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School Building Authority of West Virginia

(A Component Unit of the State of West Virginia)

Financial Statements,
Required Supplementary Information,
and Supplementary Information

Year Ended June 30, 2018
with Independent Auditor's Reports

09/13/2018

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SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

YEAR ENDED JUNE 30, 2018

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YEAR ENDED JUNE 30, 2018

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Independent Auditor's Report

Members
School Building
Authority of
West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the School Building Authority of West Virginia (Authority), a component unit of the State of West Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Authority adopted Governmental Accounts Standards Board (GASB) Statement No. 75, *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"* which requires the Authority to record its net OPEB liability and related items on the financial statements. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages i through vi and 31 through 37 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information on pages 38 through 41 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary financial information on pages 38 through 41 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated DATE XX, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Pittsburgh, Pennsylvania
DATE XX, 2018

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SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Introduction

Our discussion and analysis of the School Building Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction the Authority's financial statements which begin on page 1.

Financial Highlights

- The Authority's total fund balance decreased by $3.9 million as a result of this year's operations. The fund balance of the Debt Service Fund decreased by $16.6 million or by 12.37 percent while the fund balance of the Capital Projects Fund increased by $12.5 million, or approximately 11.23 percent. The fund balance of the General Fund increased by $243,884 from the prior year.
- During the year, the Authority had revenues from intergovernmental allocations and interest income that were $16.2 million in excess of the $82.9 million that was spent on administrative expenses, capital project payments, and interest on long-term debt. Last year, revenues exceeded expenditures by $30.1 million.
- Intergovernmental revenues increased in the current year to $98.0 million. Investment return increased by $1.1 million due to higher interest rates that affect the market value of the investments in the long-term escrow accounts that will be used to pay the Series 2009A, 2009B, and 2010 bonds.
- Expenses in the Authority's Governmental Fund Types activities increased by $20.1 million, or 21.31 percent, to $114.4 million during the year. Payments under capital grants increased by $19.0 million, while debt service on the long-term debt increased by $361,806. Personnel services and other administrative expenses decreased by $14,648 from the prior year.

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SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Presentation of Condensed Financial Information

Statement of Net Position (in thousands)

	2018	2017	Change Amount	Change Percent
Assets				
Cash and Cash Equivalents	$ 171,774	$ 180,124	$ (8,350)	-4.64%
Investments	82,679	73,756	8,923	12.10%
Accrued Interest Receivable	412	370	42	11.35%
Prepaid Insurance	-	129	-129	-100.00%
Capital Assets, net Assets	671	702	-31	-4.42%
Total Assets	255,536	255,081	455	0.18%
Deferred outflows of resources:				
Deferred loss on refunding's	5,190	7,888	-2,698	-34.20%
Deferred outflows related to pensions/OPEB	162	232	-70	-30.17%
Total Assets and Deferred Outflows	$ 260,888	$ 263,201	$ (2,313)	-0.88%
Current Liabilities	$ 14,716	$ 8,931	$ 5,785	64.77%
Net pension liability	500	622	-122	-19.61%
Net OPEB liability	190	227	-37	-16.30%
Long-term bonds payable	443,303	466,586	-23,283	-4.99%
Total Liabilities	458,709	476,366	-17,620	-3.70%
Deferred inflows of resources:				
Deferred gain on bond refundings	345	-	345	N/A
Deferred inflows related to pensions/OPEB	142	46	96	208.70%
Total liabilities and deferred inflows of resources	$ 459,196	$ 476,412	$ (17,216)	-3.61%
Net position:				
Net investment in capital assets	$ 671	$ 702	$ (31)	-4.42%
Restricted for capital projects	123,477	111,006	12,471	11.23%
Unrestricted	(321,160)	(324,919)	3,759	-1.16%
Net (deficit) position	$ (197,012)	$ (213,211)	$ 16,199	-7.60%

Statement of Changes in Net Position:

	2018	2017	Change Amount	Change Percent
Revenues				
Intergovernmental	$ 97,998	$ 96,404	$ 1,594	1.65%
Interest Income	3,413	2,179	1,234	56.63%
Change in fair value of investments	(2,325)	(2,069)	-256	12.37%
	99,086	96,514	2,572	2.66%
Expenses				
Capital Grants	70,705	51,658	19,047	36.87%
Interest	12,194	13,487	-1,293	-9.59%
Other	1,284	1,104	180	16.30%
	84,183	66,249	17,934	27.07%
Change in net position	14,903	30,265	-15,362	-50.76%
End of year net position	$ (198,308)	$ (213,211)	$ 14,903	-6.99%

Due to the implementation of GASB 75 in the current year, the net position as of 6/30/17 above

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was restated from -$213,280,299, an increase of approximately $69,000, to be consistent with the current year presentation.

The Authority as a Whole

The Authority's combined net position increased by $14.9 million, from a deficit of $213.2 million to a deficit of $198.3 million. Net position increased by $30.1 million in the prior year.

Unrestricted net position, the portion of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, changed from a deficit of $324.9 million at June 30, 2017 to a deficit of $322.5 million at the end of this fiscal year.

The deficit in unrestricted governmental net position arose from the issuance of revenue bonds to replace or improve school facilities in the state of West Virginia and the Authority's policy to grant ownership of these new and renovated buildings to the local county boards of education. The Authority will receive $23 million per year from an allocation by the WV Department of Education through June 30, 2019 for debt service. At that time, the debt service payments dedicated from Step 7 of the Department of Education's funding formula will be allocated to the Authority's pay-as-you-go construction program. The West Virginia Supreme Court has ruled that any future allocations for debt service from Step 7 of the school funding formula is unconstitutional.

Intergovernmental revenues increased by $4.6 million during the year. The amount of intergovernmental is anticipated to be $93.2 million in future fiscal years.

The Authority has entered into an agreement with the West Virginia Department of Homeland Security to administer disaster relief funds received from the Federal Emergency Management Agency to demolish and replace five schools that were damaged in June 2016. The Authority received $5.3 million in the current fiscal year under this agreement. The Authority disbursed a total of $959,078 in federal and state funds in the current fiscal year. The Authority anticipates receiving an additional $257.8 million in future years to administer this program.

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

The Authority's Funds

During the year ended June 30, 2018, the Authority's governmental funds reported a combined fund balance of $241.5 million, which is a $3.9 million decrease, or 1.58 percent less than last year's balance of $245.1 million.

The Authority spent $70.7 million this year on school construction projects. Special revenue balances at the beginning of the year include prior year allocations to finance these projects. Although these construction expenditures reduced the available fund balance, additional allocations from the State of West Virginia for school construction of $32.2 million, a transfer from the West Virginia Department of Homeland Security in the amount of $5.3 million, the net proceeds of $44.0 million from the sale of the series 2018A bonds, net investment income of $1.0 million, and the transfers from other funds of $0.7 million resulted in the fund balance being $123.5 million at June 30, 2018.

The fund balance of the Debt Service Fund decreased by $10.6 million this year as a result of scheduled principal payments and the refunding of the Series 2007 Bonds. The ending fund balance for the Debt Service Fund was $117.6 million at June 30, 2018, which is equal to the amount that is required to be maintained by the Authority as bond sinking funds and current year debt service funds in accordance with the bond indentures.

General Fund Budgetary Highlights

The West Virginia Legislature allocates the amount of the Authority's operations budget each year during their legislative session. In the current fiscal year, the Authority received its operational funds from interest income from trust fund investments as prescribed by the West Virginia Code at that time. In the 2017 legislative session, a bill was passed and was signed by the governor that allows the Authority to receive its future operating funds from the annual school construction fund allocation of $27.2 million. The amount transferred from the Special Revenue Fund to the General Fund for operational expenses was $1,371,182 in the current fiscal year.

The actual charges to operations (expenditures) were $267,646 below the final budget amounts. Resources available for operations were from Special Revenue Fund transfers. The Authority transfers funds into its non-interest-bearing operational expense account in the West Virginia Treasury.

