30, 2022, the Prepaid Tuition Trust Escrow Fund had a net position of \$1,003,606. The increase in net position of \$40,708 is from the earnings of the investment of the Prepaid Tuition Trust Escrow Fund with the West Virginia Board of Treasury Investments (BTI).

The net position of the College and Jumpstart Savings Administrative Account is \$4,449,173 as of June 30, 2023. The net position of the Administrative Account was \$3,785,605 as of June 30, 2022. This increase of \$663,568 is the result of operational activities during the year as well as the transfer of funds from the West Virginia Savings and Investment Program Fulfillment Fund to help support the operations of the initial year of the Jumpstart Savings Program.

Overview of the Financial Statements

This report presents the operating results and financial status of the Board, which is composed of one enterprise fund and three fiduciary funds. The enterprise fund is the College and Jumpstart Savings Programs Administrative Account (the "Administrative Account"). The enterprise fund financial statements are reported using the economic resources measurement focus and the accrual

The Board of Trustees of the
West Virginia College and Jumpstart Savings Programs
Management's Discussion and Analysis (Unaudited - Continued)

basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") for governmental entities. The Board's Savings Plan Trust Fund ("College Savings Program"), the Prepaid Tuition Trust Escrow Fund and the Jumpstart Savings Program Trust Fund are fiduciary funds and also are reported using the accrual basis of accounting in accordance with GAAP.

The State of West Virginia reports the Administrative Account as an enterprise fund of the Board and the College Savings Program, the Prepaid Tuition Trust Escrow Fund, and the Jumpstart Savings Program Trust Fund as fiduciary funds of the Board in its Annual Comprehensive Financial Report. Enterprise fund reporting is used to report the functions of a governmental entity with business-type activities in which a fee is charged to external users for goods or services. Fiduciary fund reporting is used to account for resources held for the benefit of parties outside the governmental entity, and those resources are not available to support continuing operations of that entity.

The Statement of Net Position presents information on the enterprise fund assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the total of assets and deferred outflows of resources and the total of liabilities and deferred inflows of resources reported as net position. This statement is categorized into current and non-current assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or becoming due within 12 months of the fiscal year end.

The Statement of Revenues, Expenses, and Changes in Net Position reflects the operating and non-operating revenues and expenses of the enterprise funds for the operating year. Operating revenues primarily consisted of administrative fees for the College Savings Program and from investment earnings on the portion of the College and Jumpstart Savings Administrative Account invested with the BTI, while the major sources of operating expenses were general and administrative expenses. Nonoperating revenues consisted of transfers and expenses were for other postemployment benefits (OPEB).

The Statement of Cash Flows is presented on the direct method of reporting, which reflects the enterprise fund cash flows from operating and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the year.

The Statement of Fiduciary Net Position presents information on the fiduciary funds' assets and liabilities, with the difference between the two reported as net position held in trust for individuals or organizations.

The Board of Trustees of the
West Virginia College and Jumpstart Savings Programs

Management's Discussion and Analysis (Unaudited - Continued)

The Statement of Changes in Fiduciary Net Position reports the additions and deductions to the fiduciary funds for the year. For the College Savings Program, additions consisted of contributions and net investment earnings and deductions represented redemptions and operating expenses. For the Jumpstart Savings Program additions consisted of contributions and deductions consisted of redemptions. For the Prepaid Tuition Trust Escrow Fund, additions consisted of net investment earnings. The Prepaid Tuition Escrow Fund had no expenses.

Financial Analysis of the College and Jumpstart Savings Administrative Account

Net position. The following is the Statement of Net Position of the enterprise fund, which is the Administrative Account, as of June 30, 2023 and 2022.

| | 2023 | 2022 |
|--------------------------------|----------------------------|----------------------------|
| Current assets | \$ 4,501,248 | \$ 3,925,835 |
| Noncurrent assets | - | 231,921 |
| Total assets | <u>4,501,248</u> | <u>4,157,756</u> |
| Deferred outflows of resources | <u>134,740</u> | <u>152,428</u> |
| Current liabilities | 75,964 | 124,652 |
| Noncurrent liabilities | 67,614 | 6,646 |
| Total liabilities | <u>143,578</u> | <u>131,298</u> |
| Deferred inflows of resources | <u>43,237</u> | <u>393,281</u> |
| Net position: | | |
| Restricted | 4,449,173 | 3,785,605 |
| Unrestricted | - | - |
| Total net position | <u><u>\$ 4,449,173</u></u> | <u><u>\$ 3,785,605</u></u> |

The net position increased \$663,568 or 17.5% in fiscal year 2023. Net position is the excess of total assets and deferred outflows of resources over total liabilities and deferred inflows of resources, and a net deficit occurs when liabilities and deferred inflows of resources exceed assets and deferred outflows of resources.

Current assets represent cash and cash equivalents and short-term receivables. Noncurrent assets represent investments and long-term receivables. Deferred outflows of resources relate to OPEB and pension amounts described in Notes 6 and 7, respectively, during the current fiscal year. Current liabilities represent short-term payables for administrative expenses. Noncurrent liabilities

The Board of Trustees of the
West Virginia College and Jumpstart Savings Programs

Management's Discussion and Analysis (Unaudited - Continued)

represent long-term payables for administrative expenses. Deferred inflows of resources relate to OPEB and pension amounts described in Notes 6 and 7, respectively, during the current fiscal year.

Changes in net position. The following is the Statement of Revenues, Expenses and Changes in Net (Deficit) Position of the enterprise fund for the years ended June 30, 2023 and 2022.

| | 2023 | 2022 |
|--|--------------|--------------|
| Operating Revenues | | |
| Operating revenues: | | |
| Tuition contract benefits gain | \$ - | \$ 659,561 |
| College Savings Plan administrative fee | 1,519,064 | 1,722,497 |
| Total operating revenues | 1,519,064 | 2,382,058 |
| Nonoperating revenues: | | |
| Investment gain | 147,390 | 351 |
| Transfer from Prepaid Tuition Trust Escrow Fund | - | 9,187,311 |
| Transfer from West Virginia Savings and Investment Program Fulfillment Fund | 362,341 | 49,371 |
| Total nonoperating revenues | 509,731 | 9,237,033 |
| Total revenues | 2,028,795 | 11,619,091 |
| Expenses | | |
| Operating expenses: | | |
| General and administrative expenses | 1,358,492 | 1,135,431 |
| Total operating expenses | 1,358,492 | 1,135,431 |
| Nonoperating expenses: | | |
| Other postemployment benefits expense | 6,735 | 1,804 |
| Transfer to Prepaid Tuition Trust Escrow Fund | - | 2,537,654 |
| Total nonoperating expenses | 6,735 | 2,539,458 |
| Change in net position | 663,568 | 7,944,202 |
| Net (deficit) position at beginning of year | 3,785,605 | (4,158,597) |
| Net position at end of year | \$ 4,449,173 | \$ 3,785,605 |

Operating income was \$160,572 and nonoperating income was \$502,996, leading to a net position increase of \$663,568 for the year ended June 30, 2023. The activity for the year ended June 30, 2022, includes activity related to the final closeout of the Prepaid Tuition Plan during the fiscal year.

The Board of Trustees of the
West Virginia College and Jumpstart Savings Programs
Management's Discussion and Analysis (Unaudited - Continued)

Financial Analysis of the College Savings Program

Net position - The following are condensed Statements of Fiduciary Net Position of the College Savings Program as of June 30, 2023 and 2022.

| | <u>2023</u> | <u>2022</u> |
|--------------|-------------------------|-------------------------|
| Assets | \$ 2,893,911,726 | \$ 2,787,599,720 |
| Liabilities | <u>6,905,354</u> | <u>8,710,773</u> |
| Net position | <u>\$ 2,887,006,372</u> | <u>\$ 2,778,888,947</u> |

Net position increased \$108,117,425 or 3.9% during the current fiscal year. Net position is the excess of total assets over total liabilities. Net investment earnings and contributions were \$443,693,128 and redemptions and expenses were \$335,575,703 for the year.

Investments make up 99.7% of total assets, and the remaining assets include cash, receivables for units and securities sold, and dividends receivable. Liabilities consists of payables for securities purchased and units redeemed and accrued fees.

The Board of Trustees of the
West Virginia College and Jumpstart Savings Programs

Management's Discussion and Analysis (Unaudited - Continued)

Changes in net position - The following are condensed Statements of Changes in Fiduciary Net Position of the College Savings Program for the years ended June 30, 2023 and 2022.

| | Year Ended June 30, | |
|-----------------------------------|---------------------|------------------|
| | 2023 | 2022 |
| Additions | | |
| Contributions | \$ 194,088,618 | \$ 217,608,677 |
| Net investment gain (loss) | 249,604,510 | (321,303,443) |
| Total additions | 443,693,128 | (103,694,766) |
| Deductions | | |
| Redemptions | 329,792,318 | 312,801,841 |
| Administrative expenses | 5,783,385 | 6,477,948 |
| Total deductions | 335,575,703 | 319,279,789 |
| Change in net position | 108,117,425 | (422,974,555) |
| Net position at beginning of year | 2,778,888,947 | 3,201,863,502 |
| Net position at end of year | \$ 2,887,006,372 | \$ 2,778,888,947 |

Contributions for the current fiscal year decreased by \$23,520,059 or 10.8%. Redemptions, however, outpaced contributions and increased by \$16,990,477 or 5.4% from the prior year. The program experienced a net investment gain of \$249,604,510 for the fiscal year.

Administrative expenses for the College Savings Program represent charges related to investment management expenses; sales, marketing, and distribution expenses; and other administration expenses.

