WEST VIRGINIA
ECONOMIC DEVELOPMENT AUTHORITY

AUDITED FINANCIAL STATEMENTS

June 30, 2020

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BROWN EDWARDS
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, 2020 and 2019, 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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, 2020 and 2019, and the respective changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter – COVID-19 Uncertainty

As discussed in Note 18 to the financial statements, the outbreak of COVID-19, resulted in certain loan and lease payment concessions for the year ended June 30, 2020.

The extent to which the COVID-19 pandemic will continue to impact the Authority is highly uncertain and cannot be reasonably predicted by the Authority at this time. Our opinion is not modified with respect to this matter.

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, the schedule of contributions to the RHBT, and the related notes to required supplementary information on pages 54 through 60 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 25, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

Charleston, West Virginia
September 25, 2020

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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, 2020, 2019, and 2018. 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 $4.47 million for the year ended June 30, 2020 and $5.22 million for the year ended June 30, 2019.
- Total assets increased by approximately $5.13 million for the year ended June 30, 2020 and $12.67 million for the year ended June 30, 2019.
- Total liabilities increased by approximately $708 thousand for the year ended June 30, 2020 and $7.27 million for the year ended June 30, 2019.
- Loan and lease originations for the year totaled approximately $14.06 million for the year ended June 30, 2020 and $20.02 million for the year ended June 30, 2019.

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 pension 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.

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, 2020, 2019, and 2018.

	(in millions)			% Change	% Change
	2020	2019	2018	FY 20-19	FY 19-18
Current assets	$ 95.30	$ 96.51	$ 83.27	(1.25)	15.90
Capital assets, net	33.57	23.37	24.40	43.65	(4.22)
Other noncurrent assets	169.33	173.19	172.73	(2.23)	0.27
Total assets	298.20	293.07	280.40	1.75	4.52
Deferred outflows of resources	0.10	0.09	0.12	11.11	(0.25)
Total assets and deferred outflows of resources	$ 298.30	$ 293.16	$ 280.52	1.75	4.51
Current liabilities	$ 13.76	$ 14.18	$ 13.80	(2.96)	2.75
Noncurrent liabilities	113.42	112.29	105.40	1.01	6.54
Total liabilities	127.18	126.47	119.20	0.56	6.10
Deferred inflows of resources	0.34	0.38	0.23	(10.53)	65.22
Total liabilities and deferred inflows of resources	127.52	126.85	119.43	0.53	6.21
Net position:					
Net investment in capital assets	33.15	22.82	23.19	45.27	(1.60)
Restricted	7.49	7.33	7.15	2.18	2.52
Unrestricted	130.14	136.16	130.75	(4.42)	4.14
Total net position	170.78	166.31	161.09	2.69	3.24
Total liabilities, deferred inflows of resources, and net position	$ 298.30	$ 293.16	$ 280.52	1.75	4.51

The Authority's overall net position increased by approximately $4.47 million for the year ended June 30, 2020. Net position increased by approximately $5.22 million for the year ended June 30, 2019. Net position increased $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. Total assets increase by approximately $5.13 million for the year ended June 30, 2020 and approximately $12.67 million for the year ended June 30, 2019. Total assets decreased by approximately $19.91 million for the year ending June 30, 2018.

(Continued)

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 2020, 2019, and 2018.

	(in millions)			% Change	% Change
	2020	2019	2018	FY 20-19	FY 19-18
Operating revenues:					
Interest on loans	$ 4.38	$ 4.82	$ 5.19	(9.13)	(7.13)
Lease revenues	3.78	4.52	4.69	(16.37)	(3.62)
Other revenues	-	0.16	0.23	(100.00)	(30.43)
Total operating revenues	8.16	9.50	10.11	(14.11)	(6.03)
Operating expenses:					
Administrative	1.47	1.26	1.88	16.67	(32.98)
Depreciation	1.04	1.05	1.06	(0.95)	(0.94)
Provision for loan losses	(0.02)	1.47	0.97	(101.36)	51.55
Loss in equity investments	-	0.45	0.17	(100.00)	164.71
Total operating expenses	2.49	4.23	4.08	(41.13)	3.68
Operating income	5.67	5.27	6.03	7.59	(12.60)
Nonoperating revenues (expenses):					
Interest on invested cash	1.80	1.80	0.74	-	143.24
Interest expense	(3.06)	(1.87)	(1.15)	63.64	62.61
OPEB revenue	0.01	0.02	0.03	50.00	(33.33)
Donation of land	-	-	1.18	-	(100.00)
Gain (loss) on sale of asset	0.05	-	(5.40)	100.00	(100.00)
Total nonoperating revenues (expenses)	(1.20)	(0.05)	(4.60)	2,300.00	(98.91)
Change in net position	4.47	5.22	1.43	(14.37)	265.03
Net position, beginning of year	166.31	161.09	159.66	3.24	0.90
Net position, end of year	$ 170.78	$ 166.31	$ 161.09	2.69	3.24

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 $4.47 million and $5.22 million for the years ending June 30, 2020, and 2019, respectively.

FINANCIAL ANALYSIS OF THE AUTHORITY (Continued)

During 2020, the Authority had write-offs of uncollectable loans of $40,445, or 0.032% of the total loans. The allowance for loan loss is 6.03% of the toal loan portfolio at June 30, 2020.

During 2019, the Authority had write-offs of uncollectible loans of $501,055, or 0.38% of the total loans. The allowance for loan loss is 5.78% of the total loan portfolio at June 30, 2019.

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 increased by approximately $640 thousand. This was primarily related to an increase 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. The net change was an increase of approximately $1.2 million. The offsetting decrease stemmed from other monthly repayments of approximately $510 thousand to pay down the outstanding notes payable to the West Virginia Infrastructure and Jobs Development Council.

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

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. See Note 18 for futher discussion and disclosure.

The Authority expects to receive an award from the USEDA (United States Economic Development Agency) under its CARES (Coronavirus Aid, Relief, and Economic Security) Act Revolving Loan Fund Supplemental Disaster Recovery and Resiliency Awards program of approximately $9.4 million. This award will be used to fund a loan program to assist business and communities to prevent, prepare for, respond to, and recover from the impacts of the COVID-19 pandemic. The Authority intends to provide loan financing to qualified applicants operating businesses within the boundaries of the State of West Virginia.

