

Audited Financial Statements

West Virginia Infrastructure and Jobs Development Council

Year Ended June 30, 2017

Audited Financial Statements

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Virginia Infrastructure and Jobs Development Council
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the West Virginia Infrastructure and Jobs Development Council (the Council), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Council, as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Council, and do not purport to, and do not present fairly the financial position of the State of West Virginia as of June 30, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. 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 10 and the schedule of the proportionate share of the net pension liability and the schedule of contributions to the PERS on pages 40 through 42 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 October 10, 2017, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Charleston, West Virginia
October 10, 2017

**WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**

INTRODUCTION

Our discussion and analysis of the West Virginia Infrastructure and Jobs Development Council's (the "Council") financial performance provides an overview of the Council's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Council's financial statements, which begin on page 11.

USING THIS REPORT

This report consists of a series of fund level and government-wide financial statements. The Statement of Net Position and Statement of Activities report the net position and activities of the Council as a whole. The Governmental Fund's Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance report the Council's governmental fund balance and the respective changes in it. The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund present the proprietary fund net position and the respective changes in net position. The Council's net position and the Council's fund balance represent ways to measure the Council's financial health or financial position. Over time, increases or decreases in the Council's net position and fund balance are indicators of whether its financial health is improving or deteriorating.

FINANCIAL HIGHLIGHTS

Business Type Activities:

- Total assets decreased \$78 thousand from \$802.561 million to \$802.483 million
- Deferred outflows of resources decreased \$1.1 million from \$2.3 million to \$1.2 million
- Total liabilities decreased \$6 million from \$194 million to \$188 million
- Deferred inflows of resources decreased \$61 thousand from \$80 thousand to \$19 thousand
- Net position increased \$4.7 million from \$610.4 million to \$615.1 million

Governmental Activities:

- Total assets decreased \$45 thousand from the previous year
- Deferred outflows of resources decreased \$2.2 million from \$8.4 million to \$6.2 million
- Total liabilities decreased \$16 million from \$203 million to \$187 million
- The deficiency in net position decreased \$13 million from (\$194) million to (\$181) million

Government Wide:

- Total assets decreased \$123 thousand from \$802.606 million to \$802.483 million
- Deferred outflows of resources decreased \$3.3 million from \$10.6 million to \$7.3 million
- Total liabilities decreased \$22 million from \$397 million to \$375 million
- Deferred inflows of resources decreased \$61 thousand from the prior year
- Net position increased by \$18 million from \$416 million to \$434 million

Other Highlights:

- 22 water and waste water project and economic development loans were closed for the year ended June 30, 2017 on behalf of the Council
- 21 water and wastewater grants were closed for the year ended June 30, 2017 on behalf of the Council

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued
(Unaudited)

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE

Our analysis below focuses on the Net Position (Table 1) and Changes in Net Position (Table 2) of the Council:

Table 1
Net Position

	2017	2017	2016	2016
	Business Type Activities	Governmental Type Activities	Business Type Activities	Governmental Type Activities
ASSETS				
Cash equivalents	\$ 140,837,696	\$ 123	\$ 168,120,049	\$ 1,138
Investments	100,331,825	-	102,793,563	-
Assets held by others	206,000	-	-	-
Loans receivable, net	559,071,974	-	529,477,597	-
Other	2,035,602	-	2,169,918	43,892
Total assets	\$ 802,483,097	123	\$ 802,561,127	\$ 45,030
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources from pensions	\$ 97,796	\$ -	\$ 108,811	\$ -
Deferred loss on refunding	1,064,683	6,152,420	2,153,191	8,383,672
Total deferred outflows	\$ 1,162,479	\$ 6,152,420	\$ 2,262,002	\$ 8,383,672
LIABILITIES				
Bond payable, net	\$ 185,290,226	\$ 186,190,638	\$ 191,048,275	\$ 201,968,720
Net pension liability	178,377	-	123,848	-
Other	2,999,833	775,081	3,147,196	909,400
Total liabilities	\$ 188,468,436	\$ 186,965,719	\$ 194,319,319	\$ 202,878,120
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources from pensions	\$ 18,520	\$ -	\$ 79,840	\$ -
Total deferred inflows of resources	\$ 18,520	\$ -	\$ 79,840	\$ -
NET POSITION				
Restricted	\$ 593,751,485	\$ 123	\$ 595,585,827	\$ 1,138
Unrestricted (deficit)	21,407,135	(180,813,299)	14,838,143	(194,450,556)
Total net position	\$ 615,158,620	\$ (180,813,176)	\$ 610,423,970	\$ (194,449,418)

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued
(Unaudited)

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (Continued)

Table 2
Changes in Net Position

	2017	2017	2016	2016
	Business Type Activities	Governmental Type Activities	Business Type Activities	Governmental Type Activities
Revenues				
Program revenues				
Charges for services	\$ 3,095,301	\$ -	\$ 1,940,037	\$ -
General revenues				
Miscellaneous revenues	2,005	-	108,260	-
Intergovernmental	26,000,000	22,055,613	36,000,000	22,500,000
Investment earnings	1,016,289	33,148	687,085	13,751
Total general revenues	<u>27,018,294</u>	<u>22,088,761</u>	<u>36,795,345</u>	<u>22,513,751</u>
Total revenues	30,113,595	22,088,761	38,735,382	22,513,751
Expenses				
General & administrative	802,790	-	787,058	-
Interest on long-term debt	8,339,703	8,019,096	7,688,593	8,819,228
Bond issue costs	-	208,713	-	-
Infrastructure & economic development	15,917,162	-	55,952,143	-
Loss on uncollectible loans	544,000	-	2,117,000	-
Transfers (in) out	<u>(224,710)</u>	<u>224,710</u>	<u>(1,464,042)</u>	<u>1,464,042</u>
Total expenses	<u>25,378,945</u>	<u>8,452,519</u>	<u>65,080,752</u>	<u>10,283,270</u>
Changes in net position	4,734,650	13,636,242	(26,345,370)	12,230,481
Beginning net position (deficit)	<u>610,423,970</u>	<u>(194,449,418)</u>	<u>636,769,340</u>	<u>(206,679,899)</u>
Ending net position (deficit)	<u>\$ 615,158,620</u>	<u>\$ (180,813,176)</u>	<u>\$ 610,423,970</u>	<u>\$ (194,449,418)</u>

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued
(Unaudited)

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (Continued)

Cash equivalents, which include short-term, highly liquid investments with original maturities of 90 days or less, decreased \$27 million, from \$168 million last year to \$141 million at the end of the current year. The decrease in cash was primarily the result of expenses for loans and grants totaling \$71 million, as well as contributions of the State Matching fund for the federally sponsored Drinking Water Treatment, principal and interest payments on outstanding bonds payable, and general and administrative expenses.

Offsetting these decreases were \$26 million received in Excess Lottery funds, the mineral severance tax, interest on loans, principal repayments of loans and investment earnings.

Investments decreased \$2.5 million due to a guaranteed investment contract which matured on November 1, 2016.

Assets held by others increased \$206 thousand due to the purchase of the Winterburn property by the West Virginia Water Development Authority on behalf of the Infrastructure Jobs and Development Council in lieu of foreclosure of their economic development loan.

Loans receivable increased \$29.6 million. This increase was primarily the combined effect of disbursements of new and prior year loan funds to projects of approximately \$55.1 million, less repayments of principal on loans of approximately \$25.5 million.

Deferred outflows of resources decreased \$3.3 million which was the result of current year amortizations of loss on refundings in the amount of \$837 thousand, as well as a \$2.5 million gain on refundings from the 2016 Series A and 2017 Series A bond refundings. This was offset by a decrease in the deferred outflow of resources for pension expense and pension contributions in the amount of \$11 thousand.