The Board of Trustees of the
West Virginia College and Jumpstart Savings Programs
Management's Discussion and Analysis (Unaudited - Continued)

Financial Analysis of the Jumpstart Savings Program

Net position - The following are condensed Statements of Fiduciary Net Position of the Jumpstart Savings Program as of June 30, 2023. Comparative data for 2022 is not available because the Jumpstart Savings Program did not begin operations until July 1, 2022.

| | <u>2023</u> |
|--------------|-----------------|
| Assets | \$ 2,410 |
| Liabilities | <u>-</u> |
| Net position | <u>\$ 2,410</u> |

Changes in net position - The following are condensed Statements of Changes in Fiduciary Net Position of the Jumpstart Savings Program for the year ended June 30, 2023. Comparative data for 2022 is not available because the Jumpstart Savings Program did not begin operations until July 1, 2022.

| | <u>2023</u> |
|-----------------------------------|-----------------|
| Additions | |
| Contributions | \$ 3,809 |
| Net investment gain (loss) | <u>1</u> |
| Total additions | <u>3,810</u> |
| Deductions | |
| Redemptions | 1,400 |
| Administrative expenses | <u>-</u> |
| Total deductions | <u>1,400</u> |
| Increase in net position | 2,410 |
| Net position at beginning of year | <u>-</u> |
| Net position at end of year | <u>\$ 2,410</u> |

The Board of Trustees of the
West Virginia College and Jumpstart Savings Programs
Management's Discussion and Analysis (Unaudited - Continued)

Financial Analysis of the Prepaid Tuition Trust Escrow Fund (Custodial Fund)

Net position - The following are condensed Statements of Fiduciary Net Position of the Prepaid Tuition Trust Escrow Fund (Custodial Fund) as of June 30, 2023 and 2022.

| | <u>2023</u> | <u>2022</u> |
|--------------|--------------------|--------------------|
| Assets | \$1,044,314 | \$1,003,606 |
| Liabilities | <u>-</u> | <u>-</u> |
| Net position | <u>\$1,044,314</u> | <u>\$1,003,606</u> |

Changes in net position – Prepaid Tuition Trust Escrow Fund (Custodial Fund). The following are condensed Statements of Changes in Fiduciary Net Position of the Prepaid Tuition Trust Escrow Fund (Custodial Fund) for the years ended June 30, 2023 and 2022.

| | <u>Year Ended June 30,</u> | |
|-----------------------------------|----------------------------|---------------------|
| | <u>2023</u> | <u>2022</u> |
| Additions | | |
| Net investment gain | \$ 40,708 | \$ 5,335 |
| Deductions | | |
| Payments and transfers | - | 17,685,427 |
| Special Item | | |
| Transfer of operations | - | 18,683,698 |
| Increase in net position | 40,708 | 1,003,606 |
| Net position at beginning of year | 1,003,606 | - |
| Net position at end of year | <u>\$ 1,044,314</u> | <u>\$ 1,003,606</u> |

During 2022, activity was significant due to the closeout of the Prepaid Tuition Plan and the transfer of operations for the Prepaid Tuition Trust Escrow Fund from the West Virginia State Treasurer's Office to the Board.

The Board of Trustees of the
West Virginia College and Jumpstart Savings Programs
Management's Discussion and Analysis (Unaudited - Continued)

Economic Factors

College Savings Program. As a private purpose trust fund focused on investment, the College Savings Program is subject to the same risks and consequent gains and losses as all publicly and privately offered investment funds. The College Savings Program is directly affected by all factors that affect the economic and investment arenas. Management continuously monitors activity in the stock market as well as consulting regularly with its various investment advisors and analysts.

Jumpstart Savings Program. As a private purpose trust fund focused on saving, the Jumpstart Savings Program is directly affected by all factors that affect the economic arena and the ability of individuals to save for their futures.

Requests for Information

This financial report is designed to provide a general overview of the Program's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Director's Office, West Virginia College Prepaid Tuition and Savings Program, 1900 Kanawha Boulevard East, Charleston, WV 25305.

Enterprise Fund of the
Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Statement of Net Position
June 30, 2023

| | College and Jumpstart Savings <u>Administrative Account</u> |
|---|---|
| Assets | |
| Current assets: | |
| Cash | \$ 536,031 |
| Investments | 3,781,036 |
| Receivables | 184,181 |
| Total current assets | <u>4,501,248</u> |
| Deferred outflows of resources | |
| Deferred outflows related to OPEB | 17,334 |
| Deferred outflows related to pensions | 117,406 |
| Total deferred outflows of resources | <u>134,740</u> |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | 22,941 |
| Compensated absences | 53,023 |
| Total current liabilities | <u>75,964</u> |
| Noncurrent liabilities: | |
| Compensated absences | 22,238 |
| Net pension liability | 39,268 |
| Net other postemployment benefits liability | 6,108 |
| Total noncurrent liabilities | <u>67,614</u> |
| Total liabilities | <u>143,578</u> |
| Deferred inflows of resources | |
| Deferred inflows related to OPEB | 39,987 |
| Deferred inflows related to pensions | 3,250 |
| Total deferred inflows of resources | <u>43,237</u> |
| Net position | |
| Restricted for payment of general and administrative expenses | 4,449,173 |
| Total Net position | <u>\$ 4,449,173</u> |

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

Enterprise Fund of the
Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2023

| | College and Jumpstart Savings Administrative Account |
|--|---|
| Operating revenues: | |
| College Savings Program administrative fee | \$ 1,519,064 |
| Total operating revenues | 1,519,064 |
| Operating expenses: | |
| General and administrative expenses | 1,358,492 |
| Total operating expenses | 1,358,492 |
| Operating income | 160,572 |
| Nonoperating revenues: | |
| Investment gain | 147,390 |
| Transfer from West Virginia Savings and Investment Program | |
| Fulfillment Fund | 362,341 |
| Total nonoperating revenues | 509,731 |
| Nonoperating expenses: | |
| Other postemployment benefits expense | 6,735 |
| Total nonoperating expenses | 6,735 |
| Change in net position: | 663,568 |
| Net position at beginning of year | 3,785,605 |
| Net position at end of year | \$ 4,449,173 |

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

Enterprise Fund of the
Board of Trustees of the West Virginia College and Jumpstart Savings Programs
Statement of Cash Flows
For the Year Ended June 30, 2023

| | College and Jumpstart Savings Administrative Account |
|--|--|
| Cash flows from operating activities | |
| Cash received from Savings Plan administrator | \$ 1,520,093 |
| Cash received from West Virginia Savings and Investment Program Fulfillment Fund | 305,568 |
| Acquisition of investments | (3,633,646) |
| Payments to employees | (693,412) |
| Payments to suppliers | (759,968) |
| Net cash used in operating activities | <u>(3,261,365)</u> |
| Net decrease in cash and cash equivalents | (3,261,365) |
| Cash and cash equivalents at beginning of year | <u>3,797,396</u> |
| Cash and cash equivalents at end of year | <u>536,031</u> |
| Reconciliation of operating income to net cash used in operating activities | |
| Operating income | 160,572 |
| Adjustments to reconcile operating income to net cash used in operating activities: | |
| Transfer from West Virginia Savings and Investment Program Fulfillment Fund | 362,341 |
| Pension expense | 17,803 |
| Other postemployment benefits expense | (26,912) |
| Changes in assets, liabilities and deferred items: | |
| Investments | (3,633,646) |
| Accounts receivable | (55,743) |
| Accounts payable | (40,593) |
| Compensated absences | 7,498 |
| Deferred outflows of resources | (52,685) |
| Net cash used in operating activities | <u>\$ (3,261,365)</u> |
| Noncash activities | |
| Noncash State of West Virginia special funding contribution for other postemployment benefits | \$ (6,735) |

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

Fiduciary Funds of the
Board of Trustees of the West Virginia College and Jumpstart Savings Programs
Statement of Fiduciary Net Position

June 30, 2023

| | College Savings Program | Jumpstart Savings Program | Custodial Fund Prepaid Tuition Trust Escrow Fund |
|--|----------------------------|------------------------------|---|
| Assets | | | |
| Investments | \$ 2,884,678,928 | \$ 2,410 | \$ 1,044,314 |
| Cash | 2,325,076 | - | - |
| Receivables for units and securities sold | 6,074,652 | - | - |
| Dividends receivable | 833,070 | - | - |
| Total assets | 2,893,911,726 | 2,410 | 1,044,314 |
| Liabilities | | | |
| Payables for units redeemed and securities purchased | 6,353,963 | - | - |
| Accrued fees | 551,391 | - | - |
| Total liabilities | 6,905,354 | - | - |
| Net position | | | |
| Held in trust for individuals and organizations | 2,887,006,372 | 2,410 | - |
| Restricted for other purposes | - | - | 1,044,314 |
| Total net position | \$ 2,887,006,372 | \$ 2,410 | \$ 1,044,314 |

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

Fiduciary Funds of the
Board of Trustees of the West Virginia College and Jumpstart Savings Programs
Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2023

| | College Savings Program | Jumpstart Savings Program | Custodial Fund Prepaid Tuition Trust Escrow Fund |
|--|----------------------------|------------------------------|--|
| Additions | | | |
| Contributions: | | | |
| Account holders | \$ 194,088,618 | \$ 3,809 | \$ - |
| Investment earnings: | | | |
| Interest on deposits | - | 1 | - |
| Net increase in fair value of investments | 164,007,469 | - | - |
| Dividends, capital gains, and net realized gains | 90,183,678 | - | 40,708 |
| Investment expense | (4,586,637) | - | - |
| Net investment earnings | 249,604,510 | 1 | 40,708 |
| Total additions | 443,693,128 | 3,810 | 40,708 |
| Deductions | | | |
| Redemptions: | | | |
| Payments in accordance with trust agreements | 329,792,318 | 1,400 | - |
| Total redemptions, payments, and transfers | 329,792,318 | 1,400 | - |
| Administrative expense | 5,783,385 | - | - |
| Total deductions | 335,575,703 | 1,400 | - |
| Change in net position held in trust for individuals and organizations | 108,117,425 | 2,410 | - |
| Change in net position restricted for other purposes | - | - | 40,708 |
| Total change in net position | 108,117,425 | 2,410 | 40,708 |
| Net position at beginning of year | 2,778,888,947 | - | 1,003,606 |
| Net position at end of year | \$ 2,887,006,372 | \$ 2,410 | \$ 1,044,314 |

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

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs
Notes to Financial Statements
June 30, 2023

1. Organization and Operations

The West Virginia College and Jumpstart Savings Programs (“the Programs”) are administered by the Board of Trustees (the “Board”). Effective with the passage of Senate Bill 8 by the West Virginia Legislature on January 24, 2022, the Board of Trustees of the West Virginia Prepaid Tuition and Savings Program was renamed the Board of Trustees of the West Virginia College and Jumpstart Savings Programs. With this legislation, the West Virginia Legislature indicated that since the Prepaid Tuition Plan was closed during 2021 and since the Jumpstart Savings Program was structurally similar to the College Savings Program, having a single board in place to administer the programs would reduce management and administrative cost to the State of West Virginia. Senate Bill 8 charged the Board with the administration of the College Savings Program as well as the Jumpstart Savings Program and combined the administrative accounts for the programs. In addition, Senate Bill 8 transferred responsibility for the Prepaid Tuition Trust Escrow Fund to the Board from the West Virginia State Treasurer’s Office. The legislation also increased the number of Board members from nine to eleven.