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, 2020 and 2019

	2020	2019
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	$ 83,577,436	$ 71,386,477
Restricted cash due to others (Note 2)	301,627	297,377
Current portion of loans receivable, net of allowance (Note 6, 7 and 8)	1,008,688	14,909,427
Current portion of investment in direct financing leases (Note 9)	6,036,642	5,843,013
Accrued interest receivable	4,372,415	4,077,791
Total current assets	95,296,808	96,514,085
NONCURRENT ASSETS		
Investments (Notes 3 and 4)	1,752,322	1,736,472
Restricted cash and cash equivalents (Note 2 and 5)	7,487,472	7,325,215
Loans receivable, less current portion (Note 6 and 8)	117,478,815	116,472,002
Investment in direct financing leases, less current portion (Note 9)	42,605,492	47,651,471
Real estate, property, and equipment, less accumulated depreciation (Note 9)	33,572,548	23,369,259
	202,896,649	196,554,419
Total assets	298,193,457	293,068,504
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pension (Note 14)	68,179	68,770
Deferred outflows of resources related to OPEB (Note 15)	33,768	19,733
	101,947	88,503
Total assets and deferred outflows of resources	$ 298,295,404	$ 293,157,007
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	$ 27,751	$ 53,010
Accrued interest payable	2,896,535	2,815,559
Amounts due to other State agencies (Note 11)	396,531	325,615
Current portion of compensated absences	32,025	21,216
Current portion of loans payable (Note 10)	10,404,409	10,966,410
Total current liabilities	13,757,251	14,181,810
NONCURRENT LIABILITIES		
Other noncurrent liabilities	281,780	281,780
Compensated absences, less current portion	23,001	17,600
Loans payable, less current portion (Note 10)	112,813,120	111,610,338
Net pension liability (Note 14)	83,651	118,736
Net OPEB liability (Note 15)	220,240	260,666
	113,421,792	112,289,120
Total liabilities	127,179,043	126,470,930
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pension (Note 14)	72,919	70,645
Deferred inflows of resources related to OPEB (Note 15)	267,451	308,870
	340,370	379,515
Net position:		
Net investment in capital assets	33,145,531	22,817,238
Restricted (Note 5)	7,487,472	7,325,215
Unrestricted	130,142,988	136,164,109
Total net position	170,775,991	166,306,562
Total liabilities, deferred inflows of resources and net position	$ 298,295,404	$ 293,157,007

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, 2020 and 2019

	2020	2019
OPERATING REVENUES		
Interest on loans	$ 4,381,828	$ 4,821,446
Lease revenue	3,777,461	4,519,593
Other	2,031	161,802
Total operating revenues	8,161,320	9,502,841
OPERATING EXPENSES (REVENUES)		
Administrative	1,471,694	1,258,301
Depreciation	1,040,370	1,053,196
Provision for (recoveries of) loan losses	(16,337)	1,467,040
Loss on equity investments (Note 3)	-	449,154
Total operating expenses	2,495,727	4,227,691
Operating income	5,665,593	5,275,150
NONOPERATING REVENUE (EXPENSE)		
Net interest earnings on cash and investments	1,801,802	1,795,420
Interest expense	(3,061,462)	(1,872,815)
On behalf OPEB contribution	13,352	16,467
Net gain on disposal of real estate and equipment	50,144	-
Total nonoperating revenue (expense)	(1,196,164)	(60,928)
Change in net position	4,469,429	5,214,222
NET POSITION, beginning of year	166,306,562	161,092,340
NET POSITION, end of year	$ 170,775,991	$ 166,306,562

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, 2020 and 2019

	2020	2019
OPERATING ACTIVITIES		
Cash receipts from lending and leasing activities	$ 24,527,111	$ 24,646,126
Cash receipts from other activities	2,886,142	754,431
Cash payments for:		
Loans originated	(13,057,989)	(23,222,397)
Administrative expenses	(1,328,851)	(1,330,936)
Net cash provided by operating activities	13,026,413	847,224
NON-CAPITAL FINANCING ACTIVITIES		
Proceeds from loans payable	13,057,989	19,975,000
Principal payments on loans payable	(12,417,208)	(10,287,395)
Interest paid	(3,061,462)	(1,872,815)
Net cash provided by (used in) non-capital financing activities	(2,420,681)	7,814,790
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of real estate and equipment	(50,068)	(26,043)
INVESTING ACTIVITIES		
Net interest earnings	1,801,802	1,795,423
Net increase in cash and cash equivalents	12,357,466	10,431,394
CASH AND CASH EQUIVALENTS, beginning	79,009,069	68,577,675
CASH AND CASH EQUIVALENTS, ending	$ 91,366,535	$ 79,009,069

	2020	2019
CASH AND CASH EQUIVALENTS include the following balances from the Combined Statements of Net Position		
Cash and cash equivalents	$ 83,577,436	$ 71,386,477
Restricted cash due to others	301,627	297,377
Restricted cash and cash equivalents	7,487,472	7,325,215
	$ 91,366,535	$ 79,009,069

(Continued)

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY

COMBINED STATEMENTS OF CASH FLOWS
(Continued)
Years ended June 30, 2020 and 2019

	2020	2019
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 5,665,593	$ 5,275,150
Adjustments to reconcile operating income to net cash provided by operating activities:		
Loans originated	(13,057,989)	(23,222,397)
Principal collected on loans	13,781,374	10,308,567
Collections on net investment in direct financing leases	5,852,350	5,960,822
Depreciation	1,040,371	1,053,196
Provision for loan and lease losses	(16,337)	1,501,055
Recoveries	56,782	34,014
Pension expense	29,494	19,634
OPEB expense	(81,936)	(56,167)
Loss on equity investees	-	449,154
Changes in operating accounts:		
Increase in accrued interest receivable	(294,624)	(531,279)
Increase in investments	(15,850)	(16,129)
Increase in deferred outflows of resources from pension	(61,714)	(57,117)
Increase in deferred outflows of resources from OPEB	(13,944)	(19,733)
Increase (decrease) in accounts payable	(25,259)	32,370
Increase in amounts due to other State agencies	70,916	49,417
Increase in accrued expenses	97,186	66,667
Net cash provided by operating activities	$ 13,026,413	$ 847,224
SUPPLEMENTAL DISCLOSURE OF INVESTING, FINANCING, AND NON-CASH ACTIVITIES:		
Cash paid for interest	$ 3,061,462	$ 1,872,815
Increase in fair value of investments	15,850	16,129
Gain on disposal of capital assets	50,144	-
Capital assets converted to direct financing lease activities	1,000,000	-
Non-cash special funding contribution related to OPEB	13,352	16,467
Forgiveness of loans receivable and related loans payable based on agreement stipulations and economic development	-	2,250,000
Foreclosure of property	12,143,448	-

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.

(Continued)

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

Description of entities (Continued)

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 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.

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

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 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, and the accumulated depreciation of capitalized assets. Actual results in the near-term could differ from the estimates used to prepare these financial statements.

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. All venture capital investments were written down to zero value during the year end June 30, 2019.

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.

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

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.

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 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.

(Continued)

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

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 combined statements of net position.