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

Debt Service Fund Budgetary Highlights

The Authority submits an annual budget to the West Virginia Legislature each year that includes the actual debt service payments for the Series 2017 bonds from the General Revenue Fund, the Regular Lottery Fund (Series 2012 bonds, Series 2013 bonds, Series 2014 bonds, Series 2016A bonds, Series 2016B bonds, and Series 2018 bonds) and from the Excess Lottery Fund (Series 2009A bonds, Series 2009B bonds, Series 2010A bonds, Series 2010B bonds, and Series 2015 bonds).

Debt Administration

At year-end, the Authority had $443.3 million in bonds outstanding compared to $466.6 million at June 30, 2017, a decrease of 4.99 percent. This decrease of $23.3 million was primarily due to the refunding of the Series 2007 bonds with a par value of $72.1 million, the issuance of the Series 2018 bonds with a par value of $39.6 million, and the scheduled retirement of the existing bonds.

The Authority maintains two primary categories of debt, both of which carry strong bond ratings with national rating agencies. A portion of the Authority's debt is secured by annual Legislative appropriations from the State's general revenue fund. As of June 30, 2018, those bonds maintained ratings of Aa2 from Moody's, A+ from Standard & Poor's and AA- from Fitch. The remainder of the Authority's debt is secured by revenue allocations from the West Virginia Lottery Fund. All lottery revenue bonds issued by the Authority have been assigned debt ratings based on debt service coverage levels and other factors that the rating agencies deem appropriate. As of June 30, 2018, the Authority's revenue bonds maintained ratings of A1 from Moody's, AAA from Standard & Poor's, and A+ from Fitch.

Economic Factors and Next Year's Budgets

The state has been able to maintain a favorable General Fund Position as a result of conservative budgeting practices. The state's general revenues were able to reach the budgeted estimated revenue and the Legislature did not budget all of the estimated funds that were available in the state's budget. This resulted in an overall budget surplus. Mindful of the slow economic recovery and changes to the federal Medicare reimbursement rate, state officials have directed most state agencies to maintain their budgets at the current levels for the fiscal year beginning July 1, 2019.

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2018

The Authority has received approval in the state of West Virginia budget bill that includes a $60.4 million allocation for debt service payments for the year ending June 30, 2019. The sources of these debt service allocations are $23.4 million from the General Revenue Fund, $18.0 million from the Regular Lottery Fund, and $19.0 million from the Excess Lottery Fund.

The Authority receives its allocation for the pay-as-you-go construction from non-appropriated sources. These allocations are part of the state code of West Virginia and any increases or decreases require a vote by both houses of the legislature and the signature of the governor. The Authority will receive a $32.2 million allocation for the pay-as-you-go program for the year ending June 30, 2019.

This financial report is designed to provide our citizens, taxpayers, bondholders and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority at 2300 Kanawha Boulevard East, Charleston, West Virginia 25311-2306.

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SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

JUNE 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
Assets and Deferred Outflows of Resources						
Assets:						
Cash and cash equivalents	$ 480,047	$ 136,806,888	$ 34,486,770	$ 171,773,705	$ -	$ 171,773,705
Investments	-	-	82,678,853	82,678,853	-	82,678,853
Accrued interest receivable	-	-	412,691	412,691	-	412,691
Capital assets, net	-	-	-	-	671,015	671,015
Total assets	480,047	136,806,888	117,578,314	254,865,249	671,015	255,536,264
Deferred outflows of resources:						
Deferred loss on bond refundings	-	-	-	-	5,189,740	5,189,740
Deferred outflows related to pension	-	-	-	-	145,231	145,231
Deferred outflows related to OPEB	-	-	-	-	16,815	16,815
Total deferred outflows of resources	-	-	-	-	5,351,786	5,351,786
Total Assets and Deferred Outflows of Resources	$ 480,047	$ 136,806,888	$ 117,578,314	$ 254,865,249		
Liabilities						
Accounts payable	$ 9,160	$ -	$ -	$ 9,160	-	9,160
Capital grants payable	-	13,330,242	-	13,330,242	-	13,330,242
Compensation payable	35,179	-	-	35,179	-	35,179
Accrued interest payable	-	-	-	-	1,296,522	1,296,522
Compensated absences	-	-	-	-	44,928	44,928
Net pension liability	-	-	-	-	500,383	500,383
Net OPEB liability	-	-	-	-	190,208	190,208
Long-term debt obligations:						
Due within one year	-	-	-	-	28,285,000	28,285,000
Due after one year	-	-	-	-	415,018,240	415,018,240
Total Liabilities	44,339	13,330,242	-	13,374,581	445,335,281	458,709,862
Deferred Inflows of Resources						
Deferred gain on bond refundings	-	-	-	-	344,659	344,659
Deferred inflows related to pension	-	-	-	-	110,627	110,627
Deferred inflows related to OPEB	-	-	-	-	31,301	31,301
Total Deferred Inflows of Resources	-	-	-	-	486,587	486,587
Fund Balance						
Restricted - capital projects	-	123,476,646	-	123,476,646	(123,476,646)	-
Restricted - debt service	-	-	117,578,314	117,578,314	(117,578,314)	-
Unassigned	435,708	-	-	435,708	(435,708)	-
Total Fund Balance	435,708	123,476,646	117,578,314	241,490,668	(241,490,668)	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 480,047	$ 136,806,888	$ 117,578,314	$ 254,865,249		
Net Position						
Net investment in capital assets					671,015	671,015
Restricted for capital projects					123,476,646	123,476,646
Unrestricted					(322,456,060)	(322,456,060)
Total Net Position					$ (198,308,399)	(198,308,399)

See accompanying notes to financial statements.

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SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

STATEMENT OF GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE/ STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

	General Fund	Special Revenue Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues:						
Intergovernmental	$ 124,709	$ 37,484,608	$ 60,388,234	$ 97,997,551	$ -	$ 97,997,551
Interest income, net of arbitrage rebate	-	1,068,676	2,345,237	3,413,913	-	3,413,913
Increase (decrease) in fair value of investments	-	-	(2,324,707)	(2,324,707)	-	(2,324,707)
Total revenues	124,709	38,553,284	60,408,764	99,086,757	-	99,086,757
Expenditures:						
Capital grants	-	70,705,326	-	70,705,326	-	70,705,326
Debt service:						
Principal	-	-	29,620,000	29,620,000	(29,620,000)	-
Interest	-	-	12,146,156	12,146,156	(611,431)	11,534,725
Bond issue costs	-	362,892	297,322	660,214	-	660,214
Personal services	1,080,913	-	-	1,080,913	283	1,081,196
Other administrative	171,094	-	-	171,094	31,444	202,538
Total expenditures	1,252,007	71,068,218	42,063,478	114,383,703	(30,199,704)	84,183,999
Excess (Deficiency) of Revenues over Expenditures	(1,127,298)	(32,514,934)	18,345,286	(15,296,946)	15,296,946	-
Other Financing Sources (Uses):						
Transfers - internal activities	1,371,182	653,594	(2,024,776)	-	-	-
Proceeds from issuance of long-term debt	-	39,580,000	38,415,000	77,995,000	(77,995,000)	-
Premium on issuance of long-term debt	-	4,751,565	1,954,404	6,705,969	(6,705,969)	-
Payments to refund bonds	-	-	(73,284,923)	(73,284,923)	73,284,923	-
Total financing sources (uses)	1,371,182	44,985,159	(34,940,295)	11,416,046	(11,416,046)	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	243,884	12,470,225	(16,595,009)	(3,880,900)	3,880,900	-
Change in Net Position	-	-	-	-	14,902,758	14,902,758
Fund Balance/Net Position:						
Beginning of year, as restated	191,824	111,006,421	134,173,323	245,371,568	(458,582,725)	(213,211,157)
End of year	$ 435,708	$ 123,476,646	$ 117,578,314	$ 241,490,668	$ (439,799,067)	$ (198,308,399)

See accompanying notes to financial statements.

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SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

1. Reporting Entity

The School Building Authority of West Virginia (Authority) was created under the provisions of Chapter 18, Article 90 (Act), of the Code of West Virginia (the State) 1931, as amended. Under the Act, the Authority is to "facilitate and provide State funds for the acquisition, construction, and maintenance of elementary and secondary public school facilities so as to meet the educational needs of the people of the State in an efficient and economical manner." The Authority's program is designed to provide modern, efficient public school facilities throughout the State by promoting the consolidation of elementary and secondary public schools, enabling the State to utilize more efficiently its educational resources.