The West Virginia College Savings Program (the “College Savings Program”) operates under the provision of West Virginia State Code, Chapter 18, Article 30, West Virginia College Savings Program Act (“the Act”). The Act was originally adopted by the West Virginia State Legislature in 1997 and was known as the West Virginia College Prepaid Tuition and Savings Act. The Act was amended April 12, 2001, to continue the Prepaid Tuition Trust Fund (the “Prepaid Tuition Plan”), which operated as a plan, not a trust fund, and to enhance and complement the Prepaid Tuition Plan by authorizing the creation of the Savings Plan Trust Fund. Senate Bill 8 renamed the Act and codified the closure of the Prepaid Tuition Plan during 2021.

The purpose of the West Virginia College Savings Program is to offer a comprehensive state-sponsored college savings plan, marketed as SMART529. Hartford Funds Management Company LLC provides records administration, cash management, customer service, and investment management services for the College Savings Program. All funds paid into or invested in the College Savings Program will be available for use at any post-secondary program or two- or four-year college or university in the country, with refund and transfer options available. West Virginia state income tax deductions are available to state residents for contributions into the College Savings Program. Since the Program is an Internal Revenue Service Section 529 Qualified Tuition Program, earnings on the funds are federally tax deferred until used for college or other qualifying expenditures. Effective January 1, 2018, qualified withdraws for federal tax purposes have been expanded to include up to \$10,000 in tuition per year, per student in connection with private school enrollment in kindergarten through grade 12.

The Jumpstart Savings Program operates under the provisions of West Virginia State Code, Chapter 18, Article 31, the Jumpstart Savings Act. This legislation was adopted by the Legislature during the 2021 regular session of the West Virginia Legislature and was amended in parts by the passage of Senate Bill 8 on January 24, 2022. The purpose of the Jumpstart Savings Program is to provide a state-administered savings program to help West Virginians save money to help cover the costs of pursuing a career in skilled trades and vocations. In accordance with the legislation, the Jumpstart Savings Program Trust Fund opened to the public on July 1, 2022.

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Notes to Financial Statements (Continued)

Enterprise Fund: College and Jumpstart Savings Administrative Account

The College and Jumpstart Savings Administrative Account (the “Administrative Account”), previously named the College Prepaid Tuition and Savings Program Administrative Account, was continued by Senate Bill 8 to implement, operate, and maintain the College and Jumpstart Savings Programs. Sources of funds for the Administrative Account come from fees charged to participants in the College Savings Program and transfers from the West Virginia Savings and Investment Program Fulfillment Fund of the State to the Administrative Account to cover expenses related to the Jumpstart Savings Program. The Jumpstart Savings Program began operations on July 1, 2022. Expenses of the Administrative Account cover administrative operations, such as wages and benefits, consulting services, marketing expenses, and office supplies.

The accompanying financial statements report the financial position, results of operations, and cash flows for the fiscal year ended June 30, 2023, of the Board’s enterprise fund, which is the Administrative Account. The Board’s enterprise fund is an enterprise fund of the primary government of the State of West Virginia.

Fiduciary Funds: College Savings Program, Prepaid Tuition Trust Escrow Fund and Jumpstart Savings Program

Beginning March 1, 2002, the College Savings Program has been available in conjunction with the Board’s now-closed Prepaid Tuition Plan. Investment options were developed in partnership with Hartford Funds Management Company, LLC. The College Savings Program is administered by the Office of the State Treasurer under the direction of the Board. Hartford Funds Management Company, LLC provides records administration, cash management, investment management and customer service for the College Savings Program.

The College Savings Program currently is composed of 62 different investment portfolios and individual funds. These financial statements report on the total of all portfolios and individual funds.

The College Savings Program is a private-purpose trust fiduciary fund of the primary government of the State of West Virginia.

The Prepaid Tuition Trust Escrow account is a custodial fund of the Board. On January 24, 2022, the West Virginia Legislature passed Senate Bill 8, which was effective from passage. This legislation codified the closure of the West Virginia Prepaid Tuition Plan during 2021 and transferred responsibility for the Prepaid Tuition Trust Escrow Fund to the Board from the West Virginia State Treasurer’s Office. Specifically, West Virginia Code §18-30-13(a) states the following: “The Prepaid Tuition Trust Escrow Fund, which was previously authorized by §18-30-6 of this code, is continued in the State Treasury to guarantee payment of outstanding obligations of the Prepaid Tuition Plan arising after the plan’s closure. The Board is authorized to take any action necessary to satisfy the obligations of the Prepaid Tuition Plan arising after the plan’s closure.” West Virginia Code §18-30-13(c) further indicates how the Board should invest the funds in the Prepaid Tuition Trust Escrow Fund.

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Notes to Financial Statements (Continued)

At the December 8, 2021, quarterly meeting, the Board voted to maintain one million dollars in the Prepaid Tuition Trust Escrow Fund for a period not to exceed ten years from the closure of the Prepaid Tuition Trust Fund for the purpose of satisfying any claims against the Prepaid Tuition Trust Plan arising after the plan's closure. Upon the expiration of ten years following the date of closure of the Prepaid Tuition Trust Fund or when the balance of the Prepaid Tuition Trust Escrow Fund is zero, whichever occurs first, the account shall be closed and any moneys remaining in the Prepaid Tuition Escrow Fund shall revert to the state's General Revenue Fund.

Beginning July 1, 2022, the Jumpstart Savings Program began operations. The Jumpstart Savings Program is administered by the Office of the State Treasurer under the direction of the Board. United Bank provides administrative services by offering and operating FDIC-insured savings accounts for Jumpstart accountholders. The Jumpstart Savings Program is a private-purpose trust fiduciary fund of the primary government of the State of West Virginia.

2. Significant Accounting Policies – Enterprise Fund, Jumpstart Savings Program and Prepaid Tuition Trust Escrow Fund

Basis of Accounting

As an **enterprise fund**, the financial statements of the College and Jumpstart Savings Administrative Account are presented on the flow of economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing services to the general public and others on a continuing basis be financed or recovered primarily through user charges.

The **enterprise fund** distinguishes operating revenues and expenses from nonoperating. Operating revenues and expenses generally result from providing services in connection with the enterprise funds' principal ongoing operations. The principal operating revenues and expenses relate to College Savings Program Administrative Fees, investment gain from investment of money in the College and Jumpstart Savings Administrative Account, and general and administrative expenses. Transfers from the West Virginia Savings and Investment Fulfillment Fund and State subsidized OPEB payments are reported as nonoperating revenues.

It is the Board's policy to first apply unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Assets of the Board's enterprise fund (the College and Jumpstart Savings Administrative Account) are available to support the Board's operations.

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Notes to Financial Statements (Continued)

Fiduciary funds focus on net position and changes in net position. As a private-purpose trust fund, assets of the College Savings Program are held in a trustee capacity for individuals and entities invested in the program, and those assets cannot be used to support the Board. **Because the College Savings Program assets are not available to support the Board's operations, the College Savings Program and its accounting policies are discussed separately in Note 3 to these financial statements.**

The Jumpstart Savings Program Trust Fund is a private-purpose trust fund and the assets of the fund are held in a trustee capacity for individuals and entities invested in the program, and those assets cannot be used to support the Board.

The Prepaid Tuition Trust Escrow Fund is a custodial fund. The assets of the Prepaid Tuition Trust Escrow Fund are also not available to support the Board's operations. The custodial fund is reported using the economic resources measurement focus and the accrual basis of accounting.

Certain estimates and assumptions are required by management in the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The significant estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows/inflows of resources at the statement of net position date and revenues and expenses for the years then ended are those required in the estimation of net pension liability, net other postemployment benefits liability, deferred outflows and deferred inflows related to pension and other postemployment benefits. Actual results in the near-term could differ from the estimates used to prepare these financial statements.

Budgetary Information

The Office of the State Treasurer submits a detailed budgetary schedule of administrative expenses to the Budget Director of the West Virginia Department of Revenue prior to the beginning of each fiscal year. The budgetary schedule is prepared on the cash basis of accounting. Appropriation requests for the Board's programs are included in the Treasurer's schedule. The budgetary schedule is subject to the annual budget review and approval process of the West Virginia State Legislature. In accordance with GAAP, budgetary financial schedules or statements are not required to be presented in the Program's basic financial statements.

Cash and Cash Equivalents

Cash equivalents are short-term investments with maturities when acquired of 90 days or less. Cash and cash equivalents of the enterprise fund and the Prepaid Tuition Trust Escrow Fund principally consist of interest-earning deposits in certain investment pools maintained by the West Virginia Board of Treasury Investments (BTI). Such funds are available to the Board with overnight notice. Earnings from these investments are distributed to investment pool participants based on their pro rata participation in the pools.

