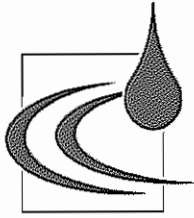


WEST VIRGINIA  
**Water Development Authority**

## ANNUAL REPORT FISCAL YEAR 2007

180 Association Drive  
Charleston, WV 25311  
304.558.3612  
[www.wvda.org](http://www.wvda.org)



WEST VIRGINIA  
**Water Development Authority**

Joe Manchin III  
Governor

# ANNUAL REPORT FISCAL YEAR 2007

## BOARD

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Chairman

John M. Miller III  
Vice Chairman

Michael F. Duplaga  
Member

Robert F. Hatfield  
Member

John L. Huddleston  
Member

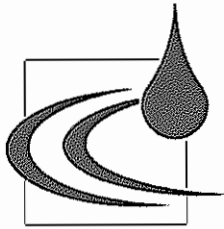
Chris Curtis, MPH  
Ex Officio Member

Stephanie R. Timmermeyer  
Ex Officio Member

## Authority

Daniel B. Yonkosky  
Director

Barbara B. Meadows CPA  
Secretary/Treasurer



WEST VIRGINIA  
**Water Development Authority**

*Celebrating 33 Years of Service 1974 - 2007*

October 31, 2007

The Honorable Joe Manchin III  
Governor of the State of West Virginia  
State Capitol Building  
Charleston, WV 25305

The West Virginia Water Development Authority (the "WDA") is pleased to announce that its Fiscal Year 2007 Annual Report is available on its website ([www.wvwda.org](http://www.wvwda.org)) and also on the West Virginia Legislature's website at ([http://www.legis.state.wv.us/Reports/Agency\\_Reports/AgencyReports.cfm](http://www.legis.state.wv.us/Reports/Agency_Reports/AgencyReports.cfm)).

The Annual Report contains a summary of the WDA's financial activities, including copies of the Fiscal Year 2007 audits for the WDA, the Drinking Water Treatment Revolving Fund and the West Virginia Infrastructure Fund. The WDA is self-supporting and does not receive State appropriations for operating expenses or bond programs. The WDA's accomplishments during Fiscal Year 2007 included:

- Closed 64 loans and grants totalling \$111.6 million to communities for water, wastewater and economic development projects.
- Provided servicing for 754 loans (local bonds of communities) outstanding as of June 30, 2007, totalling \$1.1 billion.
- Assisted in the issuance of \$94.2 million in Infrastructure General Obligation Refunding Bonds on behalf of the State for the benefit of the Infrastructure and Jobs Development Council for debt service savings, thereby providing funds for additional wastewater and water projects.
- Issued \$38.1 million in revenue bonds on behalf of the Infrastructure and Jobs Development Council to finance wastewater and water systems.
- Developed a Design Loan Program offering interim financing for water projects requiring design financial assistance.
- Continued a Design Loan Program offering interim financing for wastewater projects requiring design financial assistance.
- Acted in a fiduciary capacity for \$1.6 billion of funding and continued to meet the challenge of enhancing and creating adequate infrastructure for the citizens of West Virginia.

If you prefer to receive a copy of the Annual Report via email, please provide your email address.

  
DANIEL B. YONKOSKY - DIRECTOR

**STATE OF WEST VIRGINIA  
WATER DEVELOPMENT AUTHORITY**

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# **STATE OF WEST VIRGINIA WATER DEVELOPMENT AUTHORITY**

## **MISSION**

Provide communities in the State of West Virginia (the “State”) financial assistance for development and continued maintenance of water and wastewater systems that will improve drinking water quality, protect public health, protect the streams of the State and provide infrastructure to encourage economic growth.

The West Virginia Water Development Authority (the “WDA”) is the agency that coordinates the financing and closing for all infrastructure loans and economic development loans and provides financing for the design, construction, improvement and acquisition of water and wastewater facilities to Local Governmental Agencies (municipalities, public service districts and other political subdivisions). The WDA is also the administrative oversight agency for servicing \$1.6 billion in loans and grants made from its revenue bond programs, the West Virginia Infrastructure Fund, the Clean Water State Revolving Fund and the Drinking Water Treatment Revolving Fund.

## **ESTABLISHMENT**

Established in 1972 by the West Virginia Legislature, the WDA commenced services in 1974 and is authorized to provide financial assistance to Local Governmental Agencies to help them meet the requirements of State and federal water pollution control and safe drinking water laws, thereby protecting the health of the State’s citizens, improving water quality and protecting the environment while constructing and upgrading infrastructure to attract economic development.

The WDA operates under the supervision of the West Virginia Water Development Board (the “Board”). The Board is composed of seven members, including three ex officio members: the Governor or designee, the Secretary of the Department of Environmental Protection or designee, and the Commissioner of the Bureau for Public Health or designee. The remaining four members of the Board are appointed by the Governor, with the advice and consent of the State Senate, for terms of six years. Appointed Board members may be reappointed to serve additional terms. No more than two of the appointed Board members shall at any one time belong to the same political party. The Governor or designee serves as chair. The Board annually elects one of its appointed members as vice chair and appoints a secretary-treasurer, who need not be a member of the Board.

The WDA has a staff of six and utilizes professional services to supplement its staff as needed. The WDA is self-supporting and does not receive State appropriations for operating expenses or bond programs.

## GOALS

- Assist communities in obtaining loan and grant funds to help meet an estimated \$3.5 billion in needs for adequate publicly owned water and wastewater systems, which improve health conditions as well as achieve and maintain compliance with State and federal water quality laws.
- Service the loans and grants to protect capital investments and the WDA's and State's credit ratings for its revenue bond programs.

## OBJECTIVES

- Maximize and leverage the use of all available State, federal and local funding sources by participating in the West Virginia Infrastructure and Jobs Development Council's technical and financial review process on all proposed water and wastewater projects.
- Serve as a voting member on the West Virginia Infrastructure and Jobs Development Council.
- Assist in the commitment of available Clean Water State Revolving Fund, Drinking Water Treatment Revolving Fund, West Virginia Infrastructure Fund and WDA dollars to cost-effective and environmentally sound projects as expeditiously as possible.
- Ensure the availability of recycled dollars to meet future needs by assisting struggling or defaulting communities to resolve underlying problems indicated by repayment activity on loans.
- Verify compliance with loan agreements by conducting financial audit reviews on selected water and wastewater loan recipients.
- Obtain funds for the WDA and West Virginia Infrastructure Fund through public bond offerings to finance construction/improvement of water and wastewater systems.
- Provide accountability for funds managed through preparation of various reports, including financial statements that are audited annually.
- Provide Secondary Market Disclosure and Reporting and other information to rating agencies and bond insurers.
- Maximize investment earnings through competitive bid process and investment contracts.
- Educate the public and potential funding recipients about the availability of funding for water and wastewater systems and the value of improvements to those systems by participating in annual conferences and trade conventions.

