WEST VIRGINIA
ECONOMIC DEVELOPMENT AUTHORITY

AUDITED FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

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BROWNEDWARDS
certified public accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Virginia Economic Development Authority
Charleston, West Virginia

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of the West Virginia Economic Development Authority (the Authority), a component unit of the State of West Virginia, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Combined Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of the West Virginia Economic Development Authority as of June 30, 2018, and the respective changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Combined Financial Statements

The combined financial statements as of June 30, 2017, were audited by Gibbons & Kawash, A.C., who merged with Brown, Edwards & Company, L.L.P. as of January 1, 2018, and whose report dated September 20, 2017, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and the schedule of the proportionate share of the net pension liability, the schedule of contributions to the PERS, the schedule of the proportionate share of the net OPEB liability, and the schedule of contributions to the RHBT on pages 52 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTS

Charleston, West Virginia
September 20, 2018

This section will discuss the financial performance of the West Virginia Economic Development Authority (WVEDA) and its blended combined entities, West Virginia Enterprise Advancement Corporation (WVEAC) and West Virginia Enterprise Capital Fund (WVECF); collectively referred to as "the Authority." The annual combined financial report presents our discussion and analysis of the Authority for fiscal years ended on June 30, 2018, 2017, and 2016. Please read it in conjunction with the Authority's combined financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The Authority's total net position increased approximately $763 thousand net of the restatement for a change in accounting principle as of July 1, 2017, for the year ended June 30, 2018 and $3.16 million for the year ended June 30, 2017.

- Total assets decreased by approximately $19.01 million for the year ended June 30, 2018 and increased $3.83 million for the year ended June 30, 2017.

- Total liabilities decreased by approximately $21.01 million for the year ended June 30, 2018 and $829 thousand for the year ended June 30, 2017.

- Loan and lease originations for the year totaled approximately $15.7 million for the year ended June 30, 2018 and $34.86 million for the year ended June 30, 2017.

OVERVIEW OF THE COMBINED FINANCIAL STATEMENTS

The annual combined financial statements consist of: Management's Discussion and Analysis (this section), the combined financial statements and notes to combined financial statements, and other required supplementary information related to pensions and OPEB.

- The Authority's combined financial statements provide information about the overall financial position and results of operations. These statements, which are presented on the accrual basis, consist of Combined Statements of Net Position, Combined Statements of Revenues, Expenses, and Changes in Fund Net Position, and Combined Statements of Cash Flows.

- The basic combined financial statements also include "Notes to Combined Financial Statements," which provide explanations and additional information related to amounts reported in the combined financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and content of each of the combined financial statements. The prior year results referred to throughout this section for comparison purposes are as previously reported.

The combined financial statements report information about the Authority's use of accounting methods which are similar to those used by private sector companies. These combined financial statements are presented in a manner similar to a private business, such as real estate development, investment banking, commercial lending, construction management, and private consulting, subject to the provisions of generally accepted accounting principles followed by governments for special purpose governments engaged in business type activities.

(Continued)

FINANCIAL ANALYSIS OF THE AUTHORITY

Combined Statements of Net Position: The following table summarizes the balances in the Combined Statements of Net Position as of June 30, 2018, 2017, and 2016.

	(in millions) 2018	2017	2016	% Change FY 18-17	% Change FY 17-16
Current assets	$ 83.27	$ 79.53	$ 81.05	4.70	(1.88)
Capital assets, net	24.40	30.54	31.59	(20.10)	(3.32)
Other noncurrent assets	172.73	190.24	183.84	(9.20)	3.48
Total assets	280.40	300.31	296.48	(6.63)	1.29
Deferred outflows of resources	0.12	0.25	0.23	(52.00)	8.70
Total assets and deferred outflows of resources	$ 280.52	$ 300.56	$ 296.71	(6.67)	1.30
Current liabilities	$ 13.80	$ 19.85	$ 17.10	(30.48)	16.08
Noncurrent liabilities	105.40	120.36	122.28	(12.43)	(1.57)
Total liabilities	119.20	140.21	139.38	(14.98)	0.60
Deferred inflows of resources	0.23	0.02	0.16	1,050.00	(87.50)
Total liabilities and deferred inflows of resources	119.43	140.23	139.54	(14.83)	0.49
Net position:					
Net investment in capital assets	23.19	27.62	26.95	(16.04)	2.49
Restricted	7.15	5.56	9.02	28.60	(38.36)
Unrestricted	130.75	127.15	121.20	2.83	4.91
Total net position	161.09	160.33	157.17	0.47	2.01
Total liabilities, deferred inflows of resources, and net position	$ 280.52	$ 300.56	$ 296.71	(6.67)	1.30

The Authority's overall net position increased by approximately $763 thousand which was a net of the change in net position of $1.43 million and a decrease related to a change in accounting principle of $667 thousand for the year ended June 30, 2018. Net position increased $3.16 million for the year ended 2017. Total assets decreased by approximately $19.91 million for the year ending June 30, 2018 and increased approximately $3.83 million for the year ended June 30, 2017.

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Combined Statements of Revenues, Expenses, and Changes in Fund Net Position: The following table summarizes the balances in the Combined Statements of Revenues, Expenses, and Changes in Fund Net Position for fiscal years 2018, 2017, and 2016.

	(in millions)			% Change	% Change
	2018	2017	2016	FY 18-17	FY 17-16
Operating revenues:					
Interest on loans	$ 5.19	$ 3.95	$ 3.28	31.39	20.43
Lease revenues	4.69	4.74	4.51	(1.05)	5.10
Other revenues	0.23	0.69	0.56	(66.67)	23.21
Total operating revenues	10.11	9.38	8.35	7.78	12.34
Operating expenses:					
Administrative	1.88	1.51	1.41	24.50	7.09
Depreciation	1.06	1.24	0.58	(14.52)	113.79
Provision for loan losses	0.97	0.16	0.17	506.25	(5.88)
Loss in equity investments	0.17	0.68	0.79	(75.00)	(13.92)
Total operating expenses	4.08	3.59	2.95	13.65	21.69
Operating income	6.03	5.79	5.40	4.15	7.22
Nonoperating revenues(expenses):					
Interest on invested cash	0.74	0.49	0.53	51.02	(7.55)
Interest expense	(1.15)	(0.60)	(0.40)	91.67	50.00
Distributions of the State of WV	-	(3.50)	-	(100.00)	-
OPEB revenue	0.03	-	-	100.00	-
Donation of land	1.18	-	-	100.00	-
Gain (loss) on sale of asset	(5.40)	0.98	-	(651.02)	-
Total nonoperating revenues (expenses)	(4.60)	(2.63)	0.13	74.90	(2,123.08)
Change in net position	1.43	3.16	5.53	(54.75)	(42.86)
Net position, beginning of year	159.66	** 157.17	151.64	1.58	3.65
Net position, end of year	$ 161.09	$ 160.33	$ 157.17	0.47	2.01

** Restated by (.667) for implementation of GASB No. 75

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

Within the Authority's activities, the primary revenue sources are interest income on active loans and lease revenue. Nonoperating revenue includes interest income on invested cash. Total revenues exceeded total expenses by $1.43 million and $3.16 million for the years ending June 30, 2018, and 2017, respectively.

During 2018, the Authority had write-offs of uncollectible loans of $1,007,348, or 0.75% of the total loans. The allowance for loan loss is 4.93% of the total loan portfolio at June 30, 2018.

During 2017, the Authority had write-offs of uncollectible loans of $302,460, or 0.20% of the total loans. The allowance for loan loss is 4.43% of the total loan portfolio at June 30, 2017.

During 2017, the Authority made a one time distribution of $3.5 million to the State of West Virginia as a result of Senate Bill 1013 from the Authority's Credit Insurance Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The Authority independently, or in cooperation with private and/or other governmental entities, acquires, invests in, and/or develops vacant industrial sites, existing facilities, unimproved land, equipment, and other real estate for private or governmental use. Sites developed and equipment purchased for private use are marketed or leased to businesses that will create new job opportunities and tax ratables for the municipalities. Sites developed for governmental use are leased to the State or State entities. For the majority of these leases, future minimum lease rental payments are equal to the debt service payments related to the bonds or notes issued for the applicable property.

Debt - Total notes payable decreased by approximately $19.6 million, which was directly related to a decrease in net borrowing on our revolving loan agreement with the West Virginia Board of Treasury Investments to finance loans and leases for economic development purposes.

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

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

There are currently no known facts and conditions recognized by management that would have a significant effect on the financial position of the Authority.

REQUESTS FOR INFORMATION

The combined financial report is designed to provide an overview of the finances of the Authority for those with an interest in this organization. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the West Virginia Economic Development Authority at Northgate Business Park, 180 Association Drive, Charleston, West Virginia 25311.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY

COMBINED STATEMENTS OF NET POSITION
June 30, 2018 and 2017

	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents (Note 3)	$ 61,130,504	$ 59,749,051
Restricted cash due to others (Note 3)	297,377	1,688,780
Current portion of loans receivable, net of allowance (Note 7, 8 and 9)	12,559,294	10,386,638
Current portion of investment in direct financing leases (Note 10)	5,738,342	5,432,237
Accrued interest receivable	3,546,512	2,271,777
Total current assets	83,272,029	79,528,483
NONCURRENT ASSETS		
Investments (Note 4)	2,169,496	2,430,269
Restricted cash and cash equivalents (Note 3 and 6)	7,149,794	5,556,677
Loans receivable, less current portion (Note 7 and 9)	114,693,378	132,144,280
Investment in direct financing leases, less current portion (Note 10)	48,716,964	50,109,975
Real estate, property, and equipment, less accumulated depreciation (Note 10)	24,396,412	30,541,213
	197,126,044	220,782,414
Total assets	280,398,073	300,310,897
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pension amounts (Note 15)	97,415	247,337
Deferred outflows of resources related to OPEB amounts (Note 16)	26,930	-
	124,345	247,337
Total assets and deferred outflows of resources	$ 280,522,418	$ 300,558,234
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 20,640	$ 20,640
Accrued interest payable	2,738,088	2,698,249
Amounts due to other State agencies (Note 12)	258,948	1,567,018
Current portion of compensated absences	31,484	31,013
Current portion of loans payable (Note 11)	10,747,916	15,528,385
Total current liabilities	13,797,076	19,845,305
NONCURRENT LIABILITIES		
Unearned lease revenue	-	433,733
Other noncurrent liabilities	281,780	281,780
Compensated absences, less current portion	35,386	32,021
Loans payable, less current portion (Note 11)	104,391,227	119,208,080
Net pension liability (Note 15)	196,216	406,384
Net OPEB liability (Note 16)	495,130	-
	105,399,739	120,361,998
Total liabilities	119,196,815	140,207,303
Deferred inflows of resources related to pension amounts (Note 15)	59,293	21,238
Deferred inflows of resources related to OPEB amounts (Note 16)	173,970	-
	233,263	21,238
Net position:		
Investment in capital assets	23,194,261	27,620,784
Restricted (Note 6)	7,149,794	5,556,677
Unrestricted	130,748,285	127,152,232
Total net position	161,092,340	160,329,693
Total liabilities, deferred inflows of resources and net position	$ 280,522,418	$ 300,558,234