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

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

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

(Continued)

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

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 contributions, investment income, other revenues, and interest expense that are defined as nonoperating by GAAP.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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 provide loan insurance for debt instruments to expand broadband within West Virginia subject to the requirements set forth in the legislation.

Note 2. Cash and Cash Equivalents

At June 30, 2020 and 2019, the carrying amount of deposits with financial institutions, the STO, and the BTI were as follows:

	2020	2019
Deposits:		
WV Money Market Pool at BTI	$ 46,350,930	$ 43,015,322
WV Government Money Market Pool at BTI	7,787,473	7,625,215
WV Short Term Bond Pool at BTI	19,120,394	18,332,309
Cash held at State Treasurer's Office	17,838,720	9,710,212
Cash held at outside financial institutions	269,018	326,011
	$ 91,366,535	$ 79,009,069

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 other of the BTI 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 corporate debt to be rated A+ or higher by Standard & Poor's (or its equivalent). Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. 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.

Note 2. Cash and Cash Equivalents (Continued)

Credit risk (Continued)

At June 30, 2020 and 2019, the WV Money Market Pool investments had a total carrying value of $5,149,351,000 and $3,956,476,000, respectively, of which the Authority's ownership represents 0.90% and 1.09%, respectively. The following table provides information on the credit ratings of the WV Money Market pool's investments (in thousands):

	Credit Rating		2020		2019	
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets	Carrying Value	Percent of Pool Assets
U.S. Treasury notes *	Aaa	AA+	$ -	- %	$ 24,927	0.63 %
U.S. Treasury bills *	P-1	A-1+	1,017,343	19.76	329,390	8.33
Commercial paper	P-1	A-1+	861,472	16.73	733,411	18.54
	P-1	A-1	1,834,384	35.62	1,494,297	37.77
	P-2	A-1	-	-	8,490	0.21
Negotiable certificates of deposit	P-1	A-1+	302,738	5.88	179,251	4.53
	P-1	A-1	469,111	9.11	534,891	13.52
Money market funds	Aaa	AAAm	1,581	0.03	178,619	4.51
	NR	AAAm	217,022	4.21	-	-
Repurchase agreements (underlying securities):						
U.S. Treasury notes*	Aaa	AA+	-	-	426,000	10.77
U.S. agency bonds and notes	Aaa	AA+	445,700	8.66	47,200	1.19
			$ 5,149,351	100.00 %	$ 3,956,476	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 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.

Note 2. Cash and Cash Equivalents (Continued)

Credit risk (Continued)

At June 30, 2020 and 2019, the WV Government Money Market Pool investments had a total carrying value of $264,558,000 and $252,144,000, respectively, of which the Authority's ownership represents 2.94% and 3.02%, respectively. The following table provides information on the credit ratings of the WV Government Money Market pool investments (in thousands):

	Credit Rating		2020		2019	
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+	$ 33,850	12.79 %	$ 30,975	12.28 %
U.S. Treasury notes *	Aaa	AA+	27,041	10.23	-	-
U.S. Treasury bills *	P-1	A-1+	30,986	11.71	57,785	22.93
U.S. agency discount notes	P-1	A-1+	125,304	47.36	110,373	43.77
Money market funds	Aaa	AAAm	177	0.07	111	0.04
Repurchase agreements (underlying securities)						
U.S. Treasury bonds and notes*	Aaa	AA+	47,200	17.84	-	-
U.S. agency bond and notes	Aaa	AA+	-	-	52,900	20.98
			$ 264,558	100.00 %	$ 252,144	100.00 %

*U.S. Treasury issues are explicitly guaranteed by the Untied 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 long term 3orporate debt to be rated BBB- or higher by Standard & Poor's (or its equivalent) and all short-term corporate debt to be rated A-1 or higher by Standard & Poor's (or its equivalent). Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America.

At June 30, 2020 and 2019, the WV Short Term Bond Pool investments had a total carrying value of $810,077,000 and $731,969,000, respectively, of which the Authority's ownership represents 2.36% and 2.50%, respectively. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

Note 2. Cash and Cash Equivalents (Continued)

Credit Risk (Continued)

	Credit Rating		2020		2019	
Security Type	Moody's	S&P	Carrying Value (in Thousands)	Percent of Pool Assets	Carrying Value (in Thousands)	Percent of Pool Assets
U.S. Treasury notes *	Aaa	AA+	$ 121,838	15.04%	$ 115,292	15.75%
U.S. agency collateralized mortgage obligations						
U.S. government guaranteed*	Aaa	AA+	20,539	2.54	26,472	3.62
Non-U.S. government guaranteed	Aaa	AA+	15,762	1.95	23,674	3.23
Corporate fixed- and floating-rate bonds and notes	Aaa	AAA	3,694	0.46	-	-
	Aaa	AA+	6,719	0.83	2,147	0.30
	Aa1	AA	2,565	0.32	-	-
	Aa2	AA+	5,181	0.64	5,024	0.69
	Aa2	AA	5,753	0.71	5,577	0.76
	Aa2	AA-	6,432	0.79	-	-
	Aa2	A+	-	-	8,566	1.17
	Aa2	NR	5,954	0.73	2,784	0.38
	Aa3	AA+	2,076	0.26	5,042	0.69
	Aa3	AA-	18,385	2.27	16,616	2.27
	Aa3	A+	5,759	0.71	13,139	1.80
	Aa3	A	12,477	1.54	2,765	0.38
	A1	AA-	7,480	0.92	18,323	2.50
	A1	A+	30,064	3.71	15,880	2.17
	A1	A	5,150	0.64	7,426	1.01
	A1	A-	10,553	1.30	8,612	1.18
	A1	NR	5,283	0.65	5,223	0.71
	A2	A+	17,992	2.22	-	-
	A2	A	33,012	4.08	19,418	2.65
	A2	A-	28,326	3.50	24,214	3.31
	A2	NR	3,100	0.38	-	-
	A3	A+	9,595	1.18	8,592	1.17
	A3	A	9,366	1.16	13,148	1.80
	A3	A-	28,248	3.49	35,050	4.79
	A3	BBB+	44,538	5.50	30,732	4.20
	Baa1	A-	11,726	1.45	6,889	0.94
	Baa1	BBB+	17,585	2.17	14,806	2.02
	Baa1	BBB	8,656	1.07	5,213	0.71
	Baa1	NR	2,132	0.26	-	-
	Baa2	A-	10,242	1.26	6,143	0.84
	Baa2	BBB+	10,361	1.28	14,524	1.98
	Baa2	BBB	38,950	4.81	37,277	5.09
	Baa2	BBB-	4,404	0.54	6,369	0.87
	Baa3	BBB+	-	-	1,091	0.15
	Baa3	BBB	10,276	1.27	9,193	1.26
	Baa3	BBB-	25,583	3.16	36,044	4.92
	Ba1	BBB	2,005	0.25	2,013	0.28
	Ba1	BBB-	8,289	1.02	4,214	0.58
	NR	A	6,478	0.80	8,761	1.20
	NR	AA-	1,817	0.22	-	-
	NR	BBB+	4,575	0.56	2,658	0.36