## RESPONSIBILITIES

- **Managing the WDA's various loan programs and servicing its 287 loans totalling \$259.1 million which were outstanding as of June 30, 2007.**
- Coordinating infrastructure-related revenue bond issuance activity.
- Serving as administrative agency for the Infrastructure and Jobs Development Council ("IJDC").
- Participating as a voting member of the IJDC.
- Serving as fiduciary of the IJDC's West Virginia Infrastructure Fund ("WVIF").
- Serving as administrative agency for the Department of Environmental Protection's Clean Water State Revolving Fund ("CWSRF").
- Serving as financial manager for the Bureau for Public Health's Drinking Water Treatment Revolving Fund ("DWTRF").
- Closing and servicing all loans funded by the WVIF, CWSRF, DWTRF and WDA.
- Maintaining financial records, preparing and analyzing financial statements and preparing underlying workpapers for three programs that are audited annually by certified public accounting firms.
- Reviewing, approving and processing debt service semi-annually on general obligation and revenue bonds.
- Providing Secondary Market Disclosure and Reporting and other information to rating agencies and bond insurers.
- Communicating with the Water Development Board and other State agencies.
- Working with Local Governmental Agencies on project development and funding solutions.
- Providing loans from other available funds for projects that are not eligible under the revenue bond programs.
- Providing Bridge Loans from other available funds for projects until revenue bond proceeds are available for permanent financing.

### **The WDA serves as administrative agency for the Department of Environmental Protection's CWSRF by:**

- Administering the local bond purchase process.
- Preparing loan agreements.
- Closing loans with Local Governmental Agencies.
- **Providing ongoing servicing functions for 197 loans totalling \$384.6 million which were outstanding as of June 30, 2007.**
- Maintaining bonds, bond transcripts and project-related files for annual United States Environmental Protection Agency ("EPA") program audits.

### **The WDA serves as financial manager for the Bureau for Public Health's DWTRF by:**

- Administering the local bond purchase process.
- Preparing loan agreements.
- Closing loans with Local Governmental Agencies.
- Disbursing payments to projects.

## RESPONSIBILITIES (Continued)

- **Providing ongoing servicing functions for 34 loans totalling \$47.6 million which were outstanding as of June 30, 2007.**
- Maintaining financial records, preparing and analyzing financial statements and preparing underlying workpapers for the annual financial and compliance audits by a certified public accounting firm.
- Maintaining bonds, bond transcripts and project-related files for annual EPA program audits.
- Performing desk reviews of subrecipient audits.

The WDA serves as fiduciary for the Infrastructure and Jobs Development Council's WVIF by:

- Administering the local bond purchase and grant process.
- Disseminating loan and grant agreements.
- Closing loans and grants with Local Governmental Agencies.
- Disbursing payments to projects.
- **Providing ongoing servicing functions for 236 loans totalling \$350.3 million which were outstanding as of June 30, 2007.**
- Maintaining financial records, preparing and analyzing financial statements and preparing underlying workpapers for the annual financial statement audit by a certified public accounting firm.
- Maintaining bonds, notes, bond transcripts and project-related files.
- Coordinating infrastructure-related revenue bond issuance activity.
- Reviewing, approving and processing debt service semi-annually on general obligation and revenue bonds.
- Providing Secondary Market Disclosure and Reporting and other information to rating agencies and bond insurers.
- Issuing bonds on behalf of the IJDC.

## ACCOMPLISHMENTS

- **Celebrated 33 Years of Service 1974 – 2007.**
- Closed 64 loans and grants totalling \$111.6 million to communities for water, wastewater and economic development projects.
- Provided servicing for 754 loans (local bonds of communities) outstanding as of June 30, 2007, totalling \$1.1 billion.
- Assisted in the issuance of \$94.2 million in Infrastructure General Obligation Refunding Bonds on behalf of the State for the benefit of the Infrastructure and Jobs Development Council for debt service savings, thereby providing funds for additional wastewater and water projects.
- Issued \$38.1 million in revenue bonds on behalf of the Infrastructure and Jobs Development Council to finance wastewater and water systems.



## **ACCOMPLISHMENTS (Continued)**

- Developed a Design Loan Program offering interim financing for water projects requiring design financial assistance.
- Continued a Design Loan Program offering interim financing for wastewater projects requiring design financial assistance.
- Acted in a fiduciary capacity for \$1.6 billion of funding and continued to meet the challenge of enhancing and creating adequate infrastructure for the citizens of West Virginia.

## **PROGRAMS**

The WDA administers a variety of programs to provide long-term, short-term and private-activity financing at favorable interest rates for design, construction, improvement and acquisition of water and wastewater systems. Generally, WDA revenue bond programs are funded with proceeds from water development bonds issued by the WDA. Moneys in the various WDA programs are loaned to municipalities, public service districts and other political subdivisions through the purchase of local revenue bonds and/or notes issued by these Local Governmental Agencies. The loans are repaid from the revenues of the systems or other permanent financing.

Using other funds available to the WDA and working with the CWSRF, the WDA makes low-interest loans to cover the engineering design cost of wastewater projects, which assist communities in getting projects ready for construction with short-term affordable rates that are taken out with permanent financing when the project goes to construction.

## **DEBT ADMINISTRATION**

As a financing entity, the purpose of the WDA is debt issuance and administration, including loan servicing. By statute, the maximum amount of bonds the WDA is authorized to have outstanding includes debt issued for the WDA and by the WDA on behalf of the West Virginia Infrastructure and Jobs Development Council. The amount of bonds or notes outstanding may not exceed \$500 million at any time; provided that before the WDA issues bonds or notes in excess of \$440 million, the State Legislature must pass a resolution authorizing this action. The WDA's long-term planning is accomplished within the confines of its authorized borrowing limit. The WDA continues to monitor its long-term outstanding debt for prepayment and refunding opportunities for debt service savings. While the redemption of bonds is economically prudent because of the resulting debt service savings, any reduction in the liability for long-term debt also enables the WDA to manage debt capacity for future needs as well as for new programs. At year end, the WDA had \$387.2 million in revenue and refunding bonds outstanding, including \$126.1 million in Infrastructure Revenue Bonds.

## **CLEAN WATER STATE REVOLVING FUND**

In 1987, the Congress of the United States replaced the construction grants program with a State-operated revolving loan fund to provide no-interest or low-interest loans to Local Governmental Agencies to assist in financing wastewater projects. Under this program, grants that must be matched by State funds are awarded by the United States Environmental Protection Agency (“EPA”) to the Department of Environmental Protection (“DEP”). The federal grants and State matching grants are deposited in a perpetual revolving fund designated as the Clean Water State Revolving Fund (“CWSRF”) and remain in perpetuity by revolving the principal repayments and interest earned on the loans to make more loans.

As of June 30, 2007, DEP had been awarded sixteen capitalization grant awards for the CWSRF from the EPA totalling \$377.5 million. The State is required to provide an additional twenty percent of the federal award as matching funds in order to qualify for funding. The State has contributed to the CWSRF \$75.5 million in matching funds, of which \$57.1 million has been contributed by the IJDC.

**The WDA coordinates the initial Local Governmental Agency bond financing process and performs the ongoing loan servicing functions for the CWSRF.**

## **DRINKING WATER TREATMENT REVOLVING FUND**

The Drinking Water Treatment Revolving Fund (“DWTRF”) was established pursuant to the Safe Drinking Water Act and by the Legislature under Chapter 16, Article 13C of the West Virginia Code. The purpose of the act was to establish and implement a State-operated perpetual revolving loan fund to provide no-interest or low-interest loans to Local Governmental Agencies and other eligible water providers to assist in financing drinking water infrastructure projects, including but not limited to, treatment, distribution, transmission, storage, and extensions; and remain in perpetuity by revolving the principal repayments and interest earned from the loans to make more loans. The DWTRF’s loan programs are designed to provide financial and compliance assistance to eligible water providers in the State. Such loan programs provide long-term financing to cover all or a portion of the cost of qualifying projects.