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

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY

COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Years ended June 30, 2018 and 2017

	2018	2017
OPERATING REVENUES		
Interest on loans	$ 5,194,892	$ 3,950,074
Lease revenue	4,687,585	4,740,187
Other	230,175	687,106
Total operating revenues	10,112,652	9,377,367
OPERATING EXPENSES		
Administrative	1,876,365	1,506,273
Depreciation	1,059,998	1,238,928
Provision for loan losses	972,157	162,411
Loss on equity investments (Note 4)	169,092	680,182
Total operating expenses	4,077,612	3,587,794
Operating income	6,035,040	5,789,573
NONOPERATING REVENUE (EXPENSE)		
Net, interest earnings on cash and investments	737,231	490,519
Interest expense	(1,146,962)	(597,163)
Distributions to the State of West Virginia (Note 12)	-	(3,500,000)
OPEB revenue	31,220	-
Donation of land	1,178,842	-
Net gain (loss) on disposal of real estate	(5,405,375)	975,539
Total nonoperating revenue (expense)	(4,605,044)	(2,631,105)
Change in net position	1,429,996	3,158,468
NET POSITION, beginning of year	160,329,693	157,171,225
Cumulative effect of adoption of accounting principle (Note 2)	(667,349)	-
NET POSITION, beginning of year, as restated	159,662,344	157,171,225
NET POSITION, end of year	$ 161,092,340	$ 160,329,693

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

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY

COMBINED STATEMENTS OF CASH FLOWS
Years ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Cash receipts from lending and leasing activities	$ 35,615,826	$ 21,908,528
Cash receipts from other activities	177,456	1,116,948
Cash payments for:		
Loans and leases originated	(15,105,627)	(34,864,916)
Administrative expenses	(1,876,365)	(1,506,273)
Net cash provided by (used in) operating activities	18,811,290	(13,345,713)
NON-CAPITAL FINANCING ACITIVITIES		
Proceeds from loans payable	4,585,000	14,084,294
Principal payments on loans payable	(21,682,322)	(13,175,778)
Distributions to the State of West Virginia	-	(3,500,000)
Interest paid	(1,146,962)	(597,163)
Net cash used in non-capital financing activities	(18,244,284)	(3,188,647)
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of real estate and equipment	(1,022,720)	-
Proceeds from the sale of real estate	1,321,650	1,372,288
Net cash provided by capital and related financing activities	298,930	1,372,288
INVESTING ACTIVITIES		
Distributions from equity investees	-	40,125
Distributions to equity investees	(20,000)	(50,000)
Net interest earnings	737,231	490,519
Net cash provided by investing activities	717,231	480,644
Net increase (decrease) in cash and cash equivalents	1,583,167	(14,681,428)
CASH AND CASH EQUIVALENTS, beginning	66,994,508	81,675,936
CASH AND CASH EQUIVALENTS, ending	$ 68,577,675	$ 66,994,508

	2018	2017
CASH AND CASH EQUIVALENTS include the following balances from the Combined Statements of Net Position		
Cash and cash equivalents	$ 61,130,504	$ 59,749,051
Restricted cash due to others	297,377	1,688,780
Restricted cash and cash equivalents	7,149,794	5,556,677
	$ 68,577,675	$ 66,994,508

(Continued)

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY

COMBINED STATEMENTS OF CASH FLOWS
(Continued)
Years ended June 30, 2018 and 2017

	2018	2017
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 6,035,040	$ 5,789,573
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Loans and leases originated	(15,105,627)	(34,864,916)
Principal collected on loans	23,076,526	9,360,884
Collections on net investment in direct financing leases	5,486,906	4,989,683
Depreciation	1,059,998	1,238,928
Provision for loan and lease losses	972,157	162,411
Recoveries	35,190	140,049
Pension expense	47,927	72,406
OPEB expense	32,971	-
Loss on equity investees	169,092	680,182
Changes in operating accounts:		
Increase in accrued interest receivable	(1,274,735)	(680,734)
(Increase) decrease in investments	71,021	78,615
(Increase) in deferred outflows of resources from pension	(70,118)	(75,237)
(Increase) in deferred outflows of resources from OPEB	(26,930)	-
Increase (decrease) in accounts payable	-	(4,342)
Increase in amounts due to other State agencies	(1,308,070)	50,000
Increase (decrease) in accrued expenses	43,675	5,940
Decrease in unearned lease revenue	(433,733)	(289,155)
Net cash provided by (used in) operating activities	$ 18,811,290	$ (13,345,713)
SUPPLEMENTAL DISCLOSURE OF INVESTING AND FINANCING ACTIVITIES AND NON-CASH ACTIVITIES:		
Cash paid for interest	$ 1,107,123	$ 580,422
Decrease in fair value of investments	71,021	78,615
Property received from loan foreclosure	-	564,504
Net gain (loss) on disposal of capital assets	(5,405,375)	975,539
Capital assets converted to direct financing lease activities	600,000	-
Non-cash special funding contribution related to OPEB	31,220	-

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

Note 1. Description of Organization and Summary of Significant Accounting Policies

Description of entities

West Virginia Economic Development Authority (WVEDA)

The West Virginia Economic Development Authority (WVEDA) is a public corporation and government instrumentality under Chapter 31, Article 15, of the West Virginia Code (the Code). The WVEDA is administered by a nine member Board of Directors comprised of the Governor, Tax Commissioner, and seven at-large members appointed by the Governor. The WVEDA has statutory authority to borrow funds from the West Virginia Board of Treasury Investments to loan to borrowers.

Under the Code, the WVEDA is charged with the responsibility to develop and advance the business prosperity and economic welfare of the State of West Virginia by providing financial assistance in the form of loans and direct financing and operating leases to industrial development agencies and enterprises for the promotion and retention of new and existing commercial and industrial development. The WVEDA is empowered to borrow money and issue bonds, notes, commercial paper, and other debt instruments and to furnish money, credit, or credit enhancement for the promotion of business development projects. Credit enhancement is available through the WVEDA's loan guarantee programs, which were created to ensure payment or repayment of bonds and notes issued by the WVEDA and certain other public bodies, or other types of debt instruments entered into by an enterprise or state public body with a financial institution.

The WVEDA's loans are secured by deeds of trust on property, security interests in equipment, promissory notes, and, in certain cases, have supplemental collateral comprised of letters of credit, lease assignments, and/or personal guarantees. The WVEDA's loan terms are set by its Board of Directors (the Board) whose members periodically review market conditions. The amount the WVEDA may lend for projects varies depending upon the nature of the project and form of lending, as prescribed by the Board.

In evaluating how to define the WVEDA for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity is made by applying the criteria set forth in accounting principles generally accepted in the United States of America (GAAP) for governments. GAAP defines component units as those entities which are legally separate organizations for which the members of the board are financially accountable, or the organizations for which the nature and significance of their relationship with the WVEDA are such that exclusion would cause the WVEDA's statements to be misleading. In accordance with GAAP, the WVEDA's statements are prepared on a blended, or combined, basis and include the activities of the WVEDA, the West Virginia Enterprise Advancement Corporation, and the West Virginia Enterprise Capital Fund.

West Virginia Enterprise Advancement Corporation (WVEAC)

The WVEAC is a nonprofit organization created to advance the economic development and social welfare of the State of West Virginia and its people. Its objectives include the promotion and assistance of business growth and development to foster increased employment opportunities

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

Description of entities (Continued)

West Virginia Enterprise Advancement Corporation (WVEAC) (Continued)

throughout the State of West Virginia through the promotion and development of accessible risk capital. To further these objectives, WVEAC has invested in and is the 100% owner of the West Virginia Enterprise Capital Fund. The WVEAC is exempt from federal income tax on its exempt purpose activities as an organization described in Section 501(c)(3) of the Internal Revenue Code.

West Virginia Enterprise Capital Fund, LLC (WVECF)

The WVECF was incorporated on September 24, 2001. The WVECF is in the business of making venture capital available to companies doing business in the State of West Virginia through investments in venture capital companies as provided under the West Virginia Venture Capital Act. The WVECF is managed by its sole member, the WVEAC.

The WVECF operates as a Limited Liability Company as permitted under West Viginia State Code. As such, the WVECF's net income or loss is allocated to its sole member, a nonprofit organization, in accordance with the regulations of the Internal Revenue Service. Accordingly, no income tax provision has been included in these financial statements.

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

Basis of presentation

The Authority is a component unit of the State of West Virginia, and is accounted for as a proprietary fund special purpose government engaged in business-type activities. In accordance with GAAP, the combined financial statements are prepared on the accrual basis of accounting with a flow of economic resources measurement focus, which requires recognition of revenue when earned and expenses when incurred.

The Authority is included in the State's financial statements as a discretely presented component unit. Because of the Authority's presentation in these financial statements as a special purpose government engaged in business-type activities, there may be differences in presentation of amounts reported in these financial statements and the financial statements of the State of West Virginia as a result of major fund determination.

Use of estimates

Certain estimates and assumptions are required by management in the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP). The significant estimates and assumptions that affect the reported of amounts of assets and liabilities at the statement of net position dates and revenues and expenses for the years then ended are those required in the determination of the allowance for loan losses, accumulated depreciation of capitalized assets, and the valuation of investments in venture capital companies. Actual results in the near-term could differ from the estimates used to prepare these financial statements.