Total liabilities decreased \$21.8 million relating to a net decrease in bonds payable from the previous year. Bonds payable increased by \$106 million due to the issuance of 2016 Series A and 2017 Series A bonds and current year accretion and decreased by \$132 million due to current year principal repayments and the refunding of certain bonds.

Deferred inflows of resources decreased by \$61 thousand due to the current year pension activity.

Restrictions of net position are the result of constraints placed on the use of net position which have been imposed externally through debt covenants and by law through enabling legislation. Restricted net position decreased approximately \$1.8 million during the current year. That decrease can be explained primarily as follows: mineral severance tax revenue of \$22.0 million, excess lottery funds of \$6 million to pay debt service on the Chesapeake Bay bonds, and a transfer from the unrestricted funds of \$11.5 million for loan disbursements. Also, included in the increase were repayments of interest on loans and investment interest of \$3.9 million. Offsetting the increases were disbursements of \$34.1 million of principal and interest expense related to revenue and general obligation bonds and grant disbursements of \$14.3 million. Transfers from restricted accounts included interest earnings on accounts funded with residual mineral severance tax revenue and earnings on accounts funded with State appropriations of excess lottery revenue and earnings on debt service reserve funds. As provided by enabling legislation, the earnings on those restricted accounts were transferred to the unrestricted revenue account and various rebate accounts and were used, in part, to pay operating expenses of the Council.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued
(Unaudited)

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (Continued)

Unrestricted Net Position for business type activities as of June 30, 2017 is \$21.4 million, an increase from the prior year of approximately \$6.6 million. This is due to the receipt of excess lottery revenue of \$20 million offset by an internal transfer within the business type activities to restricted funds of \$11.5 million, payment of general and administrative expenses of \$803 thousand, and \$1.7 million for the State Match of the federally sponsored Drinking Water Treatment Revolving Fund.

Fund Balance/Government-wide Net Position The only activity reported in the governmental fund relates to future payments of the General Obligation Bonds which mature through fiscal year 2027. See Note 9 in the Notes to the Financial Statements for further detail. Although the governmental fund reports a deficit, \$22.0 million of intergovernmental revenue is statutorily provided every year by the State of West Virginia from excess mineral severance tax in order to pay the debt service for the General Obligation Bonds. The total government - wide net position as of June 30, 2017, is \$434 million.

Charges for services consist of interest earnings on loans to projects which increased during the current year by approximately \$1.2 million. Loans receivable had a net increase of \$29.5 million during the current year and loans are beginning to repay that have a nominal interest rate.

Intergovernmental activity consists of \$22.0 million mineral severance tax revenue and \$26 million excess lottery revenue, both appropriated from the State. The mineral severance tax revenue was received from the State's general fund into the Debt Service Fund to pay the general obligation bonds debt service payments required in fiscal year 2017. Excess lottery revenue represents the amount in the State's lottery fund in the State Treasury appropriated by the Legislature to the Council for loans, grants and other funding assistance, as well as payment of debt service on the 2014 Series bonds, issued to provide grants for the Chesapeake Bay and Greenbrier Watershed projects.

Investment earnings consist of earnings on excess lottery revenue and earnings on repayments of principal and interest on loans to projects. Investment earnings also include earnings on committed but not yet disbursed proceeds of bond issuances and earnings on mineral severance tax revenue that is invested prior to payment of debt service on the general obligation bonds. Subsequent to the payment of debt service, any residual mineral severance tax revenue is transferred to the business type activity fund and then invested accordingly.

Investment earnings increased \$349 thousand from the prior year. Interest rates for the money market accounts in which most of the Council's funds are invested increased during the fiscal year.

Interest on long-term debt decreased approximately \$149 thousand. The decrease is due to lower interest rates due primarily to the refunding of the 2006A General Obligation bonds.

Infrastructure and economic development activity consists of grants paid to projects, binding commitments as well as the contributions for the required State match for the federally sponsored Drinking Water Treatment Revolving Funds. The current year disbursement of State Matching funds was approximately \$1.7 million which was allocated to the Drinking Water Treatment Revolving Fund. As of year-end, the Council has 22 binding commitments. These include 8 loans and 14 grants for which the funds are committed and not disbursed as described in Note 15 to the financial statements.

Loss on uncollectible loans decreased \$1.6 million due to an adjustment to the write off a portion of the Winterburn property. Also in fiscal year 2016 the allowance for uncollectible loans was increased \$1.8 million and no additional increase was required in fiscal year 2017.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued
(Unaudited)

BUDGETARY HIGHLIGHTS

West Virginia Code §29-22-18a (Section 18a) created within the State's lottery fund in the State Treasury an excess lottery revenue fund from which moneys are disbursed in specific allocations to various State accounts, including the Council.

Section 18a and related subsections of the West Virginia Code provide for certain deposits to accounts available to the Council for debt service payments and to fund water, wastewater, and economic development projects. Deposits for debt service payments are to be made during each fiscal year in the amount of \$6 million. For the year ended June 30, 2017, deposits of \$20 million were made for water, wastewater, and economic development projects, with no more than 50% of the funds deposited to be spent on grants. For the year ended June 30, 2018, \$40 million is to be deposited for projects and includes the stipulation that no more than 50% of the funds deposited may be spend for grants. Section 18a also includes language establishing the priority of deposits for these purposes and prescribes the timing of the deposits.

In accordance to Senate Bill 1011, \$26 million was appropriated to the West Virginia Infrastructure Council during fiscal year 2017 with the first \$6 million to be used for debt service on the Series 2014 bonds that were issued for the Chesapeake Bay and Greenbrier Watershed projects and the remaining \$20 million to be used for water, wastewater and economic development projects around the state.

DEBT ADMINISTRATION

The Infrastructure General Obligation Bonds and Refunding Bonds constitute a direct and general obligation of the State, and the full faith and credit of the State is pledged to secure the payment of the principal and interest on such bonds. The debt service on such general obligation bonds is paid from the dedication of mineral severance taxes in the State's general fund.

The West Virginia Water Development Authority (the Authority) is authorized to issue, on behalf of the Council, infrastructure and refunding bonds, which do not constitute a debt or pledge of the faith and credit of the State, for the purpose of providing funds to enable the Council to finance the acquisition or construction of water, wastewater and infrastructure projects. The debt service on such infrastructure bonds are paid from repayments of principal and interest on a set of defined loans previously made by the Authority on behalf of the Council.

At year-end, \$341 million (prior to amortization) in general obligation, revenue and refunding bonds issued for the benefit of the Council were outstanding versus \$367 million in the prior year, a decrease of 7% resulting from scheduled principal payments and the offset by current year accreted interest on capital appreciation bonds. For more information on long-term debt, please refer to Note 9 of the financial statements.

As of June 30, 2017, the State of West Virginia, Infrastructure General Obligation Bonds Series 1996A had a Standard & Poor's rating of AA-. The State of West Virginia Infrastructure General Obligation Refunding Bonds Series 2011A, Series 2015A, Series 2015B and Series 2017 had a Standard & Poor's rating of AA-. The bond insurer, National Public Finance Guarantee Corporation, had a rating by Standard & Poor's of AA-.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued
(Unaudited)

DEBT ADMINISTRATION (Continued)

As of June 30, 2017, the West Virginia Water Development Authority, Infrastructure Revenue Refunding Bonds Series 2012A and Series 2016A had a Moody's rating of A1 and a Fitch rating of A+.

As of June 30, 2017, the West Virginia Water Development Authority, Infrastructure Excess Lottery Revenue Bonds Series 2014A had a rating by Standard & Poor's of AAA.

The ratings, or lack thereof, of the bond insurers did not result in any event of default and does not affect the fixed interest rates paid on its' bonds issued on its behalf by the Authority. Any downward revision or withdrawal of any such rating could have an adverse effect on the secondary market price of the bonds issued on its' behalf by the Authority. The outstanding revenue bonds, except for Series 2011 which was issued with a rating of AA, by Standard & Poor's, were originally issued with a rating of AAA by Standard & Poor's on the understanding that the standard insurance policy purchased guaranteed the timely payment of principal and interest on the bonds. There is no assurance that a particular rating will continue for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of Standard & Poor's, circumstances so warrant.