The Authority is governed by a ten-member board appointed by the Governor. The Governor serves as President of the Authority. The remaining nine members consist of three members of the State Board of Education and six citizens, one of whom must be a representative of the construction trades. The Authority is considered a component unit of the State and its financial statements are discretely presented in the State's comprehensive annual financial report.

The Authority has considered all potential component units to be included in the Authority's reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America (GAAP). These criteria include consideration of organizations for which the Authority is financially accountable, or organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority's financial statements to be misleading or incomplete. Since no organizations meet these criteria, the Authority has no component units.

2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Authority have been prepared in conformity with GAAP as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-selling body for establishing governmental accounting and financial reporting principles. The Authority's significant accounting policies are described below.

Government-Wide and Fund Financial Statements

The Authority's financial statements present the government-wide financial statements (i.e., the statement of net position and the statement of activities) and fund financial statements (i.e., the governmental funds balance sheet and statement of governmental fund revenues, expenditures, and changes in fund balances) in a combined format, which present the fund financial statements with required adjustments as a separate column and the government-wide financial statements on the same set of statements.

The government-wide financial statements report information on all activities of the Authority. The effect of interfund activity has been removed from these statements. The government-wide financial statements reflect a net deficit at June 30, 2018, which is primarily driven by future obligations related to long-term debt as disclosed in Note 7. These revenue bonds are secured by and expected to be satisfied from certain net profits of the West Virginia Lottery.

The fund financial statements are provided for all major individual governmental funds as separate columns. The Authority does not have any non-major funds.

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.* Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. For this purpose, the Authority considers revenues to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, regardless of the timing of related cash flows. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments are recorded when payment is due.

The Authority reports the following major governmental funds:

- *General Fund* - This fund is used to account for all financial resources, except those accounted for in another fund.

- *Special Revenue Fund* - This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Funds granted from the Special Revenue Fund are used by grantees for financial resources accumulated for the acquisition, construction, and improvement of public school facilities.

- *Debt Service Fund* - This fund is used to account for financial resources accumulated to repay long-term obligations and interest thereon.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include deposits with original maturities of less than three months, money market funds, and interest-earning deposits with the State Treasurer of West Virginia and with the West Virginia Board of Treasury Investments (BTI). The investment in BTI's West Virginia Money Market Pool and all other money market funds are carried at amortized cost, which approximates fair value.

Budgetary Accounting

The Authority's expenditures are subject to the legislative budget process of the State, with annual budgets adopted utilizing the cash basis of accounting. The cash basis is modified at year-end to allow for payment of invoices up to 31 days after year-end for goods or services received prior to year-end. Appropriated budgeted expenditures, which lapse 31 days after the end of the fiscal year, are incorporated into the Authority's overall financial plan. Expenditures are budgeted using natural categories of activity. Any revisions that alter the budgeted expenditures for the budgetary expenditure categories for the Authority as a whole must be approved by the Legislature.

Employee Benefits

The Authority's employees are covered by the West Virginia State Teachers Retirement System (STRS), a multiple-employer contributory defined benefit pension plan. STRS covers all employees of the Authority and is funded according to matching portions of employee payroll prescribed by the plan. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, and information about the fiduciary net position of STRS, such information has been determined on the same basis as they are reported by STRS. The actuarial cost method used was individual entry age normal with level percent of pay amortization. Investments are reported at fair value.

The Authority's employees are eligible for the West Virginia Other Postemployment Benefit Plan, a cost-sharing, multiple-employer, defined benefit other postemployment benefit plan, provided they meet certain requirements. The plan is accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT). The Authority is billed during the year for its portion of the premiums for each active policyholder. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, and information about the fiduciary net position of RHBT, such information has been determined on the same basis as they are reported by RHBT. The actuarial cost method used was the Entry Age Normal Cost Method. Investments are reported at fair value. The plan was closed to new entrants as of June 30, 2016.

Authority employees generally earn vacation and sick leave on a monthly basis. Vacation, up to specific limits, is fully vested when earned and sick leave, while not vesting to the employee prior to retirement, can be carried over to subsequent periods. Any unused vacation and sick leave accumulated at retirement vests to the employee, which may be provided in the form of post-retirement payment of a portion of the employee's health insurance premiums, or as service credits for retirement purposes. Expenditures for vacation, sick leave, and post-employment health insurance premiums are recognized as incurred. The obligation for accumulated vested vacation leave and the estimated obligation for anticipated termination payments to current employees for conversion of unused sick leave to post-employment health insurance premiums (through the Authority's participation in the State's multi-employer cost-sharing other post-employment benefits plan) are presented in the government-wide financial statements.

Interfund Transactions

During the normal course of operations, certain transactions, including transfers of resources for Authority operations, occur between funds. Interfund transactions are recorded as operating transfers in the fund financial statements and have been eliminated in the government-wide financial statements. As provided for by the West Virginia Code, for the period ending June 30, 2018, the Authority has transferred $6,374,776 from the Debt Service Fund to the Special Revenue Fund and General Fund. The Special Revenue

Fund also transferred $4,350,000 to the Debt Service Fund as a result of the refunding bonds in fiscal year 2018.

Capital Assets

Capital assets are reported at historical cost net of depreciation. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of one year. Depreciation is computed using the straight-line method over the estimated economic useful lives of the assets (five to 40 years).

Fund Balance

In the governmental fund financial statements, fund balance is reported in the following two classifications:

- *Restricted* - Represents fund balance, which is restricted when constraints placed on its use of the resources are either: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

- *Unassigned* - Fund balance that has not been reported in any other classification.

Net Position

In the government-wide financial statements, net position is reported as the net investment in capital assets, restricted for debt service, restricted for capital projects, or as unrestricted in accordance with GAAP. Restrictions of net position are the result of constraints placed on the use of net position, which have been imposed through debt covenants, by law through enabling legislation, and through grant agreements. When both restricted and unrestricted resources are available for use, it is generally the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense) until then. The Authority's losses on refundings of bonds result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. In addition, employer contributions made during the year subsequent to the measurement date of the pension obligation and the OPEB obligation are presented as deferred outflows of resources. Deferred outflows also consist of changes in proportion and differences between the Authority's contributions and proportionate share of contribution related to pension and OPEB.

Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. Balances of deferred inflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts. At June 30, 2018, deferred inflows were composed of differences between actual and expected experience, changes in proportion and differences between the Authority's contributions and proportionate share of contributions, and differences between actual and projected earnings on investments related to pension and OPEB, as well as a gain from refunding a bond issuance.

Bond Discounts and Premiums

Bond discounts and premiums 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. Bond issuance costs are expensed as incurred.

Arbitrage Rebate Payable

The United States Internal Revenue Code of 1986, as amended (Code), prescribes restrictions applicable to the Authority as issuer of revenue bonds, including 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, 2018, management has determined that there is no obligation to the federal government for arbitrage.

Adopted Pronouncements

Standards requiring adoption in 2018 include GASB Statement No. 75 (OPEB Employer), No. 85 (Blending, Goodwill, Fair Value, OPEB), and No. 86 (Certain Debt Extinguishment Issues).

As a result of adopting GASB Statement No. 75, the Authority's net position and General Fund fund balance as of July 1, 2017 have been restated by $69,142 and $280,413, respectively. As permitted, beginning balances for deferred outflows of resources related to OPEB, other than those related to contributions made subsequent to the measurement date, are not reported. The remaining standards were implemented with no significant impact to the Authority's financial statements.

Pending Pronouncements

GASB has issued statements that will become effective in future years, including Statement Nos. 82 (Pensions), 83 (Asset Retirement Obligations), 84 (Fiduciary Activities), 87 (Leases), 88 (Certain Disclosures Related to Debt), 89 (Accounting for Interest Cost Incurred before the End of a Construction Period), and 90 (Majority Equity Interests). Management has not yet determined the impact of these statements on the financial statements.