As of June 30, 2007, BPH had been awarded eight capitalization grant awards from the EPA totalling \$75.3 million, of which \$55.3 million was allocated to the DWTRF and \$20.0 million for set-aside programs administered by the Bureau for Public Health. The State is required to provide an additional twenty percent of the federal award as matching funds in order to qualify for funding. On behalf of the State, the IJDC has contributed \$15.1 million in matching funds to the DWTRF.

**The WDA coordinates the initial Local Governmental Agency bond financing process and performs the ongoing loan servicing functions for the DWTRF.**

## WEST VIRGINIA INFRASTRUCTURE FUND

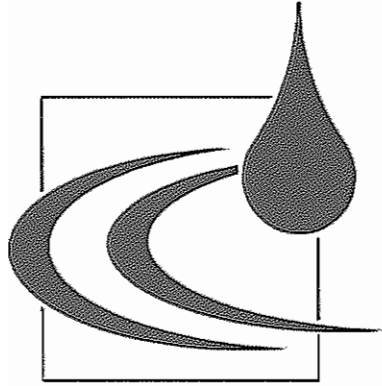
The Infrastructure and Jobs Development Council (“IJDC”) was created as a governmental entity of the State under the provisions of Chapter 31, Article 15A, Section 3 of the West Virginia Code, as amended, which also established the West Virginia Infrastructure Fund (“WVIF”). The IJDC has statutory responsibility to review the preliminary applications for water and wastewater facilities, combination projects or economic development projects seeking State funding to first determine technical feasibility. If the project is determined to be an appropriate investment of State funds, and the IJDC has determined the project is eligible for funding assistance from one or more State infrastructure agencies, the IJDC will make a written recommendation for project funding. Specifically, the IJDC will recommend the kind of funding (loan and/or grant) and the amount and source of funding which the project sponsor should pursue. Otherwise, the IJDC will make a written recommendation that the project sponsor not seek funding from any State infrastructure agency.

The IJDC consists of eleven voting members, including the Governor or designee as chairman and executive representation from the Housing Development Fund, Department of Environmental Protection, Economic Development Authority, WDA, Bureau for Public Health and Public Service Commission and four members representing the general public.

Sources of funding for the IJDC, which funding must be allocated 80 percent to water and wastewater projects and 20 percent to economic development projects, include appropriations, proceeds from general obligation and revenue bonds, video lottery proceeds, investment earnings and unrestricted loan repayments.

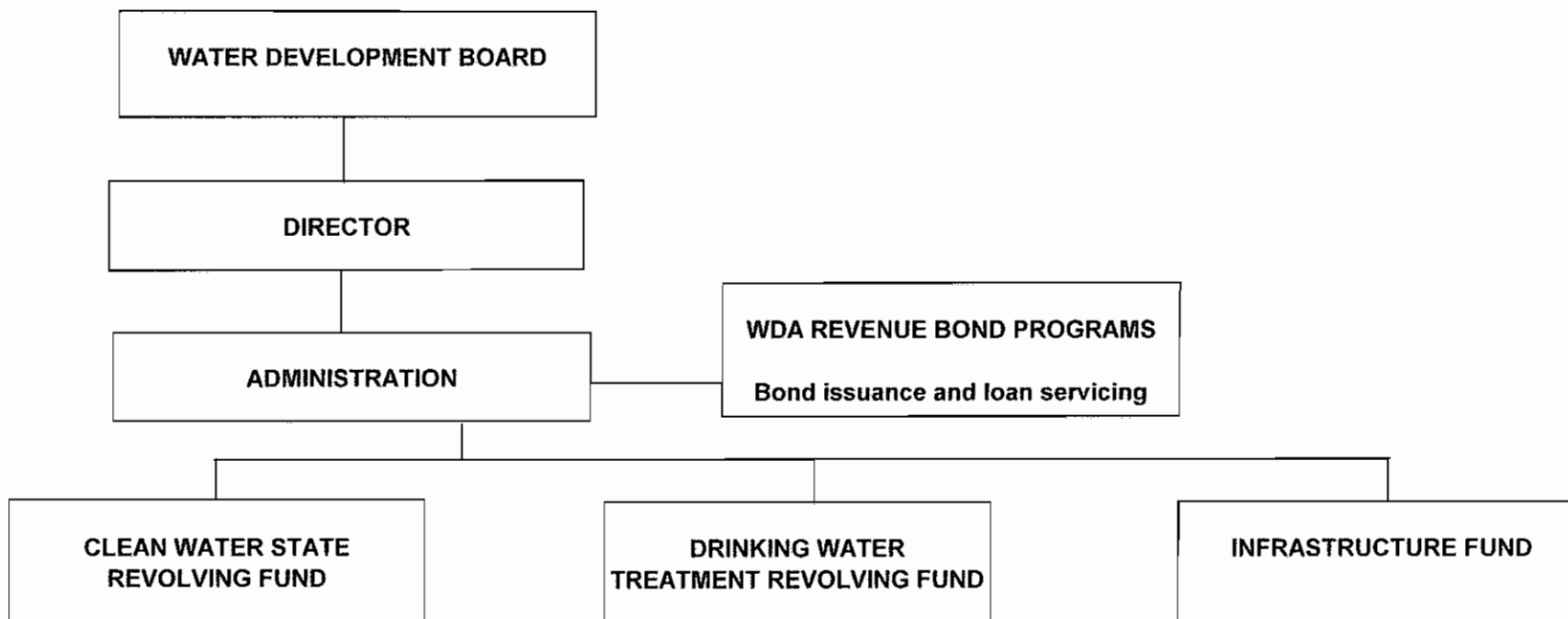
*The WDA is administrative agency for the IJDC and is fiduciary of the WVIF.* The WDA provides administrative, financial and legal expertise to the IJDC and ongoing servicing on loans made from the WVIF. The WDA employs two additional individuals for the benefit of the IJDC. The WDA issues infrastructure revenue and refunding bonds, at the written request of the IJDC, to provide loans and other forms of financial assistance for infrastructure projects. Of the \$182.9 million in infrastructure revenue and refunding bonds issued, \$126.1 million are outstanding.

For additional information on the various programs the WDA administers, visit the WDA’s website at [www.wvwda.org](http://www.wvwda.org) and click on links to access the CWSRF, DWTRF and WVIF.



APPENDIX A  
ORGANIZATIONAL CHART

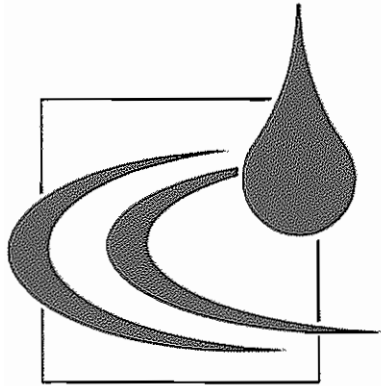
**WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (WDA)  
ORGANIZATIONAL CHART**



The U.S. Environmental Protection Agency developed the State Revolving Fund (SRF) concept under which each State provides matching funds and administers its perpetual fund for financing wastewater treatment systems (Clean Water State Revolving Fund or CWSRF). The WDA coordinates the bond process and services the loans for the CWSRF, which is administered by the WDA and the WV Department of Environmental Protection.

