

***VIRGINIA COALFIELD ECONOMIC
DEVELOPMENT AUTHORITY***
Lebanon, Virginia

AUDIT REPORT

Year ended June 30, 2017.

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

TABLE OF CONTENTS

June 30, 2017

Beginning Page #

3	Management's Discussion and Analysis
5	Independent Auditor's Report
7	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
9	Exhibit 1 Statement of Net Position
10	Exhibit 2 Statement of Revenues, Expenditures, and Changes in Net Position
11	Exhibit 3 Statement of Cash Flows
12	Notes to Financial Statements
36	Required Supplementary Information
37	Exhibit 4 Schedule of Funding Progress – Pension and Other Postemployment Benefits (OPEB)
38	Exhibit 5 Schedule of Changes in the Net Pension Liability and Related Ratios
39	Exhibit 6 Schedule of Employer Contributions
40	Notes to Required Supplementary Information
41	Supplementary Information
42	Schedule 1 Schedule of Net Position
43	Schedule 2 Schedule of Loans Receivable
45	Schedule 3 Schedule of Interest Income
46	Schedule 4 Schedule of Administrative Expenses
47	Schedule 5 Schedule of Project Grant Disbursements
48	Schedule 6 Schedule of Restricted and Unrestricted Cash and Cash Equivalents

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management of VCEDA submits this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017, for the purpose of providing additional information on the Authority's activities during this fiscal year.

Financial Highlights

- VCEDA approved seven loans and eight grants totaling \$6,127,700.00. As a result of this funding, 124 full-time jobs and 62 part-time jobs are being created and over \$9.6 million in investments are projected in the region.
- VCEDA closed seven loans and eight grants during the course of the fiscal year totaling \$7,007,700.00 that are projected to result in the creation of 132 full-time and 39 part-time jobs.
- VCEDA operated the programs listed below during the fiscal year.
 - Coalfield Economic Development Fund
 - Coalfield Regional Opportunity Fund
 - Communities for Opportunity Loan Fund
 - Civil Penalties Fund
 - Tourism Capital Improvement Matching Fund
 - Seed Capital Matching Fund
- All requests for funding from VCEDA are evaluated by the VCEDA Project Review and Finance Committees to determine if the requests comply with VCEDA's guidelines. Frequently, the committee is required to evaluate projects based on a risk/reward scenario. In other words, does the potential economic development reward for the funding request justify the risk associated with the investment? The Project Review Committee then makes recommendations to the VCEDA Board which makes the final decision on whether the funding request is approved. These kinds of decisions require significant due diligence as well as good business and common sense administered by both the committees and the VCEDA Board.
- As of June 30, 2017, VCEDA managed an active portfolio of 70 open loans and grants involving \$65.0 million in approved funding.
- The funds administration activity included 100 disbursements over the course of the fiscal year for 31 different projects. These transactions involved over \$11.6 million in disbursements, excluding accounts payable payments.
- As of June 30, 2017, fourteen certificates of deposit were maintained in six different banks. Bids were solicited from 18 area banks to determine the highest qualifying rate of return on VCEDA funds. All deposits are collateralized according to Virginia Code and deposited with qualified public depositories.

- VCEDA has received nearly \$143.0 million in coal and gas severance taxes since its creation on 7/1/88. Funding has been approved for 300 projects throughout the coalfield region totaling \$193.6 million as of June 30, 2017. This funding has resulted in the creation of thousands of new jobs and improved diversification of the economy in the coalfield region. These investments have also enhanced the infrastructure necessary to attract new industry and jobs to the region in the future.

Activities

- VCEDA is now marketing the seven-county, one-city region (Buchanan, Dickenson, Lee, Russell, Scott, Tazewell, and Wise Counties and the City of Norton) as Virginia's *e-Region*. Virginia's e-Region focuses on electronic information technology, energy, education, and emerging technologies.
- VCEDA submits an annual report to the Governor, General Assembly, VCEDA Board of Directors, local elected officials and economic development allies.
- VCEDA maintains an ongoing business development program which targets information technology companies, state and federal contractors, emerging technologies, advanced manufacturing, energy, and agriculture projects. VCEDA works cooperatively with the Virginia Economic Development Partnership and other local/regional allies in marketing activities.
- During the Fiscal Year ended June 30, 2017, there were six new announcements and one expansion totaling 73 full-time and 27 part-time jobs and more than \$5.5 million in projected investments.
- VCEDA has an active program to assist existing industry in addressing problems or issues regarding their operation in the region.
- VCEDA maintains an up-to-date website (www.vaceda.org) highlighting its financing programs, the communities served, the attributes of the workforce, and a listing of available sites and buildings available for new industry location or the expansion of existing industry.
- VCEDA's approach to economic development is built around teamwork. VCEDA works with a host of local, regional, state, federal, and private sector allies to generate successful economic development projects and initiatives for the region. The many successes that we enjoy are attributed to our team concept.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Virginia Coalfield Economic
Development Authority
Lebanon, Virginia 24266

Report on the Financial Statements

We have audited the accompanying statements of net position of Virginia Coalfield Economic Development Authority, as of and for the year ended June 30, 2017, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Virginia Coalfield Economic Development 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Boards, Commissions and Authorities*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 4, and the required pension benefit schedules on pages 37 through 39, 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 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 other supplementary information presented in Schedules 1 through Schedule 6, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information presented in the schedules listed in the first paragraph of this section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2018 on our consideration of the Authority's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Virginia Coalfield Economic Development Authority's internal control over financial reporting and compliance.


THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants
Norton, Virginia

January 26, 2018

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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

The Board of Directors
Virginia Coalfield Economic
Development Authority
Lebanon, Virginia 24266

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Specifications for Audits of Boards, Commissions and Authorities*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the business-type activities of the Virginia Coalfield Economic Development Authority, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Virginia Coalfield Economic Development Authority's basic financial statements, and have issued our report thereon dated January 26, 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 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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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 Virginia Coalfield Economic Development 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*.

The Board of Directors
Virginia Coalfield Economic
Development Authority
Lebanon, Virginia 24266
(Report on Compliance and Internal Control)
Page 2

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.



THROWER, BLANTON & ASSOCIATES, P.C.