(Continued)

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

Cash and cash equivalents

Cash and cash equivalents include short-term investments with original maturities of 90 days or less. Cash and cash equivalents principally consist of amounts on deposit with the State Treasurer's Office (STO) and those that are pooled funds managed by the West Virginia Board of Treasury Investments (BTI). Balances maintained in the West Virginia Money Market and West Virginia Government Money Market pools are recorded at amortized cost. Balances maintained in the West Virginia Short Term Bond Pool are recorded at fair value. Net investment income is allocated to participants in the pools based upon the funds that have been invested in each pool. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying combined financial statements.

Investments

Venture Capital Investments

The WVECF invests in venture capital entities which are managed by various fund managers. The investments involve risks not normally associated with investing, including equity interests in development stage companies. The risks associated with these investments are affected by many factors, such as economic outlook, ability to raise capital, and ability to attract customers. Collateral values securing venture capital investments are not readily determinable.

Venture capital investments are not readily marketable, and, therefore, no quoted prices are available. The Fund manager has estimated the value of these investments after consideration of such factors as the cost of the investment, actual performance compared to expected performance, earnings potential, and other relevant factors. Because of uncertainties in the estimation process, estimated values may change in the near term, and those changes may be material.

Other Investments

Other investments include certain amounts held by the BTI for the Authority in a participant directed investment account which maintains a single U.S. Treasury Bond which matures August 15, 2023 and is recorded at fair value.

Loans

The Authority extends commercial loans to customers. A substantial portion of the loan portfolio is represented by commercial loans throughout West Virginia. The ability of the Authority's debtors to honor their contracts is dependent upon the operating results of the customers and the value of real and personal property held as collateral.

Loans are stated at unpaid principal balances, net of the allowance for loan losses.

Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

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

Allowance for loan and credit losses

The allowance for loan and credit losses consists of an allowance for loan losses on outstanding loans and certain credit financial instruments of the Authority.

The allowance for loan losses reflects management's judgment of probable loan losses inherent in the portfolio at the statement of net position date. The Authority uses a process to establish the allowance for loan losses semi-annually. To determine the total allowance for loan losses, management estimates the reserves needed for each loan. The allowance for loan losses consists of amounts applicable to (1) commercial - real estate portfolio, (2) commercial - equipment, and (3) commercial-both real estate and equipment.

The establishment of the allowance for loan losses relies on a consistent process that requires multiple layers of management review and significant judgment in determining the estimation method that fits the credit risk characteristics of each portfolio segment, including responses to changes in economic conditions, customer behavior, and collateral value, among other influences. From time to time, events or economic factors may affect the loan portfolio, causing management to provide additional amounts or to release balances from the allowance for loan losses. The Authority's allowance for loan losses is sensitive to risk ratings assigned to individually evaluated loans and economic assumptions. Individual loan risk ratings are evaluated based on each specific situation by experienced staff.

Management monitors differences between estimated and actual incurred loan losses. This monitoring process includes periodic assessments by staff of loan portfolio performance. Additions to the allowance for loan losses are made by charges to the provision for loan losses. Credit exposures deemed to be uncollectible are charged against the allowance for loan losses. Recoveries of previously charged off amounts are credited to the allowance for loan losses.

Real estate and equipment held under lease

Real estate and equipment held under lease are carried at cost or, if contributed, at the market value of the property as of the date contributed. Depreciation on equipment and buildings is computed using the straight-line method with estimated useful lives of 5 to 40 years.

Compensated absences

Employees fully vest in all earned but unused annual leave, and the Authority accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. The estimated obligation for such benefits, as they relate to employees of the Authority, are recorded as a liability in the accompanying combined financial statements.

Deferred outflows of resources / deferred inflows of resources

The statement of net position reports a separate financial statement element called *deferred outflows of* resources. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The Authority reports certain pension and OPEB related amounts as deferred outflows of resources on the statements of net position.

(Continued)

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

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

The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority reports certain pension and OPEB related amounts as deferred inflows of resources on the statements of net position.

Unearned lease revenue

The Authority reports lease payments received in advance as unearned lease revenue and recognizes lease revenue over the remaining term of the lease.

Net position

The Authority displays net position in three components: investment in capital assets, restricted, and unrestricted.

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

Restricted Net Position - Restricted net position consists of assets whose use or availability has been externally restricted, and the restrictions limit the Authority's ability to use the resources to pay current liabilities. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as needed.

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

Operating revenues and expenses

Operating revenues and expenses are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Nonoperating revenues and expenses

Nonoperating revenues and expenses include activities that do not have the characteristics of operating revenues and expenses, such as gifts, contributions, investment income, other revenues, and interest expense that are defined as nonoperating by GAAP.

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

Pension

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

Postemployment benefits other than pensions (OPEB)

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

Loan insurance program

The Authority extends non-exchange financial guarantees under its Loan Insurance Program. This program administered by the Authority, provides up to a 90% guarantee of actual loss from a bank to its borrower. The maximum liability to the Authority may not exceed $500,000 per transaction. The Authority is required to recognize a liability when qualitative, historical and other factors indicate that it is more likely than not that the Authority will be required to make a payment on the financial guarantee, including the evaluation of whether the participating bank has liquidated all collateral of the borrower, including the pursuit of personal guarantees.

Broadband loan insurance program

House Bill 3093 enacted by the West Virginia Legislature on April 8, 2017 and effective as of July 7, 2017 provided that the BTI would provide up to $50,000,000 to the Authority to enable the Authority to provide loan insurance for qualified debt instruments to expand broadband within West Virginia subject to the requirements set forth in the legislation.

Note 2. Cumulative Effect of Adoptions of Accounting Principle

Effective July 1, 2017, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* The Authority determined that it was not practical to restate all periods presented and has recorded the cumulative effect of the decrease to beginning net position of implementing this change of $667,349 as of July 1, 2017, which is the net OPEB liability of $708,707 less deferred outflows of resources related to OPEB contributions of $41,358 as of that date. The Authority further determined that it was not practical to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to OPEB as of July 1, 2017 and these amounts are not reported.

Note 3. Cash and Cash Equivalents

At June 30, 2018 and 2017, the carrying amount of deposits with financial institutions, the State Treasurer (STO), and the West Virginia Board of Treasury Investments (BTI) were as follows:

	2018	2017
Deposits:		
WV Money Market Pool at BTI	$ 30,199,634	$ 29,466,782
WV Government Money Market Pool at BTI	7,449,794	5,856,677
WV Short Term Bond Pool at BTI	17,539,126	17,350,862
Cash held at State Treasurer's Office	13,069,131	14,003,037
Cash held at outside financial institutions	319,990	317,150
	$ 68,577,675	$ 66,994,508

The State Treasurer has statutory responsibility for the daily cash management activities of the State's agencies, departments, boards and commissions and transfers funds to the BTI for investment in accordance with West Virginia statutes, policies set by the BTI and by provisions of bond indentures and trust agreements when applicable and thus the Authority follows these investment policies.

In accordance with West Virginia Code §31-15-23, the economic development fund, to which shall be credited any appropriation made by the Legislature to the authority, any funds which the authority is authorized to receive under any provision of this code, other funds which the board directs to be deposited into the fund, and such other deposits as are provided for in this section, is hereby continued in the state treasury as a special account. Whenever the Authority determines that the balance in the fund is in excess of the immediate requirements for loans, it may request that such excess be invested until needed for loan purposes, in which case such excess shall be invested in a manner consistent with the investment of other temporary state funds. If the Authority determines that funds held in the fund are in excess of the amount needed to carry out the purposes of this article, it may take such action as is necessary to release such excess and transfer it to the general fund of the treasury.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Two of the BTI pools, the WV Money Market and WV Government Money Market Pools, have been rated AAAm by Standard & Poor's. A fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. Neither the BTI itself nor any of the other Consolidated Fund pools or accounts has been rated for credit risk by any organization.

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

At June 30, 2018 and 2017, the WV Money Market Pool investments had a total carrying value of $3,264,060,000 and $1,782,953,000, respectively, of which the Authority's ownership represents .92% and 1.65%, respectively. The following table provides information on the credit ratings of the WV Money Market pool's investments (in thousands):

(Continued)

Note 3. Cash and Cash Equivalents (Continued)

Credit risk (Continued)

Security Type	Credit Rating Moody's	Credit Rating S&P	2018 Carrying Value	2018 Percent of Pool Assets	2017 Carrying Value	2017 Percent of Pool Assets
U.S. Treasury notes *	Aaa	AA+	$ 90,330	2.77 %	$ 97,823	5.49 %
U.S. Treasury bills *	P-1	A-1+	252,084	7.72	69,837	3.92
Commercial paper	P-1	A-1+	473,172	14.50	358,377	20.10
	P-1	A-1	1,351,128	41.39	706,150	39.60
	P-2	A-1	44,600	1.37	-	0.00
Corporate bonds and notes	P-1	A-1	18,078	0.55	-	-
	Aa3	AA-	-	0.00	6,285	0.35
	A1	A	-	0.00	3,200	0.18
Negotiable certificates of deposit	P-1	A-1+	205,501	6.30	174,000	9.76
	P-1	A-1	458,300	14.04	156,476	8.78
Money market funds	Aaa	AAAm	143,067	4.38	100,005	5.61
Repurchase agreements (underlying securities):						
U.S. Treasury notes *	Aaa	AA+	227,800	6.98	-	-
	P-1	A-1	-	0.00	50,000	2.80
	NR	A-1	-	0.00	60,800	3.41
			$ 3,264,060	100.00 %	$ 1,782,953	100.00 %

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

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America.