(Continued)

Note 2. Cash and Cash Equivalents (Continued)

Credit Risk (Continued)

Security Type	Credit Rating Moody's	Credit Rating S&P	2020 Carrying Value (in Thousands)	2020 Percent of Pool Assets	2019 Carrying Value (in Thousands)	2019 Percent of Pool Assets
Collateralized mortgage obligations	NR	AAA	$ 2,668	0.33	$ 5,958	0.81
Commercial mortgage-backed securities	Aaa	NR	-	-	377	0.05
Municipal securities	Aaa	AAA	4,060	0.50	-	-
	Aa1	AA+	6,475	0.80	-	-
	Aa1	AA	8,928	1.10	-	-
	Aa1	NR	7,054	0.87	-	-
	Aa2	AA	9,872	1.22	-	-
	Aa2	AA-	8,337	1.03	-	-
	Aa2	NR	3,528	0.44	-	-
	NR	AAA	2,618	0.32	-	-
	NR	AA+	3,187	0.39	-	-
Asset-backed securities	Aaa	AAA	29,701	3.66	45,739	6.25
	Aaa	NR	40,232	4.97	75,441	10.31
	Aa1	NR	7,961	0.98	-	-
	NR	AAA	38,951	4.81	35,020	4.78
Money market funds	Aaa	AAAm	7,585	0.94	523	0.07
			$ 810,077	100.00%	$ 731,969	100.00%

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

NR = Not Rated

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, 2020 and 2019:

Security Types	2020 Carrying Value (In Thousands)	2020 WAM (Days)	2019 Carrying Value (In Thousands)	2019 WAM (Days)
Repurchase agreements	$ 445,700	1	$ 473,200	3
U.S. Treasury notes	-	-	24,927	125
U.S. Treasury bills	1,017,343	37	329,390	34
Commercial paper	2,695,856	52	2,236,198	57
Negotiable certificates of deposit	771,849	58	714,142	33
Money market funds	218,603	1	178,619	3
	$ 5,149,351	44	$ 3,956,476	42

Note 2. Cash and Cash Equivalents (Continued)

Interest rate risk (Continued)

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:

Security Types	2020 Carrying Value (In Thousands)	2020 WAM (Days)	2019 Carrying Value (In Thousands)	2019 WAM (Days)
Repurchase agreements	$ 47,200	1	$ 52,900	3
U.S. Treasury notes	27,041	80	-	-
U.S. Treasury bills	30,986	79	57,785	65
U.S. agency discount notes	125,304	65	110,373	35
U.S. agency bonds and notes	33,850	10	30,975	75
Money market funds	177	1	111	3
	$ 264,558	50	$ 252,144	40

The overall effective duration of the investments of the WV Short Term Bond Pool is limited to a +/- 20 percent band around the effective duration of the portfolio's benchmark (the ICE BofAML 1-3 US Corporate & Government Index). As of June 30, 2020, the effective duration of the benchmark was 662 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool:

Security Types	2020 Carrying Value (In Thousands)	2020 Effective Duration (Days)	2019 Carrying Value (In Thousands)	2019 Effective Duration (Days)
Corporate floating-rate bonds and notes	$ 16,475	377	$ 38,121	286
Corporate fixed-rate bonds and notes	454,306	641	365,352	847
U.S. Treasury notes and bonds	121,838	773	115,292	816
U.S. agency collateralized mortgage obligations	36,301	366	50,146	976
Commercial mortgage-backed securities	-	-	377	15
Collateralized mortgage obligations	2,668	752	5,958	752
Municipal Securities	54,059	800	-	-
Asset-backed securities	116,845	442	156,200	393
Money market funds	7,585	-	523	1
	$ 810,077	620	$ 731,969	723

(Continued)

Note 2. Cash and Cash Equivalents (Continued)

Other risks of investing

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

Concentration of credit risk is the risk of loss attributed to the magnitude of a 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.

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 3. Investments

	2020	2019
Investments:		
WVEDA – American Woodmark at BTI	$ 1,752,322	$ 1,736,472

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.

Note 3. Investments (Continued)

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 informed all remaining investees during the year end June 30, 2019, that they would not fund any future capital calls, therefore there are no remaining commitments to fund. The Authority has funded amounts in exchange for ownership interests in venture capital companies at June 30, 2020 and 2019 as follows:

Name	Fair Value	Total Funded
Innova (WV High Tech Consortium, LP)	$ -	$ 734,620
Mountaineer Capital, LP	-	3,800,000
Novitas, LP	-	3,950,000
Total	$ -	$ 8,484,620

As 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 recommended individual investments based on predetermined selection criteria. These investments ranged widely from start-up companies to operating businesses. The remaining investments included Innova (WV High Tech Consortium, LP) which develops investments strategies and investigates potential investments; Mountaineer Capital, LP which consists of technology transfer, information technology, and software development; and Novitas, LP which invests in healthcare, communications, and information technology.

Note 4. Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability 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 value hierarchy established by accounting principles generally accepted in the United States of America.

(Continued)

Note 4. Fair Value (Continued)

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, 2020 and 2019 were as follows (there were no Level 2 or Level 3 investments):

	Level 1 Quoted Price in Active Market	
	2020	**2019**
U.S. Treasury Bond	$ 1,752,322	$ 1,736,472

Note 5. 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 12 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 $7,487,472 and $7,325,215 at June 30, 2020 and 2019, respectively.

Note 6. Loans

Loans by class are summarized as follows:

	2020	2019
Commercial:		
Real estate	$ 41,718,283	$ 40,901,658
Real estate and equipment	7,843,581	9,685,828
Equipment	9,602,140	8,831,075
Service:		
Real estate	17,279,547	24,916,126
Real estate and equipment	4,971,855	3,931,890
Equipment	146,649	162,205
Industrial:		
Real estate	21,655,545	24,841,552
Real estate and equipment	11,193,227	11,823,602
Equipment	11,576,676	13,887,493
Other	100,000	-
Total loans	126,087,503	138,981,429
Less allowance for loan loss	(7,600,000)	(7,600,000)
Loans receivable net of allowance	118,487,503	131,381,429
Less current portion	(1,008,688)	(14,909,427)
Noncurrent loans receivable	$ 117,478,815	$ 116,472,002