Certified Public Accountants
Norton, Virginia

January 26, 2018

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
June 30, 2017

EXHIBIT 1

	Coal and Gas Tax Funds	Tax Credit Funds	Civil Penalties Funds	CFO Funds	TOTALS (Memorandum Only)
ASSETS					
Cash and cash equivalents	\$ 20,658,329	\$ 20,500,320	\$ 29,092	\$ 316,297	\$ 41,504,038
Loans receivable, net	36,682,698	1,199,269	-	3,396,250	41,278,217
Accounts receivable	607,834	2,543,984	4,420	-	3,156,238
Accrued interest receivable	52,348	32,119	-	-	84,467
Restricted Cash	14,864,834	10,000,000	57,314	-	24,922,148
Capital assets, (net)	586,735	-	-	-	586,735
Total Assets	73,452,778	34,275,692	90,826	3,712,547	111,531,843
DEFERRED OUTFLOWS OF RESOURCES					
Pension related deferred outflows	43,799	-	-	-	43,799
Pension contributions subsequent to measurement date	28,933	-	-	-	28,933
Total Deferred Outflows of Resources	72,732	-	-	-	72,732
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 73,525,510	\$ 34,275,692	\$ 90,826	\$ 3,712,547	\$ 111,604,575
LIABILITIES					
Accounts payable	\$ 6,496	\$ -	\$ -	\$ -	\$ 6,496
Accrued wages	6,570	-	-	-	6,570
Accrued compensated absences	119,345	-	-	-	119,345
Net pension liability	337,170	-	-	-	337,170
Total Liabilities	469,581	-	-	-	469,581
DEFERRED INFLOWS OF RESOURCES					
Pension related deferred inflows	-	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-	-
NET POSITION					
Net investment in capital assets	586,735	-	-	-	586,735
Unrestricted	72,469,194	34,275,692	90,826	3,712,547	110,548,259
Total Net Position	73,055,929	34,275,692	90,826	3,712,547	111,134,994
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 73,525,510	\$ 34,275,692	\$ 90,826	\$ 3,712,547	\$ 111,604,575

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017

EXHIBIT 2

	Coal and Gas Tax Funds	Tax Credit Funds	Civil Penalties Funds	CFO Funds	TOTALS (Memorandum Only)
OPERATING REVENUES:					
Coal and gas road improvement tax	\$ 3,235,040	\$ -	\$ -	\$ -	\$ 3,235,040
Gas tax	1,197,248	-	-	-	1,197,248
Civil penalties	-	-	174,453	-	174,453
Coalfield employment enhancement	-	2,869,743	-	-	2,869,743
	<u>4,432,288</u>	<u>2,869,743</u>	<u>174,453</u>	<u>-</u>	<u>7,476,484</u>
Total Operating Revenues					
	<u>4,432,288</u>	<u>2,869,743</u>	<u>174,453</u>	<u>-</u>	<u>7,476,484</u>
EXPENDITURES:					
General administrative expense	524,915	-	-	-	524,915
Project grant disbursements	1,270,981	-	350,382	-	1,621,363
Business development costs	286,156	-	-	-	286,156
Total Expenditures	<u>2,082,052</u>	<u>-</u>	<u>350,382</u>	<u>-</u>	<u>2,432,434</u>
Operating Revenues over Expenditures	2,350,236	2,869,743	(175,929)	-	5,044,050
NON OPERATING REVENUES (EXPENSES):					
Loan fees and penalties	16,056	-	-	-	16,056
Interest income	270,950	162,873	640	24,758	459,221
Collection on impaired loans	25,000	-	-	-	25,000
	<u>312,006</u>	<u>162,873</u>	<u>640</u>	<u>24,758</u>	<u>500,277</u>
Total Non Operating Revenues (Expenses)					
	<u>312,006</u>	<u>162,873</u>	<u>640</u>	<u>24,758</u>	<u>500,277</u>
Changes in Net Position	2,662,242	3,032,616	(175,289)	24,758	5,544,327
Net Position Beginning of Year	<u>70,393,687</u>	<u>31,243,076</u>	<u>266,115</u>	<u>3,687,789</u>	<u>105,590,667</u>
Net Position Ending of Year	<u>\$ 73,055,929</u>	<u>\$ 34,275,692</u>	<u>\$ 90,826</u>	<u>\$ 3,712,547</u>	<u>\$ 111,134,994</u>

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017

EXHIBIT 3

	Coal and Gas Tax Funds	Tax Credit Funds	Civil Penalties Funds	CFO Funds	Totals (Memorandum Only)
OPERATING ACTIVITIES					
Receipts from governmental entities	\$ 4,132,454	\$ 646,964	\$ 190,475	\$ -	\$ 4,969,893
Grant proceeds disbursed	(1,270,981)	-	(350,382)	-	(1,621,363)
Payments to suppliers	(326,151)	-	-	-	(326,151)
Salaries and fringes paid to employees	(441,267)	-	-	-	(441,267)
	<u>2,094,055</u>	<u>646,964</u>	<u>(159,907)</u>	<u>-</u>	<u>2,581,112</u>
CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of equipment	(3,800)	-	-	-	(3,800)
Loan principal payments received	1,060,665	-	-	26,568	1,087,233
Loan principal and interest advances	(10,108,910)	-	-	-	(10,108,910)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financing Activities	<u>(9,052,045)</u>	<u>-</u>	<u>-</u>	<u>26,568</u>	<u>(9,025,477)</u>
INVESTING ACTIVITIES					
Collected for other funds	4,733	-	-	-	4,733
Transfers to/from other funds	(14,292)	-	-	9,559	(4,733)
Collected on impaired loans	25,000	-	-	-	25,000
Loan fees and penalties	16,056	-	-	-	16,056
Interest income received	360,556	143,337	640	24,758	529,291
	<u>392,053</u>	<u>143,337</u>	<u>640</u>	<u>34,317</u>	<u>570,347</u>
Net increase (decrease) in cash	(6,565,937)	790,301	(159,267)	60,885	(5,874,018)
CASH AND CASH EQUIVALENTS					
Beginning of year	42,089,100	29,710,019	245,673	255,412	72,300,204
End of year	<u>\$ 35,523,163</u>	<u>\$ 30,500,320</u>	<u>\$ 86,406</u>	<u>\$ 316,297</u>	<u>\$ 66,426,186</u>
Displayed as:					
Cash and Cash Equivalents	\$ 20,658,329	\$ 20,500,320	\$ 29,092	\$ 316,297	\$ 41,504,038
Restricted Cash	14,864,834	10,000,000	57,314	-	24,922,148
	<u>\$ 35,523,163</u>	<u>\$ 30,500,320</u>	<u>\$ 86,406</u>	<u>\$ 316,297</u>	<u>\$ 66,426,186</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Excess of Operating Revenues over Expenditures	\$ 2,350,236	\$ 2,869,743	\$ (175,929)	\$ -	\$ 5,044,050
Adjustments to reconcile operating loss to net cash provided by operating activities:					
Depreciation	26,311	-	-	-	26,311
Pension obligation	5,005	-	-	-	5,005
Change in certain assets and liabilities:					
(Increase) decrease in:					
Receivables, net	(299,833)	(2,222,779)	16,022	-	(2,506,590)
Increase (decrease) in:					
Accrued liabilities	12,336	-	-	-	12,336
Net Cash Provided by Operating Activities	<u>\$ 2,094,055</u>	<u>\$ 646,964</u>	<u>\$ (159,907)</u>	<u>\$ -</u>	<u>\$ 2,581,112</u>
Noncash Investing, Capital, and Financing Activities:					
Supplemental Disclosure of Capital and Related Financing Activities:					
Interest paid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

1. DESCRIPTION OF AGENCY

Reporting Entity

Virginia Coalfield Economic Development Authority was created, effective July 1, 1988, as a political subdivision of the Commonwealth of Virginia, pursuant to the Code of Virginia, Chapter 60, Sections 15.2-6000-6015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

In June 1999, the Governmental Accounting Standards Board ("GASB") issued *Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement established new financial reporting requirements for governmental entities throughout the United States. The objective of this statement is to enhance the understanding and usefulness of the external financial reports of governmental entities to the citizenry, legislative and oversight bodies, and investors and creditors.