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Notes to Financial Statements (Continued)

Investments

Investments are funds invested with BTI investment pools. The intent of the investment is to invest funds in a manner to achieve a strong, risk-adjusted return. Investments will be liquidated as needed to cover future claims.

Revenue Recognition

The Administrative Account records College Savings Program administrative fee revenue from Hartford Funds Management Company, LLC in the period that administrative services are provided.

Compensated Absences

Employees fully vest in all earned but unused annual leave to maximum amounts ranging from 240 to 320 hours depending on years of service, and the Program accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. In accordance with personnel policies of the State, employees vest in any remaining unused sick leave only upon retirement, at which time any unused sick and annual leave time either can be converted into employer-paid premiums for postretirement health care coverage through the West Virginia Retiree Health Benefit Trust Fund (the “RHBT”), or can be converted into a greater retirement benefit under the State of West Virginia Public Employees Retirement System (the “PERS”).

Net Other Postemployment Benefits Liability (OPEB), Net Pension Liability, Deferred Outflows of Resources, and Deferred Inflows of Resources

Net OPEB Liability

The Program recognizes other postretirement benefits that may arise in connection with unused sick leave that may be converted to employer-paid premiums for postretirement health care coverage, and for the employer portion of all postretirement health care coverage regardless of whether the retiree has unused sick leave. Net OPEB liability represents the Board’s proportionate share of the net OPEB liability of the RHBT as of the measurement date of June 30, 2022.

Net Pension Liability

Net pension liability represents the Board’s proportionate share of the net pension liability of PERS as of the measurement date of June 30, 2022.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources represent the effects of changes and differences in the Board’s proportionate share of the State’s total net OPEB and net pension liabilities. The Board’s contributions to the State OPEB and pension plans subsequent to the measurement dates are reported as deferred outflows of resources.

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Notes to Financial Statements (Continued)

Measurement of OPEB and Pension Liabilities and Deferred Outflows of Resources and Deferred Inflows of Resources

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

Restricted Assets and Net Position – Enterprise Funds

Restricted assets are subject to constraints imposed by creditors or by law. Assets of the College and Jumpstart Savings Administrative Account are restricted for the purposes of implementing, operating and maintaining the Programs.

Income Taxes

The College Savings Program was designed to comply with the requirements for treatment as a qualified tuition program under Section 529 of the Internal Revenue Code. Therefore, no federal income tax provision is required. In addition, West Virginia taxpayers may claim a reduction in their West Virginia taxable personal income for contributions to the program each year.

There are no federal income tax benefits for the Jumpstart Savings Program. However, any West Virginia taxpayer, including the Account Owner, may claim a West Virginia personal income tax deduction of up to \$25,000 per tax year for contributions into a Jumpstart Savings Account. While annual contributions over \$25,000 are not eligible for state tax benefits in any given taxable year, the taxpayer may elect to carry forward the benefit over the next five taxable years. In addition, qualified distributions that are not federally deductible or reimbursed by an employer may be deducted from the Account Owner's West Virginia taxable personal income up to \$25,000 per tax year.

Effect of New Accounting Pronouncements

The GASB has issued a statement related to financial reporting for public-private and public-public partnership arrangements: Statement No. 94, *Public-Private and Public-Public Partnership and Availability Payment Arrangements*. The objective of Statement No. 94 is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements ("PPPs"). As used in Statement No. 94, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a non-financial asset, such as infrastructure, or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. The provisions

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Notes to Financial Statements (Continued)

of this statement are effective for reporting periods beginning after June 15, 2022. Because the Board does not engage in PPP arrangements, it is not affected by this statement.

The GASB has issued a statement related to accounting and financial reporting for subscription-based information technology arrangements (“SBITAs”) for government end users: Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objective of Statement No. 96 is to better meet the information needs of financial statement users by (a) establishing uniform accounting and financial reporting requirements for SBITAs; (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The provisions of this statement are effective for reporting periods beginning after June 15, 2022. Because the Board does not engage in SBITAs that would be subject to this statement, it is not affected by this statement.

The GASB has issued a statement related to accounting and financial reporting for requirements for accounting changes and error corrections: Statement No. 100, *Accounting Changes and Error Corrections*. The objective of Statement No. 100 is to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The provisions of this statement are effective for reporting periods beginning after June 15, 2023. The Board will implement the provisions of Statement No. 100 in fiscal year 2024. The Board expects implementation will not have a significant impact on financial reporting unless there is an accounting change or error correction that is subject to the provisions of this statement.

The GASB has issued a statement updating the recognition and measurement guidance for compensated absences: Statement No. 101, *Compensated Absences*. The objective of Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The provisions of this statement are effective for reporting periods beginning after December 15, 2023. The Board will implement the provisions of Statement No. 101 in fiscal year 2024.

3. Significant Accounting Policies - College Savings Program

Basis of Accounting

The College Savings Program is a special purpose trust fiduciary fund. As a fiduciary fund, the College Savings Program’s financial statements are presented on the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and, therefore, cannot be used to support a government’s own programs. A fiduciary fund is used to report all trust arrangements, other than pension (and other employee benefit) trust funds and investment trust funds, under which principal and income benefit individuals, private organizations, or other governments. Revenues mainly are derived from investment income. Expenses consist primarily of investment expenses and administrative costs associated with the College Savings Program.

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Notes to Financial Statements (Continued)

Security Transactions and Investment Income

Security transactions of the College Savings Program are recorded on the trade date (date the order to buy or sell is executed). Dividend income and capital gain distribution from the underlying funds, if any, are recorded on the ex-dividend date. Realized gains and losses on securities transactions are computed on the basis of specific identified cost.

Investments in the underlying funds are carried at the closing net asset value per share of each underlying fund on the day of valuation.

The College Savings Program contains a guaranteed investment contract named the SMART529 Stable Value Fund. This fund is managed by INVESCO International. The contract has a guaranteed interest rate that resets quarterly. Following the guidance and provisions of GAAP, the guaranteed investment contract is a nonparticipating contract in which the redemption terms of the contract do not consider current market rates. The nonparticipating guaranteed investment contract is valued at contract value (i.e., cost plus accrued interest) as required under the current governmental accounting standards.

Units

Contributions by a participant are evidenced through the issuance of units in the particular portfolio or fund. Contributions and withdrawals are subject to terms and limitations defined in the participation agreement between the participant and the College Savings Program. Contributions are invested in units of the assigned portfolio or fund on the same day as the credit of the contribution to the participant's account. Withdrawals are based on the unit value calculated for such portfolio or fund on the day that the withdrawal request is accepted. The earnings portion of non-qualified withdrawals, in addition to applicable federal and state income tax, may be subject to a 10% non-qualified withdrawal penalty to be withheld from the withdrawal.

Expenses

Expenses in the College Savings Program financial statements reflect investment management fees, and distribution and administrative charges.

Fair Value Measurement

Hartford Funds Management Company LLC invests and manages the College Savings Program investments in 62 different portfolios. Each portfolio, in turn, is either a mutual fund or contains multiple mutual funds. Except for the SMART529 Stable Value Fund, as discussed below, investments are reported at fair value, which is the same as the value of the pool shares, and are accounted for by the College Savings Program accordingly, with changes in the fair value included in investment earnings.

Fair value measurements of investments within the fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Notes to Financial Statements (Continued)

Level 1 valuation inputs consist of unadjusted quoted prices in an active market for identical assets and liabilities.

Level 2 valuation inputs consist of direct or indirect observable market data (including quoted prices for comparable investments, evaluations of subsequent market events, interest rates, prepayment speeds, credit risk, etc.)

Level 3 valuation inputs consist of unobservable data (including the Program Manager's own assumptions).

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

As of the year ended June 30, 2023, all investment securities within the portfolios, except for the SMART529 Stable Value Fund, were measured at fair value using Level 1 inputs. The SMART529 Stable Value Fund investments are held at contract value and are excluded from the fair value hierarchy.

The SMART529 Stable Value Fund is a synthetic guaranteed investment contract, which is a form of derivative instrument, and, accordingly, is reported at contract value in accordance with GAAP. Changes in contract value are included in investment earnings. The fair value and the contract value of the SMART529 Stable Value Fund as of June 30, 2023, are as follows:

| | Market Value | Contract Value |
|----------------------------------|----------------------|----------------------|
| Underlying investments | \$515,379,443 | \$552,688,042 |
| Wrap contract | - | - |
| Total SMART529 Stable Value Fund | <u>\$515,379,443</u> | <u>\$552,688,042</u> |

Various investment options in the SMART529 WV Direct Plan and The Hartford SMART529 Plan include the SMART529 Stable Value Account. Additionally, the SMART529 Stable Value Products are standalone investment options in these two plans.

The following represents a calculation of the net change in the carrying value of investments during the year ended June 30, 2023:

| | |
|--|------------------------|
| Investments at market value, end of year | \$2,884,678,928 |
| Less cost of investments purchased during year | (620,221,424) |
| Plus cost of investments redeemed during year | 675,982,224 |
| Less carrying value at beginning of year | <u>(2,776,432,259)</u> |
| Net appreciation of investments during year | <u>\$164,007,469</u> |

The Program has adopted an investment policy for the College Savings Program that requires blended benchmarks for the various funds and portfolios. While the diversified benchmarks represent the diversification of the funds and portfolios – and diversification in general results in risk reduction – the

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Notes to Financial Statements (Continued)

investment policy does not specifically address custodial credit risk, credit risk, concentration credit risk, interest rate risk, or foreign currency risk. Investments in the College Savings Program represent units of mutual funds rather than specific securities, and as such are not exposed to those risks. Neither the Board, the College Savings Program, nor the funds and portfolios have been rated for credit risk by any organization.

Related Parties and Fund Managers and Advisers

West Virginia College Savings Program There are three 529 college savings plans within the West Virginia College Savings Program that are set forth below. Hartford Funds Management Company, LLC (“HFMC”), which is a wholly owned indirect subsidiary of The Hartford Financial Services Group, Inc. (“The Hartford”), is the program manager to the plans and Hartford Funds Distributors, LLC is the principal underwriter and distributor for the plans. HFMC and the West Virginia State Treasurer’s Office provide administrative services to the plans. More information about the 529 plans and the investment advisers/sub-advisers to the underlying funds is included below.