At June 30, 2018 and 2017, the WV Government Money Market Pool investments had a total carrying value of $212,304,000 and $201,994,000, respectively, of which the Authority's ownership represents 3.51% and 2.90%, respectively. The following table provides information on the credit ratings of the WV Government Money Market pool investments (in thousands):

Note 3. Cash and Cash Equivalents (Continued)

Credit risk (Continued)

	Credit Rating		2018		2017	
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
U.S. agency bonds and notes	Aaa	AA+	$ 52,300	24.63 %	$ 8,000	3.96 %
U.S. Treasury notes *	Aaa	AA+	10,973	5.17	35,972	17.81
U.S. Treasury bills*	P-1	A-1+	23,950	11.28	6,992	3.46
U.S. agency discount notes	P-1	A-1+	76,734	36.14	99,921	49.47
Money market funds	Aaa	AAAm	247	0.12	2,109	1.04
Repurchase agreements (underlying securities):						
U.S. Treasury notes*	Aaa	AA+	41,614	19.60	49,000	24.26
U.S. agency bond and notes	Aaa	AA+	6,486	3.06	-	0.00
			$ 212,304	100.00 %	$ 201,994	100.00 %

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

The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated BBB- or higher by Standard & Poor’s (or its equivalent) and all short-term corporate debt to be rated paper must be A-1 or higher by Standard & Poor’s (or its equivalent). Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor’s (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America.

At June 30, 2018 and 2017, the WV Short Term Bond Pool investments had a total carrying value of $712,582,000 and $754,962,000, respectively, of which the Authority’s ownership represents 2.47% and 2.30%, respectively. The following table provides information on the credit ratings of the WV Short Term Bond Pool’s investments (in thousands):

Note 3. Cash and Cash Equivalents (Continued)

Credit Risk (Continued)

	Credit Rating		2018		2017	
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
Commercial Paper	P-1	A-1+	$ -	0.00 %	$ 9,963	1.32
	P-1	A-1	-	0.00	13,940	1.85
Asset-backed securities	Aaa	AAA	87,146	12.23	68,441	9.06
	Aaa	NR	88,599	12.44	79,853	10.58
	NR	AAA	66,039	9.27	67,375	8.92
	NR	AA	-	0.00	2,003	0.26
Corporate bonds and notes	Aaa	AAA	2,878	0.40	-	0.00
	Aaa	AA+	-	0.00	2,935	0.39
	Aaa	AA+	-	0.00	4,019	0.53
	Aa1	AA+	5,012	0.70	5,027	0.67
	Aa2	AA+	3,990	0.56	4,036	0.53
	Aa2	AA	-	0.00	6,989	0.93
	Aa2	AA-	7,094	1.00	17,124	2.27
	Aa2	A+	9,940	1.39	-	0.00
	Aa3	AA-	13,999	1.96	15,106	2.00
	Aa2	A	-	0.00	4,011	0.53
	Aa3	A+	5,084	0.71	1,104	0.15
	A1	AA-	11,813	1.66	16,588	2.20
	A1	A+	10,595	1.49	19,078	2.53
	A1	A-	3,273	0.46	7,276	0.96
	A1	A	6,306	0.88	6,355	0.84
	A2	A+	5,968	0.84	2,616	0.35
	A2	A	27,673	3.89	25,032	3.32
	A2	A-	11,531	1.62	10,079	1.33
	A3	A	8,974	1.26	10,747	1.42
	A3	A-	29,872	4.19	30,242	4.01
	A3	BBB+	27,112	3.80	20,183	2.67
	Baa1	A	2,828	0.40	1,501	0.20
	Baa1	A-	8,922	1.25	11,991	1.59
	Baa1	BBB+	28,242	3.96	47,392	6.28
	Baa1	BBB	13,078	1.84	8,495	1.12
	Baa2	A-	1,016	0.14	1,018	0.13
	Baa2	BBB	30,250	4.25	28,770	3.81
	Baa2	BBB-	2,946	0.41	3,000	0.40
	Baa2	NR	2,135	0.30	2,000	0.26
	Baa2	BBB+	8,353	1.17	10,268	1.36
	Baa3	BBB+	3,003	0.42	-	0.00
	Baa3	BBB	8,548	1.20	15,627	2.07
	Baa3	BBB-	12,378	1.74	7,166	0.95
	Ba1	A-	350	0.05	-	0.00
	Ba1	BBB	2,007	0.28	2,005	0.27
	Ba1	BBB-	6,219	0.87	2,304	0.31
	Ba2	BBB-	-	0.00	824	0.11
	NR	BBB+	2,572	0.36	2,637	0.35
U.S. agency	NR	BBB-	1,953	0.28	1,990	0.26
mortgage backed securities*	Aaa	AA+	32,546	4.57	37,287	4.94
Collateralized mortgage obligations	Aaa	AAA	14,773	2.07	-	0.00
	Aaa	NR	3,308	0.46	-	0.00
Coporate mortgage backed securities	Aaa	AAA	-	0.00	4,217	0.56
	Aaa	NR	3,014	0.42	-	0.00
U.S. Treasury notes*	Aaa	AA+	86,189	12.10	87,588	11.60
Money market funds	Aaa	AAAm	5,054	0.71	11,479	1.52
			$ 712,582	100.00 %	$ 754,962	100.00

NR = Not Rated

*U.S. agency mortgage backed securities are explicitly guaranteed by the United States government and are not considered to have credit risk.

(Continued)

Note 3. Cash and Cash Equivalents (Continued)

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool at June 30, 2018 and 2017:

	2018		2017	
Security Types	Carrying Value (In Thousands)	WAM (Days)	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	$ 227,800	3	$ 110,800	3
U.S. Treasury notes	90,330	73	97,823	44
U.S. Treasury bills	252,084	69	69,837	88
Commercial paper	1,868,900	36	1,064,527	36
Negotiable certificates of deposit	663,801	29	330,476	41
Corporate bonds and notes	18,078	21	9,485	79
Money market funds	143,067	3	100,005	3
	$ 3,264,060	34	$ 1,782,953	36

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

	2018		2017	
Security Types	Carrying Value (In Thousands)	WAM (Days)	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	$ 48,100	3	$ 49,000	3
U.S. Treasury notes	10,973	76	35,972	65
U.S. Treasury bills	23,950	43	6,992	45
U.S. agency discount notes	76,734	20	99,921	41
U.S. agency bonds and notes	52,300	17	8,000	27
Money market funds	247	3	2,109	3
	$ 212,304	21	$ 201,994	35

Note 3. Cash and Cash Equivalents (Continued)

Interest Rate Risk (Continued)

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool:

	2018		2017	
Security Types	Carrying Value (In Thousands)	Effective Duration (Days)	Carrying Value (In Thousands)	Effective Duration (Days)
Corporate floating rate bonds and notes	$ 147,817	44	$ 355,535	412
Corporate fixed rate bonds and notes	178,097	696	217,672	423
Commercial paper	18,081	106	23,903	113
U.S. Treasury bonds and notes	86,189	472	87,588	766
U.S. agency collateralized mortgage obligations	32,546	56	37,287	148
Corporate mortgage backed securities	3,014	52	21,498	347
Asset-backed securities	241,784	374	-	-
Money market funds	5,054	1	11,479	1
	$ 712,582	372	$ 754,962	426

Other risks of investing

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

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

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

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

Note 3. Cash and Cash Equivalents (Continued)

Cash held in outside financial institutions

Limited cash and cash equivalents are held outside of the STO and the BTI and consist of demand deposits maintained with high credit quality financial institutions. At times, the balances with the institutions may exceed amounts covered by FDIC insurance limit; however, management believes that the financial institutions are credit worthy.

Note 4. Investments

	2018	2017
Investments (at carrying value):		
WVEDA - American Woodmark at BTI	$ 1,720,343	$ 1,832,024
Investments in Venture Capital Companies	449,153	598,245
Total	$ 2,169,496	$ 2,430,269

WV Economic Development Authority - American Woodmark

This account holds a U.S. Treasury bond that matures on August 15, 2023. The Authority's Board of Directors approved this investment by resolution dated March 18, 2006. This security is not exposed to credit risk, custodial credit risk, concentration of credit risk, or foreign currency risk.

Investments in venture capital companies

A portion of the Authority's investment portfolio is comprised of various equity investments in venture capital companies. The investments described below involve risks not normally associated with investing, including interests in development stage companies. The risks associated with these investments are dependent on many factors, such as economic outlook, ability to raise capital, and building a customer base. Collateral values securing the venture capital investments are not readily determinable. The Authority has committed and funded amounts in exchange for ownership interests in venture capital companies at June 30 as follows:

2018	Fair Value	Total Funded	Total Unfunded Commitment
Innova (WV High Tech Consortium, LP)	$ 386,595	$ 734,620	$ 15,380
Mountaineer Capital, LP	53,675	3,800,000	200,000
Novitas, LP	8,883	3,950,000	50,000
Total	$ 449,153	$ 8,484,620	$ 265,380

Note 4. Investments (Continued)

Investments in venture capital companies (Continued)

2017	Fair Value	Total Funded	Total Unfunded Commitment
Innova (WV High Tech Consortium, LP)	$ 386,595	$ 734,620	$ 15,380
Mountaineer Capital, LP	183,371	3,800,000	200,000
Novitas, LP	28,279	3,950,000	50,000
Total	$ 598,245	$ 8,484,620	$ 265,380

When the Authority's basis in the venture capital investments reaches zero, the Authority ceases reporting losses unless the Authority has guarantees of debt or future funding commitments.

Fund managers of the venture capital companies recommend individual investments based on predetermined selection criteria. These investments vary widely from start-up companies to operating businesses. Individual fund managers determine investment goals for their venture capital companies. To meet the unfunded commitments, the Authority has its investment securities available.

The following is a summary of remaining venture capital investments:

- Innova, LP is developing investment strategies and investigating potential investments.
- Mountaineer Capital, LP's investment portfolio consists of technology transfer, information technology, and software development.
- Novitas, LP has investments in healthcare, communications, and information technology.

The following is a reconciliation of the beginning and ending carrying balances for venture capital company investments using the Authority's assumptions during the years ended June 30, 2018 and 2017.

Balance, July 1, 2016	$ 1,228,427
Total net losses unrealized/realized included in earnings	(680,182)
Purchases, issuances, and settlements	50,000
Balance, June 30, 2017	598,245
Total net losses unrealized/realized included in earnings	(169,092)
Purchases, issuances, and settlements	20,000
Balance, June 30, 2018	$ 449,153

Note 5. Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a libablity in an orderly transaction between market participants at the measurement date, an exit price. Fair value is a market-based measurement, not an enitity-specific measurement. The Authority categorizes fair value measurements within the fair vlaue hierarchy established by accounting principles generally accepted in the United States of America.

The fair value heirarchy established under GAAP categorizes the inputs to valuation techiniques used to measure fair value into three levels as follows:

Level 1 inputs - Quoted prices (unadjusted) for identical assets or liablities in active markets that a government can access at the measurement date.