The Authority's (and thereby, the Council's bonds) underlying rating of A- from Standard & Poor's reflects the State's moral obligation, which is one full category below the State's AA- rating. Ultimately, rating strength is provided by the pledge to maintain a debt service reserve fund equal to the maximum annual debt service on all outstanding bonds and servicing of underlying loans. If the amount in the reserve funds falls below the required maximum annual debt service level, the Governor, on notification by the Authority, may request the State's Legislature to appropriate the necessary funds to replenish the reserve to its required level. The State's Legislature, however, is not legally required to make such appropriation.

The Council continues to monitor the status of the bond insurers and is considering options for issuance of future bonds without an insurance policy.

FACTORS WHICH MAY AFFECT THE COUNCIL

Currently known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations (revenues, expenses, and other changes in fund balance and net position) include several factors.

The Legislature appropriated to the Council \$46 million for fiscal year 2018 from the excess lottery revenue fund. This amount is contingent on revenue collected from state video lottery operations meeting expected projections; therefore, the Council may receive up to \$40 million to provide additional loans, grants and other funding assistance and an additional \$6 million restricted for debt service on bonds issued to fund Chesapeake Bay and Greenbrier Watershed projects.

There are several other factors which are unknown that may affect the Council. These factors include changes in existing legislation and regulations, amounts collected in the excess lottery fund, market conditions that could impact investment income or affect the viability of issuing additional revenue bonds, and economic conditions that may affect the repayment of Council loans.

Due to the uncertainty on the future repayment of these loans, as well as other economic development project loans, the Council maintains a reserve for uncollectible economic development project loans to recognize current events.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued
(Unaudited)

CONTACTING THE COUNCIL'S MANAGEMENT

This financial report is designed to provide a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Director or Chief Financial Officer, West Virginia Water Development Authority, 1009 Bullitt Street, Charleston, West Virginia 25301 (Phone: 304-414-6500) or the Executive Director, West Virginia Infrastructure and Jobs Development Council, 1009 Bullitt Street, Charleston, West Virginia 25301 (Phone: 304-414-6500).

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

STATEMENT OF NET POSITION

Year Ended June 30, 2017

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash equivalents	\$ 123	\$ 140,837,696	\$ 140,837,819
Investments	-	100,331,825	100,331,825
Accrued interest receivable	-	2,018,143	2,018,143
Loans receivable, net of allowances of \$16,410,000	-	559,071,974	559,071,974
Assets held by others	-	206,000	206,000
Miscellaneous receivable	-	17,459	17,459
	<u>123</u>	<u>802,483,097</u>	<u>802,483,220</u>
Total assets	\$ 123	\$ 802,483,097	\$ 802,483,220
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Losses on bond refundings	\$ 6,152,420	\$ 1,064,683	\$ 7,217,103
Deferred outflows of resources from pension	-	97,796	97,796
	<u>6,152,420</u>	<u>1,162,479</u>	<u>7,314,899</u>
 <u>LIABILITIES</u>			
Accounts payable	\$ -	\$ 35,488	\$ 35,488
Due to other State of West Virginia agencies	-	167,708	167,708
Accrued interest payable	775,081	2,796,637	3,571,718
Net pension liability	-	178,377	178,377
General obligation bonds			
Due within one year, net of unamortized premium of \$1,617,801	16,522,801	-	16,522,801
Due after one year, net of unamortized premium of \$12,827,929	169,667,837	-	169,667,837
Revenue bonds			
Due within one year, net of unamortized premium of \$835,085	-	6,895,085	6,895,085
Due after one year, net of unamortized premium of \$15,600,140	-	178,395,141	178,395,141
	<u>186,965,719</u>	<u>188,468,436</u>	<u>375,434,155</u>
Total liabilities	\$ 186,965,719	\$ 188,468,436	\$ 375,434,155
 <u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferrend inflows of resources from pensions	\$ -	\$ 18,520	\$ 18,520
 <u>NET POSITION</u>			
Net position:			
Restricted	\$ 123	\$ 593,751,485	\$ 593,751,608
Unrestricted (deficit)	<u>(180,813,299)</u>	<u>21,407,135</u>	<u>(159,406,164)</u>
	<u>(180,813,176)</u>	<u>615,158,620</u>	<u>434,345,444</u>
Total net position	\$ (180,813,176)	\$ 615,158,620	\$ 434,345,444

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenue	Net (Expenses) Revenue and Changes in Net Position		Total
			Governmental Activities	Business-Type Activities	
Governmental activities:					
Interest and bond issuance costs on long-term debt	\$ 8,227,809	\$ -	\$ (8,227,809)	\$ -	\$ (8,227,809)
Business-type activities:					
Infrastructure and jobs development	<u>25,603,655</u>	<u>3,095,301</u>	<u>-</u>	<u>(22,508,354)</u>	<u>(22,508,354)</u>
Total primary government	<u>\$ 33,831,464</u>	<u>\$ 3,095,301</u>	<u>\$ (8,227,809)</u>	<u>\$ (22,508,354)</u>	<u>\$ (30,736,163)</u>
General revenues:					
Intergovernmental			\$ 22,055,613	\$ 26,000,000	\$ 48,055,613
Other			-	2,005	2,005
Investment earnings			33,148	1,016,289	1,049,437
Transfers in (out)			<u>(224,710)</u>	<u>224,710</u>	<u>-</u>
Total general revenues and transfers			<u>21,864,051</u>	<u>27,243,004</u>	<u>49,107,055</u>
Change in net position			13,636,242	4,734,650	18,370,892
Net position, beginning of year			<u>(194,449,418)</u>	<u>610,423,970</u>	<u>415,974,552</u>
Net position, end of year			<u>\$ (180,813,176)</u>	<u>\$ 615,158,620</u>	<u>\$ 434,345,444</u>

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2017

	<u>Debt Service Fund</u>
<u>ASSETS</u>	
Cash	<u>\$ 123</u>
<u>FUND BALANCE</u>	
Restricted fund balance	<u><u>\$ 123</u></u>

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND

Year Ended June 30, 2017

	Debt Service Fund
Revenues:	
Intergovernmental	\$ 22,055,613
Investment earnings	33,148
Total revenues	<u>22,088,761</u>
Expenditures:	
Debt service:	
Principal	16,835,000
Interest	4,821,353
Bond issue costs	208,713
Total expenditures	<u>21,865,066</u>
Other Financing Sources (Uses):	
Transfers out	(224,710)
Bonds issued - face value	28,215,000
Bonds issued - premiums	3,806,889
Payment to refunded bonds escrow agent	<u>(32,021,889)</u>
Total other financing uses	<u>(224,710)</u>
Net change in fund balance	(1,015)
Fund balance, beginning of year	<u>1,138</u>
Fund balance, end of year	<u>\$ 123</u>

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

STATEMENT OF NET POSITION - PROPRIETARY FUND

Year Ended June 30, 2017

<u>ASSETS</u>	<u>Enterprise Fund</u>
Current assets:	
Cash equivalents	\$ 140,837,696
Investments	100,331,825
Current portion of loans receivable	21,724,127
Accrued interest receivable	2,018,143
Miscellaneous receivable	17,459
Total current assets	<u>264,929,250</u>
Noncurrent assets:	
Assets held by others	206,000
Loans receivable, net of allowances of \$16,410,000	<u>537,347,847</u>
Total noncurrent assets	<u>537,553,847</u>
Total assets	<u>\$ 802,483,097</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows of resources from pensions	\$ 97,796
Loss on bond refundings	<u>1,064,683</u>
	<u>\$ 1,162,479</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	\$ 35,488
Due to other State of West Virginia agencies	167,708
Accrued interest payable	2,796,637
Current portion of revenue bonds payable, net of unamortized premium of \$835,086	<u>6,895,085</u>
Total current liabilities	<u>9,894,918</u>
Noncurrent liabilities:	
Net pension liability	178,377
Noncurrent portion of revenue bonds payable, net of unamortized premium of \$15,600,140	<u>178,395,141</u>
Total liabilities	<u>\$ 188,468,436</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred inflows of resources from pensions	<u>\$ 18,520</u>
<u>NET POSITION</u>	
Restricted	\$ 593,751,485
Unrestricted	<u>21,407,135</u>
Total net position	<u>\$ 615,158,620</u>