The U.S. Environmental Protection Agency expanded the SRF concept to financing of drinking water treatment systems (Drinking Water Treatment Revolving Fund or DWTRF). Each State provides matching funds and administers its perpetual fund program for financing drinking water treatment systems. The WDA coordinates the bond process and services the loans for the DWTRF, which is administered by the WDA and the WV Bureau for Public Health.

The WDA is fiduciary of the West Virginia Infrastructure and Jobs Development Council's (IJDC) Infrastructure Fund, and the WDA's Director an active voting member of the IJDC. The WDA issues revenue bonds which are secured by loan repayments in the Infrastructure Fund, on behalf of the IJDC. The WDA coordinates the bond process and services the loans for the IJDC.



APPENDIX B  
FISCAL YEAR  
FUNDING ACTIVITY

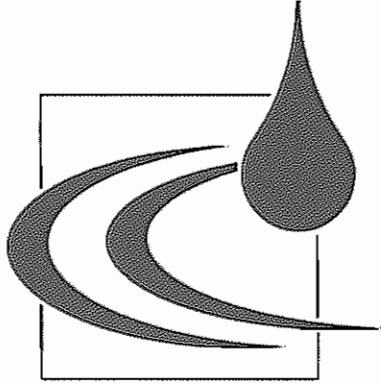
### Water Development Authority Closings for Fiscal Year 2007

<u>Date</u>	<u>County</u>	<u>Local Governmental Agency</u>	<u>Loan</u>	<u>Grant</u>	<u>Type</u>	<u>Program</u>
07/10/06	Pleasants	St. Marys, City of	1,581,250	-	WW	Infrastructure Fund
07/13/06	Lincoln	Lincoln PSD	576,000	51,000	W	Infrastructure Fund
07/27/06	Lewis	Lewis County EDA	4,422,000	60,000	W	Infrastructure Fund
07/27/06	McDowell	McDowell County PSD	300,000	686,306	W	Infrastructure Fund
08/08/06	Hampshire	Romney, City of	2,880,000	1,534,015	WW	Infrastructure Fund
08/21/06	Hardy	Hardy County Rural Development Authority	559,275	-	ED	Infrastructure Fund
08/22/06	Tucker	Parsons, City of	454,300	454,300	W	Infrastructure Fund
08/25/06	Pocahontas	New Frontier Firewood LLC	1,100,000	-	ED	Infrastructure Fund
08/29/06	Morgan	Bath, Town of	1,237,000	-	W	Infrastructure Fund
			1,250,000	-	W	Drinking Water Treatment Revolving Fund
09/07/06	Raleigh	Crab Orchard-MacArthur PSD	5,852,000	1,352,536	WW	Infrastructure Fund
			1,314,606	-	WW	Clean Water State Revolving Fund
09/14/06	Mineral	Mineral County Development Authority	400,000	-	ED	Infrastructure Fund
09/15/06	Braxton	Braxton County Development Authority	1,398,815	-	ED	Infrastructure Fund
10/05/06	Kanawha	Malden PSD (Design)	200,000	-	WW	Infrastructure Fund
			694,500	-	WW	Water Development Authority
10/12/06	Monongalia	Canyon PSD (Design)	200,000	-	WW	Infrastructure Fund
10/12/06	Randolph	Norton-Harding-Jimtown PSD	333,000	242,733	WW	Infrastructure Fund

<u>Date</u>	<u>County</u>	<u>Local Governmental Agency</u>	<u>Loan</u>	<u>Grant</u>	<u>Type</u>	<u>Program</u>
11/06/06	Monroe	Red Sulphur PSD	473,000	1,225,000	WW	Infrastructure Fund
11/22/06	Fayette	Kanawha Falls PSD	-	131,855	WW	Infrastructure Fund
12/12/06	Randolph	Elkins, City of	8,588,400	-	WW	Clean Water State Revolving Fund
12/14/06	Wood	Parkersburg, City of	4,372,600	-	WW	Clean Water State Revolving Fund
			9,000,000	-	WW	Clean Water State Revolving Fund
12/21/06	Fayette	Armstrong PSD	50,000	-	WW	Water Development Authority
01/04/07	Berkeley	Berkeley County Development Authority	2,000,000	-	ED	Infrastructure Fund
01/09/07	Mineral	Fountain PSD	1,140,000	727,100	W	Infrastructure Fund
01/12/07	Mingo	Mingo County PSD	-	681,000	W	Infrastructure Fund
01/12/07	Marion	Valley Falls PSD	4,878,315	-	W	Infrastructure Fund
01/30/07	Kanawha	Belle, Town of	129,700	-	WW	Water Development Authority
02/13/07	Ohio	Ohio Valley Industrial & Business Dev. Corp.	3,000,000	-	ED	Infrastructure Fund
02/28/07	Morgan	Warm Springs PSD	8,290,000	2,450,000	WW	Infrastructure Fund
			2,019,000		WW	Infrastructure Fund
			3,000,000		WW	Clean Water State Revolving Fund
03/12/07	Preston	Masontown, Town of	815,500		W	Infrastructure Fund
			635,500		W	Drinking Water Treatment Revolving Fund
03/12/07	Monongalia	Monongalia County Development Authority	685,000		ED	Infrastructure Fund
03/14/07	Webster	Webster County EDA	909,461		ED	Infrastructure Fund
03/14/07	Logan	Logan County PSD	200,000		W	Infrastructure Fund



<u>Date</u>	<u>County</u>	<u>Local Governmental Agency</u>	<u>Loan</u>	<u>Grant</u>	<u>Type</u>	<u>Program</u>
03/19/07	Putnam	Putnam PSD	2,330,000		WW	Infrastructure Fund
03/20/07	Wyoming	Wyoming County EDA	220,000		ED	Infrastructure Fund
03/22/07	Tyler	Tyler County EDA	609,330		ED	Infrastructure Fund
03/29/07	Wood	Union-Williams PSD	284,652		WW	Infrastructure Fund
04/11/07	Hancock	Weirton, City of	4,199,404		WW	Clean Water State Revolving Fund
04/19/07	Wyoming	Ravencliff-McGraws-Saulsville PSD		575,000	W	Infrastructure Fund
04/24/07	Braxton	Flatwoods-Canoe Run PSD	1,014,000		W	Infrastructure Fund
04/24/07	Tucker	Parsons, City of	1,109,250	800,000	W	Infrastructure Fund
05/15/07	Nicholas	Summersville, City of	8,682,265 2,000,000		WW WW	Infrastructure Fund Clean Water State Revolving Fund
06/14/07	Wayne	Ceredo, Town of	2,700,000		W	Drinking Water Treatment Revolving Fund
06/14/07	Preston	Kingwood, City of	265,000	260,000	W	Infrastructure Fund
06/14/07	Mason	Mason, Town of	1,719,000		W	Infrastructure Fund
06/14/07	Wayne	Wayne, Town of	256,000		W	Infrastructure Fund
		<b>GRAND TOTAL (64 Loans &amp; Grants)</b>	<b>\$100,328,123</b>	<b>\$11,230,845</b>		<b>\$111,558,968</b>
Key:	ED - Economic Development WW - Wastewater W - Water					