SMART529 WV Direct College Savings Plan - The Vanguard Group, Inc., serves as the investment adviser to all of the underlying funds, except for The SMART529 Stable Value Fund, which is managed by Invesco Advisers, Inc. (“Invesco”).

The Hartford SMART529 College Savings Plan - All of the underlying funds except Schwab S&P 500 Index Fund (the “Schwab Fund”), The SMART529 Stable Value Fund and the MFS Global Equity Fund are managed by HFMC or its wholly owned subsidiary, Lattice Strategies LLC (“Lattice”). Lattice serves as adviser and Mellon Investments Corporation performs the daily investment of the assets for the Hartford Multifactor US Equity ETF and Hartford Multifactor Developed Markets (ex-US) ETF. Charles Schwab Investment Management, Inc., dba Schwab Asset Management™ (“Schwab”), a wholly owned subsidiary of The Charles Schwab Corporation (“CSC”), serves as the investment adviser for the underlying mutual fund of Schwab S&P 500 Index Fund. The SMART529 Stable Value Fund is managed by Invesco. Massachusetts Financial Services Company (“MFS”) is the investment adviser for the underlying mutual fund of MFS® Global Equity Fund.

Wellington Management Company, LLP is an investment sub-adviser to The Hartford Total Return Bond Fund, The Hartford Inflation Plus Fund, The Hartford High Yield Fund, The Hartford Capital Appreciation Fund, The Hartford Small Cap Growth Fund, The Hartford MidCap Fund, The Hartford MidCap Value Fund, The Hartford Dividend and Growth Fund, The Hartford Growth Opportunities Fund, The Hartford Small Company Fund, The Hartford Equity Income Fund, The Hartford International Opportunities Fund, The Hartford Balanced Income Fund, The Hartford Strategic Income Fund, Hartford Core Equity Fund, The Hartford World Bond Fund, The Hartford International Growth Fund, Hartford Total Return Bond ETF, and Hartford Core Bond ETF.

Schroder Investment Management North America Inc. is the investment sub-adviser for Hartford Schroders Emerging Markets Equity Fund and Hartford Schroders International Multi-Cap Value Fund, and Schroder Investment Management North America Limited serves as the sub-sub-adviser to the two funds.

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Notes to Financial Statements (Continued)

SMART529 Select College Savings Plan - Dimensional Fund Advisors Inc. is the investment adviser to the underlying DFA mutual fund portfolios in the SMART529 Select College Savings Plan.

4. Investments and Cash and Cash Equivalents

The Board invests the Prepaid Tuition Trust Escrow Fund and a portion of the College and Jumpstart Savings Administrative Account in the WV Money Market Pool maintained by the BTI. The pooled funds are invested in short-term fixed income securities not subject to market fluctuations. The BTI reports investments in the pool at amortized cost as permissible under GASB standards. The net income of the WV Money Market Pool is declared as dividends and distributed daily to the participants based upon their pro rata participation in the pools. The distributions of net investment income are credited to the participants' accounts in the form of dividend reinvestments in the pool.

The Board has adopted an investment policy that mandates that funds shall be invested so as to minimize the risk of large losses. A prudently allocated investment program possesses a significant level of diversification, which results in risk reduction. Diversification is considered in regard to asset classes, geography/country, industry, and maturity. In order to preserve risk control, the Board has adopted a formal review schedule in which investment performance is reviewed at least quarterly, broad asset allocation and within-class asset allocation are reviewed every three years, and the Board's investment policy is reviewed every year.

The BTI measures all investments in the WV Money Market Pool at amortized cost for financial reporting purposes in accordance with criteria established by GASB Statement No. 31, as amended by GASB Statement Nos. 72 and 79. The Board reports its investments in the WV Money Market Pool accordingly and is not subject to disclosure requirements for the fair value measurement of investments.

Investment and Deposit Risk Disclosures

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.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The BTI's WV Money Market has been rated AAAM by Standard & Poor's. A fund rated AAAM has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. AAAM is the highest principal stability fund rating assigned by Standard & Poor's. The WV Money Market Pool is subject to credit risk.

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Notes to Financial Statements (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 at A-1 or higher by Standard & Poor's (or its equivalent). The following table provides information on the credit ratings of the WV Money Market Pool's investments (in thousands):

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

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

Interest Rate Risk

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

The overall weighted average maturity (WAM) 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) |
|------------------------------------|----------------------------------|---------------|
| Corporate bonds and notes | \$ 50,000 | 15 |
| Commercial paper | 6,804,022 | 25 |
| Negotiable certificates of deposit | 1,950,000 | 56 |
| Repurchase agreements | 834,500 | 3 |
| Money market funds | 220,607 | 3 |
| | <u>\$ 9,859,129</u> | <u>29</u> |

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Notes to Financial Statements (Continued)

Concentration of Credit Risk

The BTI investment policy prohibits the WV Money Market Pool from investing more than 5% of its assets in any one corporate name or one corporate issue.

Custodial Credit Risk

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. There were no deposits held in the pools and accounts as of June 30, 2023. The BTI does not have a deposit policy for custodial credit risk.

Foreign Currency Risk

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

Deposit Risk

The carrying value in the College and Jumpstart Savings Administrative Account of cash on deposit with the State Treasurer's Office was \$536,031 at June 30, 2023. The cash is pooled with other deposits from the State's agencies, departments, boards, and commissions and is subject to coverage by the Federal Deposit Insurance Corporation (the "FDIC") or collateralized by securities held by the State or its agents in the State's name. Custodial credit risk in regard to deposits is the risk that in the event of the 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. The Board does not have a deposit policy for custodial credit risk. Board management does not believe any of its deposits are exposed to custodial credit risk.

5. Compensated Absences

The accruals for compensated absences represent obligations that may arise for earned but unused annual leave as of June 30, 2023. Current liabilities of \$53,023 represent obligations for compensated absences that can become due within one year from June 30, 2023, and noncurrent liabilities of \$22,238 represent compensated absences liabilities that can become due more than one year after June 30, 2023.

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Notes to Financial Statements (Continued)

The accrued compensated absences liability at June 30, 2023, and changes for the fiscal year then ended are as follows:

| | Current | Noncurrent | Total |
|----------------------------------|----------|------------|----------|
| Beginning balance, June 30, 2022 | \$61,118 | \$6,646 | \$67,764 |
| Additions | 6,646 | 42,675 | 49,321 |
| Reductions | (14,741) | (27,083) | (41,824) |
| Ending balance, June 30, 2023 | \$53,023 | \$22,238 | \$75,261 |

6. Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan

OPEB Plan Description

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

Benefits Provided

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

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

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Notes to Financial Statements (Continued)

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

Contributions

West Virginia Code Section 5-16D-6 assigns to the PEIA Finance Board the authority to establish and amend contribution requirements of the plan members and the participating employers. Participating employers are required by statute to contribute at a rate assessed each year by the RHBT. The annual contractually required rate is the same for all participating employers. Employer contributions represent what the employer was billed during the respective year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments. The annual contractually required per active policyholder per month rates for State non-general funded agencies and other participating employers effective June 30, 2023, 2022, and 2021, respectively, were:

| | 2023 | 2022 | 2022 | 2021 |
|---------------|-------|----------------|----------------|--------|
| | | 2/1/22-6/30/22 | 7/1/21-1/31/22 | |
| Paygo Premium | \$ 70 | \$ 48 | \$ 116 | \$ 160 |

Contributions to the OPEB plan were \$5,670, \$6,453 and \$12,084 for the years ended June 30, 2023, 2022 and 2021, respectively.

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

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

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

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

Contributions by Nonemployer Contributing Entities in Special Funding Situations

The State of West Virginia is a nonemployer contributing entity that provides funding through SB 419, effective July 1, 2012, amended by West Virginia Code §11-21-96. The State provides a supplemental pre-funding source dedicating \$30 million annually to the RHBT Fund from annual collections of the Personal Income Tax Fund and dedicated for payment of the unfunded liability of the RHBT. The \$30

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Notes to Financial Statements (Continued)

million transferred pursuant to this Code shall be transferred until the Governor certifies to the Legislature that an independent actuarial study has determined that the unfunded liability of RHBT has been provided for in its entirety or July 1, 2037, whichever date is later. This funding is to the advantage of all RHBT contributing employers.