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUND

Year Ended June 30, 2017

	<u>Enterprise Fund</u>
Interest charges for services	\$ <u>3,095,301</u>
Operating expenses:	
Infrastructure and economic development	15,917,162
Provisions for uncollectible loans	544,000
General and administrative	<u>802,790</u>
Total operating expenses	<u>17,263,952</u>
Operating loss	<u>(14,168,651)</u>
Nonoperating revenues (expenses):	
Miscellaneous income	2,005
Intergovernmental	26,000,000
Investment earnings, net	1,016,289
Interest on bonds	<u>(8,339,703)</u>
Total nonoperating revenues, net	<u>18,678,591</u>
Transfers in	<u>224,710</u>
Change in net position	4,734,650
Net position, beginning of year	<u>610,423,970</u>
Net position, end of year	<u>\$ 615,158,620</u>

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year Ended June 30, 2017

	<u>Enterprise Fund</u>
Cash flows from operating activities:	
Receipts of principal on loans	\$ 25,546,382
Receipts of interest on loans	2,943,975
Disbursements of loans	(55,140,759)
Disbursements of grants	(15,917,162)
Disbursements of general and administrative expenses	(684,814)
Disbursements on behalf of employees	(305,287)
Provisions for loan loss	<u>(544,000)</u>
Net cash used in operations	<u>(44,101,665)</u>
Cash flows from noncapital financing activities:	
Transfers	224,710
Proceeds from sale of assets held by others	2,005
Proceeds from issuance of revenue bonds	79,465,191
Excess lottery and other appropriations	26,000,000
Principal paid on revenue bonds	(83,805,000)
Interest paid on revenue bonds	<u>(8,482,533)</u>
Net cash provided by noncapital financing activities	<u>13,404,373</u>
Cash flows from investing activities:	
Purchase of investments	(375,200,779)
Proceeds from sale of investments	377,662,517
Investment earnings	<u>953,201</u>
Net cash provided by investing activities	<u>3,414,939</u>
Net decrease in cash and cash equivalents	(27,282,353)
Cash and cash equivalents, beginning of year	<u>168,120,049</u>
Cash and cash equivalents, end of year	<u>\$ 140,837,696</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (14,168,651)
Adjustment to reconcile operating loss to net cash used in operating activities:	
Provision for loan losses	544,000
Pension expense	25,950
Changes in operating accounts:	
Due to other agencies	(4,453)
Assets held by others	(206,000)
Loans receivable	(30,138,377)
Miscellaneous receivables	229
Accrued interest receivable	(151,555)
Accounts payable	18,918
Deferred outflows of resources due to pension contributions	<u>(21,726)</u>
Net cash used in operating activities	<u>\$ (44,101,665)</u>

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

1 - REPORTING ENTITY

The West Virginia Infrastructure and Jobs Development Council (the Council) was created as a governmental entity of the State of West Virginia (the State) under the provisions of Chapter 31, Article 15A, Section 3 of the Code of West Virginia, 1931, as amended, and known as the West Virginia Infrastructure and Jobs Development Act (the Act). The Council has statutory responsibility to review the preliminary applications for wastewater facilities, water facilities or combination projects, or infrastructure projects seeking State funding and to either make a written recommendation as to the infrastructure project financing, in terms of the kind, amount and source of funding, which the project sponsor should pursue and which the State infrastructure agency or agencies should consider an appropriate investment of public funds, or a determination that the project or infrastructure project is not eligible for funding assistance from any State infrastructure agency or the project or infrastructure project is not otherwise an appropriate or prudent investment of State funds, and make a recommendation that the project sponsor not seek funding from any State infrastructure agency.

The Council consists of thirteen voting members, including the Governor or their designee as chairman and executive representation from the Housing Development Fund, Department of Environmental Protection, Economic Development Authority, Water Development Authority (the Authority), Bureau for Public Health, Public Service Commission and six members representing the general public. The Authority serves as the administrative agency for the Council, is the fiduciary agent of the West Virginia Infrastructure Fund and is authorized to issue infrastructure revenue and refunding bonds on behalf of the Council.

As the state is able to impose its will over the Council, the Council is included in the State's comprehensive annual financial report as an enterprise fund.

2 - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. The effect of interfund activity has been eliminated from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Separate financial statements are provided for the governmental fund and the enterprise fund, which are reported as separate columns in the government-wide financial statements.

3 - MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**3 - MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The government reports the following major governmental fund:

The *Debt Service Fund* accounts for the accumulation of resources for, and the payment of, principal and interest on long term debt.

The government reports the following major proprietary fund:

The *Enterprise Fund* accounts for the operations of certain lending activities that are financed with debt, which is secured by a pledge of fees and charges for that activity. In addition, a grant program for watershed improvements was funded with proceeds of a bond issue. The debt service on the bond issue is to be paid from annual appropriations of funds from an external revenue source.

The effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund are interest on loans receivable. Operating expenses for the proprietary fund includes the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

4 - SIGNIFICANT ACCOUNTING POLICIESBudgetary Accounting

Except for excess lottery revenue appropriated to the enterprise fund for expenditure and mineral severance taxes appropriated to the debt service fund for debt service, the Council's funds are not subject to the Legislative budget process.

Cash Equivalents

Cash equivalents include investments with original maturities of less than ninety days.

Investments

All investments are reported in accordance with generally accepted accounting principles (GAAP) and are carried at either cost, amortized cost, contract value, or fair value as applicable.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**4 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**Allowance for Uncollectible Loans

The Council uses the allowance method of providing for loan losses on economic development project loans. The provision for loan losses charged to operating expense is based on factors which deserve current recognition in estimating possible losses, such as growth and composition of the loan portfolio, relationship of the allowance for uncollectible loans to outstanding loans, current financial condition of the borrowers, changes in specific industries, and overall economic conditions.

Because of uncertainties in the estimation process, including local and industry economic conditions, as well as collateral values, it is reasonably possible that management's estimate of losses in the loan portfolio for economic development projects and the related allowance may materially change in the near term. The amount of the change that is reasonably possible, however, cannot be estimated.

The Council has not established an allowance for uncollectible loans in its loan portfolio for water and wastewater projects because of remedies available to it in the loan agreements that exist between the Authority on behalf of the Council and the various entities to which the loans were made.

Interfund Transactions

During the normal course of Council operations, transfers of resources to provide services take place between funds. Interfund transactions are recorded as transfers as determined by Council management.

Bond Premiums, Discounts and Issuance Costs

Bond premiums and discounts are amortized using the straight-line method over the varying terms of the bonds issued. The straight-line method is not in accordance with GAAP, but the difference in amortization using the straight-line method, versus the effective interest method which is in accordance with GAAP, is not material to the financial statements as a whole. Bond issuance costs are expensed as incurred.