APPENDIX C  
CUMULATIVE FUNDING  
ACTIVITY BY FUND

**STATE OF WEST VIRGINIA  
WATER DEVELOPMENT AUTHORITY**

**FINANCIAL ASSISTANCE PROVIDED BY THE  
WATER DEVELOPMENT AUTHORITY (WDA)  
SINCE ITS INCEPTION IN 1974**

Type	Number of Projects	Amount
Wastewater (WW)	233	\$242,293,091
Water (W)	68	<u>146,365,352</u>
		<u>\$388,658,443</u>

**FINANCIAL ASSISTANCE PROVIDED BY THE  
CLEAN WATER STATE REVOLVING FUND (CWSRF)  
SINCE ITS INCEPTION IN 1989**

Type	Number of Projects	Amount
Wastewater (WW)	117	<u>\$527,346,945</u>

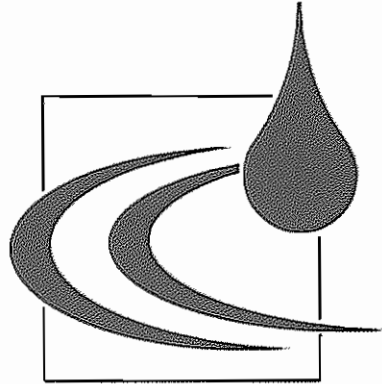
**FINANCIAL ASSISTANCE PROVIDED BY THE  
DRINKING WATER TREATMENT REVOLVING FUND (DWTRF)  
SINCE ITS INCEPTION IN 1997**

Type	Number of Projects	Amount
Water (W)	26	<u>\$58,131,471</u>

**FINANCIAL ASSISTANCE PROVIDED BY THE  
INFRASTRUCTURE FUND  
SINCE ITS INCEPTION IN 1994**

Type	Number of Projects	Amount
CWSRF State Match	NA	\$57,119,873
DWTRF State Match	NA	13,409,940
Road Improvement Account	1	251,566
Economic Development (ED)	57	116,410,930
Wastewater (WW)	91	242,778,894
Water (W)	74	<u>199,096,207</u>
		<u>\$629,067,410</u>
<b>Grand Total - All Funding Sources</b>	<u><b>667</b></u>	<u><b>\$1,603,204,269</b></u>

June 2007



APPENDIX D  
CUMULATIVE PROJECTS  
FUNDED BY COUNTY

**CUMULATIVE PROJECTS FUNDED BY COUNTY**

Key: CWSRF Clean Water State Revolving Fund ED Economic Development  
 DWTRF Drinking Water Treatment Revolving Fund WW Wastewater  
 WDA Water Development Authority W Water  
 WVIF West Virginia Infrastructure Fund

COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
<b>Barbour</b>	Barbour County Commission	WVIF	5,000	W
	Barbour County Development Authority	WVIF	979,847	ED
	Belington	CWSRF	331,042	WW
	Belington	WDA	5,000	WW
	Belington	WDA	475,000	W
	Belington	WVIF	2,070,571	W
	Central Barbour PSD	WVIF	98,760	W
	Chestnut Ridge PSD	WDA	185,000	W
	Junior	CWSRF	902,250	WW
	Junior	WDA	85,053	WW
	Junior	WVIF	200,000	WW
	Philippi	CWSRF	1,162,700	WW
	Philippi	WDA	383,993	WW
	Philippi	WVIF	212,685	WW
			<u>\$7,096,901</u>	
<b>Berkeley</b>	Berkeley County Development Authority	WVIF	5,077,404	ED
	Berkeley County PSSD	CWSRF	80,778,117	WW
	Berkeley County PSSD	WDA	13,015,440	WW
	Berkeley County PSSD	WVIF	1,300,000	ED
	Berkeley County PSSD	WVIF	2,000,000	WW
	Berkeley County PSD	WDA	4,440,000	W
	Berkeley County PSD (Opequon PSD)	WDA	10,257,957	W
	Berkeley County PSD (Opequon PSD)	WVIF	3,339,090	W
	Hedgesville PSD	WDA	16,750	WW
	Hedgesville PSD	WDA	1,223,658	W
	Martinsburg	DWTRF	7,564,000	W
	Martinsburg	WDA	82,625	WW
	Martinsburg	WDA	1,976,352	W
	Martinsburg	WVIF	3,000,000	W
	WV Economic Development Authority	WVIF	1,622,000	ED
			<u>\$135,693,393</u>	
<b>Boone</b>	Boone County PSD	DWTRF	2,130,000	W
	Boone County PSD	WVIF	4,909,161	W
	Boone-Raleigh PSD	CWSRF	518,919	WW
	Boone-Raleigh PSD	WDA	1,548,981	WW
	Coal River PSD	WDA	49,700	WW
	Danville PSD	WDA	4,388,069	WW
	South Boone PSD	WDA	6,250	WW
	Spruce Fork PSD	WDA	6,250	WW
			<u>\$13,557,330</u>	
<b>Braxton</b>	Braxton County Development Authority	WVIF	1,398,815	ED
	Flatwoods-Canoe Run PSD	CWSRF	3,296,000	WW
	Flatwoods-Canoe Run PSD	WDA	1,596,530	WW
	Flatwoods-Canoe Run PSD	WDA	152,180	W
	Flatwoods-Canoe Run PSD	WVIF	7,149,825	W
			<u>\$13,593,350</u>	
<b>Brooke</b>	Bethany	WDA	3,125	WW
	Bethany	WVIF	1,250,000	WW

**CUMULATIVE PROJECTS FUNDED BY COUNTY**

Key: CWSRF Clean Water State Revolving Fund ED Economic Development  
 DWTRF Drinking Water Treatment Revolving Fund WW Wastewater  
 WDA Water Development Authority W Water  
 WVIF West Virginia Infrastructure Fund

COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
	Brooke County PSD	CWSRF	1,056,211	WW
	Brooke County PSD	WDA	9,625	WW
	Brooke County PSD	WVIF	4,625,876	WW
	Brooke County PSD	WVIF	1,400,660	W
	Follansbee	CWSRF	8,616,372	WW
	Follansbee	WDA	7,125	WW
	Follansbee	WDA	7,790,000	W
	Hammond PSD	WVIF	472,620	W
	Hooverson Heights PSD	WDA	4,685	WW
	Wellsburg	CWSRF	1,185,374	WW
	Wellsburg	WDA	221,700	WW
	WV Economic Development Authority	WVIF	4,776,065	ED
			<u>\$31,419,438</u>	
<b>Cabell</b>	Culloden PSD	CWSRF	1,789,000	WW
	Culloden PSD	WDA	172,726	WW
	Culloden PSD	WDA	450,000	W
	Huntington	CWSRF	6,955,844	WW
	Huntington	WDA	300,000	WW
	Huntington Area Development Council	WVIF	500,000	ED
	Huntington Industrial Corporation	WVIF	600,000	ED
	Huntington Municipal Development Authority	WVIF	2,625,000	ED
	Milton	CWSRF	6,886,371	WW
	Milton	WVIF	1,571,903	WW
	Pea Ridge PSD	CWSRF	14,156,500	WW
	Pea Ridge PSD	WDA	100,000	WW
	Pea Ridge PSD	WVIF	250,000	WW
	Salt Rock Sewer PSD	CWSRF	13,938,062	WW
	Salt Rock Sewer PSD	WDA	2,796,250	WW
	Salt Rock Sewer PSD	WVIF	9,344,289	WW
	Salt Rock Water PSD	WDA	9,877,875	W
	Salt Rock Water PSD	WVIF	3,000,000	W
			<u>\$75,313,820</u>	
<b>Calhoun</b>	Grantsville	WDA	3,625	WW
	Mount Zion PSD	WDA	375,000	WW
	Mount Zion PSD	WDA	179,500	W
	Mount Zion PSD	WVIF	375,000	WW
	Mount Zion PSD	WVIF	169,200	W
			<u>\$1,102,325</u>	
<b>Clay</b>	Clay	WVIF	1,074,800	WW
	Clay County PSD	WDA	333,000	W
	Clay County PSD	WVIF	2,070,000	W
	Clay-Roane PSD	WVIF	3,710,000	W
			<u>\$7,187,800</u>	
<b>Doddridge</b>	West Union	WVIF	2,125,000	WW
	West Union	WVIF	810,000	W
			<u>\$2,935,000</u>	
<b>Fayette</b>	Ansted	CWSRF	763,930	WW

**CUMULATIVE PROJECTS FUNDED BY COUNTY**

Key:	CWSRF	Clean Water State Revolving Fund	ED	Economic Development
	DWTRF	Drinking Water Treatment Revolving Fund	WW	Wastewater
	WDA	Water Development Authority	W	Water
	WVIF	West Virginia Infrastructure Fund		

COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
	Ansted	WDA	6,250	WW
	Ansted	WDA	300,000	W
	Arbuckle PSD	WDA	225,105	WW
	Armstrong PSD	WDA	559,805	WW
	Danese PSD	WVIF	500,000	W
	Deepwater PSD	CWSRF	37,540	WW
	Deepwater PSD	WDA	430,785	WW
	Fayetteville	CWSRF	4,475,753	WW
	Fayetteville	WDA	23,850	WW
	Fayetteville	WDA	450,000	W
	Gauley River PSD	WDA	6,250	WW
	Gauley River PSD	WDA	184,580	W
	Kanawha Falls PSD	CWSRF	4,863,337	WW
	Kanawha Falls PSD	WDA	499,820	WW
	Kanawha Falls PSD	WVIF	399,992	WW
	Meadow Bridge	WDA	517,902	WW
	Montgomery	CWSRF	175,000	WW
	Montgomery	WDA	2,133,100	WW
	Mount Hope	CWSRF	1,490,000	WW
	Mount Hope	WDA	12,160	WW
	New Haven PSD	DWTRF	2,741,000	W
	New Haven PSD	WDA	1,605,000	W
	New Haven PSD	WVIF	10,000,000	W
	Oak Hill	CWSRF	1,000,000	WW
	Oak Hill	WDA	4,130,356	WW
	Page-Kincaid PSD	WDA	146,840	WW
	Pax	WDA	231,960	WW
	Pax	WVIF	722,400	W
	Smithers	WDA	5,885	WW
	Smithers	WVIF	1,823,000	WW
	White Oak PSD	WDA	330,000	WW
	Wolf Creek PSD	WDA	96,250	WW
			<u>\$40,887,850</u>	
<b>Gilmer</b>	Gilmer County PSD	DWTRF	1,639,000	W
	Gilmer County PSD	WVIF	340,000	ED
	Gilmer County PSD	WVIF	1,470,000	W
	Glenville	WVIF	670,000	ED
	Sand Fork	WDA	5,000	WW
			<u>\$4,124,000</u>	
<b>Grant</b>	Grant County PSD	WDA	10,625	WW
	Grant County PSD	WVIF	2,632,819	W
	Mountain Top PSD	WDA	8,978	WW
	Petersburg	CWSRF	5,154,843	WW
	Petersburg	WDA	847,049	WW
	Petersburg	WDA	492,590	W
	Petersburg	WVIF	150,000	WW
			<u>\$9,296,904</u>	
<b>Greenbrier</b>	Greenbrier PSD No. 1	WDA	4,666,600	WW
	Greenbrier PSD No. 2	CWSRF	235,000	WW

**CUMULATIVE PROJECTS FUNDED BY COUNTY**

Key: CWSRF Clean Water State Revolving Fund ED Economic Development  
 DWTRF Drinking Water Treatment Revolving Fund WW Wastewater  
 WDA Water Development Authority W Water  
 WVIF West Virginia Infrastructure Fund

COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
	Greenbrier PSD No. 2	WDA	1,153,205	WW
	Greenbrier PSD No. 2	WVIF	1,146,467	WW
	Greenbrier Valley Economic Dev. Corp.	WVIF	3,036,605	ED
	Ronceverte	WDA	73,857	WW
	White Sulphur Springs	WDA	12,250	WW
			<u>\$10,323,984</u>	
<b>Hampshire</b>	Central Hampshire PSD	CWSRF	2,836,000	WW
	Central Hampshire PSD	WVIF	1,450,000	W
	Central Hampshire PSD	WVIF	5,305,405	WW
	Hampshire County Development Authority	WVIF	1,147,350	ED
	Romney	WDA	1,591,238	WW
	Romney	WVIF	1,962,038	W
	Romney	WVIF	4,414,015	WW
			<u>\$18,706,046</u>	
<b>Hancock</b>	Chester	CWSRF	1,301,239	WW
	Chester	WDA	1,431,064	WW
	Hancock Co. Economic Dev. Authority	WVIF	148,653	W
	Hancock County PSD	CWSRF	6,780,020	WW
	Hancock County PSD	WDA	1,369,620	WW
	Hancock County PSD	WVIF	1,269,312	WW
	New Cumberland	CWSRF	498,666	WW
	New Cumberland	WDA	651,521	WW
	New Cumberland	WVIF	368,600	WW
	Oakland PSD	WDA	579,740	W
	Tomlinson PSD	WDA	669,500	W
	Tomlinson PSD	WVIF	1,936,601	W
	Weirton	CWSRF	6,389,404	WW
	Weirton	DWTRF	2,555,000	W
	Weirton	WDA	341,636	WW
	Weirton	WDA	5,000,000	W
			<u>\$31,290,576</u>	
<b>Hardy</b>	Hardy County PSD	WVIF	1,750,024	W
	Hardy County Rural Development Authority	WVIF	4,439,350	ED
	Moorefield	CWSRF	1,400,000	WW
	Moorefield	WDA	486,054	WW
	Moorefield	WDA	2,052,000	W
	Wardensville	WDA	151,660	WW
			<u>\$10,279,088</u>	
<b>Harrison</b>	Anmoore	WDA	55,285	WW
	Benedum Airport Authority	WVIF	4,785,433	ED
	Bridgeport	CWSRF	5,421,497	WW
	Bridgeport	WDA	75,872	WW
	Bridgeport Development Authority	WVIF	3,000,000	ED
	Clarksburg	CWSRF	6,484,243	WW
	Clarksburg	DWTRF	2,383,850	W
	Clarksburg	WDA	28,480	WW
	Clarksburg	WDA	1,885,764	W
	East View PSD	WDA	658,354	WW