Level 2 inputs - Inputs - other than quoted prices included within Level 1 - that are observable for an asset or liablity, either directly or indirectly.

Level 3 - Unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The recurring fair value measurements of the investments of the Authority as of June 30, 2018 and 2017 were as follows (there were no Level 2 or Level 3 investments):

	Level 1 Quoted Price in Active Market	
	2018	**2017**
U.S. Treasury Bond	$ 1,720,343	$ 1,832,024

Note 6. Restricted Net Position

The West Virginia Legislature enacted legislation creating and funding a program to enhance the availability of loans from commercial lending institutions for economic development purposes. Cash balances relating to this program are invested in the BTI's amortized cost investment pools and have been set aside, together with interest earnings thereon, to meet these objectives by serving to guarantee portions of certain loans made for economic development purposes. See Note 13 to the financial statements for further disclosure of the guarantee program.

The West Virginia Legislature enacted legislation creating and funding a program to make available insurance on qualifying debt instruments for the purpose of the deployment of broadband in West Virginia, subject to certain legislative restrictions . Cash balances relating to this program are invested in the BTI's amortized cost investment pools and have been set aside, together with interest earnings thereon, to meet these objectives by serving this restrictive purpose. The restricted net position balances for these two programs amounted to $7,149,794 and $5,556,677 at June 30, 2018 and 2017, respectively.

Note 7. Loans

Loans by class are summarized as follows:

	2018	2017
Commercial:		
Real estate	$ 40,546,364	$ 37,435,351
Real estate and equipment	10,548,451	12,070,802
Equipment	9,181,809	8,427,812
Service:		
Real estate	18,711,122	21,867,541
Real estate and equipment	3,155,886	3,299,971
Equipment	177,250	-
Industrial:		
Real estate	24,274,980	22,985,878
Real estate and equipment	10,612,865	21,430,118
Equipment	16,643,945	21,613,445
Total loans	133,852,672	149,130,918
Less allowance for loan loss	(6,600,000)	(6,600,000)
Loans receivable net of allowance	127,252,672	142,530,918
Less current portion	(12,559,294)	(10,386,638)
Noncurrent loans receivable	$ 114,693,378	$ 132,144,280

The Authority's loans have been extended to customers operating in West Virginia.

Commercial loans may be collateralized by the assets underlying the borrower's business such as equipment, inventory, or real property. Commercial real estate loans are generally secured by the underlying real property. The ultimate collectability of a substantial portion of the Authority's loan portfolio is susceptible to changes in the local market conditions.

Note 8. Loan Credit Quality

Management monitors the credit quality of loans on an ongoing basis. Measurement of delinquency and past due status are based on the contractual terms of each loan.

For all loan classes, past due loans are reviewed on a monthly basis to identify loans for nonaccrual status. Generally, when full collection of the principal and interest is jeopardized, the loan is placed on nonaccrual. The accrual of interest income generally is discontinued when a loan becomes 90 days or more past due as to principal or interest. However, regardless of the delinquency status, if a loan is fully secured or in the process of collection and resolution of collection is expected in the near term (generally less than 90 days), then the loan may not be placed on nonaccrual. When interest accruals are discontinued, unpaid interest recognized in income in the current year is reversed, and unpaid interest accrued in prior years is charged to the allowance for loan losses. The Authority's method of income recognition for loans that are classified as nonaccrual is to recognize interest income on a cash basis or to apply the cash receipt to principal when the ultimate collectability of the principal is in doubt. Management may elect to continue the accrual of interest when the estimated net realized value of collateral exceeds the principal balance and accrued interest, and the loan is in the process of collection.

Note 8. Loan Credit Quality (Continued)

Nonaccrual loans will not normally be returned to accrual status unless all past due principal and interest have been paid.

The following table sets forth the Authority's age analysis of its past due loans, segregated by class of loans:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans Receivable	90 Days or More and Accruing
As of June 30, 2018:							
Secured by real estate:							
Commercial	$ -	$ -	$ 171,673	$ 171,673	$ 40,374,691	$ 40,546,364	$ 171,673
Service	-	-	6,181,783	6,181,783	12,529,339	18,711,122	-
Industrial	-	-	1,893,064	1,893,064	22,381,916	24,274,980	-
Secured by equipment:							
Commercial	-	52,130		52,130	9,129,678	9,181,808	-
Service	-	-	-	-	177,250	177,250	-
Industrial	-	-	-	-	16,643,945	16,643,945	-
Secured by real estate & equipment:							
Commercial	-	-	501,055	501,055	10,047,396	10,548,451	-
Service	-	-	-	-	3,155,886	3,155,886	-
Industrial	-	445,340	194,257	639,597	9,973,268	10,612,865	194,257
Total loans	$ -	$ 497,470	$ 8,941,832	$ 9,439,302	$124,413,369	$133,852,671	$ 365,930

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Current	Total Loans Receivable	90 Days or More and Accruing
As of June 30, 2017:							
Secured by real estate:							
Commercial	$ -	$ -	$ -	$ -	$ 37,435,351	$ 37,435,351	$ -
Service	-	-	6,385,309	6,385,309	15,482,232	21,867,541	-
Industrial	-	-	1,984,343	1,984,343	21,001,535	22,985,878	-
Secured by equipment:							
Commercial	-	-	-	-	8,427,812	8,427,812	-
Industrial	602,010	-	-	602,010	21,011,435	21,613,445	-
Secured by real estate & equipment:							
Commercial	-	-	501,055	501,055	11,569,747	12,070,802	-
Service	-	-	-	-	3,299,971	3,299,971	-
Industrial	72,290	-	123,251	195,541	21,234,577	21,430,118	123,251
Total loans	$ 674,300	$ -	$ 8,993,958	$ 9,668,258	$139,462,660	$149,130,918	$ 123,251

Note 8. Loan Credit Quality (Continued)

The Authority generally places loans on nonaccrual status when the full and timely collection of interest or principal becomes uncertain, part of the principal balance has been charged off and no restructuring has occurred, or the loans reach a certain number of days past due. The following table sets forth the Authority's nonaccrual loans, segregated by class of loans (as applicable) as of:

	June 30, 2018	June 30, 2017
Secured by real estate:		
Service	$ 6,181,783	$ 6,385,309
Industrial	1,893,064	1,984,343
Secured by real estate and equipment:		
Commercial	501,055	501,055
Total	$ 8,575,902	$ 8,870,707

The Authority assigns credit quality indicators of pass, special mention, substandard, and doubtful to its loans. The loans are internally assigned a grade based on a combination of the known creditworthiness of the borrower and on the loan's delinquency status. The Authority updates these grades on a semi-annual basis.

A loan classified as pass has strong asset quality and liquidity along with a multi-year track record of profitability.

Special mention loans have a potential weakness that deserves management's close attention. If left unmonitored, these potential weaknesses may result in deterioration of the repayment prospects for such loans or the borrower's credit position at some future date. Adverse economic or market conditions may also support a special mention rating. Other nonfinancial reasons for rating a credit exposure as special mention can include known borrower problems, pending litigation, or lending agreement issues.

A substandard loan contains well defined weaknesses that, if left uncorrected, create some degree of doubt as to the likelihood of full collection of principal and interest. These loans require intensive supervision by management. Such loans are generally characterized by current or expected unprofitable operations, inadequate debt service coverage, inadequate liquidity, or marginal capitalization. Repayment may depend on collateral or other credit risk mitigants.

A loan classified as doubtful exhibits all the weaknesses inherent in one classified as substandard with the additional characteristic that the weaknesses make its collection in full, based on currently existing facts, conditions, and values, highly questionable and improbable. A doubtful loan has a high probability of total or substantial loss, but because of specific pending events that may strengthen the credit, its classification as loss is deferred at the present time. Doubtful borrowers are usually in default, lack adequate liquidity or capital, and lack the resources necessary to remain operationally solvent. Specific pending events may include mergers, acquisitions, liquidations, capital injections, the perfection of liens of additional collateral, the valuation of collateral, and refinancing. Loans classified as doubtful are also considered impaired. Generally, credit exposures are charged-off prior to being classified as doubtful.

Loans classified as loss are loans with expected loss of entire principle balance. The loan may be carried in this classified status if circumstances indicate a remote possibility that the amount will be repaid.

Note 8. Loan Credit Quality (Continued)

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

June 30, 2018	Pass	Special Mention	Sub-Standard	Total
Secured by real estate:				
Commercial	$ 19,490,056	$ 21,056,309	$ -	$ 40,546,365
Service	12,529,338	1	6,181,783	18,711,122
Industrial	11,577,609	10,804,306	1,893,064	24,274,979
Secured by equipment:				
Commercial	9,181,809	-	-	9,181,809
Service	177,250	-	-	177,250
Industrial	14,230,746	2,413,199	-	16,643,945
Secured by real estate and equipment:				
Commercial	7,657,630	2,389,766	501,055	10,548,451
Service	3,155,886	-	-	3,155,886
Industrial	8,537,234	1,881,374	194,257	10,612,865
Total	$ 86,537,558	$ 38,544,955	$ 8,770,159	$ 133,852,672

June 30, 2017	Pass	Special Mention	Sub-Standard	Total
Secured by real estate:				
Commercial	$ 14,960,266	$ 22,475,085	$ -	$ 37,435,351
Service	15,482,232	-	6,385,309	21,867,541
Industrial	9,908,670	11,092,865	1,984,343	22,985,878
Secured by equipment:				
Commercial	8,427,812	-	-	8,427,812
Industrial	18,065,982	2,663,641	883,822	21,613,445
Secured by real estate and equipment:				
Commercial	8,090,058	3,479,689	501,055	12,070,802
Service	3,299,971	-	-	3,299,971
Industrial	11,976,529	9,453,589	-	21,430,118
Total	$ 90,211,520	$ 49,164,869	$ 9,754,527	$ 149,130,918

Loans are designated as impaired when, in the opinion of management, based on current information and events, the collection of principal and interest in accordance with the loan contract is doubtful. Typically, such loans have exhibited a sustained period of delinquency or there have been significant events (such as bankruptcy, eminent foreclosure, or natural disasters) that impact repayment probability. Impairment is evaluated on an individual loan basis. Consistent with the Authority's existing method of income recognition for loans, interest on impaired loans, except those classified as nonaccrual, is recognized as income using the accrual method. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