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

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

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

| | <u>2023</u> |
|---|-----------------|
| Board's proportionate share of the net OPEB liability | \$ 6,108 |
| State's special funding proportionate share of the net OPEB liability associated with the Board | <u>2,093</u> |
| Total portion of net OPEB liability associated with the Board | <u>\$ 8,201</u> |

The net OPEB liability reported at June 30, 2023, was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward to a measurement date of June 30, 2022. The Board's proportion of the net OPEB liability was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date. At June 30, 2022, the Board's proportion was 0.0055%, which is a decrease of 0.0011% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Board recognized OPEB expense (revenue) of \$(26,912) and for support provided by the State under special funding situations revenue (expenses) of \$(6,735). At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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Notes to Financial Statements (Continued)

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ - | \$ 7,793 |
| Changes of assumptions | 3,917 | 15,521 |
| Net difference between projected and actual earnings on OPEB Plan investments | 948 | - |
| Changes in proportion and differences between Board contributions and proportionate share of contributions | 6,799 | 16,634 |
| Reallocation of opt-out employer change in proportionate share | - | 39 |
| Board contributions subsequent to the measurement date of June 30, 2022 | 5,670 | - |
| Total | <u>\$ 17,334</u> | <u>\$ 39,987</u> |

The amount of \$5,670 reported as deferred outflows of resources related to OPEB resulting from Board's contributions subsequent to the measurement date will be recognized as an increase in the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:

| | |
|------|-------------|
| 2024 | \$ (25,689) |
| 2025 | (2,500) |
| 2026 | (2,506) |
| 2027 | 2,372 |

Actuarial Assumptions

The total OPEB liability reported at June 30, 2023, was determined by an actuarial valuation as of June 30, 2021, and rolled forward to a measurement date of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---------------------------|---|
| Inflation | 2.25% |
| Salary increases | Rates based on 2015-2020 OPEB experience study and dependent on pension plan participation and attained age, and range from 2.75% to 5.18%, including inflation |
| Investment rate of return | 6.65%, net of OPEB plan investment expense, including inflation |

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Notes to Financial Statements (Continued)

| | |
|-------------------------------|--|
| Healthcare cost trend rates | Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2023, decreasing by 0.50% for two years, then by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2032. Trend rate for Medicare per capita costs of 8.83% for plan year end 2023, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032. |
| Actuarial cost method | Entry Age Normal Cost Method |
| Amortization method | Level percentage of payroll |
| Remaining amortization period | 20 years closed period beginning June 30, 2017 |

Post-retirement mortality retirement rates were based on Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2021 and scaling factors of 100% for males and 108% for females for Teachers' Retirement System (TRS), Pub-2010 Below-Median Income General Healthy Retiree Mortality Tables projected with MP-2021 and scaling factors of 106% for males and 113% for females for PERS, and Pub-2010 Public Safety Healthy Retiree Mortality Tables projected with scale MP-2021 and scaling factors of 100% for males and females for West Virginia Death, Disability, and Retirement Fund (Trooper A) and West Virginia State Police Retirement System (Trooper B). Pre-retirement mortality rates were based on Pub-2010 General Employee Mortality Tables projected with MP-2021 for TRS, Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2021 for PERS, and Pub-2010 Public Safety Employee Mortality Tables projected with scale MP-2021 for Troopers A and B.

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period of July 1, 2015, to June 30, 2020.

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

- Updates to mortality projection scale (MP-2021);
- Projected capped subsidies;
- Per capita claim costs;
- Healthcare trend rates;
- Coverage and continuance;
- Percentage eligible for tobacco-free premium discount; and
- Retired employee assistance program participation

The long-term expected rate of return of 6.65% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.00% for long-term assets invested with the West Virginia Investment Management Board (WVIMB) and an expected short-term rate of return of 2.50% for assets invested with the BTI. Long-term pre-funding assets are invested with the WVIMB. The

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Notes to Financial Statements (Continued)

strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the BTI.

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

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

Discount rate

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

Other Key Assumptions

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

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Notes to Financial Statements (Continued)

OPEB Subsequent Event

RHBT had significant savings with the Humana contract renewal beginning fiscal years 2022 through 2025. In addition to the Humana contract savings, RHBT experienced favorable investment returns in fiscal year 2021, resulting in an excess in the premium stabilization reserve. RHBT is passing on these savings to PEIA active employees. There will be no PAYGO billed in fiscal year 2024. The 5-year financial plan, which was passed by the PEIA Finance Board in December 2021, originally had PAYGO to be billed at \$20M for fiscal year 2024.

For fiscal year ending June 30, 2025, financial reporting, many OPEB eligible employers will see \$0 OPEB contributions and a \$0 OPEB liability (asset) on the GASB 75 Schedules of Employer OPEB Allocations and OPEB Amounts by Employer.

The OPEB liability (asset) is allocated to all OPEB eligible employers based on OPEB contributions. These contributions include PAYGO, retiree leave conversion (health and life) and non-participating billings for a given fiscal year. For fiscal year 2024, there will be \$0 billed in PAYGO leaving only the remaining contribution types to be allocated. Many OPEB eligible employers are billed PAYGO only. These employers will have \$0 OPEB contributions resulting in a \$0 OPEB liability (asset) on the schedules for fiscal year 2025 (based on FY 2024 contributions), resulting in the remaining employers that do have other types of OPEB contributions absorbing the entire OPEB liability (asset). Based off the current year schedules, approximately 413 out of the 700+ employers have only PAYGO billings as contributions.

Sensitivity of the Board's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

| | 1% Decrease (5.65%) | Current Discount Rate (6.65%) | 1% Increase (7.65%) |
|---|---------------------------|--|---------------------------|
| Board's proportionate share of the net OPEB liability (asset) | \$ 15,701 | \$ 6,108 | \$ (2,121) |

Sensitivity of the Board's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

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

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Notes to Financial Statements (Continued)

| | 1% Decrease | Current Healthcare Cost Trend Rates | 1% Increase |
|---|----------------|--|----------------|
| Board's proportionate share of the net OPEB liability (asset) | \$ (3,473) | \$ 6,108 | \$ 17,446 |

7. Pension Plan

General Information about the Pension Plan

Pension Plan Description

The Board contributes to the PERS, a cost-sharing multiple-employer defined benefit pension plan administered by the CPRB pursuant to Chapter 5, Article 10D of the West Virginia Code. Benefits under PERS include retirement, death, and disability benefits, and have been established and may be amended by action of the West Virginia State Legislature. The CPRB issues a publicly available financial report that includes financial statements and required supplementary information for the PERS. That report can be obtained at the CPRB's internet address <http://www.wvretirement.com/> or by writing to CPRB, 4101 MacCorkle Avenue Southeast, Charleston, WV 25304.

Benefits Provided

The PERS provides retirement, disability and death benefits to plan members and beneficiaries. Qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. For all employees hired July 1, 2015, and later, qualification for normal retirement is age 62 with 10 years of service. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. Average salary is the average of the highest annual compensation during any period of three consecutive years within the last 15 years of earnings. For all employees hired July 1, 2015 and later, average salary is the average of the five consecutive highest annual earnings out of the last 15 years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired July 1, 2015, and later, this age increases to 64 with 10 years of service.

Contributions

Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. Contributions as a percentage of payroll for employers are established by the CPRB. Current funding policy requires contributions, consisting of member contributions of 4.5 % of annual earnings, and employer contributions of 9.0%, 10.0%, and 10.0% of covered payroll for the years ended June 30, 2023, 2022, and 2021, respectively. All members hired July 1, 2015, and later, will contribute 6% of earnings.

During the years ended June 30, 2023, 2022, and 2021, the Board's contributions to PERS required and made were approximately \$47,015, \$42,686, and \$41,710, respectively.

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Notes to Financial Statements (Continued)

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

At June 30, 2023, the Board reported a liability of \$39,268 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2023, was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021, rolled forward to the measurement date of June 30, 2022. The Board's proportion of the net pension liability was based on the Board's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2022. At June 30, 2022, the Board's proportion was 0.0264%, which was an increase of .0002% percent from its proportion measured at June 30, 2021.

For the year ended June 30, 2023, the Board recognized pension expense of \$17,803. At June 30, 2023, the program 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 |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$ 15,064 | \$ - |
| Changes in assumptions | 25,845 | - |
| Net difference between projected and actual earnings on pension plan investments | 23,678 | - |
| Changes in proportion and differences between Board contributions and proportionate share of contributions | 5,804 | 3,250 |
| Board contributions subsequent to the measurement date of June 30, 2022 | 47,015 | - |
| Total | <u>\$ 117,406</u> | <u>\$ 3,250</u> |

The amount of \$47,015 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

| | |
|------|-----------|
| 2024 | \$ 26,631 |
| 2025 | 3,450 |
| 2026 | (24,919) |
| 2027 | 61,979 |

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Notes to Financial Statements (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation, which was used for the measurement date of June 30, 2022, was determined using the following assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 2.75% |
| Salary increases | 2.75 – 6.75%, average, including inflation |
| Investment rate of return | 7.25%, net of pension plan investment expense |

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

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

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

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

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Notes to Financial Statements (Continued)

| Asset Class | Target Allocation | Long-Term Expected Rate of Return | Weighted Average Expected Real Rate of Return |
|----------------------|-------------------|-----------------------------------|---|
| Domestic equity | 27.5% | 5.3% | 1.46% |
| International equity | 27.5% | 6.1% | 1.68% |
| Fixed income | 15.0% | 2.2% | 0.33% |
| Real estate | 10.0% | 6.5% | 0.65% |
| Private equity | 10.0% | 9.5% | 0.95% |
| Hedge funds | 10.0% | 3.8% | 0.38% |
| Total | 100.0% | | 5.45% |
| Inflation (CPI) | | | 1.80% |
| | | | 7.25% |

Discount Rate

The discount rate used to measure the total pension asset was 7.25%. The projections of cash flows used to determine the discount rates assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the fiduciary net position of the pension plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Board's proportionate share of the net pension asset calculated using the discount rate of 7.25%, as well as what the Board's proportionate share of the net pension asset would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|---------------------|-------------------------------|---------------------|
| Board's proportionate share of the net pension asset (liability) | (\$ 277,852) | (\$ 39,268) | \$ 164,926 |

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Notes to Financial Statements (Continued)

8. Transactions with State Treasurer's Office

The State Treasurer's Office provides various administrative services at no cost to the Board and pays certain administrative costs on behalf of the Board. Such administrative services and costs were not determinable for the year ended June 30, 2023, because they were blended in with the overall operations of the State Treasurer's Office.

9. Risk Management

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

The Board has obtained health coverage for its employees through PEIA. PEIA provides the following basic employee benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, and prescription drug coverage for active and retired employees of the State of West Virginia and various related State and non-State agencies. Additionally, the Board has obtained coverage for job-related injuries through Encova, a private insurance company. There have been no workers' compensation claims since the inception of the Board.

Furthermore, the Board uses the West Virginia State Board of Risk and Insurance Management, which provides a public entity risk pool, to obtain coverage in the amount of \$1,000,000 per occurrence for general liability and property damage. There have been no claims since the inception of the Board.