Purpose of Authority

The primary purpose of the Authority is to enhance the economic base for the seven counties and one city coalfield region of Virginia (Lee, Wise, Scott, Buchanan, Russell, Tazewell and Dickenson Counties and the City of Norton). The Authority shall provide financial support for the purchase of real estate, construction of buildings for sale or lease, installation of utilities, direct loans and grants to private for-profit basic employers; may apply for matching funds from the state or federal government, or the private sector; and any other support improvements it deems necessary, including flood control dams.

Eligible Use of Funds

The Authority is hereby empowered to pledge its funds, and make loans and grants to or for the benefit of For-Profit Enterprises or Entities; Governmental or Corporate Instrumentalities in the Coalfield Region of Virginia (including any political subdivision of the Commonwealth and the Breaks Interstate Park); Not-for-Profit Enterprises or Entities; Nonprofit Industrial Development Corporations; Economic Development Authorities; or Industrial Development Authorities for financing the following:

1. Purchase of real estate
2. Grading of site(s)
3. Construction of flood control dams
4. Water, sewer, natural gas and electrical line replacement and extensions
5. Construction, rehabilitation or expansion of buildings
6. Construction of parking facilities
7. Access roads construction and street improvements
8. Purchase, lease, or relocation of machinery, tools, equipment, furniture, software, or other personal property
9. Construction of improvements outside the Commonwealth if in the Breaks Interstate Park
10. Feasibility studies, site studies, preliminary engineering or architectural reports, and other studies and plans
11. Such other improvements, projects, activities, or purposes as the Authority deems necessary to accomplish its purpose and
12. Costs and expenses associated with any item listed in Subdivisions 1 through 11 above, including, but not limited to, architectural, engineering, consulting, legal, closing, installation, delivery, and assembly expenses.

Acceptance of Funds, Property and Grants or Loans

The Authority may accept funds and property from the Federal Government, the Commonwealth, persons and localities, and may use the same for any of the purposes for which the Authority is created. Localities are hereby authorized to lend or donate money or other property to the Authority for any of its purposes. The locality making the grant or loan may restrict the use of such grants or loans to a specific project, within or outside that locality.

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capitalization of Authority

On September 1, 1988, and on the first day of each month thereafter, each county and city shall remit to the Virginia Coalfield Economic Development Fund twenty-five percent of the revenues collected during the next to last calendar month from the (i) gas road improvement tax pursuant to Section 58.1-3713 and (ii) local coal road improvement severance licenses tax pursuant to subsection B of Section 58.1-3741.

Pursuant to Section 58.1-3713.4, a county or city may levy an additional license tax on every person engaging in the business of severing gases from the earth. The license tax shall be at a rate not to exceed one percent of the gross receipts from the sale of gases severed within the county or city. In the counties of Buchanan, Dickenson, Lee, Russell, Scott, Tazewell and Wise and the City of Norton one-half of the revenues derived from such tax shall be paid to the Virginia Coalfield Economic Development Fund.

Pursuant to Section 58.1-439.2, Coalfield employment enhancement tax credit, for tax years beginning on and after January 1, 1996, but before January 1, 2017, any person who has an economic interest in coal mined in the Commonwealth shall be allowed a credit against the tax imposed by Section 58.1-400 and any other tax imposed by the Commonwealth. If the credit exceeds the person's state tax liability for the tax year, the excess shall be redeemable by the Tax Commissioner on behalf of the Commonwealth for ninety percent of the face value within ninety days after filing the return; however, for credit earned in tax years beginning on and after January 1, 2002, such excess shall be redeemable by the Tax Commissioner on behalf of the Commonwealth for eighty-five percent of the face value within ninety days after filing this return. The remaining ten or fifteen percent of the value of the credit being redeemed, as applicable for such tax year, shall be deposited by the Commissioner in a regional economic development fund administered by the Virginia Coalfield Economic Development Authority to be used for regional economic diversification in accordance with guidelines developed by the Virginia Coalfield Economic Development Authority and the Virginia Economic Development Partnership.

Proceeds Held

The treasurer may invest and reinvest funds of the Authority pending their need. All monies received by the Authority pursuant to Section 15.2-6009, together with any matching funds received from state or federal sources, shall be applied and used only in the county or city from which the funds were received, unless the governing body of the county or city consents to their use in another county or city. Monies received pursuant to Section 58.1-3713.4 may be used at the discretion of the Authority for purposes and projects as determined by the Authority.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost or estimated cost. Any donated property that may be received will be recorded at market value as of the date of donation. Depreciation for property, plant and equipment has been provided over the following estimated useful lives using the Straight - Line Method:

Building	40 years
Equipment	7 years

Operating Cycle and Classification of Assets

The Authority may realize its assets and liquidate its liabilities in operating cycles which range from very short to very long periods. The accompanying financial statements are presented in a non-classified format because working capital concepts are not indicative of its operating liquidity.

Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

2. *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*

Investments

All investments of the Authority are reported at fair value.

Basis of Accounting

The Authority utilizes the accrual basis of accounting for financial reporting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned, while expenses are recognized in the accounting period in which they are incurred.

Allowance for Uncollectible Accounts

The Authority calculates its allowance for uncollectible accounts using historical collection data. At June 30, 2017, there was an allowance of \$617,882 recorded.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Position

Net Position is the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is divided into three components:

- Net investment in capital assets- consist of historical cost of capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, constructions or improvement of those assets.
- Restricted-consist of assets that are restricted by the Authority's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on share revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted-all other net position is reported in this category

Pensions

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

Deferred Outflows/Inflows of Resources

The Authority reports deferred outflows of resources and deferred inflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and are not recognized as an outflow of resources (expense) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until a future period.

Employer pension contributions made after the net pension liability measurement date of June 30, 2016 and prior to the reporting date of June 30, 2017 have been reported as deferred outflows of resources in the Statement of Net Position as of June 30, 2017. This will be applied to the net pension liability in the next fiscal year.

Differences between the projected and actual pension earnings as of the actuarial measurement date of June 30, 2016 have been reported as a deferred inflow of resources. This difference will be recognized in pension expense over a closed five-year period.

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

3. CASH AND CASH EQUIVALENTS

Deposits

All cash of the Authority is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 *et. seq.* of the *Code of Virginia*, or covered by federal depository insurance.