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 7. 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 7. 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, 2020:							
Secured by real estate:							
Commercial	$ -	$ -	$ -	$ -	$ 41,718,283	$ 41,718,283	$ -
Service	-	-	5,362,532	5,362,532	11,917,015	17,279,547	-
Industrial	-	593,795	1,699,715	2,293,510	19,362,035	21,655,545	-
Secured by equipment:							
Commercial	-	-	-	-	9,602,140	9,602,140	-
Service	-	-	-	-	146,649	146,649	-
Industrial	1,229,767	-	-	1,229,767	10,346,909	11,576,676	-
Secured by real estate & equipment:							
Commercial	-	-	3,264,571	3,264,571	4,579,010	7,843,581	3,264,571
Service	-	-	-	-	4,971,855	4,971,855	-
Industrial	-	-	164,367	164,367	11,028,860	11,193,227	164,367
Other	-	-	-	-	100,000	100,000	-
Total loans	$ 1,229,767	$ 593,795	$10,491,185	$12,314,747	$113,772,756	$126,087,503	$ 3,428,938

	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, 2019:							
Secured by real estate:							
Commercial	$ -	$ -	$ 171,673	$ 171,673	$40,729,985	$ 40,901,658	$ 171,673
Service	-	-	17,553,230	17,553,230	7,362,896	24,916,126	11,566,699
Industrial	-	-	1,794,864	1,794,864	23,046,688	24,841,552	-
Secured by equipment:							
Commercial	43,921	-	-	43,921	8,787,154	8,831,075	-
Service	-	-	-	-	162,205	162,205	
Industrial	-	-	296,244	296,244	13,591,249	13,887,493	296,244
Secured by real estate & equipment:							
Commercial	-	-	-	-	9,685,828	9,685,828	-
Service	-	-	-	-	3,931,890	3,931,890	-
Industrial	-	-	473,537	473,537	11,350,065	11,823,602	473,537
Total loans	$ 43,921	$ -	$20,289,548	$20,333,469	$118,647,960	$138,981,429	$12,508,153

Note 7. 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, 2020	June 30, 2019
Secured by real estate:		
Commercial	$ 1,442,150	$ 1,447,550
Service	5,362,532	5,986,532
Industrial	1,699,715	1,794,864
Total	$ 8,504,397	$ 9,228,946

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 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.

(Continued)

Note 7. 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, 2020	Pass	Special Mention	Sub-Standard	Total
Secured by real estate:				
Commercial	$ 18,629,391	$ 23,088,892	$ -	$ 41,718,283
Service	11,917,015	-	5,362,532	17,279,547
Industrial	13,957,737	5,998,093	1,699,715	21,655,545
Secured by equipment:				
Commercial	9,567,738	34,402	-	9,602,140
Service	146,649	-	-	146,649
Industrial	10,085,711	1,490,965	-	11,576,676
Secured by real estate and equipment:				
Commercial	3,729,530	4,114,051	-	7,843,581
Service	4,971,855	-	-	4,971,855
Industrial	10,962,620	66,240	164,367	11,193,227
Other	-	-	100,000	100,000
Total	$ 83,968,246	$ 34,792,643	$ 7,326,614	$ 126,087,503

June 30, 2019	Pass	Special Mention	Sub-Standard	Total
Secured by real estate:				
Commercial	$ 17,589,017	$ 23,312,641	$ -	$ 40,901,658
Service	7,362,896	11,566,698	5,986,532	24,916,126
Industrial	15,762,308	7,284,380	1,794,864	24,841,552
Secured by equipment:				
Commercial	8,787,154	43,921	-	8,831,075
Service	162,205	-	-	162,205
Industrial	13,591,249	296,244	-	13,887,493
Secured by real estate and equipment:				
Commercial	4,053,333	5,632,495	-	9,685,828
Service	3,931,890	-	-	3,931,890
Industrial	11,282,929	362,807	177,866	11,823,602
Total	$ 82,522,981	$ 48,499,186	$ 7,959,262	$ 138,981,429

Note 7. Loan Credit Quality (Continued)

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.

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, 2020	Unpaid Principal Balance	Related Allowance
With an allowance recorded:		
Secured by real estate:		
Commercial	$ 1,442,150	$ 250,000
Service	5,362,532	900,000
Industrial	1,699,715	1,000,000
Total secured by real estate	$ 8,504,397	$ 2,150,000

June 30, 2019	Unpaid Principal Balance	Related Allowance
With an allowance recorded:		
Secured by real estate:		
Commercial	$ 1,447,550	$ 250,000
Service	5,986,532	650,000
Industrial	1,794,864	1,000,000
Total secured by real estate	$ 9,228,946	$ 1,900,000

Note 8. 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, 2020, there were no material changes to the accounting policy or methodology related to the allowance for loan losses.

(Continued)

Note 8. Allowance for Credit Losses (Continued)

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 for each year of $7,600,000 adequate to cover loan losses inherent in the loan portfolio as of June 30, 2020 and 2019, respectively. The following table presents by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans.

June 30, 2020	Commercial	Service	Industrial	Unallocated	Total
Allowance for credit losses:					
Beginning balance	$ 1,000,000	$ 1,250,000	$ 2,250,000	$ 3,100,000	$ 7,600,000
Charge-offs	(40,445)	-	-	-	(40,445)
Recoveries	-	3,291	53,491	-	56,782
Provision	190,445	(353,291)	(108,491)	255,000	(16,337)
Ending balance	$ 1,150,000	$ 900,000	$ 2,195,000	$ 3,355,000	$ 7,600,000
Ending balance: Individually evaluated for impairment	$ 1,150,000	$ 900,000	$ 2,195,000	$ -	$ 4,245,000
Ending balance: Collectively evaluated for impairment	$ -	$ -	$ -	$ 3,355,000	$ 3,355,000
Loans receivable:					
Ending balance	$ 59,164,004	$22,398,051	$44,525,448	$ -	$126,087,503

Note 8. Allowance for Credit Losses (Continued)

June 30, 2019	Commercial	Service	Industrial	Unallocated	Total
Allowance for credit losses:					
Beginning balance	$ 600,000	$ 500,000	$ 2,670,000	$ 2,830,000	$ 6,600,000
Charge-offs	(501,055)	-	-	-	(501,055)
Recoveries	2,825	-	31,189	-	34,014
Provision	898,230	750,000	(451,189)	270,000	1,467,041
Ending balance	$ 1,000,000	$ 1,250,000	$ 2,250,000	$ 3,100,000	$ 7,600,000
Ending balance: Individually evaluated for impairment	$ 1,000,000	$ 1,250,000	$ 2,250,000	$ -	$ 4,500,000
Ending balance: Collectively evaluated for impairment	$ -	$ -	$ -	$ 3,100,000	$ 3,100,000
Loans receivable:					
Ending balance	$59,418,561	$29,010,221	$50,552,647	$ -	$138,981,429

Note 9. 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 10 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:

	2020	2019
Held for lease:		
Land	$ 19,420,410	$ 7,276,963
Buildings and improvements	29,015,276	29,986,056
Equipment	202,274	234,627
	48,637,960	37,497,646
Less accumulated depreciation - buildings	(14,920,071)	(13,944,777)
Less accumulated depreciation - equipment	(145,341)	(183,610)
	$ 33,572,548	$ 23,369,259

Note 9. Capital Asset and Leasing Activities (Continued)

Capital asset activity for the years ended June 30, 2020 and 2019, was as follows:

June 30, 2020	Balance	Additions	Reductions	Balance
Land held for lease	$ 7,276,963	$12,143,447	$ -	$19,420,410
Building and improvements	29,986,056	27,592	(998,372)	29,015,276
Equipment	234,627	22,476	(54,829)	202,274
	37,497,646	12,193,515	(1,053,201)	48,637,960
Less accumulated depreciation				
Building	(13,944,777)	(1,030,040)	54,746	(14,920,071)
Equipment	(183,610)	(10,100)	48,369	(145,341)
	$ 23,369,259	$11,153,375	$ (950,086)	$33,572,548

June 30, 2019	Balance	Additions	Reductions	Balance
Land held for lease	$ 7,276,963	$ -	$ -	$ 7,276,963
Building and improvements	29,986,056	-	-	29,986,056
Equipment	203,420	33,048	(1,841)	234,627
	37,466,439	33,048	(1,841)	37,497,646
Less accumulated depreciation				
Building	(12,894,903)	(1,049,874)	-	(13,944,777)
Equipment	(175,124)	(10,327)	1,841	(183,610)
	$ 24,396,412	$(1,027,153)	$ -	$23,369,259

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:

	2020	2019
Total minimum lease payments receivable	$ 58,048,400	$ 64,046,930
Less unearned interest	(9,406,266)	(10,552,446)
Total	48,642,134	53,494,484
Less current portion	(6,036,642)	(5,843,013)
Total noncurrent portion	$ 42,605,492	$ 47,651,471

Note 9. Capital Asset and Leasing Activities (Continued)

At June 30, 2020, 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
2021	$ 2,522,794	$ 7,581,481	$ 10,104,275
2022	2,408,794	7,581,481	9,990,275
2023	2,408,794	7,576,660	9,985,454
2024	1,590,968	5,194,416	6,785,384
2025	1,590,968	4,209,519	5,800,487
Thereafter	3,181,936	25,904,843	29,086,779
	$ 13,704,254	$ 58,048,400	$ 71,752,654

Lease revenue includes interest from direct financing leases of $1,885,320 and $1,798,647 for the years ended June 30, 2020 and 2019, respectively.

Note 10. Loans Payable

The Authority receives financing from various funding sources in the form of direct borrowings. There are no direct placements. Direct borrowing includes the following:

	June 30	
	2020	2019
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 .89% for July 2018 and 1.60% for the remainder of fiscal year 2019, and 2.46% for fiscal year 2020 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.	$ 118,522,643	$ 117,370,977

(Continued)

Note 10. Loans Payable (Continued)

	June 30	
	2020	2019
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 2.26% and 3.00% at the end of fiscal year 2019 and 2020, respectively, 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	1,480,000
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.	324,155	324,155
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.	437,434	552,021
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.	880,079	1,098,465
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.	1,573,218	1,723,130
Note payable to West Virginia Infrastructure and Jobs Development Council due in monthly installments of $29,703, final payment made July 12, 2019, interest rate at 3% and secured by equipment.	-	28,000
Total	123,217,529	122,576,748
Less current portion	(10,404,409)	(10,966,410)
Long term portion	$ 112,813,120	$ 111,610,338

Note 10. Loans Payable (Continued)

June 30	Principal	Interest	Total
2021	$ 10,404,409	$ 2,096,845	$ 12,501,254
2022	10,978,422	1,838,887	12,817,309
2023	10,838,832	1,654,320	12,493,152
2024	10,897,993	1,470,536	12,368,529
2025	10,839,093	1,280,620	12,119,713
2026-2030	67,778,780	3,537,712	71,316,492
2031-2035	-	122,167	122,167
2036-2040	1,480,000	128,322	1,608,322
	$ 123,217,529	$ 12,129,409	$ 135,346,938

Changes in loans payable for the years ended June 30, 2020 and 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
June 30, 2020	$ 122,576,748	$ 13,057,989	$ (12,417,208)	$ 123,217,529	$ 10,404,409
June 30, 2019	$ 115,139,143	$ 19,975,000	$ (12,537,395)	$ 122,576,748	$ 10,966,410

Note 11. 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:

	2020	2019
Balances included in loans payable:		
WV Infrastructure & Jobs Development Council	$ 2,890,731	$ 3,401,616
WV Board of Treasury Investments	120,326,798	119,175,132
Balances included in amount due to the State Agencies:		
Lottery Commission	12,847	8,597
Development Office	340,332	273,667
Governor's Office	43,351	43,351
	$ 123,614,059	$ 122,902,363

(Continued

Note 12. 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, 2020, the Authority had outstanding commitments to make loans of $83,165,722. During the year ended June 30, 2020, the Authority amended their funding policy for committed loans. Instead of earmarking BTI or EDA available resources on the commitment list, upon closing of the loan the Authority will determine whether the commitment can be first funded from current EDA funds. The Authority would then borrow any needed funds from the BTI as necessary to satisfy the commitment. Certain qualified loans meet eligibility criteria that are automatically committed to Title IX 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, 2020, the Authority's maximum exposure to financial guarantees expiring at various intervals through March 2028, is $5,328,235. As of June 30, 2020 and 2019, loans of $7,685,590 and $5,463,741, 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, 2020 and 2019, the Authority did not pay any claims under the Loan Insurance Program.

Note 13. 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, 2020 and 2019.

Note 14. 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 retirement system. Benefits under PERS include retirement, death and disability benefits, and have been established and may be amended by action of the State Legislature. The CPRB issues a publicly available financial report that includes financial statements for PERS that may be obtained at www.wvretirement.com.

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

Contributions

Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. Contributions as a percentage of payroll for employers are established by the CPRB. Current funding policy requires contributions, consisting of member contributions of 4.5% of annual earnings and employer contributions of 10%, 10%, and 11%, of covered payroll for the years ended June 30, 2020, 2019, and 2018, respectively. All members hired after July 1, 2015, will contribute 6% of annual earnings.

During the years ended June 30, 2020, 2019, and 2018, the Authority's contributions to PERS required and made were approximately $61,714, $57,117, and $70,118, respectively.

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

At June 30, 2020 and 2019, respectively, the Authority reported a liability of $83,651 and $118,736 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2020, was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018, rolled forward to the measurement date of June 30, 2019. 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, 2019. At June 30, 2019, the Authority's proportion was .038905%, which was a decrease of .007072 from its proportion measured as of June 30, 2018.