3. Reconciliation of Government-wide and Fund Financial Statements

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

Total fund balances on governmental funds balance sheet	$	241,490,668
Capital assets used in governmental activities are not a financial resource and, therefore, are not reported in the governmental funds balance sheet.		671,015
Deferred losses on bond refundings reported in governmental activities are not a financial resource and, therefore, are not reported in the governmental funds balance sheet.		5,189,740
Deferred gains on bond refundings reported in governmental activities are not a financial resource and, therefore, are not reported in the governmental funds balance sheet.		(344,659)
Deferred inflows of resources are not financial resources and, therefore, are not reported in the governmental funds balance sheet.		(141,928)
Deferred outflows of resources are not financial resources and, therefore, are not reported in the governmental funds balance sheet.		162,046
Net pension liability is not due and payable in the current period and, therefore, is not reported in the funds.		(500,383)
Net OPEB liability is not due and payable in the current period and, therefore, is not reported in the funds.		(190,208)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.		(44,928)
Long-term debt obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.		(443,303,240)
Accrued interest on long-term debt obligations is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.		(1,296,522)
Net position (deficit) of governmental activities	$	(198,308,399)

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

Excess (Deficiency) of revenues and transfers in under expenditures and transfers out - governmental funds.	$	(3,880,900)
Changes in the net pension liability and related deferred outflows and inflows of resources do not affect current financial resources and, therefore, are not reflected in the governmental funds.		(13,800)
Changes in the net OPEB liability and related deferred outflows and inflows of resources do not affect current financial resources and, therefore, are not reflected in the governmental funds.		6,576
Expenses associated with compensated absences that will not be paid with current financial resources and, therefore, are not reported in governmental funds.		6,941
The governmental fund financial statements report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. The amount represents the current year amortization of these long-term debt related costs.		1,907,953
Depreciation expense related to capital assets is not reported in the governmental funds because it does not affect current financial resources.		(31,444)
Principal payments that are reported as expenditures of governmental funds do not affect the change in net position in the government-wide financial statements.		29,620,000
Proceeds from issuance of long-term debt are reported as an increase in fund balance in the government funds, but do not result in a change in net position in the government-wide statement of activities.		(84,700,969)
Payments to refund bonds are reported as a decrease in fund balance in the government funds, but do not result in a change in net position in the government-wide statement of activities.		73,284,923
Accrued bond interest expense is not reported in the governmental funds because it does not affect current financial resources.		(1,286,522)
Change in net position - statement of activities	$	14,912,758

4. Deposits and Investments

The Authority has adopted investment guidelines that are consistent with those specified in the bond trust indentures for its outstanding bonds. Those guidelines authorize the Authority to invest all bond proceeds and other revenues in obligations of the United States and certain of its agencies, certificates of deposit, direct and general obligations of states, repurchase agreements relating to certain securities, money market mutual funds, guaranteed investment contracts, and bond mutual funds. Investments are managed by the financial institution serving as the trustee for the Authority in accordance with the investment guidelines as specified.

The State Treasurer has statutory responsibility for daily cash management activities of the State's agencies, departments, boards and commissions, and transfer of funds to the West Virginia Board of Treasury Investments (BTI) for investment in accordance with West Virginia Code, policies set by BTI and by provisions of bond indentures and trust agreements when applicable. Certain of the Authority's cash balances are invested by BTI in BTI's West Virginia Money Market Pool, which are carried at amortized cost in accordance with the criteria established in GASB Statement No. 79. The criteria specify that the pool must transact with their participants at a stable net asset value per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity, and shadow pricing. BTI does not place limitations or restrictions on participant withdrawals from the pool, such as redemption notice periods, maximum transaction amounts, and does not have any authority to impose liquidity fees or redemption gates. As of June 30, 2018, the Authority had $2,731,945 in BTI's West Virginia Money Market Pool. These deposits are reported as cash and cash equivalents. Investment income earned is pro-rated to the Authority at rates specified by BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to the Authority with overnight notice. BTI's audited financial statements, including the West Virginia Money Market Pool, are available on their website www.wvbti.com.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's investments are subject to interest rate risk. As of June 30, 2018, the Authority had the following investment and maturities:

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Investment Type	Fair Value	Less Than One Year	1 - 5 Years	6 - 10 Years	More Than 10 Years
WV Money Market Pool	$ 2,731,945	$ 2,731,945	$ -	$ -	$ -
Federal agency bonds	82,678,853	-	136,886	82,541,967	-
Money market funds	168,547,511	168,547,511	-	-	-
	$ 253,958,309	$ 171,279,456	$ 136,886	$ 82,541,967	$ -

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the Authority's investment in a single corporate issuer.

As of June 30, 2018, the Authority had investment balances with the following issuers, which were greater than or equal to 5% of the total investment balance:

Type	Issuer	Percent of Investments
Federal agency bonds	Federal Farm Credit Banks	18.3%
Federal agency bonds	Federal Home Loan Banks	14.5%

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 obligation. The West Virginia Money Market Pool has been rated AAAm by Standard & Poor's. A fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's.

Other Investments

The following table provides information on the credit rating of the Authority's investments:

Security Type	Fitch	Moody's	S&P	Fair Value
Federal agency bonds	AAA	Aaa	AA+	$ 82,678,853
Money market funds	AAAmmf	Aaa-mf	AAAm	168,547,511
				$ 251,226,364

Credit risk is managed by limiting investments to the following types of debt securities in accordance with the Authority's investment guidelines: direct obligations of or obligations guaranteed by the United States of America, the State 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, and repurchase agreements and investment contracts that meet certain requirements.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2018, the Authority held no securities that were subject to custodial credit risk.

Foreign Currency Credit Risk

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 the investments disclosed in this note to the amounts reported in the governmental funds balance sheet/statement of net position is as follows:

As disclosed in this Note:		
Total investments - BTI West Virginia Money Market Pool	$	2,731,945
Total other investments		251,226,364
Deposits with the West Virginia Treasury		494,249
	$	254,452,558
As reported in the Governmental Funds:		
Balance sheet/statement of net position:		
Investments	$	82,678,853
Cash and cash equivalents		171,773,705
	$	254,452,558

5. Investments Measured at Fair Value

The Authority measures certain investments at fair value for financial reporting purposes. GASB Statement No. 72 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 Authority categorizes fair value measurements within the fair value hierarchy established by GAAP in accordance with GASB Statement No. 72.

The fair value hierarchy established under GASB Statement No. 72 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 - Inputs - other than quoted prices included within Level 1 - that are observable for an asset or liability, either directly or indirectly.

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

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

The table below summarizes the recurring fair value measurements of the investment securities in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2018.

Investment Type	Level 1	Level 2	Level 3	Total
Federal agency bonds	$ -	$ 82,678,853	$ -	$ 82,678,853

These Level 2 securities are priced by third party pricing services using observable market data.

6. Capital Assets

A summary of capital assets at June 30, 2018 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings	$ 1,022,782	$ -	$ -	$ 1,022,782
Land improvements	21,995	-	-	21,995
Less accumulated depreciation	(342,318)	(31,444)	-	(373,762)
Total capital assets, net	$ 702,459	$ (31,444)	$ -	$ 671,015

7. Long-Term Debt

The Authority issued revenue bonds to fund grants to finance capital improvements to public schools located in the State. The revenue bonds are considered special obligation bonds, which are secured by and made payable from certain net profits of the West Virginia Lottery. Bonds issued and outstanding at June 30, 2018, are as follows:

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YEAR ENDED JUNE 30, 2018

	Original Issue Amount	Outstanding at June 30, 2018
2008 excess Lottery Revenue Bonds, 3.00% to 5.00%, maturing through July 2028.	$ 102,145,000	$ 4,775,000
2009A excess Lottery Revenue Bonds (Qualified School Construction Bonds), Tax Credit Bonds, maturing through June 2024.	30,000,000	30,000,000
2009B excess Lottery Revenue Bonds (Qualified School Construction Bonds), Tax Credit Bonds, maturing through June 2026.	48,200,000	48,200,000
2010A excess Lottery Revenue Bonds (Qualified School Construction Bonds), Tax Credit Bonds, maturing through June 2027.	72,280,000	72,280,000
2010B excess Lottery Revenue Bonds, 2.00% to 5.00%, maturing through June 2030.	25,000,000	20,660,000
2012A Lottery Capital Improvement Revenue Bonds, 3.00% to 5.00%, maturing through July 2027.	25,575,000	20,890,000
2013A Lottery Capital Improvement Revenue Bonds, 3.00% to 5.00%, maturing through July 2028.	24,425,000	20,320,000
2014A Lottery Capital Improvement Revenue Bonds, 3.00% to 5.00%, maturing through July 2029.	26,055,000	22,150,000
2015A Lottery Capital Improvement Revenue Bonds, 3.00% to 5.00%, maturing through July 2028.	63,640,000	63,555,000
2016A Lottery Capital Improvement Revenue Bonds, 3.00% to 5.00%, maturing through July 2031.	21,340,000	20,315,000
2016B Lottery Capital Improvement Revenue Bonds, 3.00% to 5.00%, maturing through July 2032.	21,255,000	21,255,000
2017A Capital Improvement Revenue Refunding Bonds, 5.00%, maturing through July 2019.	38,415,000	38,415,000
2018A Lottery Capital Improvement Revenue Bonds, 3.00% to 5.00%, maturing through July 2033.	39,580,000	39,580,000
Total revenue bonds payable	$ 537,910,000	$ 422,395,000

Total revenue bonds payable	$ 422,395,000
Unamortized discount	(9,276,810)
Unamortized premium	30,185,050
Portion of bonds payable due within one year	(28,285,000)
	$ 415,018,240

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YEAR ENDED JUNE 30, 2018

	Beginning Balance	Additions	Reductions	Adjustments	Ending Balance	Due Within One Year
Bonds payable:						
2007A bonds	$ 91,040,000	$ -	$ 91,040,000	$ -	$ -	$ -
2008A bonds	9,335,000	-	4,560,000	-	4,775,000	4,775,000
2009A bonds	30,000,000	-	-	-	30,000,000	-
2009B bonds	48,200,000	-	-	-	48,200,000	-
2010A bonds	72,280,000	-	-	-	72,280,000	-
2010B bonds	21,275,000	-	615,000	-	20,660,000	635,000
2012A bonds	22,515,000	-	1,625,000	-	20,890,000	1,690,000
2013A bonds	21,730,000	-	1,410,000	-	20,320,000	1,465,000
2014A bonds	23,515,000	-	1,365,000	-	22,150,000	1,405,000
2015A bonds	63,640,000	-	85,000	-	63,555,000	90,000
2016A bonds	21,340,000	-	1,025,000	-	20,315,000	1,075,000
2016B bonds	21,255,000	-	-	-	21,255,000	1,000,000
2017A	-	38,415,000	-	-	38,415,000	16,150,000
2018A	-	39,580,000	-	-	39,580,000	-
	$ 446,125,000	$ 77,995,000	$ 101,725,000	$ -	$ 422,395,000	$ 28,285,000

These bonds payable are limited obligations of the Authority payable from legislatively appropriated revenues from the net revenue of the West Virginia Lottery Commission. During the fiscal year ended June 30, 2018, the amount of Department of Education and Lottery revenue appropriated to pay the debt service on these bonds was $60,424,770, while the required debt service was $29,620,000 for principal and $12,146,156 related to interest.

Debt service costs on these bonds for each of the next five years and thereafter is as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 37,479,946	$ 17,850,286	$ 55,330,232
2020	45,959,946	13,654,808	59,614,754
2021	24,294,946	11,456,033	35,750,979
2022	25,034,946	9,630,858	34,665,804
2023	25,779,946	7,677,413	33,457,359
2024-2028	202,845,270	29,206,901	232,052,171
2029-2033	57,460,000	6,746,050	64,206,050
2034	3,540,000	106,200	3,646,200
	$ 422,395,000	$ 96,328,549	$ 518,723,549

The bonds are subject to the arbitrage rebate provisions of the Internal Revenue Code, which require that 90% of excess investment earnings on the bond proceeds be paid to the Internal Revenue Service (IRS) every five years in order for the bonds to maintain their tax-exempt status. At June 30, 2018, the Authority's estimated arbitrage rebate liability was zero.

On November 4, 2015, the Authority issued the 2015A Excess Lottery Revenue Refunding Bonds to advance refund portions of the 2008 Excess Lottery Revenue Bonds. At June 30, 2018, $63,220,000 of bonds outstanding are considered defeased.

On October 11, 2017, the Authority issued the 2017A Capital Improvement Revenue Refunding Bonds of $38,415,000 bearing interest of 5.00% to refund portions of the 2007A Capital Improvement Revenue Refunding Bonds. A gain associated with the refunding of $603,162 resulted and will be amortized over the term of the refunding obligation, which matures on July 1, 2019. The refunding also resulted in a decrease to the debt service payments of approximately $6.1 million and an economic gain of approximately $5.0 million. A premium of $1,954,404 was recorded and will also be amortized over the term of the obligation.

On April 26, 2018, the Authority issued the 2018A Lottery Capital Improvement Revenue Bonds of $39,580,000 bearing interest of 3.00% to 5.00%. The net proceeds from the issuance of the revenue bonds will be used for future school construction projects. A premium of $4,751,565 was recorded and will be amortized over the term of the issued bond. Principal and interest payments are payable throughout the life of the 2018A Lottery Capital Improvement Revenue Bonds, which mature on July 1, 2033.

8. Employee Related Liabilities

The following is a summary of employee related liabilities reported in the government-wide financial statements:

	Balance at July 1, 2017	2017	Balance at June 30, 2018
Compensation payable	$ 38,707	$ (3,528)	$ 35,179
Compensated absences	51,869	(6,941)	44,928
Net pension liability	622,572	(122,189)	500,383
Net OPEB liability	227,158	(36,950)	190,208
	$ 940,306	$ (169,608)	$ 770,698

9. Transactions with the State of West Virginia

During the year ended June 30, 2018, the Authority received operating transfers from the State through the Department of Education of $23,393,401 for bond debt service and $32,217,000 for capital grants. The Authority also received from the West Virginia Lottery Commission $18,000,000 for bond debt service and $18,994,833 for capital grants during 2018. The Authority also received $5,267,608 in Federal Emergency Management Agency funding passed through the WV Department of Homeland Security for the construction of new schools.

10. Commitments

At June 30, 2018, the Authority had outstanding commitments in the amount of $141,011,535 to provide grants to county school boards throughout the State to finance the acquisition, construction and maintenance of elementary and secondary public school facilities.

11. Risk Management

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

PEIA, a public entity risk pool, provides employee and dependent health, life, and prescription drug insurance coverage. PEIA determines premiums to be paid by participating/covered employers, including the Authority. In exchange for the payment of premiums to PEIA, the Authority has transferred its risks related to health coverage of employees.

The Authority, for an annual premium, obtains insurance coverage for general liability, property damage, business interruption, errors and omissions, and natural disasters through the West Virginia Board of Risk and Insurance Management, a public entity risk pool insuring the State, its component units, local government entities, and eligible not-for-profit organizations. Liability coverage provided to all insured entities under this policy is limited to $1,000,000 per occurrence, subject to an annual aggregate limit of coverage of $22,000,000. In each of the three fiscal years prior to and including the period ending June 30, 2018, the Authority's insurance coverage has been sufficient to meet all claims and settlements against the Authority. Additionally, the Authority purchased workers' compensation insurance from a private insurance carrier. In exchange for payment of premiums to this carrier, the Authority has transferred its risks related to job-related injuries of employees.

The Authority is subject to certain claims that arise in the ordinary course of business. Many of these claims are in the early stages of the evaluation process. Accordingly, it is not possible at the present time to estimate the ultimate legal and financial liability, if any, with respect to certain lawsuits. Thus, no provision has been made in the financial statements for liabilities, if any, from such litigation. In the opinion of management, after consultation with counsel, adequate insurance exists, so the eventual outcome of such claims is not expected to have a material adverse effect on the Authority's financial position. However, depending on the amount and timing of such resolution, an unfavorable resolution of some or all of these matters could materially affect the future results of operations or cash flows in a particular period.