Investments

Investment Policy:

In accordance with the Code of Virginia and other applicable law, including regulations, the Authority may make investments in U. S. Treasury Securities, U. S. Agency Securities, prime quality commercial paper, non-negotiable certificates of deposit and time deposits of Virginia banks, negotiable certificates of deposit of domestic banks, banker's acceptances with domestic banks, Commonwealth of Virginia and Virginia Local Government Obligations, repurchase agreements collateralized by the U. S. Treasury/Agency securities, the Virginia State Non-Arbitrage Program or other authorized Arbitrage Investment Management programs, and the State Treasurer's Local Government Investment Pool (the Virginia LGIP, a 2a-7 like pool).

Fair Value Measurement

The Authority categorized the fair value measurement of its investments based on the hierarchy establish by generally accepts accounting principles. Investments are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards (GASB) Statements require or permit in the statement of net position at the end of each reporting period. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority does not have any investments at June 30, 2017 that are measured using Level 1, 2, or 3 inputs.

Credit Risk:

As required by state statute, the Authority requires that commercial paper have a short-term debt rating of no less than "A-1" (or equivalent) from a nationally recognized statistical rating organization.

Concentration of Credit Risk:

Deposits and investments held by any single issuer that exceeded 5% are as follows:

First Bank & Trust	35.47%
First Sentinel Bank	3.11%
Lee Bank & Trust	16.85%
Powell Valley National Bank	17.55%
Branch Bank & Trust	9.49%
New Peoples Baank	17.53%

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

3. CASH AND CASH EQUIVALENTS (Continued)

Custodial Credit Risk:

As required by the *Code of Virginia*, all security holdings with maturities over 30 days may not be held in safekeeping with the “counterparty” to the investment transaction. As of June 30, all of the Authority’s investments are held in a bank safe deposit box in the Authority’s name.

The above items are reflected in the financial statements as follows:

	<u>Authority</u>
Deposits and investments:	
Deposits	\$ 6,867,908
Investments	<u>59,558,278</u>
	<u>\$66,426,186</u>
Statement of net position:	
Cash and cash equivalents	\$ 41,504,038
Restricted cash and cash equivalents	<u>24,922,148</u>
	<u>\$66,426,186</u>

Interest Rate Risk:

As of June 30, the investment balance of \$59,558,278 was comprised entirely of certificates of deposit with a weighted average maturity of six months.

4. PROPERTY, PLANT AND EQUIPMENT

The summary of property, plant and equipment at June 30, 2017 is as follows:

	<u>2017</u>
Equipment	\$105,134
Buildings and Improvements	877,905
Less: Accumulated Depreciation	<u>(396,304)</u>
Net Book Value of Equipment, Buildings and Improvements in Current Use	<u>\$586,735</u>

5. EMPLOYEE RETIREMENT SYSTEM AND PENSION PLAN

Plan Description

All full-time, salaried permanent employees of the Authority are automatically covered by VRS Retirement Plan upon employment. This plan is administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees—Plan 1, Plan 2, and Hybrid. Each of these benefit structures has a different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN (CONTINUED)

RETIREMENT PLAN PROVISIONS		
<p>About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>About Plan 2 Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>About the Hybrid Retirement Plan The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (See "Eligible Members")</p> <ul style="list-style-type: none"> • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions. • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
<p>Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.</p>	<p>Eligible Members Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes:</p> <ul style="list-style-type: none"> • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 20, 2014: the plan's effective date for opt-in member was July 1, 2014

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN (CONTINUED)

<p>Hybrid Opt-In Election VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible VRS Plan 1 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.</p>	<p>Hybrid Opt-In Election Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014.</p> <p>The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014.</p> <p>If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.</p> <p>Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.</p>	<p>*Non-Eligible Members Some employees are not eligible to participate in the Hybrid Retirement Plan. They include:</p> <ul style="list-style-type: none"> • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees <p>Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.</p>
<p>Retirement Contributions Members contribute up to 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.</p>	<p>Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.</p>	<p>Retirement Contributions A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.</p>

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN (CONTINUED)

<p>Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p>	<p>Creditable Service Same as Plan 1.</p>	<p>Creditable Service <u>Defined Benefit Component:</u> Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.</p> <p><u>Defined Contributions Component:</u> Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.</p>
<p>Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund.</p> <p>Members are always 100% vested in the contributions that they make.</p>	<p>Vesting Same as Plan 1.</p>	<p>Vesting <u>Defined Benefit Component:</u> Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component.</p>

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN (CONTINUED)

		<p><u>Defined Contributions Component:</u> Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan.</p> <p>Members are always 100% vested in the contributions that they make.</p> <p>Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service.</p> <ul style="list-style-type: none"> • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. <p>Distribution is not required by law until age 70½.</p>
<p>Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.</p> <p>An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.</p>	<p>Calculating the Benefit See definition under Plan 1.</p>	<p>Calculating the Benefit <u>Defined Benefit Component:</u> See definition under Plan 1</p> <p><u>Defined Contribution Component:</u> The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.</p>

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN (CONTINUED)

<p>Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.</p>	<p>Average Final Compensation Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.</p>
<p>Service Retirement Multiplier VRS: The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%.</p> <p>Sheriffs and regional jail superintendents: The retirement multiplier for sheriffs and regional jail superintendents is 1.85%.</p> <p>Political subdivision hazardous duty employees: The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.</p>	<p>Service Retirement Multiplier VRS: Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013.</p> <p>Sheriffs and regional jail superintendents: Same as Plan 1.</p> <p>Political subdivision hazardous duty employees: Same as Plan 1.</p>	<p>Service Retirement Multiplier Defined Benefit Component: VRS: The retirement multiplier is 1.00%.</p> <p>For members that opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans.</p> <p>Sheriffs and regional jail superintendents: Not applicable.</p> <p>Political subdivision hazardous duty employees: Not applicable.</p>
<p>Normal Retirement Age VRS: Age 65.</p> <p>Political subdivisions hazardous duty employees: Age 60.</p>	<p>Normal Retirement Age VRS: Normal Social Security retirement age.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Normal Retirement Age Defined Benefit Component: Same as Plan 2.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p>Defined Contribution Component: Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN (CONTINUED)

<p>Earliest Unreduced Retirement Eligibility VRS: Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.</p>	<p>Earliest Unreduced Retirement Eligibility VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. Political subdivisions hazardous duty employee: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Earliest Reduced Retirement Eligibility VRS: Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.</p> <p>Political subdivisions hazardous duty employees: 50 with at least five years of creditable service.</p>	<p>Earliest Reduced Retirement Eligibility VRS: Age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Same as Plan 1.</p>	<p>Earliest Unreduced Retirement Eligibility <u>Defined Benefit Component:</u> VRS: Age Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.</p> <p>Political subdivisions hazardous duty employees: Not applicable.</p> <p><u>Defined Contribution Component:</u> Members are eligible to receive distributions upon leaving employment, subject to restrictions.</p>
<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%.</p>	<p>Cost-of-Living Adjustment (COLA) in Retirement <u>Defined Benefit Component:</u> Same as Plan 2.</p> <p><u>Defined Contribution Component:</u> Not applicable.</p>

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN (CONTINUED)