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Required Supplementary Information

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Schedule of the Board of Trustees of the
West Virginia College and Jumpstart Savings Programs
Proportionate Share of the Net OPEB Liability (Asset)

| | Fiscal Year Ended June 30 | | | | | | |
|--|---------------------------|------------|------------|------------|------------|------------|------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
| Board's proportion of the OPEB liability (asset) | 0.0055% | 0.0066% | 0.0060% | 0.0074% | 0.0068% | 0.0045% | 0.0064% |
| Board's proportionate share of the net OPEB liability (asset) | \$ 6,108 | \$ (1,970) | \$ 26,585 | \$ 122,276 | \$ 146,291 | \$ 110,595 | \$ 158,595 |
| State of West Virginia special funding proportionate share of the net OPEB liability (asset) associated with the Board | \$ 2,093 | \$ (388) | \$ 5,878 | \$ 25,023 | \$ 30,234 | \$ 22,716 | - |
| Total portion of net OPEB liability (asset) associated with the Board | \$ 8,201 | \$ (2,358) | \$ 32,463 | \$ 147,299 | \$ 176,525 | \$ 133,311 | - |
| Board's covered-employee payroll* | \$ 459,301 | \$ 440,445 | \$ 371,023 | \$ 438,314 | \$ 420,282 | \$ 312,362 | \$ 353,317 |
| Board's proportionate share of net OPEB liability (asset) as a percentage of its covered-employee payroll | 1.33% | (0.45%) | 7.17% | 27.90% | 34.81% | 35.41% | 44.89% |
| Fiduciary net position as a percentage of the total OPEB liability | 93.59% | 101.81% | 73.49% | 39.69% | 30.98% | 25.10% | 21.64% |

All amounts reported are presented as of the measurement date, which is one year prior to the fiscal year dates indicated.

* Contributions to the OPEB plan are not based on a measure of pay. Covered-employee payroll reflects the payroll of employees that are provided with OPEB through the plan.

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

Schedule of the Board of Trustees of the
West Virginia College and Jumpstart Savings Programs
Contributions to the OPEB Plan

| | Fiscal Year Ended June 30 | | | | | | | |
|--|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Contractually required contribution | \$ 5,670 | \$ 6,453 | \$ 12,084 | \$ 11,634 | \$ 15,184 | \$ 13,934 | \$ 9,238 | \$ 10,925 |
| Contributions in relation to the contractually required contribution | (5,670) | (6,453) | (12,084) | (11,634) | (15,184) | (13,934) | (9,238) | (10,925) |
| Contribution deficiency(excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Board's covered-employee payroll * | \$546,999 | \$459,301 | \$440,445 | \$371,023 | \$438,314 | \$420,282 | \$312,362 | \$353,317 |
| Contributions as a percentage of covered-employee payroll | 1.04% | 1.40% | 2.74% | 3.14% | 3.46% | 3.32% | 2.96% | 3.09% |

* Contributions to the OPEB plan are not based on a measure of pay. Covered-employee payroll reflects the payroll of employees that are provided with OPEB through the plan.

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

Schedule of the Board of Trustees of the
West Virginia College and Jumpstart Savings Programs
Proportionate Share of the Net Pension Liability (Asset)

| | Fiscal Year Ended June 30 | | | | |
|---|---------------------------|-------------|-----------|-----------|-----------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| Board's proportion of the net pension liability (asset) | .0264% | .0262% | .0224% | .0280% | .0285% |
| Board's proportionate share of the net pension liability (asset) | \$39,268 | (\$229,951) | \$118,299 | \$60,308 | \$73,533 |
| Board's covered payroll | \$459,301 | \$440,445 | \$371,023 | \$438,314 | \$420,282 |
| Board's proportionate share of net pension liability (asset) as a percentage of its covered payroll | 8.55% | (52.21%) | 31.88% | 13.76% | 17.50% |
| Public Employees Retirement System net position as a percentage of the total pension liability | 98.24% | 111.07% | 92.89% | 96.99% | 96.33% |

All amounts reported are presented as of the measurement date, which is one year prior to the fiscal year dates indicated.

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

Schedule of the Board of Trustees of the
West Virginia College and Jumpstart Savings Programs
Proportionate Share of the Net Pension Liability (Asset)

| | Fiscal Year Ended June 30 | | | |
|---|---------------------------|-----------|-----------|-----------|
| | 2018 | 2017 | 2016 | 2015 |
| Board's proportion of the net pension liability (asset) | .0225% | .0254% | .0202% | .0254% |
| Board's proportionate share of the net pension liability (asset) | \$97,026 | \$233,687 | \$112,537 | \$93,793 |
| Board's covered payroll | \$312,362 | \$353,317 | \$305,035 | \$339,275 |
| Board's proportionate share of net pension liability (asset) as a percentage of its covered payroll | 31.06% | 66.14% | 36.89% | 27.65% |
| Public Employees Retirement System net position as a percentage of the total pension liability | 93.67% | 86.11% | 91.29% | 93.98% |

All amounts reported are presented as of the measurement date, which is one year prior to the fiscal year dates indicated.

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

Schedule of the Board of Trustees of the
West Virginia College and Jumpstart Savings Programs
Contributions to the West Virginia Public Employees Retirement System

| | Fiscal Year Ended June 30 | | | | | | | | | |
|--|---------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Contractually required contribution | \$ 47,015 | \$ 42,686 | \$ 41,710 | \$ 34,772 | \$ 41,179 | \$ 43,275 | \$ 37,032 | \$ 47,298 | \$ 38,263 | \$ 49,346 |
| Contributions in relation to the contractually required contribution | (47,015) | (42,686) | (41,710) | (34,772) | (41,179) | (43,275) | (37,032) | (47,298) | (38,263) | (49,346) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Board's covered payroll | \$ 546,999 | \$ 459,301 | \$ 440,445 | \$ 371,023 | \$ 438,314 | \$ 420,282 | \$ 312,362 | \$ 353,317 | \$ 305,035 | \$ 339,275 |
| Contributions as a percentage of covered payroll | 8.60% | 9.29% | 9.47% | 9.37% | 9.39% | 10.30% | 11.86% | 13.39% | 12.54% | 14.54% |

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

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Notes to Required Supplementary Information

1. Trend Information Presented

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

2. Pension and OPEB Plan Amendments

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

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. A member may retire with the pension reduced actuarially if the member is at least age 55 and has at least 10 years of contributory service, or at any age with 30 years of contributory service. For employees hired after July 1, 2015, qualification for normal retirement is 62 with 10 years of service. A member hired after July 1, 2015, may retire with the pension reduced actuarially if the member is between ages 60 and 62 with at least 10 years of contributory service, between ages 57 and 62 with at least 20 years of contributory service, or between ages 55 and 62 with at least 30 years of contributory service.
- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last 15 years of earnings. For all employees hired after July 1, 2015, average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.
- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired after July 1, 2015, this age increases to 64 with at least 10 years of contributory service, or age 63 with at least 20 years of contributory service.
- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired after July 1, 2015, are required to contribute 6% of annual earnings.

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

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs
Notes to Required Supplementary Information (Continued)

3. OPEB Changes in Assumptions

Below are changes in assumptions between the 2021 and 2020 valuations:

- Updates to mortality projection scale (MP-2021);
- Projected capped subsidies;
- Per capita claim costs;
- Healthcare trend rates;
- Coverage and continuance;
- Percentage eligible for tobacco-free premium discount; and
- Retired employee assistance program participation

Below are changes in assumptions between the 2020 and 2018 valuations:

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

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

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

The assumption changes that most significantly impacted the total OPEB liability were an approximate \$11.8 million decrease in the per capita claims costs for Pre-Medicare and Medicare,

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Notes to Required Supplementary Information (Continued)

as well as an approximate \$224.2 million decrease due to capped subsidy costs implemented in December 2019. Certain other assumption changes were noted but did not materially impact the total OPEB liability.

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

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

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

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

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

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

The Board of Trustees of the West Virginia College and Jumpstart Savings Programs
Notes to Required Supplementary Information (Continued)

4. PERS Assumptions

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

| <u>PERS</u> | <u>2019-2022</u> | <u>2015-2018</u> | <u>2014</u> |
|---------------------------|--|--|---|
| Projected salary increase | | | |
| State | 3.1 - 5.3% (2019-2020); 2.75% - 5.55% (2021-2022) | 3.0 - 4.6% | 4.25 - 6.0% |
| Nonstate | 3.35 - 6.5% (2019-2020); 3.60% - 6.75% (2021-2022) | 3.35 - 6.0% | 4.25 - 6.0% |
| Inflation rate | 3.00% (2019-2020); 2.75% (2021-2022) | 3.0% (2016-2018); 1.9% (2015) | 2.2% |
| Discount Rate | 7.50% (2019-2020); 7.25% (2021-2022) | 7.50% | 7.50% |
| Mortality rates | Active-100% of Pub-2010 General Employees table, below median, headcount weighted, projected generationally with scale MP-2018 Retired healthy males-108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected generationally with scale MP-2018 Retired healthy females-122% of Pub-2010 General Retiree Female table, below-median, headcount weighted, projected generationally with scale MP-2018 Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, headcount weighted, projected generationally with scale MP-2018 Disabled females-117% of Pub-2010 General / Teachers Disabled Female table, below-median, headcount weighted, projected generationally with scale MP-2018 | Active-RP-2000 Non-Annuitant tables, Scale AA fully generational Retired healthy males – 110% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy females – 101% of RP-2000 Non-Annuitants, Scale AA fully generational Disabled males – 96% of RP-2000 Disabled Annuitant, Scale AA fully generational Disabled females – 107% of RP-2000 Disabled Annuitant, Scale AA fully generational | Healthy males – 1983 GAM Healthy females – 1971 GAM Disabled males-1971 GAM Disabled females-Revenue ruling 96-7 |
| Withdrawal rates | | | |
| State | 2.28-45.63% | 1.75 - 35.1% | 1 – 26% |
| Nonstate | 2.50-35.88% | 2 - 35.8% | 2 – 31.2% |
| Disability rates | 0.005-0.540% | 0. - 67.5% | 0 – 8% |
| Experience study | 2013-2018 (2019-2020); 2015 – 2020 – economic assumptions and 2013 – 2018 all other assumptions (2021) | 2009-2014 | 2004-2009 |

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Other Financial Information

The following information is presented for the purpose of additional analysis and is not a required part of the financial statements of the Board. This section shows selected financial information of the Board required by the State of West Virginia's Financial Accounting and Reporting Section for use in preparing the State's annual comprehensive financial report.