Note 8. Loan Credit Quality (Continued)

The following table sets forth the Authority's impaired loans information, segregated by class of loans (there were no amounts of recgonized interest income on these loans):

June 30, 2018	Unpaid Principal Balance	Related Allowance
With an allowance recorded:		
Secured by real estate:		
Service	$ 6,181,783	$ 500,000
Industrial	1,893,064	1,000,000
Total secured by real estate	$ 8,074,847	$ 1,500,000
Secured by real estate and equipment:		
Commercial	501,055	200,000
Total secured by real estate and equipment	$ 501,055	$ 200,000

June 30, 2017	Unpaid Principal Balance	Related Allowance
With an allowance recorded:		
Secured by real estate:		
Service	$ 6,385,309	$ 600,000
Industrial	1,984,343	1,000,000
Total secured by real estate	$ 8,369,652	$ 1,600,000
Secured by real estate and equipment:		
Commercial	501,055	200,000
Total secured by real estate and equipment	$ 501,055	$ 200,000

Note 9. Allowance for Credit Losses

The allowance for loan losses is management's estimate of the probable credit losses inherent in the loan portfolio. Management's evaluation of the adequacy of the allowance for loan losses and the appropriate provision for credit losses is based upon a semi-annual evaluation of the portfolio. This evaluation is inherently subjective and requires significant estimates, including the amounts and timing of estimated future cash flows and consideration of current economic trends, all of which are susceptible to constant and significant change. Allocations are made for specific loans based upon management's estimate of the borrowers' ability to repay and other factors impacting collectability. In addition, a portion of the allowance accounts is for the inherent imprecision in the allowance for credit losses analysis. During the year ended June 30, 2018, there were no material changes to the accounting policy or methodology related to the allowance for loan losses.

Loans deemed to be uncollectible are charged against the allowance for loan losses, while recoveries of previously charged-off amounts are credited to the allowance for loan losses. When a loan or a portion of a loan is identified to contain a loss, a charge-off recommendation is directed to management to charge off all or a portion of that loan.

If secured, the charge-off is generally made to reduce the loan balance to a level equal to the liquidation value of the collateral when payment of principal and interest is 120 days delinquent. Any loan, on which a principal or interest payment has not been made within 30 days, is reviewed monthly for appropriate action.

The Authority considers the allowance for loan losses of $6,600,000 adequate to cover loan losses inherent in the loan portfolio as of June 30, 2018 and 2017. The following table presents by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans.

June 30, 2018	Commercial	Service	Industrial	Unallocated	Total
Allowance for credit losses:					
Beginning balance	$ 850,000	$ 600,000	$ 3,740,000	$ 1,410,000	$ 6,600,000
Charge-offs	-	(123,526)	(883,821)	-	(1,007,347)
Recoveries	4,001	-	31,189	-	35,190
Provision	(254,001)	23,526	(217,368)	1,420,000	972,157
Ending balance	$ 600,000	$ 500,000	$ 2,670,000	$ 2,830,000	$ 6,600,000
Ending balance: Individually evaluated for impairment	$ 600,000	$ 500,000	$ 2,670,000	$ -	$ 3,770,000
Ending balance: Collectively evaluated for impairment	$ -	$ -	$ -	$ 2,830,000	$ 2,830,000
Loans receivable:					
Ending balance	$ 60,276,624	$22,044,259	$51,531,789	$ -	$133,852,672

(Continued)

Note 9. Allowance for Credit Losses (Continued)

June 30, 2017	Commercial	Service	Industrial	Unallocated	Total
Allowance for credit losses:					
Beginning balance	$ 1,020,000	$ 625,000	$ 4,070,000	$ 885,000	$ 6,600,000
Charge-offs	-	-	(302,460)	-	(302,460)
Recoveries	8,794	81,808	49,447	-	140,049
Provision	(178,794)	(106,808)	(76,987)	525,000	162,411
Ending balance	$ 850,000	$ 600,000	$ 3,740,000	$ 1,410,000	$ 6,600,000
Ending balance: Individually evaluated for impairment	$ 850,000	$ 600,000	$ 3,740,000	$ -	$ 5,190,000
Ending balance: Collectively evaluated for impairment	$ -	$ -	$ -	$ 1,410,000	$.1.410.000
Loans receivable:					
Ending balance	$ 57,933,965	$25,167,512	$66,029,441	$ -	$149,130,918

Note 10. Capital Asset and Leasing Activities

The Authority leases land, buildings, and equipment to commercial entities which are accounted for as operating leases. The leases expire over the next 1 to 9 years. Lessees of the property have the option to purchase the property at the end of the lease term at designated prices which are not considered bargain prices.

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

	2018	2017
Held for lease:		
Land	$ 7,276,963	$ 12,688,880
Buildings and improvements	29,986,056	35,009,137
Equipment	203,420	27,973,350
	37,466,439	75,671,367
Less accumulated depreciation - buildings	(12,894,903)	(17,190,362)
Less accumulated depreciation - equipment	(175,124)	(27,939,792)
	$ 24,396,412	$ 30,541,213

Note 10. Capital Asset and Leasing Activities (Continued)

Capital asset activity for the years ended June 30, 2018 and 2017, was as follows:

June 30, 2018	Balance	Additions	Reductions	Balance
Land held for lease	$ 12,688,880	$ 1,178,842	$(6,590,759)	$ 7,276,963
Building and improvements	35,009,137	1,038,022	(6,061,103)	29,986,056
Equipment	27,973,350	6,995	(27,776,925)	203,420
	75,671,367	2,223,859	(40,428,787)	37,466,439
Less accumulated depreciation				
Building	(17,190,362)	(1,047,741)	5,343,200	(12,894,903)
Equipment	(27,939,792)	(12,257)	27,776,925	(175,124)
	$ 30,541,213	$ 1,163,861	$(7,308,662)	$24,396,412

June 30, 2017	Balance	Additions	Reductions	Balance
Land held for sale	$ 221,000	$ -	$ (221,000)	$ -
Land held for lease	$ 12,864,677	$ -	$ (175,797)	$12,688,880
Building and improvements	34,444,633	564,504	-	35,009,137
Equipment	27,973,350	-	-	27,973,350
	75,282,660	564,504	(175,797)	75,671,367
Less accumulated depreciation				
Building	(15,984,913)	(1,205,449)	-	(17,190,362)
Equipment	(27,926,111)	(13,681)	-	(27,939,792)
	$ 31,371,636	$ (654,626)	$ (175,797)	$30,541,213

Under terms of the direct financing leases, either the lessor or lessee may elect to adjust the basic rent as of each successive fifth anniversary date following the lease commencement date by an amount necessary to fully amortize the initial purchase price based on the prevailing interest rate on such anniversary date. Future minimum lease payments are based on lease payments in effect at year end. The Authority's net investment in direct financing leases consisted of:

	2018	**2017**
Total minimum lease payments receivable	$ 65,885,315	$ 66,462,335
Less unearned interest	(11,430,009)	(10,920,123)
Total	54,455,306	55,542,212
Less current portion	(5,738,342)	(5,432,237)
Total noncurrent portion	$ 48,716,964	$ 50,109,975

Note 10. Capital Asset and Leasing Activities (Continued)

At June 30, 2018, future minimum lease payments receivable under direct financing leases and non-cancellable operating leases in excess of one year are as follows:

June 30	Operating Leases	Direct Financing Leases	Total
2019	$ 2,642,794	$ 7,444,460	$ 10,087,254
2020	2,582,794	6,926,561	9,509,355
2021	2,563,794	6,926,561	9,490,355
2022	2,418,794	6,926,561	9,345,355
2023	2,272,490	6,926,561	9,199,051
Thereafter	4,839,194	30,734,611	35,573,805
	$ 17,319,860	$ 65,885,315	$ 83,205,175

Lease revenue includes interest from direct financing leases of $1,608,663 and $1,882,838 for the years ended June 30, 2018 and 2017, respectively.

Note 11. Loans Payable

	June 30 2018	June 30 2017
Revolving loan agreement with the West Virginia Board of Treasury Investments to borrow up to $175 million to be re-loaned for economic development purposes, interest equal to the twelve-month average of the Board's yield on its cash liquidity pool, which was 0.38% for July 2017 and .89% for the remainder of fiscal year 2018 and adjustable annually thereafter on July 1 of each consecutive year, monthly payments of principal and interest payable in an amount sufficient to repay the outstanding principal balance over 10 years, secured by a security interest in the investments derived from the loan	$ 106,680,600	$ 124,322,462
Revolving loan agreement with the West Virginia Board of Treasury Investments to borrow up to $50 million to provide loan insurance for broadband projects, interest equal to the twelve-month average of the Board's yield on its money market pool, which was 1.3% at the end of fiscal year 2018 and adjustable quarterly thereafter, quarterly payments of interest will be made as long as a principal balance remains outstanding. Note repayments are dependent upon moneys received from the broadband loan insurance recipients.	1,480,000	-

Note 11. Loans Payable (Continued)

	June 30	
	2018	2017
Note payable to West Virginia Board of Treasury Investments, non-recourse not to exceed $25 million, interest at 3% per annum, principal due in annual installments through June 30, 2022, unsecured. Note repayments are dependent upon the proceeds received from the investments in venture capital funds.	494,414	618,245
Note payable to West Virginia Infrastructure and Jobs Development Council due in monthly installments of principal of $10,417, final payment due October 1, 2023, note is noninterest bearing and secured by real estate.	677,025	802,029
Note payable to West Virginia Infrastructure and Jobs Development Council due in monthly installments of $20,703, final payment due March 1, 2024, interest rate at 3% and secured by real estate.	1,310,480	1,516,238
Note payable to West Virginia Infrastructure and Jobs Development Council due in monthly installments of $16,641, final payment due June 1, 2029, interest rate at 3% and secured by real estate.	1,868,749	2,010,068
Note payable to West Virginia Infrastructure and Jobs Development Council due in monthly installments of $29,703, final payment due July 12, 2019, interest rate at 3% and secured by equipment.	377,875	717,423
Note payable to West Virginia Infrastructure and Jobs Development Council with payments deferred until March 1, 2021, final payment due February 1, 2025, interest rate at 3% and secured by equipment. Principal and interest will be forgiven if performance standards as defined in the performance agreement are met by December 31, 2018.	1,500,000	1,500,000
Note payable to West Virginia Infrastructure and Jobs Development Council with payments deferred until January 1, 2019, final payment due June 1, 2026, interest rate at 3% and secured by equipment. Principal and interest will be forgiven if performance standards as defined in the performance agreement are met by December 31, 2018.	750,000	750,000