<p><u>Eligibility:</u> For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date.</p> <p>For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.</p> <p><u>Exceptions to COLA Effective Dates:</u> The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances:</p> <ul style="list-style-type: none"> • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins. 	<p><u>Eligibility:</u> Same as Plan 1</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1</p>	<p><u>Eligibility:</u> Same as Plan 1 and Plan 2.</p> <p><u>Exceptions to COLA Effective Dates:</u> Same as Plan 1 and Plan 2.</p>
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VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN (CONTINUED)

<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted.</p> <p>VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>	<p>Disability Coverage Eligible political subdivision and school division (including VRS Plan 1 and VRS Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides and employer-paid comparable program for its members.</p> <p>Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VSDP or VLDP are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.</p>
<p>Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.</p>	<p>Purchase of Prior Service Same as Plan 1.</p>	<p>Purchase of Prior Service <u>Defined Benefit Component:</u> Same as Plan 1, with the following exceptions:</p> <ul style="list-style-type: none"> • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. <p><u>Defined Contribution Component:</u> Not applicable.</p>

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN (CONTINUED)

Employees Covered by Benefit Terms

As of the June 30, 2015 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	<u>Number</u>
Inactive members or their beneficiaries currently receiving benefits	<u>1</u>
Inactive members:	
Vested inactive members	0
Non-vested Inactive members	0
Inactive members active elsewhere in VRS	<u>2</u>
Total inactive members	2
Active members	<u>4</u>
Total covered employees	<u><u>7</u></u>

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the *Code of Virginia*, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00%-member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5.00%-member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00%-member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The Authority's contractually required contribution rate for the year ended June 30, 2017 was 9.39% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2015.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Authority were \$28,933 and \$30,239 for the years ended June 30, 2017 and June 30, 2016, respectively.

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN (CONTINUED)

Net Pension Liability

The Authority's net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2015, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the Authority's Retirement Plan was based on an actuarial valuation as of June 30, 2015, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016.

Inflation	2.5 percent
Salary increases, including inflation	3.5 percent – 5.35 percent
Investment rate of return	7.0 percent, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN (CONTINUED)

Actuarial Assumptions – General Employees (continued)

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females were set back 2 years.

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year.

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:

- Update mortality table
- Decrease in rates of disability retirement

All Others (Non 10 Largest) – Non-LEOS:

- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Long-Term Expected Rate of Return

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

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN (CONTINUED)

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
	<u>100.00%</u>		<u>5.83%</u>
	Inflation		<u>2.50%</u>
	* Expected arithmetic nominal return		<u>8.33%</u>

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons, the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that system member contributions will be made per the VRS statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the Authority's Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN (CONTINUED)

determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at June 30, 2015	\$ 1,379,707	\$ 1,105,785	\$ 273,922
Changes for the year:			
Service Cost	25,967	-	25,967
Interest	95,051	-	95,051
Differences between expected and actual experience	6,470	-	6,470
Contributions - employer	-	30,222	(30,222)
Contributions - employee	-	15,104	(15,104)
Net investment income	-	19,599	(19,599)
Benefit payments, including refunds of employee contributions	(43,667)	(43,667)	-
Administrative expenses	-	(677)	677
Other changes	-	(8)	8
Net changes	83,821	20,573	63,248
Balance at June 30, 2016	\$ 1,463,528	\$ 1,126,358	\$ 337,170

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Authority using the discount rate of 7.00%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN (CONTINUED)

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Net Pension Liability	<u>\$ 553,783</u>	<u>\$ 337,170</u>	<u>\$ 158,877</u>

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

For the year ended June 30, 2017, the Authority recognized pension expense of \$33,921. At June 30, 2017, the political subdivision 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	\$ 14,480	\$ -
Change in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	29,319	-
Employer contributions subsequent to the measurement date	28,933	-
Total	<u>\$ 72,732</u>	<u>\$ -</u>

\$28,933 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - PENSION PLAN (CONTINUED)

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
(continued)**

Year ended June 30

2018	4,761
2019	4,761
2020	20,853
2021	13,424
2022	-
Thereafter	-
	<u>\$ 43,799</u>

Pension Plan Data

Information about the VRS Political Subdivision Retirement Plan is also available in the separately issued VRS 2016 Comprehensive annual Financial Report (CAFR). A copy of the 2016 VRS CAFR may be downloaded from the VRS website at <http://www.varetire.or/Pdf/Publicaitons/2016-annual-report.pdf>, or by writing the System's Chief Financial Officer at P.O. box 2500, Richmond, VA 23218-2500.

Payables to the Pension Plan

At June 30, 2017, the Authority reported a payable of \$3,695 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

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VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

6. OTHER POSTEMPLOYMENT BENEFITS – VRS HEALTH INSURANCE CREDIT

Plan Description

The Authority participates in the Health Insurance Credit Program, a plan designed to assist retirees with the cost of health insurance coverage. This program is an agent and cost sharing, multiple-employer defined benefit plan administered by the Virginia Retirement System (VRS). The Virginia General Assembly established the dollar amount of the health insurance credit for each year of creditable service. The credit amount and eligibility differs for state, school division, political subdivision, local officer, local social services department and general registrar retirees.

Employees of the Authority, who retire under VRS with at least 15 year of total creditable service under the System and are enrolled in a health insurance plan, are eligible to receive a monthly health insurance credit of \$1.50 per year of creditable service up to a maximum monthly credit of \$45. However, such credit shall not exceed the health insurance premium for the retiree. Disabled retirees automatically receive the maximum monthly health insurance credit of \$45.

Benefit provisions and eligibility requirements are established by Title 51.1, Chapter 14 of the *Code of Virginia*. The VRS actuarially determines the amount necessary to fund all credits provided, reflects the cost of such credits in the applicable employer contribution rate pursuant to §51.1-145, and prescribes such terms and conditions as are necessary to carry out the provisions of the health insurance credit program. VRS issues separate financial statements as previously discussed in Note 5.

Funding Policy

As a participating local political subdivision, the Authority is required to contribute the entire amount necessary to fund participation in the program using the actuarial basis specified by the *Code of Virginia* and the VRS Board of Trustees. The Authority's contributions rate for the fiscal year ended June 30, 2017 was .22% of annual covered payroll.

Annual OPEB Cost and Net OPEB Obligation

The annual cost of the OPEB under the Governmental Accounting Standards Board (GASB) 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, is based on the annual required contribution (ARC). The Authority is required to contribute the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

For 2017, the Authority's contributions of \$678 was equal to the ARC and OPEB cost. The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the preceding two years were as follows:

Fiscal Year Ending	Annual OPEB Cost (ARC)	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2015	\$ 625	100.00%	\$ -
6/30/2016	634	100.00%	-
6/30/2017	678	100.00%	-

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

6. OTHER POSTEMPLOYMENT BENEFITS – VRS HEALTH INSURANCE CREDIT: *(Continued)*

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 11,329
Actuarial value of plan assets	\$ 2,745
Unfunded actuarial accrued liability (UAAL)	\$ 8,584
Funded ratio (actuarial value of plan assets/AAL)	24.23%
Covered payroll (active plan members)	\$ 302,084
UAAL as a percentage of covered payroll	2.84%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future and reflect a long-term perspective. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each evaluation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The entry age normal cost method was used to determine the plan's funding liabilities and costs. The actuarial assumptions included a 7.0% investment rate of return, compounded annually, including an inflation component of 2.5%, and a payroll growth rate of 3%. The UAAL is being amortized as a level percentage of payroll on an open basis. The remaining open amortization period at June 30, 2016 was 18-27 years.