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 council reports losses on bond refundings and certain pension amounts as deferred outflows of resources on the statement 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 Council reports deferred inflows of resources related to pensions on the statement of net position.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**4 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**Pension

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

Arbitrage Rebate Payable

The United States Internal Revenue Code of 1986, as amended (the "Code"), prescribes restrictions applicable to the Council as issuer of Infrastructure Fund Revenue and Refunding Bonds. Among those include restrictions on earnings on the bond proceeds. The Code requires payment to the federal government of investment earnings on certain bond proceeds in excess of the amount that would have been earned if the proceeds were invested at a rate equal to the yield on the bonds. As of June 30, 2017, the Council is not liable to the federal government as a result of arbitrage.

Fund Balances

In the governmental fund financial statements, fund balance has been reported as restricted. Restricted fund balances represent fund balances which are restricted by constraints placed on its use of resources by either: (1) externally imposed creditors, grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions and enabling legislation. The Council's governmental fund is restricted by enabling legislation.

Net Position

Net position is presented as restricted or unrestricted. Restricted net position represents assets restricted for the repayment of bond proceeds or by bond covenants. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, restricted resources are applied first.

5 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported in the statement of net position differ from the governmental fund balance sheet because of the following:

Total fund balance on governmental fund balance sheet	\$	123
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Under the current financial resources measurement focus and modified accrual basis of accounting, liabilities related to debt service are not recorded until due and are not included in the governmental funds balance sheet:

Deferred outflows of resources	6,152,420
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WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**5 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

General obligation bonds	(186,190,638)
Accrued interest on general obligation bonds	<u>(775,081)</u>
Net position (deficit) of governmental activities	<u>\$ (180,813,176)</u>

Amounts reported in the statement of activities differ from the statement of revenues, expenditures, and changes in fund balance - governmental fund because of the following:

Net change in fund balance - governmental fund	\$ (1,015)
Principal debt payments recorded on the modified accrual basis of accounting are not recorded in the governmental activities	16,835,000
Proceeds from general obligation refunding bonds, including premiums	(32,021,889)
Payment to refunded bonds escrow agent	32,021,889
Accretion of interest related to capital appreciation bonds is an expense of the governmental activities	<u>(3,197,743)</u>
Change in net position of governmental activities	<u>\$ 13,636,242</u>

6 - DEPOSIT AND INVESTMENT RISK DISCLOSURES

The Authority, as fiscal agent for the Council, adopted and adheres to investment guidelines for the Council. Those guidelines and the General Revenue Bond Resolution authorize the Council to invest all bond proceeds and other revenues in obligations of the United States and certain of its agencies, certificates of deposit, public housing bonds, direct and general obligations of states which are rated in either of the two highest categories by Standard & Poor's Corporation, advance-refunded municipal bonds and repurchase agreements relating to certain securities. With the exception of deposits and investments of the General Obligation Debt Service Fund, investments are managed by the financial institution serving as trustee for the Council.

As required by West Virginia Code, the mineral severance tax revenue appropriated annually for debt service on the general obligation bonds is deposited in the General Obligation Debt Service Fund held by the Treasurer of the State of West Virginia and is invested in accordance with the Act and in conformity with investment guidelines of the Board of Treasury Investments (BTI). The Council's Debt Service Fund, which is included in the General Obligation Debt Service Fund's cash balances, reports a carrying amount of \$123 at June 30, 2017.

Interest Rate Risk - West Virginia Money Market Pool

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**6 - DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)**

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

Interest Rate Risk - West Virginia Money Market Pool (Continued)

<u>Security Type</u>	<u>Carrying Value (In Thousands)</u>	<u>WAM (Days)</u>
Repurchase agreements	\$ 110,800	3
U.S. treasury notes	97,823	44
U.S. treasury bills	69,837	88
Commercial paper	1,064,527	36
Certificates of deposit	330,476	41
Corporate bonds and notes	9,485	79
Money market funds	<u>100,005</u>	3
	<u>\$ 1,782,953</u>	36

Interest Rate Risk - All Other Investments

As of June 30, 2017, the Council had the following investments and maturities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturities (in Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
U.S. Treasury obligations (carried at fair value)	\$ 100,331,825	\$ 100,331,825	\$ -
Money markets (carried at amortized cost)	<u>140,837,696</u>	<u>140,837,696</u>	<u>-</u>
	<u>\$ 241,169,521</u>	<u>\$ 241,169,521</u>	<u>\$ -</u>

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**6 - DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)**

As a means of limiting its exposure to carrying value losses arising from rising interest rates, the Authority's investment guidelines for the Council limit the maturities of investments not matched to a specific debt or obligation of the Council to five years or less, unless otherwise approved by the Authority.

Investments matched to obligations of the Council would include investments of reserve funds for each of the Authority's outstanding revenue and refunding bond issues. The General Revenue Bond Resolution requires that, while the bonds are outstanding, there be on deposit in the reserve funds an amount equal to the maximum amount of principal installments and interest coming due during the current or any succeeding year. The Council has both the intent and the ability to hold long-term securities until final maturity and thus is limited in its exposure to interest rate risk on these long-term obligations.

Concentration of Credit Risk - West Virginia Money Market Pool

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single corporate issuer. The BTI investment policy prohibits the West Virginia Money Market Pool from investing more than 5% of their assets in any one corporate name or one corporate issue. The West Virginia Money Market Pool is not exposed to concentration of credit risk.

Concentration of Credit Risk - All Other Investments

The Authority's investment guidelines for the Council manage concentration of credit risk by limiting its investment activity so that at any time its total investment portfolio will not exceed the percentage limits as to the permitted investments. The enterprise fund investment portfolio's percentage of permitted investments is shown below:

<u>Permitted Investments</u>	<u>Maximum Percentage of Portfolio</u>	<u>Enterprise Fund Percentage as of June 30, 2017</u>
(a) Direct Federal Obligations	100%	41.60%
(b) Federally Guaranteed Obligations	100%	-
(c) Federal Agency Obligations	90%	-
(d) Money Markets	90%	58.40%
(e) Repurchase Agreements/Investment Contracts	90%	-
(f) Time Deposits/Certificates of Deposit	90%	-
(g) Demand Deposits	30%	-
(h) Corporate Obligations	15%	-
(i) Other State/Local Obligations	15%	-
(j) West Virginia Obligations	15%	-
(k) Housing Bonds – Secured by Annual Contributions Contracts	5%	-

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**6 - DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)**

With the exception of money market funds, repurchase agreements/investment contracts, time deposits/certificates of deposit and demand deposits, investments that comprise more than 15% of the investment portfolio must be direct federal, federal agency or federally guaranteed obligations.

All other investments listed above that comprise more than 15% of the investment portfolio must be either provided by an institution with a rating of at least "A/A" by Moody's and/or Standard and Poor's, invested in a money market fund rated "AAAm" or "AAAm-G" or better by Standard and Poor's, secured by obligations of the United States or not exceed the insurance limits established by the FDIC unless adequate collateral is provided.

Credit Risk - West Virginia Money Market Pool

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The WV Money Market Pool has been rated AAAm by the Standard & Poor's. A fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. The BTI itself has not 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 bonds to be rated A+ by Standard & Poor's (or its equivalent) or higher. 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. The following table provides information on the credit ratings of the WV Money Market Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Commercial paper	P-1	A-1+	\$ 358,377	20.10 %
	P-1	A-1	706,150	39.60
Corporate bonds and notes	Aa3	AA-	6,285	.35
	A1	A	3,200	.18
U.S. Treasury notes*	Aaa	AA+	97,823	5.49
U.S. Treasury bills*	P-1	A-1+	69,837	3.92
Negotiable certificates of deposit	P-1	A-1+	174,000	9.76
	P-1	A-1	156,476	8.78
Money market funds	Aaa	AAAm	100,005	5.61
Repurchase agreements (underlying securities):				
U.S. treasury notes*	P-1	A-1	50,000	2.80
U.S. treasury notes*	NR	A-1	60,800	3.41
			<u>\$ 1,782,953</u>	<u>100.00 %</u>

* US Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**6 - DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)**Credit Risk - All Other Investments

The table below provides information on the credit ratings of the Council's cash equivalents and investments:

Security Type	Moody's	Standard & Poors	Carrying Value
Investment of revenues:			
Money markets	Aaa-mf	AAAm	\$ 140,837,696
U.S. Treasury obligations*	P-1	A-1+	100,331,825
West Virginia Money Market Pool	-	AAAm	<u>123</u>
Total cash equivalents and investments			<u>\$ 241,169,644</u>

* US Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

Credit risk with investment of bond proceeds is managed by the limitation on investment of those proceeds in the following types of debt securities in accordance with the Authority's investment guidelines for the Council and the authorizing General Revenue Bond Resolution: Government obligations, obligations of certain federal agencies, either representing the full faith and credit of the United States of America or which are rated Aaa-mf by Moody's and AAAm by Standard and Poor's, certain types of commercial paper, advance-refunded municipal bonds, certain general obligations of the State of West Virginia or any other state, or other forms of investments approved in writing by the applicable bond insurer, if any.