12. Pension Plan

Plan Description - The Authority contributes to STRS, a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). Chapter 18, Article 7 A of the West Virginia Code assigns the authority to establish and amend benefit provisions to the STRS Board of Trustees. CPRB issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The plan financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The financial report can be obtained by writing to CPRB, 4101 MacCorkle Avenue S.E., Charleston, West Virginia 25304. The report is also available online at www.wvretirement.com.

Benefits Provided - STRS provides retirement benefits as well as death and disability benefits. A member is eligible for normal retirement at age 60 with five years of service, age 55 with 30 years of service, or any age with 35 years of service. A member may retire with the pension reduced actuarially if the member is less than age 55 and has between 30 and 35 years or service. For all employees hired after July 1, 2015, qualification for normal retirement is age 62 with 10 years of service. All members hired after July 1, 2015 may retire with the pension reduced actuarially if the member is between ages 60 and 62 with 10 years of service or between ages 55 and 62 with 30 years of service. Terminated members with at least five, but less than 20 years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 62. Terminated members with at least 20 years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 60. For all employees hired after July 1, 2015, this age increases to 64 with ten years of service or age 63 with 20 years of service. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the five highest fiscal years of earnings during the last 15 fiscal years of earnings.

Funding Policy - STRS funding policy has been established by action of the State Legislature. The Authority accrued and paid its contribution to STRS at the rate of 15% for each covered employee's total annual salary that was hired prior to July 1, 1991 and 7.5% for each covered employee's annual salary that was hired after on or after July 1, 2005. The Plan was closed to new membership from July 1, 1991 through June 30, 2005. Required employee contributions were at the rate of 6% of total annual salary. The Authority's contribution to the Plan for the years ended June 30, 2018, 2017, and 2016 was $59,671, $59,956, and $58,728, respectively, which was equal to the required contributions.

Special Funding Situation - The State Is a non-employer contributing entity that provides funding through the School Aid Formula (SAF) to subsidize employer contributions of county boards of education and to fund the unfunded liability of STRS for all participating employers. These amounts qualify as a special funding situation in accordance with GASB Statement No. 68. The State assumes a share of the net pension liability on behalf of the various county boards of education for contributions related to the SAF. The State also assumes a share of the net pension liability on behalf of all participating employers, including the Authority, for contributions related to funding of the non-employer contributing entity unfunded liability.

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

At June 30, 2018, the Authority reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Authority. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, rolled forward to the measurement date of June 30, 2017. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all employers participating in STRS and the State for the year ended June 30, 2017. At June 30, 2017, the Authority's proportionate share was 0.0145%, which was a decrease of 0.0006% from its proportionate share measured as of June 30, 2016.

The amount recognized by the Authority as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Authority were as follows:

Authority's proportionate share of the net pension liability	$ 500,383
State's proportionate share of the net pension liability associated with the Authority	1,106,555
	$ 1,606,938

For the year ended June 30, 2018, the Authority recognized a decrease in its net pension liability of $122,189. The Authority also recognized additional pension expense of $112,716 and on-behalf revenue for the same amount related to support provided by the State related to the State's funding of the non-employer contributing entity unfunded liability.

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 4,564
Differences between projected and actual investment earnings on pension plan investments	-	15,728
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	66,762	90,335
Changes in assumptions	18,798	
The Authority's contributions made subsequent to the measurement date of June 30, 2017	59,671	-
	$ 145,231	$ 110,627

The amount of $59,671 was reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. The net difference between projected and actual investment earnings on pension plan investments is amortized over a five-year period. All other deferred outflows of resources and deferred inflows of resources relating to pension amounts reported are amortized and included in pension expense over the average remaining service life of 5.98 years.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2019	$ (4,707)
2020	$ (4,707)
2021	$ (4,707)
2022	$ (4,707)
2023	$ (4,707)
Thereafter	(1,532)
	$ (25,067)

Actuarial assumptions and methods - The total pension liability in the July 1, 2016 actuarial valuation, and rolled forward to June 30, 2017, was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0%
Salary increases	3.00 - 6.5%, average, including inflation
Investment rate of return	7.5%, with no loading for system expenses

Mortality rates were based on the RP-2000 Annuitant mortality tables projected to Scale AA, for postretirement healthy and disabled participants, and RP-2000 Non-Annuitant mortality tables projected to Scale AA for pre-retirement participants.

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

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

Best estimates of the long-term geometric rates of return for each major asset class included in the plan's targeted allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	27.5%	7.0%
International equity	27.5%	7.7%
Core fixed income	7.5%	2.7%
High-yield fixed income	7.5%	5.5%
TIPS	0.0%	2.7%
Real estate	10.0%	7.0%
Private equity	10.0%	9.4%
Hedge funds	10.0%	4.7%
	100.0%	

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

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

	Authority's Proportionate Share of Net Pension Liability		
	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Authority's proportionate share	$ 658,777	$ 500,383	$ 365,047

Pension plan fiduciary net position - Detailed information about the pension plan's fiduciary net position is available in the separately issued STRS financial report.

13. Postemployment Benefits Other Than Pensions

Plan Description – The West Virginia Other Postemployment Benefit Plan (Plan) is a cost-sharing, multiple-employer, defined benefit other postemployment benefit plan that covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code Section 5-16D-2 (Code). The financial activities of the Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by PEIA and the RHBT management with approval of the Finance Board.

For additional information, please refer to the audited financial statements of the RHBT. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at www.peia.wv.gov.

Benefits Provided – Active employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the applicable State retirement system and if their last employer immediately prior to retirement: is a participating employer under the Consolidated Public Retirement Board (CPRB) and, as of July 1, 2008 forward, is a participating employer with the Public Employees Insurance Agency. The Plan provides medical and prescription drug insurance as well as life insurance to eligible retirees. The medical and prescription drug insurance is provided through two options: The Self-insured Preferred Provider Benefit Plan, which is primarily for non-Medicare-eligible retirees and spouses, and External Managed Care Organizations – primarily for Medicare-eligible retirees and spouses.

Funding Policy – Employer contributions were from the RHBT billing system, called the Web Contribution System, for fiscal years ended June 30, 2017 and 2016. The employer contributions represent what the employer was billed during the respective year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments. Paygo premiums are established by the Finance Board annually. All participating employers are required by statute to contribute to the RHBT this premium at the established rate for every active policyholder per month. The active premiums subsidized the retirees' healthcare by approximately $150 million for both fiscal years ending 2017 and 2016.

Members retired before July 1, 1997 pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years or service. Members retired between July 1, 1997 and June 30, 2010 pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010 pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy. Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement. Members hired before July 1, 1988 may convert accrued sick or leave days into 100% of the required retiree healthcare contribution. Members hired from July 1, 1988 to June 30, 2001 may convert accrued sick or leave days into 50% of the required retiree healthcare contribution.

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

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

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

At June 30, 2018, the Authority reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the Authority. The net OPEB liability, deferred inflows of resources, deferred outflows of resources, and OPEB expense were determined by an actuarial valuation date as of June 30, 2016, rolled forward to June 30, 2017, which is the measurement date. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the Plan relative to the contributions of all employers participating in the Plan and the State for the year ended June 30, 2017. At June 30, 2017, the Authority's proportionate share was 0.0077%.

The amount recognized by the Authority as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Authority were as follows:

Authority's proportionate share of the net OPEB liability	$ 190,208
State's proportionate share of the net OPEB liability associated with the Authority	39,069
	$ 229,277

For the year ended June 30, 2018, the Authority recognized a decrease in its net OPEB liability of $36,950. The Authority also recognized additional OPEB expense of $11,993 and on-behalf revenue for the same amount related to support provided by the State related to the State's funding of the non-employer contributing entity unfunded liability. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 637
Differences between projected and actual investment earnings on plan investments	-	3,036
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	-	27,628
The Authority's contributions made subsequent to the measurement date of June 30, 2017	16,815	-
	$ 16,815	$ 31,301

The amount of $16,815 was reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Deferred outflows of resources and deferred inflows of resources relating to OPEB amounts reported are amortized and included in OPEB expense over the remaining amortization period of 4.714 years.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2019	$ (6,640)
2020	(6,640)
2021	(6,640)
2022	(6,640)
2023	(4,741)
	$ (31,301)

Actuarial assumptions and methods - The total OPEB liability in the June 30, 2016 actuarial valuation, and rolled forward to June 30, 2017, was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75%
Salary increases	3.00 - 6.5%, including inflation
Investment rate of return	7.15%, net of investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll over a 21 year closed period
Remaining amortization period	21 years closed as of June 30, 2016

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for TRS. Pre-retirement mortality rates were based on the RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for TRS.