(Continued)

Note 11. Loans Payable (Continued)

	June 30 2018	June 30 2017
Note payable to West Virginia Infrastructure and Jobs Development Council with payments deferred until November 16, 2017, at which time all principal and accrued interest at 3% interest rate shall be payable in full. Principal and interest were forgiven during fiscal year 2018 as performance standards defined in the agreement were met.	-	2,500,000
Total	115,139,143	134,736,465
Less current portion	(10,747,916)	(15,528,385)
Long term portion	$ 104,391,227	$ 119,208,080

June 30	Principal	Interest	Total
2019	10,747,916	1,749,645	12,497,561
2020	10,686,639	1,609,720	12,296,359
2021	10,846,470	1,577,901	12,424,371
2022	11,821,600	1,409,472	13,231,072
2023	11,647,401	1,089,256	12,736,657
2024-2028	57,712,634	2,540,384	60,253,018
2029-2033	196,483	116,494	312,977
2034-2038	1,480,000	115,143	1,595,143
	$ 115,139,143	$ 10,208,015	$ 125,347,158

Changes in loans payable for the years ended June 30, 2018 and 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
June 30, 2018	$ 134,736,465	$ 4,585,000	$ (24,182,322)	$ 115,139,143	$ 10,747,916
June 30, 2017	$ 133,827,949	$ 14,084,294	$ (13,175,778)	$ 134,736,465	$ 15,528,385

Note 12. Related Party Transactions with the State of West Virginia

The Authority enters into certain transactions with various agencies of the State of West Virginia for financing, employee benefits, and other services.

Amounts due to other State of West Virginia agencies as of June 30 consisted of the following:

	2018	2017
Balances included in loans payable:		
WV Infrastructure & Jobs Development Council	$ 6,484,129	$ 9,795,758
WV Board of Treasury Investments	108,655,014	124,940,707
Balances included in amount due to the State Agencies:		
Lottery Commission	8,597	1,400,000
Development Office	207,000	123,667
Governor's Office	43,351	43,351
	$ 115,398,091	$ 136,303,483

The Authority was directed by the State Legislature through Senate Bill 1013 to a one time transfer of $3,500,000 to the West Virginia Department of Health and Human Resources Medical Services Trust Fund from deposits on hand in the WVEDA Credit Insurance Fund. This transfer of funds occurred during the year ended June 30, 2017.

Note 13. Commitments and Contingencies

Commitments to extend credit are agreements between the Authority and borrowers which generally require the borrowers to meet certain conditions regarding the extension of credit and which expire on specified dates. In making these commitments, the Authority evaluates each borrower's creditworthiness. Upon extension of credit, the Authority requires the loan to be collateralized by equipment and/or real estate. At June 30, 2018, the Authority had committed to make loans of $61,317,141. In order to fund these loans, the Authority will borrow $56,618,341 from the BTI. The remaining $4,698,800 will be provided from the Authority's available funds.

The Authority guarantees repayment of portions of certain loans made for economic development purposes under its Loan Insurance Program. These guarantees represent conditional commitments by the Authority to guarantee the performance of a borrower to a third party lender. The Authority annually reviews the outstanding Loan Insurance Program obligations with its established loan loss allowance account, and records a liability if and when the Authority recognizes that a claim is likely. As of June 30, 2018, the Authority's maximum exposure to financial guarantees expiring at various intervals through March 2028, is $4,044,615. As of June 30, 2018 and 2017, loans of $5,285,070 and $3,290,714, respectively, were guaranteed under this program. Since the inception of the Loan Insurance Program, the maximum liability to the Authority, assuming no collateral value, has been less than the specified cash reserves set aside for future claims and liabilities. During the years ended June 30, 2018 and 2017, the Authority did not pay any claims under the Loan Insurance Program.

Note 14. Risk Management

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

BRIM is a public entity risk pool that provides coverage for general, property, medical malpractice, and automobile liability. PEIA is also a public entity risk pool that provides coverage for employee and dependent health, life and prescription drug insurance. The Authority retains the risk of loss on certain tort and contractor claims in excess of the amount insured or covered by BRIM's insurance carrier.

Through its participation in the PEIA, the Authority has obtained health coverage for its employees. In exchange for payment of premiums to PEIA, the Authority has transferred its risks related to health coverage of its employees.

The Authority carries workers compensation insurance coverage through a commercial carrier. The carrier is paid a quarterly premium to provide compensation for injuries sustained in the course of employment. In exchange for the payment of premiums, the Authority has transferred its risks for job-related injuries of employees.

There have been no changes in the coverages or amounts of coverage and there have been no claims in excess of coverage related to the Authority's risk management plan for the years ended June 30, 2018 and 2017.

Note 15. Pension Plan

Plan Description

The Authority contributes to the PERS, a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS covers substantially all employees of the State and its component units, as well as employees of participating non-state governmental entities who are not participants of another state or municipal system. Benefits under PERS include retirement, death and disability benefits, and have been established and may be amended by action of the State Legislature. The CPRB issues a publicly available financial report that includes financial statements for PERS that may be obtained at www.wvretirement.com.

(Continued)

Note 15. Pension Plan (Continued)

Benefits Provided

PERS provides retirement benefits as well as death and disability benefits. Qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. A member may retire with the pension reduced actuarially if the member is at least 55 and has at least 10 years of contributory service, or at any age with 30 years of serivce. For all employees hired July 1, 2015 and later, qualification for normal retirement is age 62 with 10 years of service. A member hired ofter July 1, 2015 may retire with the pension reduced actuarially if the member is between ages 60 and 62 with at least ten years of contributory service, between ages 57 and 62 with at least twenty years of contributory service or between ages 55 and 62 with at least thirty years of contributory service. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. Average salary is the average of the highest annual compensation during any period of three consecutive years within the last fifteen years of earnings. For all employees hired after July 1, 2015, average salary is the average of the five consecutive highest annual earnings within the last fifteen 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 , this age increases to 64 with at least ten years of contributory service, or age 63 with at least twenty years of contributory service.

Contributions

Although contributions are not actuarially determined, actuarial valuations are performed to assist the Legislature in establishing appropriate contribution rates. Current funding policy requires contributions, consisting of member contributions of 4.5% for all members hired before July 1, 2015, or member contributions of 6% for all members hired July 1, 2015 and later, and employer contributions of 11.0%, 12.0%, and 13.5%, of covered payroll for the years ended June 30, 2018, 2017, and 2016, respectively.

During the years ended June 30, 2018, 2017, and 2016, the Authority's contributions to PERS required and made were approximately \$70,118, \$75,237, and \$82,252, respectively.

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

At June 30, 2018 and 2017, respectively, the Authority reported a liability of \$196,216 and \$406,384 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2018, was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2017. At June 30, 2017, the Authority's proportion was .045458%, which was a decrease of .001243 from its proportion measured as of June 30, 2016.

For the years ended June 30, 2018 and 2017, respectively, the Authority recognized pension expense of \$47,927 and \$72,406. At June 30, 2018 and 2017, respectively, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 15. Pension Plan (Continued)

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

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 47,703
Differences between expected and actual experience	17,462	434
Changes in assumptions	-	10,178
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	9,835	978
The Authority's contributions made subsequent to the measurement date as of June 30, 2017	70,118	-
Total	$ 97,415	$ 59,293

	June 30, 2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 127,701	$ -
Differences between expected and actual experience	33,889	-
Changes in assumptions	-	19,798
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	10,510	1,440
The Authority's contributions made subsequent to the measurement date of June 30, 2016	75,237	-
Total	$ 247,337	$ 21,238

Deferred outflows of resources related to pensions of $70,118 resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Note 15. Pension Plan (Continued)

Year ending June 30,		
2019	$	(12,715)
2020		20,280
2021		1,261
2022		(40,822)

Actuarial Assumptions

The total pension liability in the June 30, 2017 and 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0 percent
Salary increases	3.0 - 6.0 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense

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

An experience study, which was based on the years 2009 through 2014, was completed prior to the 2015 actuarial valuation.

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

Note 15. Pension Plan (Continued)

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-term Expected Rate of Return	Weighted Average Expected Real Rate of Return
US Equity	27.5%	7.0%	1.92%
International equity	27.5%	7.7%	2.12%
Core fixed income	7.5%	2.7%	0.20%
High yield fixed income	7.5%	5.5%	0.41%
TIPS	0.0%	2.7%	0.00%
Real Estate	10.0%	7.0%	0.70%
Private Equity	10.0%	9.4%	0.94%
Hedge funds	10.0%	4.7%	0.47%
Total inflation (CPI)	100.0%		6.76%
			1.90%
			8.66%

Discount Rate

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

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

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability (asset)	$ 543,174	$ 196,216	$ (97,167)

Note 16. Other Post Employment Benefits (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 publically available financial report of the RHBT that can be obtained at www.peia.wv.gov or by writing to the West Virginia Public Employees Insurance Agency, 601 57th Street, SE Suite 2, Charleston, WV 25304.

Benefits Provided

The Authority's 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 CPRB sponsored retirement plans. RHBT provides medical and prescription drug insurance and life insurance benefits to those qualified participants. Life insurance is provided through a vendor and is fully funded by member contributions. The medical and prescription drug insurance is provided through two options; Self-Insured Preferred Provider Benefit Plan - primarily for non-Medicare-eligible retirees and spouses or External Managed Care Organizations - primarily for Medicare-eligible retirees and spouses.