Accordingly, the credit risk with the investment of cash assets other than bond proceeds, known as "other revenues," is managed by the limitation on investment of other revenues in the following types of debt securities in accordance with the Authority's investment guidelines for the Council: direct obligations of or obligations guaranteed by the United States of America, the State of West Virginia or any other state, provided that obligations of other states meet certain requirements, obligations of certain federal agencies, certain types of indebtedness of public agencies or municipalities, corporate indebtedness meeting certain requirements or any other debt security investment permitted with bond proceeds.

Custodial Credit Risk - West Virginia Money Market Pool

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the BTI will not be able to recover the value of its investments 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. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**6 - DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)**Custodial Credit Risk - All Other Investments

The Authority's investment guidelines for the Council put certain restrictions on repurchase agreements, including the following: the Council can only enter into repurchase agreements with financial institutions having a credit rating of at least "A/A"; collateral is limited to direct federal, federally guaranteed or federal agency obligations; collateral is required to be delivered to a third-party custodian, the Council or the trustee; and, the financial institution must guarantee the aggregate market value of the collateral will equal or exceed the outstanding repurchase agreement by the margin specified in the respective repurchase agreement. As of June 30, 2017, the Council held no securities that were subject to custodial credit risk.

Foreign Currency Risk - All Investments

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. There are no securities that are subject to foreign currency risk.

A reconciliation of investments as disclosed in this Note to the amounts reported on the Statement of Net Position - Proprietary Fund is as follows:

As disclosed in this Note:	
Total investments	\$ 241,169,521
Less: cash equivalents	<u>(140,837,696)</u>
Carrying amount of investments	<u>\$ 100,331,825</u>
As reported on the Statement of Net Position - Proprietary Fund:	
Investments	<u>\$ 100,331,825</u>

7 - INVESTMENTS MEASURED AT FAIR VALUE

The Council measures the investments listed below at fair value for financial reporting purposes. GAAP defines fair value 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. Fair value is a market-based measurement, not an entity-specific measurement. The Council categorizes fair value measurements within the fair value hierarchy established by GAAP.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

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

Level 2 inputs - Other than quoted prices included within Level 1, these are inputs that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs - Unobservable inputs for an asset or liability.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**7 - INVESTMENTS MEASURED AT FAIR VALUE (Continued)**

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

U.S. Treasury obligations are reported at fair value, which is determined by a third-party pricing service based on an asset portfolio pricing models and other sources.

The table below summarizes the recurring fair value measurements of the investment securities based on the fair value hierarchy as of June 30, 2017.

Investment Type	Level 1	Level 2	Level 3	Total
U.S. Treasury obligations	\$ -	\$ 100,331,825	\$ -	\$ 100,331,825

8 – DEBT REFUNDINGS

On December 20, 2016, the Council issued 2016 Series A Revenue and Refunding Bonds in the amount of \$74,320,000, with interest rates ranging from 2% to 5%, to refund \$37,185,000 of the remaining balance of the Council's outstanding 2006 Series A revenue bonds and \$7,855,000 of the remaining balance of the Council's outstanding 2006 Series B revenue bonds with interest rates originally ranging from 4% to 5%. 2016 Series A was also used to refund \$33,560,000 of the remaining balance of the Council's outstanding 2007 Series A with interest rates originally ranging from 4.25% to 5%. The proceeds of \$80,218,591 (including net original issue premium of \$5,479,631) and other funds available to the Council were used to pay \$521,651 in underwriting fees and other issuance costs relating to the refunding bond issue and to purchase United States Treasury obligations. Those securities were deposited in an irrevocable trust to provide for redemption of the bonds.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of (\$991,613). This difference is being charged to interest expense through fiscal year 2046, along with \$944,061 of the previously unamortized balance of the prior refunding. The Water Development Authority, on behalf of the Council, completed the refunding to reduce its total debt service payments over the next 29 years by \$8,640,215 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5,826,728.

On January 12, 2017, the Council issued Infrastructure General Obligation Refunding Bonds, Series 2017A, in the amount of \$28,215,000, with interest rates ranging from 2.0% to 5.0%, to currently refund \$31,600,000 of the Council's outstanding Series 2006 general obligation bonds with interest rates ranging from 4.25% to 5%. The proceeds of \$32,244,782 (including original issue premium of \$3,806,889) and other funds available to the Council were used to pay \$222,892 in underwriting fees and other issuance costs relating to the refunding bond issue; and transfer to escrow agent of \$32,014,683 to be called February 13, 2017, plus accrued interest.

The Council completed the refunding to reduce its total debt service payments over the next 9 years by \$3,873,486 and to obtain an economic gain (difference between the present values of the old and new debt service requirements, discounted at the effective interest rate of the new debt and adjusted for additional cash paid) of \$3,784,204.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**9 - LONG -TERM DEBT**

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	Balance July 1, 2016	Additions/ Accretions	Debt Reductions	Balance June 30, 2017
Governmental fund type:				
General Obligation Bonds*				
1996 Series A and D	\$ 7,330,000	\$ -	\$ 2,300,000	\$ 5,030,000
1999 Series A Capital Appreciation	69,711,913	3,617,995	7,125,000	66,204,908
2006 Series A Refunding	36,000,000	-	36,000,000	-
2011 Series A Refunding	5,020,000	-	1,600,000	3,420,000
2015 Series A Refunding	65,965,000	-	-	65,965,000
2015 Series B Refunding	4,320,000	-	1,410,000	2,910,000
2017 Series Refunding	-	28,215,000	-	28,215,000
	<u>188,346,913</u>	<u>31,832,995</u>	<u>48,435,000</u>	<u>171,744,908</u>
Revenue and Refunding Bonds				
2006 Series A	38,140,000	-	38,140,000	-
2006 Series B	8,410,000	-	8,410,000	-
2007 Series A	34,210,000	-	34,210,000	-
2012 Series A Refunding	25,105,000	-	670,000	24,435,000
2014 Series A	72,475,000	-	2,375,000	70,100,000
2016 Series A Refunding	-	74,320,000	-	74,320,000
	<u>178,340,000</u>	<u>74,320,000</u>	<u>83,805,000</u>	<u>168,855,000</u>
Total	<u>\$ 366,686,913</u>	<u>\$ 106,152,995</u>	<u>\$ 132,240,000</u>	<u>\$ 340,599,908</u>

Debt Service Fund

The proceeds from the Council's bond programs, which originated with a 1994 Constitutional Amendment authorizing the issuance of \$300,000,000 in Infrastructure General Obligation Bonds, provide financial assistance to infrastructure and economic development projects throughout the state. All general obligation bonds are considered a moral obligation of the State of West Virginia. The source of repayment for the general obligation, capital appreciation, and refunding bonds is the annual receipt of \$22.0 million of mineral severance tax revenue deposited into the Governmental Fund from the State's general fund. Principal, net of accretion, and interest paid on these bonds were \$16,835,000 and \$4,821,353, respectively for the year ended June 30, 2017.