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

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

Best estimates of the long-term geometric rates are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Large cap domestic	17.0%
Non-large cap domestic	22.0%
International qualified	24.6%
International non-qualified	24.3%
International equity	26.2%
Short-term fixed	0.5%
Total return fixed income	6.7%
Core fixed income	0.1%
Hedge fund	5.7%
Private equity	19.6%
Real estate	8.3%
Opportunistic income	4.8%
Cash	0.0%

Discount rate - The discount rate used to measure the OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. The OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate - The following table presents the Authority's proportionate share of the net OPEB liability calculated using the current discount rate of 7.15%, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	Authority's Proportionate Share of Net OPEB Liability		
	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
Authority's proportionate share	$ 221,475	$ 190,208	$ 164,216

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The following table presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or higher:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Net OPEB liability	$ 159,777	$ 190,208	$ 227,426

Pension plan fiduciary net position - Detailed information about the OPEB plan's fiduciary net position is available in the separately issued RHBT financial report.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL (BUDGETARY BASIS) - GENERAL FUND

YEAR ENDED JUNE 30, 2018

	Budgeted Amounts				
	Original	Final	Actual	$ Variance	% Variance
Revenues:					
Intergovernmental	$ -	$ -	$ 124,709	$ (124,709)	N/A
Expenditures:					
Administrative	1,368,402	1,368,402	1,252,007	116,395	9.30%
Excess (Deficiency) of Revenues over Expenditures	(1,368,402)	(1,368,402)	(1,127,298)	(241,104)	21.39%
Other Financing Sources (Uses):					
Transfers - internal activities	1,368,402	1,368,402	1,371,182	(2,780)	-0.20%
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	$ -	$ -	$ 243,884	$ (243,884)	N/A

See accompanying note to required supplementary information.

09/13/2018

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SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL (BUDGETARY BASIS) - DEBT SERVICE FUND

YEAR ENDED JUNE 30, 2018

	Budgeted Amounts				
	Original	Final	Actual	$ Variance	% Variance
Revenues:					
Intergovernmental	$ 60,424,770	$ 60,424,770	$ 60,388,234	$ 36,536	0.06%
Interest income, net of arbitrage rebate	-	-	2,345,237	(2,345,237)	-100.00%
Increase in fair value of investments	-	-	(2,324,707)	2,324,707	N/A
Total revenues	60,424,770	60,424,770	60,408,764	16,006	0.03%
				-	
Expenditures:					
Debt service	60,424,770	60,424,770	42,063,478	18,361,292	43.65%
Excess (Deficiency) of Revenues over Expenditures	-	-	18,345,286	(18,345,286)	-100.00%
Other Financing Sources (Uses):					
Transfers	-	-	(2,024,776)	2,024,776	-100.00%
Proceeds from issuance of long-term debt	-	-	38,415,000	(38,415,000)	N/A
Premium on issuance of long-term debt	-	-	1,954,404	(1,954,404)	N/A
Bond issue costs	-	-	297,322	(297,322)	N/A
Payments to refund bonds	-	-	(73,284,923)	73,284,923	N/A
Total financing sources (uses)	-	-	(34,642,973)	34,642,973	-100.00%
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	$ -	$ -	$ (16,297,687)	$ 16,297,687	N/A

See accompanying note to required supplementary information.

09/13/2018

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2018

1. Reconciliation of Budget Information

A reconciliation of the excess of revenue and transfers in over expenditures and transfers out for the year ended June 30, 2018, on the budgetary basis to the GAAP basis, is as follows:

	General Fund	Debt Service Fund
Excess (deficiency) of revenues and transfers in over expenditures and transfers out - budgetary basis	$ 119,175	$ 18,324,756
Unbudgeted funds	124,709	(34,622,443)
Excess of revenues and transfers in over expenditures transfers out - GAAP basis	$ 243,884	$ (16,297,687)

The Authority's Special Revenue Fund is not subject to the legislative budget process of the State and is considered an unbudgeted fund.

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SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - STRS

YEAR ENDED JUNE 30, 2018

	2018	2017	2016	2015
Authority's Proportionate (percentage) of the net pension liability	0.0145%	0.0151%	0.0127%	0.0174%
Authority's Proportionate share of the net pension liability	$ 500,383	$ 622,572	$ 438,835	$ 600,212
States proportionate share of the net pension liability associated with SBA	1,106,555	1,185,837	1,001,301	1,356,118
Total	$ 1,606,938	$ 1,808,409	$ 1,440,136	$ 1,956,330
Authority's covered employee payroll	$ 659,158	$ 642,750	$ 622,975	$ 754,105
Authority's proportionate share of the net pension's liability as a percentage of its covered employee payroll	75.91%	96.86%	70.44%	79.59%
Plan fiduciary net position as a percentage of the total pension liability*	67.85%	61.42%	66.25%	65.95%

* This is the same percentage for all participant employers in the STRS plan.

Trend Information Presented

The accompanying schedule of the Authority's proportionate share of the net pension liability is 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.

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

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

SCHEDULE OF CONTRIBUTIONS - STRS

YEAR ENDED JUNE 30, 2018

	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ 59,671	$ 59,956	$ 58,728	$ 57,585	$ 80,141	$ 76,298
Contributions in relation to the contractually required contribution	(59,671)	(59,956)	(58,728)	(57,585)	(80,141)	(76,298)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered employee payroll	$ 663,416	$ 659,158	$ 642,750	$ 622,975	$ 754,105	$ 721,819
Contributions as a percentage of covered employee payroll	8.99%	9.10%	9.14%	9.24%	10.63%	10.57%

Trend Information Presented

The accompanying schedule of the Authority’s contributions to STRS is 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.

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY - RHBT

YEAR ENDED JUNE 30, 2018

		2018
Authority's Proportionate (percentage) of the net OPEB liability		0.0077%
Authority's Proportionate share of the net OPEB liability	$	190,208
States proportionate share of the net OPEB liability associated with SBA		39,069
Total	$	229,277
Authority's covered employee payroll	$	522,479
Authority's proportionate share of the net OPEB liability as a percentage of its covered employee payroll		36.40%
Plan fiduciary net position as a percentage of the total OPEB liability*		25.10%

* This is the same percentage for all participant employers in the plan.

Trend Information Presented

The accompanying schedule of the Authority's proportionate share of the net OPEB liability is 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.

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

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

SCHEDULE OF CONTRIBUTIONS - RHBT

YEAR ENDED JUNE 30, 2018

	2018
Required contribution	$ 16,815
Contributions in relation to the contractually required contribution	(16,815)
Contribution deficiency (excess)	$ -
Authority's covered employee payroll	$ 516,554
Contributions as a percentage of covered employee payroll	3.26%

Trend Information Presented

The accompanying schedule of the Authority’s contributions to the plan is 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.

SUPPLEMENTARY INFORMATION

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STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION - FINANCE DIVISION
FINANCIAL ACCOUNTING AND REPORTING SECTION

FORM 7

GAAP REPORTING FORM - DEPOSITS DISCLOSURE

Audited Agency **School Building Authority of West Virginia**

Per GASB Statement 40 the Agency must disclose its deposit policy. The deposit policy must be formally adopted through legal or contractual provisions. Disclosure of any statutory policies are also required. Please provide in the space below the Agency's deposit policy.

See Note 5 to financial statements.