**CUMULATIVE PROJECTS FUNDED BY COUNTY**

Key:	CWSRF	Clean Water State Revolving Fund	ED	Economic Development
	DWTRF	Drinking Water Treatment Revolving Fund	WW	Wastewater
	WDA	Water Development Authority	W	Water
	WVIF	West Virginia Infrastructure Fund		

COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
	Enlarged Hepzibah PSD	CWSRF	1,900,000	WW
	Enlarged Hepzibah PSD	WDA	678,532	WW
	Enlarged Hepzibah PSD	WVIF	154,213	WW
	Grant-Union PSD	WDA	3,315,760	WW
	Greater Harrison County PSD	CWSRF	1,981,165	WW
	Greater Harrison County PSD	WVIF	6,105,000	WW
	Greater Harrison County PSD	WVIF	3,003,000	W
	Harrison County Development Authority	WVIF	3,000,000	ED
	Lake Floyd PSD	WDA	429,895	WW
	Lumberport Area PSSD	WDA	7,500	WW
	Lumberport Area PSSD	WVIF	2,630,898	WW
	Mid-Atlantic Aerospace Complex, Inc.	WVIF	2,500,000	ED
	Nutter Fort	CWSRF	1,053,812	WW
	Nutter Fort	WVIF	328,000	WW
	Salem	CWSRF	3,150,000	WW
	Salem	WDA	6,250	WW
	Shinnston	WDA	2,474,712	WW
	Short Line PSD	WVIF	1,705,636	W
	Stonewood	WDA	4,592	WW
	Sun Valley PSD	CWSRF	300,000	WW
	Sun Valley PSD	WDA	385,000	WW
	Sun Valley PSD	WVIF	2,844,520	WW
	WV Economic Dev. Authority (Bombardier)	WVIF	2,500,000	ED
			\$65,237,263	
<b>Jackson</b>	Cottageville PSD	CWSRF	429,090	WW
	Cottageville PSD	WDA	2,500	WW
	Cottageville PSD	WVIF	87,177	WW
	Evans PSD	WDA	5,000	WW
	Jackson County Development Authority	WVIF	2,061,721	ED
	Northern Jackson Co. PSD (Silverton PSD)	WDA	3,750	WW
	Northern Jackson Co. PSD (Silverton PSD)	WVIF	2,181,392	W
	Ravenswood	CWSRF	315,000	WW
	Ravenswood	WVIF	733,958	W
	Ripley	WDA	510,000	WW
	Southern Jackson County PSD	WDA	20,700	WW
	Southern Jackson County PSD	WVIF	3,011,857	WW
	Southern Jackson County PSD	WVIF	380,000	W
			\$9,742,145	
<b>Jefferson</b>	Charles Town	CWSRF	3,601,382	WW
	Charles Town	WDA	1,479,579	WW
	Charles Town	WDA	6,900,000	W
	Charles Town	WVIF	3,600,000	W
	Harpers Ferry	WDA	762,000	W
	Harpers Ferry-Bolivar PSD	WDA	668,600	WW
	Jefferson County PSD	CWSRF	3,103,341	WW
	Jefferson County PSD	WDA	2,157,881	WW
	Jefferson County PSD	WVIF	732,406	WW
	Jefferson County PSD	WVIF	145,000	W
	Natural Capital Investment Fund, Inc.	WVIF	125,000	ED
	Shepherdstown	DWTRF	2,000,000	W
	Shepherdstown	WDA	106,218	WW

**CUMULATIVE PROJECTS FUNDED BY COUNTY**

Key: CWSRF Clean Water State Revolving Fund ED Economic Development  
 DWTRF Drinking Water Treatment Revolving Fund WW Wastewater  
 WDA Water Development Authority W Water  
 WVIF West Virginia Infrastructure Fund

COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
			\$25,381,407	
<b>Kanawha</b>	Arborland Acres PSD	WDA	2,519	WW
	Belle	WDA	129,700	WW
	Big Sandy PSD	WDA	1,599,270	WW
	Business & Industrial Development Corp.	WVIF	1,465,254	ED
	Cedar Grove	CWSRF	1,500,000	WW
	Cedar Grove	WDA	222,000	WW
	Center for Rural Health Development	WVIF	227,170	ED
	Central WV Regional Airport Authority	CWSRF	1,416,203	WW
	Charleston	CWSRF	21,750,880	WW
	Charleston	WDA	42,435,361	WW
	Chelyan PSD	CWSRF	2,518,000	WW
	Chelyan PSD	WDA	2,245,978	WW
	Chelyan PSD	WVIF	4,958,574	WW
	Dunbar	CWSRF	16,152,148	WW
	Dunbar	WDA	56,778	WW
	East Bank	CWSRF	559,373	WW
	East Bank	WDA	9,375	WW
	Elk-Pinch PSD	WDA	7,754,838	WW
	Elk Two-Mile PSD	WDA	880,000	W
	Enterprise Properties, Inc.	WVIF	1,940,955	ED
	Greater St. Albans PSD	WDA	3,218,121	WW
	Green Valley Community PSD	CWSRF	1,160,000	WW
	Green Valley Community PSD	WDA	1,829,190	WW
	Guthrie PSD	WDA	919,700	WW
	Guthrie PSD	WDA	245,200	W
	Handley	WDA	162,262	WW
	London PSD	WDA	1,675	WW
	London PSD	WVIF	119,064	WW
	Malden PSD	WDA	8,935,975	WW
	Malden PSD	WVIF	200,000	WW
	Marlaing PSD	WDA	2,519	WW
	Marmet	WDA	711,000	WW
	Mount Tyler PSD	WDA	910,000	WW
	Paint Creek PSD	WVIF	145,000	WW
	Pratt	WDA	7,000	WW
	RDA of Charleston	WDA	11,655,000	W
	RDA of Charleston	WVIF	3,000,000	ED
	Riverbend PSD	WDA	28,834	WW
	Ruthdale PSD	WDA	10,890	WW
	Sissonville PSD	CWSRF	1,313,000	WW
	Sissonville PSD	WDA	2,534,500	WW
	South Charleston	CWSRF	5,173,214	WW
	South Charleston	WDA	1,212,790	WW
	St. Albans	CWSRF	16,281,000	WW
	St. Albans	WDA	375,035	WW
	Union PSD	CWSRF	344,416	WW
	Union PSD	WDA	6,616,737	WW
	Upper Kanawha Valley Economic Dev. Corp.	WVIF	400,000	ED
	Upper Kanawha Valley PSD	WVIF	9,908,297	WW
			\$185,244,795	