Future maturities of general obligation bonds and capital appreciation bonds, with interest rates ranging from 2.0% to 7.625% and maturing through 2027, are as follows:

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**9 - LONG -TERM DEBT (Continued)**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 7,830,000	\$ 4,472,313	\$ 12,302,313
2019	9,455,000	4,076,969	13,531,969
2020	9,685,000	3,687,475	13,372,475
2021	10,020,000	3,290,925	13,310,925
2022	<u>10,420,000</u>	<u>2,809,900</u>	<u>13,229,900</u>
	<u>47,410,000</u>	<u>18,337,582</u>	<u>65,747,582</u>
2023 - 2027	<u>58,130,000</u>	<u>6,421,750</u>	<u>64,551,750</u>
	<u>\$ 105,540,000</u>	<u>\$ 24,759,332</u>	<u>\$ 130,299,332</u>

Capital Appreciation Bonds:

	<u>Principal, net of amounts to be accreted in future years</u>	<u>Amounts to be accreted in future years</u>	<u>Total</u>
2018	\$ 6,948,837	\$ 126,163	\$ 7,075,000
2019	6,534,282	490,718	7,025,000
2020	7,554,781	1,020,219	8,575,000
2021	7,197,517	1,427,483	8,625,000
2022	<u>6,896,431</u>	<u>1,828,569</u>	<u>8,725,000</u>
	<u>35,131,848</u>	<u>4,893,152</u>	<u>40,025,000</u>
2023 - 2027	<u>31,073,060</u>	<u>15,126,940</u>	<u>46,200,000</u>
Total capital appreciation bonds	<u>66,204,908</u>	<u>\$ 20,020,092</u>	<u>\$ 86,225,000</u>
Total general obligation bonds and capital appreciation bonds	171,744,908		
Add: unamortized premium	14,445,730		
Less: amount due within one year	<u>(16,522,801)</u>		
Amount due after one year	<u>\$ 169,667,837</u>		

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**9 - LONG -TERM DEBT (Continued)**Business Type Activity

Future maturities of principal and interest of revenue and refunding bonds, with interest ranging from 2.0% to 5.0% and maturing through October 2045, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 6,060,000	\$ 7,580,125	\$ 13,640,125
2019	5,515,000	7,369,825	12,884,825
2020	5,735,000	7,134,050	12,869,050
2021	5,985,000	6,873,925	12,858,925
2022	<u>6,255,000</u>	<u>6,584,325</u>	<u>12,839,325</u>
	<u>29,550,000</u>	<u>35,542,250</u>	<u>65,092,250</u>
2023 - 2027	35,530,000	28,029,981	63,559,981
2028 - 2032	42,740,000	19,002,088	61,742,088
2033 - 2037	40,015,000	8,425,988	48,440,988
2038 - 2042	15,585,000	2,561,831	18,146,831
2043 - 2046	<u>5,435,001</u>	<u>455,375</u>	<u>5,890,376</u>
	<u>139,305,001</u>	<u>58,475,263</u>	<u>197,780,264</u>
Total revenue and refunding bonds	168,855,001	<u>\$ 94,017,513</u>	<u>\$ 262,872,514</u>
Add: unamortized premium	16,435,225		
Less: amount due within one year	<u>(6,895,085)</u>		
Amount due after one year	<u>\$ 178,395,141</u>		

The \$6,000,000 statutory allocation of revenues from the State Excess Lottery Revenue Fund to the Council will pay annual debt service on the 2014 Series A Bonds. West Virginia Code §29-22-18a prescribes the priority and timing of the deposits to the Council for debt service.

The primary source of repayment for the remaining revenue and refunding bonds is the receipt of payments of principal and interest on a set of loans, known as defined loans, previously made to projects from general obligation and revenue bond proceeds. Repayments of principal and interest on the defined loans of \$7,538,996 and \$799,664 respectively were available for revenue bond debt service of \$6,464,005, comprised of \$2,830,000 for principal and \$3,634,005 for interest, respectively for the year ended June 30, 2017.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**9- LONG -TERM DEBT (Continued)**Business Type Activity (Continued)

In prior years, certain general obligation bonds and revenue bonds were defeased by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the Council's financial statements. At June 30, 2017, there were \$678,600 in defeased general obligation bonds outstanding.

10 - TRANSACTIONS WITH STATE OF WEST VIRGINIA AGENCIES

The Council received \$22 million of mineral severance tax revenue from the State's general fund into the Debt Service Fund to accommodate the general obligation bonds debt service payments required in fiscal year 2017. Funds remaining after the payment of general obligation bonds debt service have been transferred to the Enterprise Fund to provide additional lending and granting capacity, which is consistent with the Council's purpose.

West Virginia Code §29-22-18a (Section 18a) created within the State's lottery fund in the State Treasury an excess lottery revenue fund from which moneys are disbursed in specific allocations to various State accounts, including the Council. In accordance to Senate Bill 1011, \$26 million was appropriated to the West Virginia Infrastructure Council during fiscal year 2017 with the first \$6 million to be used for debt service on the Series 2014 bonds that were issued for the Chesapeake Bay and Greenbrier Watershed projects and the remaining \$20 million to be used for water, wastewater and economic development projects around the state.

During the year ended June 30, 2017, the Council contributed \$1,662,400 to the Bureau for Public Health for the required State match for the federally sponsored Drinking Water Treatment Revolving Fund to secure federal dollars and continue that program.

The West Virginia Water Development Authority (the Authority) as the fiduciary agent of the Council, pays for certain expenses on behalf of the Council. As of June 30, 2017, the Council had incurred \$802,790 of expenses of which \$167,709 remains unpaid at June 30, 2017.

11 - EMPLOYEE BENEFITSPension Plan*Plan Description*

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**11 - EMPLOYEE BENEFITS (Continued)**Pension Plan (Continued)*Benefits Provided*

PERS provides retirement benefits as well as death and disability benefits. Qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. For all employees hired on or after July 1, 2015, qualification for normal retirement is age 62 with 10 years of service or at least age 55 with age and service equal to 80 or greater. 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 on or after July 1, 2015, average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, this age increases to 64.

Contributions

Although contributions are not actuarially determined, actuarial valuations are performed to assist the Legislature in establishing appropriate contribution rates. Current funding policy requires contributions, consisting of member contributions of 4.5% of covered payroll for all members hired before July 1, 2015, or member contributions of 6% for all members hired on or after July 1, 2015, and employer contributions of 12.0%, 13.5%, and 14.0% for the years ended June 30, 2017, 2016, and 2015, respectively.

During the years ended June 30, 2017, 2016, and 2015, the Council's contributions to PERS required and made were approximately \$21,726, \$37,417, and \$42,090, respectively.