							2	3A	3B	3C	Foreign Currency Risk		
	Carrying Amount	Restricted Carrying Amount	Total Carrying Amount	Bank Balance	FDIC Insured Amount	Collateralized Amount	Amount Collateralized with securities held by the pledging financial institution's trust department or agent in the government's name	Amount Uninsured and Uncollateralized	Collateralized with securities held by the pledging financial institution but not in the name of the depositor	Collateralized with securities held by the pledging financial institution trust department or agency but not in the name of the depositor	Currency Type	Maturity	Fair Value
Balances as of	June 30, 2018												
Cash with Treasurer													
Per wvOASIS Opening Balance Repo	$ 494,249		494,249										
Cash with Municipal Bond Commission			0										
Cash on Hand			0										
Cash in Transit to wvOASIS			0										
Cash with Board of Trustees			0										
Cash in Outside Bank Accounts			0										
Cash in Escrow			0										
Certificates of Deposits (Non-Negotiable)			0										
Other: ___________________			0										
Total	494,249	0	494,249	0	0	0	0	0	0	0			0

PLEASE SEND COMPLETED FORMS TO:

State of West Virginia
Financial Accounting and Reporting Section
2101 Washington Street East
Building 17, 3rd Floor
Charleston, WV 25305

Telephone Number (304) 558-4083
Fax Number (304) 558-4084

09/13/2018

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION - FINANCE DIVISION
FINANCIAL ACCOUNTING AND REPORTING SECTION

FORM 8

GAAP REPORTING FORM - INVESTMENTS DISCLOSURE

Audited Agency **School Building Authority of West Virginia**

Per GASB Statement 40 the Agency must disclose its investment policy. The investment policy must be formally adopted through legal or contractual provisions. Disclosure of any statutory policies are also required. Please provide in the space below the Agency's investment policy.

See Note 5 to financial statements.

	Reported	Reported	Fair Value Measurement's Using							Credit Ratings			Interest Rate Risk - Segmented Time Distribution Investment Maturities (in years)				Foreign Currency Risk		
	Amount Unrestricted	Amount Restricted	Level 1	Level 2	Level 3	Fair Value	Cost Value	Net Asset Value	Total Reported Value	Standard & Poor's	Moody's	Fitch	Less than 1	1 - 5	6 -10	More than 10	Currency Type	Maturity	Fair Value
Investments with Investment Mgmt Board (IMB)																			
Per wvOASIS Opening Balance Report																			
Investment Earnings not Posted to wvOASIS As of 6/30/18																			
Investments with Board of Treasury Investments (BTI)																			
Per Opening Balance Report		2,731,945					2,731,945		2,731,945										
Investment Earnings not Posted to wvOASIS As of 6/30/18																			
Outside Investments:																			
Investments Reported at Cost																			
Repurchase Agreements ****																			
State & Local Govt Securities																			
U.S. Gov't Agencies																			
U.S. Gov't Agencies																			
Corporate Bonds																			
Commercial Paper																			
Fixed Income Fund																			
Money Market / Mutual Funds		168,547,511					168,547,511		168,547,511	AAAm	Aaa-mf	AAAmmf	168,547,511						
Other Investments																			
Total Outside Investments at Cost	0	168,547,511	0	0	0	0	168,547,511		168,547,511				168,547,511	0	0	0			
Investments by Fair Value Level																			
Debt Securities																			
U.S. Treasury securities																			
Commercial mortgage-backed securities																			
Collateralized debt obligations (Federal agency bonds)		82,678,853		82,678,853		82,678,853			82,678,853	AA+	Aaa	AAA		136,886	82,541,967				
Residental mortgage-backed securities																			
Corporate Bonds																			
Total Debt Securities	0	82,678,853	0	82,678,853	0	82,678,853	0		82,678,853				0	136,886	82,541,967	0			
Equity Securities																			
______________________																			
______________________																			
Other ______________________																			
Total Equity Securities	0	0	0	0	0	0	0		0				0	0	0	0			
Venture Capital Investments																			
Direct venture capital - _____________																			
Direct venture capital - _____________																			
Total Venture Capital Investments	0	0	0	0	0	0	0		0				0	0	0	0			
Private Equity Funds - International																			
______________________																			
Total Private Equity Funds - International	0	0	0	0	0	0	0		0				0	0	0	0			
Total Investments by Fair Value	0	82,678,853	0	82,678,853	0	82,678,853	0		82,678,853				0	136,886	82,541,967	0			
Investments Measured at the Net Asset Value (NAV)																			
Equity long/short hedge funds																			
Event-driven hedge funds																			
Global opportunities hedge funds																			
Multi-strategy hedge funds																			
Real estate funds																			
Total Investments Measured at the NAV	0	0						0	0				0	0	0	0			
Investments Derivative Instruments																			
Interest Rate Swaps																			
Foreign exchange contracts (liabilities)																			
Total Investment Derivative Instruments	0	0	0	0	0	0			0				0	0	0	0			
Total Investment	0	253,958,309	0	82,678,853	0	82,678,853	171,279,456	0	253,958,309				168,547,511	136,886	82,541,967	0			

****** MUST COMPLETE THE BELOW INFORMATION IF REPURCHASE AGREEMENTS WERE IDENTIFIED ABOVE:**

Collateral Description On The Repurchase Agreements	Fair Market Value of Collateral	Credit Rating Moody's	Credit Rating S&P

Valuation Techniques in fair value determination:

PLEASE SEND COMPLETED FORMS TO:

State of West Virginia
Financial Accounting and Reporting Section
2101 Washington Street East
Building 17, 3rd Floor
Charleston, WV 25305

09/13/2018

DRAFT

FORM 8A

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION - FINANCE DIVISION
FINANCIAL ACCOUNTING AND REPORTING SECTION

GAAP REPORTING FORM - DEPOSITS AND INVESTMENTS RECONCILIATION

Audited Agency **School Building Authority of West Virginia**

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

Deposits:	
Cash and cash equivalents as reported on balance sheet	$ 171,773,705
Less: cash equivalents disclosed as investments	(171,279,456)
Add: restricted cash and cash equivalents disclosed as deposits	
Other (describe)	
Carrying amount of deposits as disclosed on Form 7	$ 494,249
Investments:	
Investments as reported on balance sheet	$ 82,678,853
Add: restricted investments disclosed as investments	
Add: cash equivalents disclosed as investments	171,279,456
Other (describe)	
Reported amount of investments as disclosed on Form 8	$ 253,958,309

PLEASE SEND COMPLETED FORMS TO:

State of West Virginia
Financial Accounting and Reporting Section
2101 Washington Street East
Building 17, 3rd Floor
Charleston, WV 25305

Telephone Number: 304-558-4083
Fax Number: 304-558-4084

09/13/2018

DRAFT

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION - FINANCE DIVISION
FINANCIAL ACCOUNTING AND REPORTING SECTION

FORM 15

GAAP REPORTING FORM - TRANSFERS IN/OUT

Audited Agency **School Building Authority of West Virginia**

Indicate amounts transferred from/to your agency as of June 30, 2018

1 wvOASIS Doc. ID	2 Agency Transferring From	3 wvOASIS FUND	4 Agency Transferring To	5 wvOASIS FUND	6 Amount
Various	Department of Tax & Revenue	0402	School Building Authority of WV	0317	$ 23,393,401
Various	Department of Tax & Revenue	0402	School Building Authority of WV	3951	27,216,996
Various	Department of Tax & Revenue	0402	School Building Authority of WV	3966	5,000,004
Various	WV Lottery Commission	7205	School Building Authority of WV	3514	18,994,833
Various	WV Lottery Commission	7203	School Building Authority of WV	3963	18,000,000
Various	WV Department of Homeland Security	0606	School Building Authority of WV	3553	2,540,072
Various	WV Department of Homeland Security	0606	School Building Authority of WV	3554	2,727,536
			Total		$ 97,872,842

*Do not include IGT's, Reimbursements or Expense to Expense transactions

Explain Transfers In/Out amounts greater than or equal to $1,000,000.
All transfers based on legislative action.

09/13/2018

DRAFT

School Building Authority of West Virginia
(A Component Unit of the State of West Virginia)

Independent Auditor's Report in Accordance with *Government Auditing Standards*

Year Ended June 30, 2018

09/13/2018

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

Members
School Building Authority of 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 and each major fund of the School Building Authority of West Virginia (Authority), a component unit of the State of West Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated DATE XX, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Pittsburgh, Pennsylvania
DATE XX, 2018