7. LITIGATION AND CONTINGENT LIABILITIES

It is the opinion of management and the Authority's legal counsel that there are not any outstanding or pending litigation, claims, or assessments against the Authority which could have a material effect on the Authority's financial statements.

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

8. COMMITMENTS AND CONTINGENCIES

Leases - Operating Leases

Certain major items of equipment used by the Authority are contracted under various lease agreements which expire at various dates through 2019. The aggregate minimum annual rental approximates \$4,273 for the year ending June 30, 2017, and certain leases provide for the payment by the lessee of costs of maintenance, insurance, and other costs. Future minimum annual rent for equipment and furniture will be:

<u>Year Ended</u>	
2018	1,737
2019	<u>1,593</u>
Total Minimum Lease Payments	<u>\$ 3,330</u>

9. COMPENSATED ABSENCES

The Authority has accrued the liability arising from outstanding claims, judgments, and compensated absences. The balance of accrued compensated absences at June 30, 2017, was \$119,345.

Non-contract Authority employees earn vacation and sick leave according to the following schedule:

(a) Vacation Leave:

<u>Years of Service</u>	<u>Hours Earned Per Month</u>	<u>Hours Earned Per Year</u>	<u>Maximum Hours Accumulation Allowed</u>
0 - 5	8	96	192
5 - 9	10	120	240
10 - 20	12	144	288
20+	14	168	336

(b) Sick Leave:

Sick leave accrues at the rate of 8 hours per month for all non-contract employees.

The following is a summary of compensated absences transactions for the year ended June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Additions/ Proceeds</u>	<u>Payments/ Reductions</u>	<u>Balance June 30, 2017</u>
Accrued Compensated Absences	<u>\$ 114,352</u>	<u>\$ 30,483</u>	<u>\$ (25,490)</u>	<u>\$ 119,345</u>

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

10. ACCOUNTS RECEIVABLE

Accounts receivable represents the amounts of coal and gas tax revenues due to the Authority that have not been remitted by the localities as of June 30. It is the Authority's practice not to allocate these revenues to the respective localities until the funds are actually received. Thus, the corresponding revenue and net position amounts are reflected as unallocated in the financial statements. Coal and gas tax revenues receivable at June 30, 2017 totaled \$607,834. The amount of Coalfield Employment Enhancement Tax Credit revenue due to the Authority from the Commonwealth of Virginia at June 30, 2017 was \$2,543,984. Also, the amount of Civil Penalties revenue due to the Authority from the Commonwealth of Virginia at June 30, 2017 was \$4,420.

11. GRANTS

During the 2017 fiscal year, the Authority made \$1,270,981 in cash grant disbursements for various projects. As of June 30, 2017, the Authority had \$1,936,460 of previously approved grants that had not yet been disbursed on various projects.

12. REVENUE CONCENTRATION

During the 2017 fiscal year, the Authority received approximately \$3,235,040 in coal and gas road improvement tax revenues. This amount was approximately 73% of the Authority's 2017 total Coal & Gas Tax Fund operating revenue. As stipulated in the Commonwealth of Virginia Legislative Code this tax was previously set to expire December 31, 2017. However, per Code Section 58.1-3713 the tax provisions have been extended through January 1, 2019.

13. IMPAIRED LOANS

Some of the Authority's clients are in arrears on their note payments pursuant to their agreements with the Authority. The Authority has recorded \$617,882 as a reserve for impaired loans as of June 30, 2017. This amount reduces the total accounts receivable shown on the Authority's balance sheet.

14. RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash is comprised of funds committed by the board for loans and grants that have not been disbursed as of June 30, 2017. The balance of these funds at 06/30/17 are:

Coal and Gas Tax Fund	\$14,864,834
Tax Credit Fund	10,000,000
Civil Penalties Fund	57,314
CFO Fund	-
Total restricted Cash	<u>\$24,922,148</u>

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 26, 2018, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

SCHEDULE OF FUNDING PROGRESS- PENSION

PENSION						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
June 30, 2016	\$ 1,148,640	\$ 1,451,685	\$ 303,045	79.12%	\$ 302,084	100.32%
June 30, 2015	1,072,355	1,385,754	313,399	77.38%	297,620	105.30%
June 30, 2014	971,013	1,306,211	335,198	74.34%	290,533	115.37%
June 30, 2013	867,627	1,225,370	357,743	70.81%	284,837	125.60%
June 30, 2012	830,109	1,184,276	354,167	70.09%	264,473	133.91%
June 30, 2011	835,213	1,087,147	251,934	76.83%	246,248	102.31%
June 30, 2010	822,871	1,027,921	205,050	80.05%	240,294	85.33%
June 30, 2009	833,186	906,890	73,704	91.87%	231,347	31.86%
June 30, 2008	839,901	852,118	12,217	98.57%	225,610	5.42%
June 30, 2007	781,001	774,309	(6,692)	100.86%	209,038	-3.20%

SCHEDULE OF FUNDING PROGRESS- OPEB

HEALTH INSURANCE CREDIT PROGRAM-VRS						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as of Percentage of Covered Payroll
June 30, 2016	\$ 2,745	\$ 11,329	\$ 8,584	24.23%	\$ 302,084	2.84%
June 30, 2015	2,619	10,869	8,250	24.10%	297,620	2.77%
June 30, 2014	2,479	10,347	7,868	23.96%	290,533	2.71%

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
June 30, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability			
Service cost	\$ 25,967	\$ 26,536	\$ 24,763
Interest	95,051	88,941	84,294
Changes of benefit terms		-	-
Differences between expected and actual experience	6,470	15,127	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(43,667)	(42,971)	(42,353)
Net change in total pension liability	83,821	87,633	66,704
Total pension liability - beginning	1,379,707	1,292,074	1,225,370
Total pension liability - ending	<u>\$ 1,463,528</u>	<u>\$ 1,379,707</u>	<u>\$ 1,292,074</u>
Plan fiduciary net position			
Contributions - employer	\$ 30,222	\$ 30,128	\$ 27,586
Contributions - employee	15,104	14,881	14,527
Net investment income	19,599	48,579	144,293
Benefit payments, including refunds of employee contributions	(43,667)	(42,971)	(42,353)
Administrative expense	(677)	(653)	(769)
Other	(8)	(11)	7
Net change in total pension liability	20,573	49,953	143,291
Total pension liability - beginning	1,105,785	1,055,832	912,541
Total pension liability - ending	<u>\$ 1,126,358</u>	<u>\$ 1,105,785</u>	<u>\$ 1,055,832</u>
Political subdivision's net pension liability - ending	\$ 337,170	\$ 273,922	\$ 236,242
Plan fiduciary net position as a percentage of the total pension liability	76.96%	80.15%	81.72%
Covered - employee payroll	\$ 302,084	\$ 297,620	\$ 290,533
Political subdivision's net pension liability as a percentage of covered-employee payroll	111.61%	92.04%	81.31%

1) Fiscal year 2015 was the first year of GASB 68 implementation; therefore only three years are shown herein.