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Enterprise Funds of the
Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Deposits Disclosure

Form 7

June 30, 2023

| | Carrying Amount | Restricted Carrying Amount | Total Carrying Amount | Bank Balance | Insured Amount | Collateralized Amount | Uncollateralized Amount |
|---------------------|----------------------------|---|--------------------------------------|-------------------------|---------------------------|----------------------------------|------------------------------------|
| Cash with Treasurer | \$ - | \$ 536,031 | \$ 536,031 | \$ - | \$ - | \$ - | \$ - |
| Total | \$ - | \$ 536,031 | \$ 536,031 (1) | \$ - | \$ - | \$ - | \$ - |

(1) Agrees to audited statement of net position as follows:

| | |
|---------------------|-----------|
| Cash with Treasurer | \$536,031 |
|---------------------|-----------|

See Independent Auditor's Report

Fiduciary Funds of the
Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Deposits Disclosure

Form 7

June 30, 2023

| | Carrying Amount | Restricted Carrying Amount | Total Carrying Amount | Bank Balance | FDIC Insured Amount | Collateralized Amount | Amount Uninsured and Uncollateralized |
|--|--------------------|----------------------------------|-----------------------------|-----------------|---------------------------|--------------------------|---|
| Other: College Savings Program Investment Portfolio Cash | \$ - | \$2,325,076 | \$2,325,076 | \$2,325,076 | \$250,000 | \$ - | \$2,075,076 |
| Other: Jumpstart Savings Program Cash | - | 2,410 | 2,410 | 2,410 | 2,410 | - | - |
| Total | \$ - | \$ 2,327,486 | \$2,327,486 ⁽¹⁾ | \$2,327,486 | \$252,410 | \$ - | \$2,075,076 |

(1) Agrees to audited statement of net position as follows:

| | |
|------|-------------|
| Cash | \$2,327,486 |
|------|-------------|

See Independent Auditor's Report

Fiduciary Funds of the
Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Investments Disclosure

Form 8

June 30, 2023

| | Reported Amount Unrestricted | Reported Amount Restricted | Level 1 | Fair Value Measurements Using | | Total Reported Value |
|--|------------------------------------|----------------------------------|------------------|-------------------------------|----------------|-------------------------|
| | | | | Fair Value | Cost Value | |
| Investments with Investment Mgmt Board (IMB) | | | | | | |
| Per wvOASIS Opening Balance Report | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Investment Earnings(Loss) not Posted to wvOASIS | | | | | | |
| As of 6/30/23 | | | | | | |
| Investments with Board of Treasury Investments (BTI) | | | | | | |
| Per Opening Balance Report | | 1,039,797 | | | 1,039,797 | 1,039,797 |
| Investment Earnings(Loss) not Posted to wvOASIS | | | | | | |
| As of 6/30/23 | | 4,517 | | | 4,517 | 4,517 |
| Investments Outside IMB: | | | | | | |
| Other Investments (describe): | | | | | | |
| SMART529 Investment Portfolios | | 2,884,678,928 | 2,331,990,886 | 2,331,990,886 | 552,688,042 | 2,884,678,928 |
| Total Outside Investments | - | 2,884,678,928 | 2,331,990,886 | 2,331,990,886 | 552,688,042 | 2,884,678,928 |
| Total Investments | \$ - | \$ 2,885,723,242 | \$ 2,331,990,886 | \$ 2,331,990,886 | \$ 553,732,356 | \$ 2,885,723,242 |

Investments for the SMART529 represent shares of mutual funds rather than specific securities and are not rated, and they are not exposed to interest rate risk or foreign currency risk.

Investment with the Board of Treasury Investments is with the West Virginia Money Market and is not rated for credit risk, is subject to interest rate risk but is not subject to foreign currency risk.

See Independent Auditor's Report

Enterprise Fund of the
Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Investments Disclosure

Form 8

June 30, 2023

| | Reported Amount Unrestricted | Reported Amount Restricted | Fair Value Measurements Using | | | Total Reported Value |
|--|------------------------------------|----------------------------------|-------------------------------|---------------|---------------|-------------------------|
| | | | Level 1 | Fair Value | Cost Value | |
| Investments with Investment Mgmt Board (IMB) | | | | | | |
| Per wvOASIS Opening Balance Report | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Investment Earnings(Loss) not Posted to wvOASIS | | | | | | |
| As of 6/30/23 | | | | | | |
| Investments with Board of Treasury Investments (BTI) | | | | | | |
| Per Opening Balance Report | | 3,764,681 | | | 3,764,681 | 3,764,681 |
| Investment Earnings(Loss) not Posted to wvOASIS | | | | | | |
| As of 6/30/23 | | 16,355 | | | 16,355 | 16,355 |
| Investments Outside IMB: | | | | | | |
| Other Investments (describe): | | | | | | |
| Total Outside Investments | | - | - | - | - | - |
| Total Investments | \$ - | \$ 3,781,036 | \$ - | \$ - | \$ 3,781,036 | \$ 3,781,036 |

Investment with the Board of Treasury Investments is with the West Virginia Money Market and is not rated for credit risk, is subject to interest rate risk but is not subject to foreign currency risk.

See Independent Auditor's Report

Enterprise Funds of the
Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Deposits and Investments Reconciliation

Form 8A

June 30, 2023

Reconciliation of cash, cash equivalents, and investments as reported in the financial statements to the amounts disclosed in the footnote:

Deposits

Cash and cash equivalents as reported on statement of net position

\$536,031 (1)

Less cash equivalents disclosed as investments

-

Carrying amount of deposits as disclosed on Form 7

\$536,031

(1) Agrees to the audited statement of net position.

See Independent Auditor's Report

Fiduciary Funds of the
Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Deposits and Investments Reconciliation

Form 8A

June 30, 2023

Reconciliation of cash, cash equivalents, and investments as reported in the financial statements to the amounts disclosed in the footnote:

Deposits

| | | |
|--|---------------------------|-----|
| Cash and cash equivalents as reported on statement of net position | \$2,327,486 | (1) |
| Less cash equivalents disclosed as investments | <u>-</u> | |
| Carrying amount of deposits as disclosed on Form 7 | <u><u>\$2,327,486</u></u> | |

(1) Agrees to the audited statement of fiduciary net position.

See Independent Auditor's Report

Enterprise Fund of the
Board of Trustees of the West Virginia College and Jumpstart Savings Programs

Transfers In/Out

Form 15

For the Year Ended June 30, 2023

| WV OASIS Doc | Agency Transferring From | WV OASIS Fund | Agency Transferring To | WV OASIS Fund | Amount |
|--------------|--------------------------------|---------------------|------------------------------|---------------------|---------------|
| IGP 23*231 | WVSTO | 1320 | Board | 1301 | \$ 6,937.26 |
| IGP 23*1066 | WVSTO | 1320 | Board | 1301 | 9,082.56 |
| IGP 23*510 | WVSTO | 1320 | Board | 1301 | 50.00 |
| IGT 23*2814 | WVSTO | 1320 | Board | 1301 | 17,872.32 |
| IGT 23*4096 | WVSTO | 1320 | Board | 1301 | 20,539.77 |
| IGP 24*971 | WVSTO | 1320 | Board | 1301 | 6,948.68 |
| IGT 24*5722 | WVSTO | 1320 | Board | 1301 | 35,251.96 |
| IGP 23*1136 | WVSTO | 1320 | Board | 1301 | 6,948.70 |
| IGT 23*6969 | WVSTO | 1320 | Board | 1301 | 18,054.01 |
| IGP 23*1354 | WVSTO | 1320 | Board | 1301 | 6,998.68 |
| IGT 23*8491 | WVSTO | 1320 | Board | 1301 | 26,192.87 |
| IGP 23*1537 | WVSTO | 1320 | Board | 1301 | 9,954.66 |
| IGT 23*9908 | WVSTO | 1320 | Board | 1301 | 10,737.58 |
| IGP 23*1751 | WVSTO | 1320 | Board | 1301 | 6,948.68 |
| IGT 23*11648 | WVSTO | 1320 | Board | 1301 | 8,772.72 |
| IGP 23*1899 | WVSTO | 1320 | Board | 1301 | 6,948.70 |
| IGT 23*12787 | WVSTO | 1320 | Board | 1301 | 39,822.82 |
| IGP 23*2134 | WVSTO | 1320 | Board | 1301 | 6,948.68 |
| IGT 23*14494 | WVSTO | 1320 | Board | 1301 | 9,745.80 |
| IGP 23*2295 | WVSTO | 1320 | Board | 1301 | 6,948.68 |
| IGT 23*15570 | WVSTO | 1320 | Board | 1301 | 25,240.91 |
| IGP 23*2535 | WVSTO | 1320 | Board | 1301 | 6,948.69 |
| IGT 23*17184 | WVSTO | 1320 | Board | 1301 | 11,673.34 |
| IGP 24*39 | WVSTO | 1320 | Board | 1301 | 10,030.94 |
| IGT 24*343 | WVSTO | 1320 | Board | 1301 | 46,742.27 |
| Total (1) | | | | | \$ 362,341.28 |

(1) Agrees to rounded audited statement of revenue, expenses and changes in net position (Enterprise Fund)

See Independent Auditor's Report

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DRAFT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of the West Virginia College
and Jumpstart Savings Programs
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the major fund of the business-type activities and the fiduciary funds of the West Virginia College and Jumpstart Savings Programs (the Entity), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Entity's basic financial statements, and have issued our report thereon dated _____, 2023. Our report includes a reference to other auditors who audited the financial statements of the West Virginia College Savings Program Plan Trust Fund as described in our report on the Entity's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Entity'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.

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
_____, 2023