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

At June 30, 2017, the Council reported a liability of \$178,377 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, rolled forward to the measurement date of June 30, 2016. The Council's proportion of the net pension liability was based on the Council's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2016. At June 30, 2016, the Council's proportion was 0.019407 percent, which was a decrease of 0.002762 percent from its proportion measured as of June 30, 2015.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**11 – EMPLOYEE BENEFITS (Continued)**Pension Plan (Continued)

For the year ended June 30, 2017, the Council recognized pension expense of \$25,950. At June 30, 2017, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 56,053	\$ -
Changes in assumptions	-	8,690
Changes in proportion and differences between the Council's contributions and proportionate share of contributions	5,142	9,830
Difference between expected and actual experience	14,875	-
The Council's contributions made subsequent to the measurement date of June 30, 2016	<u>21,726</u>	<u>-</u>
Total	<u>\$ 97,796</u>	<u>\$ 18,520</u>

The \$21,726 reported as deferred outflows of resources related to pensions resulting from the Council's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2017	\$ 9,383
2018	8,807
2019	22,422
2020	16,938

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

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 110% of the RP-2000 Non-Annuitant, scale AA for healthy males, 101% of the RP-2000 Non-Annuitant, scale AA for healthy females, 96% of RP-2000 Disabled Annuitant, scale AA for disabled males, and 107% of RP-2000 Disabled Annuitant, scale AA for disabled females.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**11 - EMPLOYEE BENEFITS (Continued)**Pension Plan (Continued)

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

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

Asset Class	Target Allocation	Long-term Expected Rate of Return	Weighted Average Expected Real Rate of Return
US equity	27.5%	7.0%	1.92%
International equity	27.5%	7.7%	2.12%
Core fixed income	7.5%	2.7%	0.20%
High yield fixed income	7.5%	5.5%	0.41%
Real estate	10.0%	7.0%	0.70%
Private equity	10.0%	9.4%	0.94%
Hedge funds	10.0%	4.7%	0.47%
Total	100.00%		6.76%
Inflation (CPI)			1.90%
			8.66%

Discount Rate

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**11 - EMPLOYEE BENEFITS (Continued)***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%)
The Council's proportionate share of the net pension liability	\$ 332,892	\$ 178,377	\$ 55,647

12 - SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses in the enterprise fund for the year ended June 30, 2017, were as follows:

Salaries and benefits	\$ 310,761
Legal	200,995
Consulting and professional	47,768
Rentals	94,982
Travel and training	5,325
Office supplies	1,077
Computer services	1,522
Telecommunications	114
Trustee	106,710
Insurance	4,667
Storage Expense	625
Miscellaneous Expense	15,110
Property Tax	<u>13,134</u>
Total general and administrative	<u>\$ 802,790</u>

13 - RISK MANAGEMENT

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

The Council has obtained coverage for job-related injuries to employees and health coverage for its employees in exchange for the payment of premiums to a commercial insurance provider and WVPEIA. Accordingly, the Council has transferred its risk related to job-related injuries and health coverage for employees.

The Council obtained coverage transferring its risk for general liability, property damage, business interruption, errors and omissions, and natural disasters from the West Virginia Board of Risk and Insurance Management in exchange for an annual premium. There were no changes in any of the above coverages or claims in excess of coverage for the year ended June 30, 2017.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**14 - RESTRICTED NET POSITION**

Restrictions of net position are the result of constraints placed on the use of net position which have been imposed through third party bond indentures and enabling legislation. The enterprise fund Statement of Net Position reports \$593,751,485 of restricted net position, of which \$106,568,522 is restricted for the debt service related to the defined loan program segment of the revenue bonds.

15 - COMMITMENTS

The Council's Enterprise Fund has issued commitments to loan or grant funds to qualifying applicants for a period of time contingent on numerous actions to be completed by the applicants. As of June 30, 2017, \$25,187,054 was designated by the Council for loans and grants to water, wastewater, and economic development projects. The Council also has commitments to provide grants in the amount of \$3,009,482 for Chesapeake Bay and Greenbrier Watershed projects. The Council has also designated \$5,781,800 for contributions to two State agencies for the required State match for federally sponsored revolving funds.

16 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued two statements relating to accounting and financial reporting for pension and postemployment benefit plans: Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; and Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 7*. The provisions of Statement Nos. 75 and portions of 82 are effective for periods beginning after June 15, 2017. Council management has not determined the effect, if any, these statements will have on its financial statements.

The GASB has also issued Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2018. Council management has not determined the effect, if any, this statement will have on its financial statements.

The GASB has also issued Statement No. 86, *Certain Debt Extinguishment Issues*, which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is defeased in substance. The requirements of this statement are effective for reporting periods beginning after June 15, 2017. Council management has not determined the effect, if any, this statement will have on its financial statements.

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, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Council management has not determined the effect, if any, this statement will have on its financial statements.

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**17 - SEGMENT INFORMATION**

The presentation of segment information for the Council's Enterprise Fund, which conforms with GAAP. The Defined Loan Program segment consists of a series of defined loans, which are the primary source of repayment of the revenue bonds, as dictated by the bond resolutions.

During the fiscal year ended June 30, 2017, the Council adopted a resolution to remove certain previously reported defined loans from the defined loan portfolio and replaced them with a new group of loans. The affect of this resolution created a restatement of the segment information beginning net position as of June 30, 2016 as follows:

Defined loan program segment:

Beginning net position as of June 30, 2016, as previously reported	\$ 96,293,244
Adjustment for segment replacement of certain loans	<u>19,096,183</u>
Beginning net position, as restated	<u>\$ 115,389,427</u>

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

(Continued)

June 30, 2017

17 - SEGMENT INFORMATION (Continued)

	Defined Loan Program
Assets:	
Current	\$ 26,798,062
Noncurrent	<u>184,474,615</u>
Total assets	<u>\$ 211,272,677</u>
Deferred outflows of resources:	
Losses on bond refundings	\$ 1,064,683
	<u>\$ 1,064,683</u>
Liabilities:	
Current	\$ 5,012,413
Noncurrent	<u>100,756,425</u>
Total liabilities	<u>\$ 105,768,838</u>
Net position:	
Restricted	<u>\$ 106,568,522</u>
Operating revenue:	
Charges for services	\$ 799,664
Operating expenses:	
General and administrative	232,030
Interest on bonds	<u>4,587,451</u>
Operating loss:	<u>(4,019,817)</u>
Nonoperating revenues (expenses):	
Interest and investment revenue, net of arbitrage	92,066
Other	(873,939)
Transfers (net)	<u>(4,019,215)</u>
Change in net position	(8,820,905)
Beginning net position, restated	<u>115,389,427</u>
Ending net position	<u>\$ 106,568,522</u>
Cash flows:	
Net cash provided (used) by:	
Operating activities	\$ 9,033,701
Noncapital financing activities	(6,558,323)
Investing activities	118,557
Beginning cash and cash equivalents	<u>16,377,299</u>
Ending cash and cash equivalents	<u>\$ 18,971,234</u>

REQUIRED SUPPLEMENTARY INFORMATION

THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
 SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 Public Employees Retirement System Plan

	Year Ended June 30,		
	2017	2016	2015
The Council's proportion (percentage) of the net pension liability	0.0194%	0.0222%	0.0209%
The Council's proportionate share of the net pension liability	\$ 178,377	\$ 123,848	\$ 77,670
The Council's covered payroll	\$ 277,162	\$ 301,770	\$ 257,684
The Council's proportionate share of the net pension's liability as a percentage of its covered payroll	64.36%	41.04%	30.14%
Plan fiduciary net position as a percentage of the total pension liability	86.11%	91.29%	93.98%

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

THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

SCHEDULE OF CONTRIBUTIONS TO THE PERS

	Years Ended June 30				
	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 21,726	\$ 37,417	\$ 42,090	\$ 37,400	\$ 32,210
Contributions in relation to the statutorily required contribution	<u>(21,726)</u>	<u>(37,417)</u>	<u>(42,090)</u>	<u>(37,400)</u>	<u>(32,210)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Council's covered payroll	\$ 181,050	\$ 277,162	\$ 301,770	\$ 257,684	\$ 232,969
Contributions as a percentage of covered payroll	12.00%	13.50%	13.95%	14.51%	13.83%

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

THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1 - TREND INFORMATION PRESENTED

The accompanying schedules of the Council's proportionate share of the net pension liability and contributions to 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.

2 - PLAN AMENDMENT

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

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

3 - CHANGES IN ASSUMPTIONS

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

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

**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 Infrastructure and Jobs Development Council
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the West Virginia Infrastructure and Jobs Development Council (the Council), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated October 10, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 Council's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

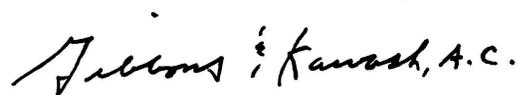
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Charleston, West Virginia
October 10, 2017