Note 14. Pension Plan (Continued)

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

For the years ended June 30, 2020 and 2019, respectively, the Authority recognized pension expense of $29,494 and $19,634, respectively. At June 30, 2020 and 2019, respectively, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 30,236
Difference between expected and actual experience	3,238	7,306
Changes in assumptions	-	15,357
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	3,227	20,020
The Authority's contributions made subsequent to the measurement date of June 30, 2019	61,714	-
Total	$ 68,179	$ 72,919

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 69,871
Difference between expected and actual experience	5,890	294
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	5,763	514
The Authority's contributions made subsequent to the measurement date of June 30, 2018	57,117	-
Total	$ 68,770	$ 70,679

Deferred outflows of resources related to pensions of $61,714 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2021	$ (14,937)
2022	(51,401)
2023	(8,893)
2024	8,777

Note 14. Pension Plan (Continued)

Actuarial Assumptions

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

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

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

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

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

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 retired healthy males, 101% of RP-2000 Non-Annuitant, scale AA fully generational for retired 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 used for the 2018 actuarial valuation.

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

Note 14. Pension Plan (Continued)

Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-term Expected Rate of Return	Weighted Average Expected Real Rate of Return
Domestic equity	27.5%	5.8%	1.60%
International equity	27.5%	7.7%	2.12%
Fixed income	15.0%	3.3%	0.50%
Real estate	10.0%	6.1%	0.61%
Private equity	10.0%	8.8%	0.88%
Hedge funds	10.0%	4.4%	0.44%
Total	100.00%		6.15%
Inflation (CPI)			2.00%
			8.15%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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)	$ 389,649	$ 83,651	$ (175,206)

Note 15. 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 West Virginia Consolidated Public Retirement Board CPRB sponsored retirement plans. RHBT provides medical and prescription drug insurance and life insurance benefits to those qualified participants. Life insurance is provided through a vendor and is fully funded by member contributions. The medical and prescription drug insurance is provided through two options; Self-Insured Preferred Provider Benefit Plan - primarily for non-Medicare-eligible retirees and spouses or External Managed Care Organizations - primarily for Medicare-eligible retirees and spouses.

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

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

Contributions

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

Note 15. Other Post Employment Benefits (OPEB) (Continued)

Contributions (Continued)

The annual contractually required per active policyholder per month rates for State non-general funded agencies and other participating employers effective June 30, 2020, 2019, and 2018, respectively, were:

	2020	2019	2018
Paygo Premium	$ 168	$ 183	$ 177

Contributions to the OPEB plan from the Authority were $13,944, $19,733, and $26,930 for the years ended June 30, 2020, 2019, and 2018 respectively.

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

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

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

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

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

Contributions by Nonemployer Contributing Entities in Special Funding Situations

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

Note 15. 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 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.

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

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

At June 30, 2020, and 2019, the 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:

	2020	2019
The Authority's proportionate share of the net OPEB liability.	$ 220,240	$ 260,666
State's special funding proportionate share of the net OPEB liability associated with the Authority.	45,071	53,873
Total portion of net OPEB liability associated with the Authority.	$ 265,311	$ 314,539

The net OPEB liability reported at June 30, 2020 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The 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, 2019, the Authority's proportion was .013274%, which is an increase of .001125% from its proportion measured as of June 30, 2018.

For the years ended June 30, 2020, and 2019, respectively, the Authority recognized OPEB expense of $(81,936) and $(56,167) and for support provided by the State under special funding situations revenue of $13,352 and $16,467. At June 30, 2020, and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Note 15. Other Post Employment Benefits (OPEB) (Continued)

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

	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 25,686
Changes in assumptions	-	44,666
Net difference between projected and actual earnings on OPEB plan investments	1,252	3,628
Reallocation of Opt-Out Employer Change in Proportionate share	54	5,925
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	18,518	187,546
The Authority's contributions subsequent to the measurement date of June 30, 2019	13,944	-
Total	$ 33,768	$ 267,451

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 3,856
Change in assumptions	-	26,027
Net difference between projected and actual earnings on OPEB plan investments	-	4,825
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	-	274,162
The Authority's contributions subsequent to the measurement date of June 30, 2018	19,733	-
Total	$ 19,733	$ 308,870

Note 15. Other Post Employment Benefits (OPEB) (Continued)

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

Deferred outflows of resources related to OPEB of $13,944 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	$ (107,870)
2022	(95,046)
2023	(42,442)
2024	(2,269)

Actuarial assumptions

The total OPEB liability reported at June 20, 2020 was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll over a 20 year closed period
Remaining amortization period	20 years closed as of June 30, 2017

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

Note 15. Other Post Employment Benefits (OPEB) (Continued)

Actuarial assumptions (Continued)

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

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll over a 20 year closed period
Remaining amortization period	20 years closed as of June 30, 2017

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

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

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

Note 15. Other Post Employment Benefits (OPEB) (Continued)

Actuarial assumptions (Continued)

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	49.5%	4.8%
Core plus fixed income	13.5%	2.1%
Hedge fund	9.0%	2.4%
Private equity	9.0%	6.8%
Core real estate	9.0%	4.1%
Cash and cash equivalents	10.0%	0.3%

Discount rate

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

Note 15. Other Post Employment Benefits (OPEB) (Continued)

Other key assumptions

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

OPEB subsequent event

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

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

Sensitivity of the 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	$ 262,850	$ 220,240	$ 184,583

Note 15. Other Post Employment Benefits (OPEB) (Continued)

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:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
The Authority's proportionate share of the net OPEB liability	$ 177,592	$ 220,240	$ 271,993

Note 16. 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, 2020 and 2019, there were 46 and 49 revenue bonds, respectively with principal amounts payable consisting of the following:

	2020	2019
Bonds backed by leases with other State agencies	$ 513,102,663	$ 551,796,811
Other bonds outstanding	3,583,203,082	2,983,800,340
	$ 4,096,305,745	$ 3,535,597,151

Note 17. New Accounting Pronouncements

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

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, 2019.

The GASB has also 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 foundational 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 requirements of this statement are effective for reporting periods beginning after June 15, 2021. The Authority's management has not determined the effect this statement will have on its financial statements.

The GASB issued **Statement No. 89**, *Accounting for Interest Cost Incurred before the End of a Construction Period* in June 2018. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a period and simplifies accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for periods beginning after December 15, 2020. The requirements of this Statement should be applied prospectively.

The GASB issued **Statement No. 90**, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

(Continued)

Note 17. New Accounting Pronouncements (Continued)

The requirements of this Statement are effective for periods beginning after December 15, 2019. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

The GASB issued **Statement No. 91,** *Conduit Debt Obligations* in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

The GASB issued **Statement No. 92,** *Omnibus 2020* in January 2020. This Statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for periods beginning after June 15, 2021.