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
June 30, 2017

Date	Contractually Required Contribution	Contributions Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2017	\$ 28,933	\$ 28,933	\$ -	\$ 308,126	9.39%
2016	30,239	30,239	-	302,084	10.01%
2015	29,792	29,792	-	297,620	10.01%
2014	28,995	28,995	-	290,533	9.98%
2013	41,301	41,301	-	284,837	14.50%
2012	28,510	28,510	-	264,473	10.78%
2011	25,191	25,191	-	246,248	10.23%
2010	19,344	19,344	-	240,294	8.05%
2009	18,675	18,675	-	231,347	8.07%
2008	11,753	11,753	-	225,610	5.21%

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Change of benefit terms - There have been no significant changes to the Systems benefits provisions since the prior actuarial valuation. A hybrid plan with changes to the defined benefit plan structure and a new defined contribution component were adopted in 2012. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits.

Changes of assumptions - The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 - Non-LEOS

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increases by .25% per year

Largest 10 - LEOS

- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) - Non-LEOS

- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increases by .25% per year

All Others (Non 10 Largest) - LEOS

- Update mortality table
- Adjustment to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

OTHER SUPPLEMENTARY INFORMATION

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF NET POSITION
June 30, 2017

	Net Position Beginning	REVENUES			EXPENDITURES			Net Position Ending
		Revenues	Interest Earned	Other Revenues (Losses)	General Administrative Expenses	Business Development	Project Loans/Grants	
Coal and Gas Tax Funds								
Buchanan County	\$ 16,182,289	\$ 2,068,217	\$ 48,911	\$ -	\$ 302,858	\$ -	\$ 866,521	\$ 17,130,038
Dickenson County	12,934,654	986,988	59,656	-	144,529	-	58,437	13,778,332
Lee County	644,745	1,220	943	25,000	179	-	-	671,729
City of Norton	61,494	-	308	-	-	-	-	61,802
Russell County	4,752,858	117,366	29,981	-	17,186	-	-	4,883,019
Scott County	67,410	969	334	-	141	-	-	68,572
Tazewell County	5,876,456	233,381	42,327	8,000	34,175	-	-	6,125,989
Wise County	16,294,584	176,507	39,616	5,000	25,847	-	-	16,489,860
Sub-Totals	56,814,490	3,584,648	222,076	38,000	524,915	-	924,958	59,209,341
Accounts Receivable	308,001	299,833	-	-	-	-	-	607,834
Regional Funds	13,271,196	547,807	48,874	3,056	-	286,156	346,023	13,238,754
Total Coal and Gas Tax Funds	\$ 70,393,687	\$ 4,432,288	\$ 270,950	\$ 41,056	\$ 524,915	\$ 286,156	\$ 1,270,981	\$ 73,055,929
Tax Credit Funds	\$ 31,243,076	\$ 2,869,743	\$ 162,873	\$ -	\$ -	\$ -	\$ -	\$ 34,275,692
Civil Penalties Funds	\$ 266,115	\$ 174,453	\$ 640	\$ -	\$ -	\$ -	\$ 350,382	\$ 90,826
CFO Funds	\$ 3,687,789	\$ -	\$ 24,758	\$ -	\$ -	\$ -	\$ -	\$ 3,712,547
TOTAL ALL FUNDS	\$ 105,590,667	\$ 7,476,484	\$ 459,221	\$ 41,056	\$ 524,915	\$ 286,156	\$ 1,621,363	\$ 111,134,994

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF LOANS RECEIVABLE
For the year Ended June 30, 2017

SCHEDULE 2
PAGE 1

COAL AND GAS TAX FUNDS

BUCHANAN COUNTY FUNDS:

IDA/Council	\$ 738,654	
IDA/Council Facility Repairs	120,000	
IDA/College of Optometry	1,394,343	
SW Regional Recreation Authority Phase 1	91,905	
SW Regional Recreation Authority Coal Canyon	209,330	
IDA/Southern Gap Shell Building	18,941	
IDA/School of Law	5,000,000	
Total Buchanan County		\$ 7,573,173

DICKENSON COUNTY FUNDS:

Forest Bioproducts, LLC	143,034	
IDA/Coalfield Regional Industrial Park	99,410	
Haysi Heating & Cooling, Inc.	8,755	
IDA/Clintwood Inn, LLC	1,598,735	
SW Regional Recreation Authority Phase 1A	144,122	
SW Regional Recreation Authority OHV/Equestrian Trail	225,898	
IDA/RE Acquisition and Development	139,800	
IDA/Bird Dog Distributors	42,448	
Total Dickenson County		2,402,202

LEE COUNTY FUNDS:

IDA/DeRoyal Industries	39,199	
IDA/Constitutional Oaks	176,088	
IDA/Constitutional Oaks Shell Building	200,000	
IDA/Synergy Biofuels, LLC	617,882	
Total Lee County		1,033,169

RUSSELL COUNTY FUNDS:

IDA/CGI	474,800	
IDA/Lebanon Inn, LLC	1,009,786	
IDA/Lebanon Inn, LLC	456,018	
IDA/IAC Building Purchase & Upfit	1,885,234	
IDA/Jennchem	903,816	
IDA/Lebanon Shell Building	79,087	
Total Russell County		4,808,741

TAZEWELL COUNTY FUNDS:

Pemco Corporation	216,676	
Pemco Corporation	525,800	
Simmons Equipment Company	214,763	
IDA/Shell Building	245,639	
Trina Health/Pounding Mill	400,000	
SW Regional Recreation Authority	63,479	
Total Tazewell County		1,666,357

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF LOANS RECEIVABLE
For the Year Ended June 30, 2017

SCHEDULE 2
PAGE 2

COAL AND GAS TAX FUNDS (cont.)