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

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

Contributions

West Virginia Code section 5-16D-6 assigns to the PEIA Finance Board the authority to establish and amend contribution requirements of the plan members and the participating employers. Participating employers are required by statute to contribute at a rate assessed each year by the RHBT. The annual contractually required rate is the same for all participating employers. Employer contributions represent what the employer was billed during the respective year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments. The annual contractually required per active policyholder per month rates for State non-general funded agencies and other participating employers effective June 30, 2018, 2017, and 2016, respectively, were:

Note 16. Other Post Employment Benefits (OPEB) (Continued)

	2018	2017 1/1/17 – 6/30/17	2017 7/1/16-12/31/16	2016
Paygo Premium	$ 177	$ 135	$ 196	$ 163

Contributions to the OPEB plan from the Authority were $26,930, $41,358, and $48,820 for the years ended June 30, 2018, 2017, and 2016, respectively.

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

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

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

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

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

Contributions by Nonemployer Contributing Entities in Special Funding Situations

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

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

Note 16. Other Post Employment Benefits (OPEB) (Continued)

Contributions by Nonemployer Contributing Entities in Special Funding Situations (Continued)

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

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

At June 30, 2018, the Authority reported a liability for its proportionate share of the RHBT net OPEB liability that reflected a reduction for State OPEB support provided to the Authority. The amount recognized by the Authority as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Authority was as follows:

The Authority's proportionate share of the net OPEB liability	$ 495,130
State's special funding proportionate share of the net OPEB liability associated with the Authority.	101,700
Total portion of net OPEB liability associated with the Authority.	$ 596,830

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The Authority's proportion of the net OPEB liability was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date. At June 30, 2017, the Authority's proportion was .0201355 percent, which is a decrease of .00840311 percent from its proportion measured as of June 30, 2016.

Note 16. Other Post Employment Benefits (OPEB) (Continued)

For the year ended June 30, 2018, the Authority recognized OPEB expense of $32,971 and for support provided by the State under special funding situations revenue of $31,220. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,658
Net difference between projected and actual earnings on OPEB plan investments	-	7,903
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	-	164,409
The Authority's contributions subsequent to the measurement date of June 30, 2017	26,930	-
Total	$ 26,930	$ 173,970

The amount of $26,930 reported as deferred outflows of resources related to OPEB resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. 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:	
2019	$(46,689)
2020	(46,689)
2021	(46,689)
2022	(33,903)

Note 16. Other Post Employment Benefits (OPEB) (Continued)

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll over a 21 year closed period
Remaining amortization period	21 years closed as of June 30, 2016

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and Teachers' Retirement System (TRS). RP-2000 Healthy Annuitant Mortality Table projected to 2025 with scale BB for West Virginia Death, Disability, and Retirement Fund (Troopers A) and West Virginia State Police Retirement System (Troopers B). Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 Non-Annuitant Mortality Table projected to 2020 with Scale BB for Troopers A and B.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010- June 30, 2015.

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

(Continued)

Note 16. Other Post Employment Benefits (OPEB) (Continued)

Actuarial assumptions (continued)

The long-term rate of return on OPEB plan investments were 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) was developed for each major asset class. These ranges were 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 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

Discount rate

The discount rate used to measure the total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. Future pre-funding assumptions include a $30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2036, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates. The discount rate used to measure the total OPEB liability at June 30, 2016 is a 0.45% increase from the June 30, 2015 valuation.

Note 16. Other Post Employment Benefits (OPEB) (Continued)

Other key assumptions

The projection assumes that the capped subsidy aggregate contribution limit of $150 million for 2017 would increase by $10 million per year on and after 2018. Additionally, the per member subsidy is projected to increase by at least 3.0% per year but no more than the healthcare trend inflation assumption such that the product of the projected subsidy and projected members is less than the projected aggregated capped costs; and the member's share of plan costs is expected remain stable as a percentage of total costs following the year that the program is fully funded. After 2035, the program is projected to be fully funded and the sponsor is assumed to contribute the residual portion of normal cost and operational expenses needed to maintain a funded ratio of 100% in future years. In addition, after 2035, the member's share of total plan costs is assumed to remain stable at approximately 61% of total plan costs. These assumptions produced per member annual capped subsidy increases of 3.0% per year from 2018 to 2023 and 4.5% per year after 2023.

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.

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

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

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
The Authority's proportionate share of the net OPEB liability	$ 576,522	$ 495,130	$ 427,470

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

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

Note 16. Other Post Employment Benefits (OPEB) (Continued)

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
The Authority's proportionate share of the net OPEB liability	$ 415,916	$ 495,130	$ 592,013

Note 17. Conduit Debt Obligations

The Authority has issued Industrial Development Revenue Bonds and Residential Care Facility First Mortgage Revenue Bonds to provide financial assistance to private-sector and governmental entities for the acquisition and construction of commercial and residential care facilities deemed to be in the public interest. The Authority has also issued Revenue Bonds to provide financial assistance to state and local governmental entities for the acquisition and construction of facilities deemed to be in the public interest. All of the bonds are secured by the property financed and revenues generated with the bond proceeds and are payable solely from payments received on the underlying obligations. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector or governmental entity served by the bond issuance. The Authority, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities of the Authority in the accompanying financial statements.

As of June 30, 2018 and 2017, there were 48 and 47 revenue bonds, respectively with principal amounts payable consisting of the following:

	2018	2017
Bonds backed by leases with other State agencies	$ 527,125,127	$ 543,975,034
Other bonds outstanding	2,101,285,805	1,731,496,917
	$ 2,628,410,932	$ 2,275,471,951

Note 18. New Accounting Pronouncements

The GASB has issued the following Statements which are not yet effective.

The GASB issued **Statement No. 83**, *Certain Asset Retirement Obligations* in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued Statement **No. 84**, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

Note 18. New Accounting Pronouncements (Continued)

The GASB has issued **Statement No. 87**, *Leases*, which improves accounting and financial reporting for leases by governments. This Statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The provisions of Statement No. 87 are effective for reporting periods beginning after December 15, 2019. The Administration has not determined the effect this statement will have on its financial statements.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Public Employees Retirement System Plan

	Years ended June 30			
	2018	2017	2016	2015
West Virginia Economic Development Authority's proportion liability (percentage) of the net pension	0.045458%	0.044215%	0.044515%	0.042673%
West Virginia Economic Development Authority's proportionate share of the net pension liability	$ 196,216	$ 406,384	$ 248,573	$ 157,492
West Virginia Economic Development Authority's covered payroll	$ 626,980	$ 609,274	$ 603,684	$ 571,445
West Virginia Economic Development Authority's proportionate share of the net pension liability as a percentage of its covered payroll	31.30%	66.70%	41.18%	27.56%
Plan fiduciary net position as a percentage of the total pension liability	93.67%	86.11%	91.29%	93.98%

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

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY

SCHEDULE OF CONTRIBUTIONS TO THE PERS

	Years Ended June 30					
	2018	2017	2016	2015	2014	2013
Statutorily required contribution	$ 70,118	$ 75,237	$ 82,252	$ 84,516	$ 82,859	$ 77,531
Contributions in relation to the statutorily required contribution	70,118	75,237	82,252	84,516	82,859	77,531
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
West Virginia Economic Development Authority's covered payroll	$ 637,500	$ 626,980	$ 609,274	$ 603,684	$ 571,445	$ 553,778
Contributions as a percentage of covered-employee payroll	11.00%	12.00%	13.50%	14.00%	14.50%	14.00%

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

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Retiree Health Benefit Trust

		Year Ended June 30
		2018
West Virginia Economic Development Authority's proportion (percentage) of the net OPEB liability		0.020135%
West Virginia Economic Development Authority's proportionate share of the net OPEB liability	$	495,130
West Virginia's special funding proportionate share of the net OPEB liability associated with the Authority	$	101,700
Total portion of the net OPEB liability associated with the Authority	$	596,830
West Virginia Economic Development Authority's covered-employee payroll	$	607,420
West Virginia Economic Development Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll		81.51%
Plan fiduciary net position as a percentage of the total OPEB liability		25.10%

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

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY

SCHEDULE OF CONTRIBUTIONS TO THE RHBT

	Years Ended June 30	
	2018	2017
Required contribution	$ 26,930	$ 41,358
Contributions in relation to the required contribution	26,930	41,358
Contribution deficiency (excess)	$ -	$ -
West Virginia Economic Development Authority's covered-employee payroll	$ 616,260	$ 607,420
Contributions as a percentage of covered-employee payroll	4.37%	6.81%

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

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

Note 1. Trend Information Presented

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

Note 2. OPEB Changes in Assumptions

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

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

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

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

Note 3. Pension Plan Amendment

The PERS was amended to make changes which apply to benefits earned by new employees hired July 1, 2015 and later 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 July 1, 2015 and later, 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 ten years of contributory service, between the ages of 57 and 62 with at least twenty years of contributory service, or between the ages 55 and 62 with at least thirty years of contributory service

Note 3. Pension Plan Amendment (Continued)

- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired July 1, 2015 and later, 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 July 1, 2015 and later, this age increases to 64 with at least ten years of contributory service, or age 63 with at least twenty years of contributory service.

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

Note 4. Pension Plan Assumptions

An experience study, which was based on the years 2009 through 2014, was completed prior to the 2015 actuarial valuation. As a result, several assumptions were changed for the actuarial valuations as follows:

	2015 - 2017	2014
Projected salary increases:		
State	3.0-4.6%	4.25-6.0%
Nonstate	3.35-6.0%	4.25-6.0%
Inflation rate	3.0% (2016), 1.9% (2015)	2.2%
Mortality rates	Active RP 2000 Non-Annuitant Tables, Scale AA fully generational	
	Healthy males - 110% of RP-2000 Non-Annuitant, Scale AA fully generational	Healthy males - 1983 GAM Healthy females - 1971 GAM
	Healthy females - 101% of RP-2000 Non-Annuitant, Scale AA fully generational	Disabled males - 1971 GAM Disabled females - Revenue ruling 96-7
	Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA fully generational	
	Disabled females -107% of RP-2000 Disabled Annuitant, Scale AA fully generational	
Withdrawal rates		
State	1.75-35.1%	1 - 26%
Non-state	2-35.8%	2 - 31.2%
Disability rates	0 - .675%	0 - .8%

BROWN EDWARDS
certified public accountants

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

To the Board of Directors
West Virginia Economic Development
Authority Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the combined financial statements of the West Virginia Economic Development Authority (the Authority), a component unit of the State of West Virginia, as of and for the year ended June 30, 2018, and the related notes to the combined financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 20, 2018.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
September 20, 2018