The GASB issued **Statement No. 93,** *Replacement of Interbank Offered Rates* in March 2020. This Statement addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate. The removal of the London Interbank Offered Rate as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. Paragraphs 13 and 14 of Statement No. 93, related to lease modifications is effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for periods beginning after June 15, 2020.

The GASB issued **Statement No. 94,** *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* in March 2020. This Statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. The requirements of this Statement are effective for periods beginning after June 15, 2022.

The GASB issued **Statement No. 96,** *Subscription-Based Information Technology Arrangements* in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for periods beginning after June 15, 2022.

Management has not determined the effects these new accounting pronouncements may have on its financial statements in future periods.

Note 18. COVID-19 Uncertainty

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

The Authority's operations are heavily dependent on its ability to collect loan and lease repayments and other forms of income consistent with its operations. The outbreak is expected to have a continued adverse impact on economic and market conditions, continuing a period of local and global economic slowdown. As a result, the Authority has granted through June 30, 2020 fifteen principal and interest concessions of loan payments approximating $322,424 to borrowers with outstanding loan balances of $11,449,406 as of June 30, 2020. Also, the Authority has granted through June 30, 2020 fourteen interest only concessions of loan payments approximating 279,091 to borrowers with outstanding loan balances of $11,993,717 as of June 30, 2020. Subsequent to the year ended June 30, 2020 and through the date of this report additional concession agreements have been immaterial. Under these agreements, certain loan payments will be abated, deferred or modified without penalty for various periods, generally for a minimum of three months. The Authority has elected to account for loan concessions and deferrals resulting directly from COVID-19 as though the enforceable rights and obligations to the deferrals existed in the respective contracts at loan inception and will not account for the concessions as loan modifications, unless the concession results in a substantial increase in the debtor's obligations.

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

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Public Employees Retirement System Plan

	Year Ended June 30					
	2020	2019	2018	2017	2016	2015
West Virginia Economic Development Authority's proportion (percentage) of the net pension liability	0.038905%	0.045977%	0.045458%	0.044215%	0.044515%	0.042673%
West Virginia Economic Development Authority's proportionate share of the net pension liability	$ 83,651	$ 118,736	$ 196,216	$ 406,384	$ 248,573	$ 157,492
West Virginia Economic Development Authority's covered payroll	$ 571,080	$ 637,500	$ 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	14.65%	18.63%	31.30%	66.70%	41.18%	27.56%
Plan fiduciary net position as a percentage of the total pension liability	96.99%	96.33%	93.67%	86.11%	91.29%	93.98%

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

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY

SCHEDULE OF CONTRIBUTIONS TO THE PERS

	Years Ended June 30							
	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	$ 61,714	$ 57,117	$ 70,118	$ 75,237	$ 82,252	$ 84,516	$ 82,859	$ 77,531
Contributions in relation to the statutorily required contribution	61,714	57,117	70,118	75,237	82,252	84,516	82,859	77,531
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
West Virginia Economic Development Authority's covered payroll	$617,140	$571,080	$637,500	$626,980	$609,274	$603,684	$571,445	$553,778
Contributions as a percentage of covered payroll	10.00%	10.00%	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,		
	2020	2019	2018
West Virginia Economic Development Authority's proportion (percentage) of the net OPEB liability	0.013274%	0.012149%	0.020135%
West Virginia Economic Development Authority's proportionate share of the net OPEB liability	$ 220,240	$ 260,666	$ 495,130
West Virginia's special funding proportionate share of the Net OPEB liability associated with the Authority	$ 45,071	$ 53,873	$ 101,700
Total portion of the net OPEB liability associated with the Authority	$ 265,311	$ 314,539	$ 596,830
West Virginia Economic Development Authority's covered-employee payroll	$ 525,351	$ 568,260	$ 607,240
West Virginia Economic Development Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	41.92%	45.87%	81.51%
Plan fiduciary net position as a percentage of the total OPEB liability	39.69%	30.98%	25.10%

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

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY

SCHEDULE OF CONTRIBUTIONS TO THE RHBT

	Year Ended June 30			
	2020	2019	2018	2017
Required contribution	$ 13,944	$ 19,733	$ 26,930	$ 41,358
Contributions in relation to the required contribution	13,944	19,733	26,930	41,358
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
West Virginia Economic Development Authority's covered-employee payroll	$ 563,117	$ 525,351	$ 568,260	$ 577,507
Contributions as a percentage of covered-employee payroll	2.48%	3.76%	4.74%	7.16%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Trend Information Presented

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

Note 2. OPEB Changes in Assumptions

Below are changesi n assumptions between the 2018 and 2017 valuations:

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

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

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

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

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

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

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

Note 3. Pension Plan Amendments

The PERS was amended to make changes which apply to 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.

- 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.

WEST VIRGINIA ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 4. Pension Plan Assumptions

An experience study, which was based on the years 2013 through 2018, was completed prior to the 2019 actuarial valuation. As a result, several assumptions were changed for the actuarial valuations as follows:

PERS	**2019**	**2015-2018**	**2014**
Projected salary increase			
State	3.1 - 5.3%	3.0 - 4.6%	4.25 - 6.0%
Nonstate	3.35 - 6.5%	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	3.00%	3.0% (2016-2018); 1.9% (2015)	2.2%
Mortality rates	Active-100% of Pub-2010 General Employees table, below median, headcount weighted, projected with scale MP-2018 Retired healthy males-108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018 Retired healthy females-122% of Pub-2010 Annuitant, Scale AA fully generational General Retiree Female table, below-median, headcount weighted, projected with scale MP-2018 Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, below-median, headcount weighted, projected with scale MP-2018 Disabled females-118% of Pub-2010 General / Teachers Disabled Female table, below-median, headcount weighted, projected with scale MP-2018	Active-RP-2000 Non-Annuitant tables, Scale AA fully generational Retired healthy males – 110% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy females – 101% of RP -2000 Non-Annuitants, Scale AA fully generational Disabled males – 96% of RP-2000 Disabled Annuitant, Scale AA fully generational Disabled females – 107% of RP-2000 Disabled Annuitant, Scale AA fully generational	Healthy males – 1983 GAM Healthy females – 1971 GAM Disabled males-1971 GAM Disabled females-Revenue ruling 96-7
Withdrawal rates			
State	2.28-45.63%	1.75 - 35.1%	1 – 26%
Nonstate	2.00-35.88%	2 - 35.8%	2 – 31.2%
Disability rates	0.005-0.540%	0. - 67.5%	0 – 8%

BROWNEDWARDS
certified public accountants

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

To the 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, 2020, 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 25, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combined 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.

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Compliance and Other Matters

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

Purpose of this Report

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

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

Charleston, West Virginia
September 25, 2020