WISE COUNTY FUNDS:

IDA/NorrisBuilt Fabrication & Mobile Welding, LLC	\$ 828,139	
IDA/Acquisition of Real Estate	831,750	
IDA/AAERC Build -Out	1,244,916	
IDA/Inn at Wise	1,661,765	
IDA/Business & Tech Park Development	701,554	
Bryant Electric, LLC	181,117	
IDA/Appalachia America Energy Research Center	688,417	
IDA/Appalachia America Energy Research Center	393,098	
St. Paul IDA/Willis Building	1,000,000	
IDA/ NorrisBuilt Fabrication & Mobile Welding ,LLC	246,557	
SW Regional Recreation Authority Phase 1A	271,894	
IDA/Frontier Secure	<u>5,392,941</u>	
Total Wise County		13,442,148

REGIONAL FUNDS:

VFP, Inc.(Scott County)	381,553	
IDA/Lebanon Shell Building (Russell County)	1,394,340	
Va Coalfield Coalition (Wireless Towers)	1,266,684	
Trailhead Lodging (Tazewell County)	202,726	
Scott County EDA/Center of Excellence	79,542	
Virginia Mountain Brewing (Tazewell County)	121,687	
Sunset Digital	391,889	
Scott County EDA/TeleTech	<u>2,536,369</u>	
Total Regional Funds		<u>6,374,790</u>

GROSS LOANS RECEIVABLE	37,300,580
LESS: ALLOWANCE FOR IMPAIRED LOANS	<u>(617,882)</u>

COAL AND GAS FUNDS NET LOANS RECEIVABLE **\$36,682,698**

TAX CREDIT FUNDS

Tadano Mantis Corporation (Tazewell County)	400,000
Scott County EDA/e Corridor Regional Park	<u>799,269</u>

TAX CREDIT FUNDS NET LOANS RECEIVABLE **1,199,269**

CFO FUNDS

Dickenson County IDA/Clintwood Inn, LLC	1,598,735
Russell County IDA/Lebanon Inn, LLC	<u>1,797,515</u>

CFO FUNDS NET LOANS RECEIVABLE **3,396,250**

TOTAL NET LOANS RECEIVABLE ALL FUNDS **\$41,278,217**

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF INTEREST INCOME
For the Year Ended June 30, 2017

SCHEDULE 3

	<u>Investments</u>	<u>Loans</u>	<u>Total</u>
<u>COAL AND GAS TAX FUNDS</u>			
Buchanan County	\$ 48,911	\$ -	\$ 48,911
Dickenson County	55,449	4,207	59,656
Lee County	943	-	943
City of Norton	308	-	308
Russell County	4,175	25,806	29,981
Scott County	334	-	334
Tazewell County	24,825	17,502	42,327
Wise County	25,439	14,177	39,616
Regional Funds	<u>32,049</u>	<u>16,825</u>	<u>48,874</u>
TOTAL COAL AND GAS TAX FUNDS	<u>\$ 192,433</u>	<u>\$ 78,517</u>	<u>\$ 270,950</u>
TAX CREDIT FUNDS	<u>\$ 162,873</u>	<u>\$ -</u>	<u>\$ 162,873</u>
CIVIL PENALTIES FUNDS	<u>\$ 640</u>	<u>\$ -</u>	<u>\$ 640</u>
CFO FUNDS	<u>\$ 290</u>	<u>\$ 24,468</u>	<u>\$ 24,758</u>
TOTAL ALL FUNDS	<u>\$ 356,236</u>	<u>\$ 102,985</u>	<u>\$ 459,221</u>

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF ADMINISTRATIVE EXPENSES
For the Year Ended June 30, 2017

SCHEDULE 4

	<u>General Administrative Expenses</u>	<u>Business Development Expenses</u>	<u>Totals</u>
<u>COAL AND GAS TAX FUNDS</u>			
Personnel	\$ 221,094	\$ 101,388	\$ 322,482
Fringe benefits	87,077	43,210	130,287
Travel and entertainment	11,239	5,741	16,980
Equipment and furniture	25,400	-	25,400
Supplies	7,469	-	7,469
Professional services	66,337	-	66,337
Telephone	9,449	-	9,449
Publications	10,997	-	10,997
Office space	36,199	-	36,199
Postage	3,890	-	3,890
Vehicle	3,568	-	3,568
Board expense	3,119	-	3,119
Memberships	2,200	-	2,200
Marketing and advertising	-	135,817	135,817
Depreciation	26,311	-	26,311
Contingencies	10,752	-	10,752
Sub Total	525,101	286,156	811,257
 Less:			
Interest Earned	(186)	-	(186)
 TOTAL COAL AND GAS TAX FUNDS	 <u>\$ 524,915</u>	 <u>\$ 286,156</u>	 <u>\$ 811,071</u>
 TOTAL ALL FUNDS	 <u>\$ 524,915</u>	 <u>\$ 286,156</u>	 <u>\$ 811,071</u>

VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF GRANT DISBURSEMENTS
For thr Year Ended June 30, 2017

COAL AND GAS TAX FUNDS

BUCHANAN COUNTY:

IDA/Southern Gap Phase II	\$ 270,063	
IDA/Southern Gap Phase II Natural Gas	<u>596,458</u>	
Total Buchanan County		\$ 866,521

DICKENSON COUNTY:

IDA/Coalfield Regional Park Sewer	<u>58,437</u>	
Total Dickenson County		58,437

REGIONAL FUNDS:

Go Global with Coal & Energy Technology	83,925	
Heart of Appalachia Tourism Authority	5,803	
Southern Gap Visitors Center	226,963	
The Well Coffee Shop	5,452	
The Timmons Group	7,500	
Virginia Tech	<u>16,380</u>	
Total Regional Funds		<u>346,023</u>

TOTAL GRANT DISBURSEMENTS COAL AND GAS TAX FUNDS	\$ <u>1,270,981</u>
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CIVIL PENALTIES FUND

BREAKS INTERSTATE PARK	\$ <u>350,382</u>
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TOTAL GRANT DISBURSEMENTS CIVIL PENALTIES FUND	\$ <u>350,382</u>
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TOTAL GRANT DISBURSEMENTS ALL FUNDS	\$ <u>1,621,363</u>
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VIRGINIA COALFIELD ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS
For the Year Ended June 30, 2017

SCHEDULE 6

	<u>CASH & CASH EQUIVALENTS CURRENTLY RESTRICTED FOR UNDISBURSED LOANS & GRANTS</u>	<u>UNRESTRICTED CASH & CASH EQUIVALENTS</u>	<u>TOTAL CASH & CASH EQUIVALENTS</u>
<u>COAL AND GAS TAX FUNDS</u>			
LOCALITY:			
Buchanan County:	\$ 8,311,916	\$ 1,450,638	\$ 9,762,554
Dickenson County:	1,611,517	9,870,708	11,482,225
Lee County:	-	258,836	258,836
City of Norton:	-	61,824	61,824
Russell County:	114,432	-	114,432
Scott County:	-	67,562	67,562
Tazewell County:	2,780,582	1,718,293	4,498,875
Wise County:	236,902	2,915,024	3,151,926
Regional Funds	1,809,485	4,315,444	6,124,929
TOTAL COAL AND GAS TAX FUNDS	\$ 14,864,834	\$ 20,658,329	\$ 35,523,163
TAX CREDIT FUNDS	\$ 10,000,000	\$ 20,500,320	\$ 30,500,320
CIVIL PENALTIES FUNDS	\$ 57,314	\$ 29,092	\$ 86,406
CFO FUNDS	\$ -	\$ 316,297	\$ 316,297
TOTAL ALL FUNDS	\$ 24,922,148	\$ 41,504,038	\$ 66,426,186

The notes to financial statements are an integral part of this statement