**CUMULATIVE PROJECTS FUNDED BY COUNTY**

Key: CWSRF Clean Water State Revolving Fund ED Economic Development  
 DWTRF Drinking Water Treatment Revolving Fund WW Wastewater  
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COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
<b>Lewis</b>	Jane Lew PSD	WVIF	959,015	WW
	Jane-Lew Water Commission	WDA	198,160	WW
	Lewis Co. Economic Development Authority	WVIF	9,261,531	W
	Weston	CWSRF	4,466,384	WW
	Weston	WDA	10,000	WW
	Weston	WVIF	8,566,940	WW
				<u>\$23,462,030</u>
<b>Lincoln</b>	Branchland-Midkiff PSD	WVIF	2,560,000	W
	Hamlin PSD	CWSRF	1,421,283	WW
	Hamlin PSD	WDA	6,250	WW
	Lincoln PSD	WDA	6,250	WW
	Lincoln PSD	WDA	701,951	W
	Lincoln PSD	WVIF	825,016	W
	West Hamlin	WDA	5,000	WW
				<u>\$5,525,750</u>
<b>Logan</b>	Buffalo Creek PSD	CWSRF	2,415,494	WW
	Buffalo Creek PSD	WDA	458,300	WW
	Buffalo Creek PSD	WVIF	42,000	WW
	Chapmanville	CWSRF	897,533	WW
	Chapmanville	WDA	300,000	W
	Logan	WDA	3,527,650	WW
	Logan County PSD	CWSRF	5,328,940	WW
	Logan County PSD	WDA	66,445	WW
	Logan County PSD	WDA	4,160,000	W
	Logan County PSD	WVIF	872,495	ED
	Logan County PSD	WVIF	5,594,000	WW
	Logan County PSD	WVIF	21,941,950	W
				<u>\$45,604,807</u>
<b>Marion</b>	Barrackville	WDA	1,101,917	WW
	Colfax PSD	WDA	240,212	WW
	Fairmont	CWSRF	485,543	WW
	Fairmont	WDA	658,247	WW
	Fairmont Industrial & Credit Corporation	WVIF	724,441	ED
	Grant PSD	WDA	5,412	WW
	Greater Marion PSD	CWSRF	800,000	WW
	Greater Marion PSD	WVIF	1,700,000	WW
	Greater Paw Paw Sanitary District	WDA	2,938,546	WW
	Greater Paw Paw Sanitary District	WVIF	355,697	WW
	Ices Run/250 PSD	WDA	87	WW
	Kingmill Valley PSD	WDA	1,947,945	WW
	Mannington	WDA	18,650	WW
	McCabe Land Company (Veteran's Square)	WVIF	1,670,000	ED
	Monongah	CWSRF	168,536	WW
	Monongah	WDA	11,950	WW
	Monongah	WVIF	1,982,400	WW
	Valley Falls PSD	WDA	45,000	W
	Valley Falls PSD	WVIF	4,878,315	W
	Whitehall PSD	WDA	851,744	WW
Worthington	WDA	600	WW	

**CUMULATIVE PROJECTS FUNDED BY COUNTY**

Key: CWSRF Clean Water State Revolving Fund ED Economic Development  
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COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
	Worthington	WVIF	100,000	W
	WV High Technology Consortium Foundation	WVIF	3,000,000	ED
			<u>\$23,685,242</u>	
<b>Marshall</b>	Benwood	CWSRF	802,300	WW
	Benwood	WDA	327,750	WW
	Benwood	WDA	84,262	W
	Benwood	WVIF	1,184,400	WW
	Cameron	CWSRF	450,000	WW
	Cameron	WVIF	5,395,188	WW
	Glen Dale	WDA	590,000	W
	Marshall County PSD No. 1	WDA	346,250	WW
	Marshall County Sewerage District	WDA	608,814	WW
	McMechen	WDA	933,345	WW
	McMechen	WDA	115,000	W
	Moundsville	WDA	2,322,500	WW
	Moundsville	WDA	9,745,000	W
			<u>\$22,904,809</u>	
<b>Mason</b>	Hartford City	WDA	386,449	WW
	Mason	CWSRF	130,000	WW
	Mason	DWTRF	650,000	W
	Mason	WVIF	1,692,935	WW
	Mason	WVIF	1,719,000	W
	Mason County PSD	DWTRF	1,562,000	W
	Mason County PSD	WVIF	818,000	W
	New Haven	WDA	734,856	WW
	Point Pleasant	WDA	2,116,250	WW
			<u>\$9,809,490</u>	
<b>McDowell</b>	Bradshaw	WDA	254,000	WW
	Dry Fork PSD	WDA	27,500	WW
	Elkhorn PSD	WDA	47,125	WW
	Gary	DWTRF	1,786,911	W
	Jaeger	WDA	10,000	WW
	McDowell County Commission	WVIF	1,500,000	ED
	McDowell Co. Economic Dev. Authority	WVIF	300,000	ED
	McDowell County PSD	WVIF	1,400,525	W
	War	CWSRF	473,500	WW
	War	WVIF	4,170,000	WW
			<u>\$9,969,561</u>	
<b>Mercer</b>	Athens	CWSRF	2,973,976	WW
	Athens	WVIF	923,871	WW
	Bluefield	CWSRF	9,368,645	WW
	Bluefield	WDA	678,206	WW
	Bluefield	WDA	165,422	W
	Bluwell PSD	DWTRF	1,275,000	W
	Bramwell PSD	WDA	3,750	WW
	Development Authority of Mercer County	WVIF	478,163	ED
	Green Valley-Glenwood PSD	WDA	20,000	WW
	Green Valley-Glenwood PSD	WVIF	504,000	WW

**CUMULATIVE PROJECTS FUNDED BY COUNTY**

Key: CWSRF Clean Water State Revolving Fund ED Economic Development  
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COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
	Lashmeet PSD	WDA	9,175	WW
	Lashmeet PSD	WVIF	4,070,000	W
	Oakvale Road PSD	WDA	115,021	WW
	Oakvale Road PSD	WVIF	15,346,620	W
	Princeton	WDA	338,178	WW
	Region I Planning & Development Council	WVIF	2,893,330	ED
			<u>\$39,163,357</u>	
<b>Mineral</b>	Carpendale	WDA	1,008,412	WW
	Carpendale	WDA	801,000	W
	Elk Garden	WDA	1,250	WW
	Fort Ashby PSD	WDA	81,935	WW
	Fountain PSD	WDA	373,275	W
	Fountain PSD	WVIF	1,867,100	W
	Frankfort PSD	CWSRF	500,000	WW
	Frankfort PSD	WVIF	1,970,671	WW
	Keyser	CWSRF	6,276,873	WW
	Keyser	WDA	2,204,265	WW
	Keyser	WDA	3,759,426	W
	Mineral County Development Authority	WVIF	832,229	ED
	Mineral County Industrial Dev. Corporation	WVIF	163,200	ED
	New Creek PSD	WDA	640,215	WW
	New Creek Water Association, Inc.	WVIF	2,476,000	W
	Ridgeley	CWSRF	665,979	WW
	Ridgeley	WDA	209,934	WW
	Ridgeley	WVIF	582,000	WW
			<u>\$24,413,764</u>	
<b>Mingo</b>	Delbarton	DWTRF	258,000	W
	Delbarton	WDA	117,757	WW
	Delbarton	WVIF	66,073	WW
	Gilbert	CWSRF	1,250,000	WW
	Gilbert	WVIF	2,500,000	WW
	Guyan PSD	WDA	98,650	WW
	Justice PSD	WDA	439,000	W
	Matewan	WDA	309,525	WW
	Mingo County PSD	WDA	3,568,436	W
	Mingo County PSD	WVIF	3,399,980	WW
	Mingo County PSD	WVIF	14,714,748	W
	Mingo County Redevelopment Authority	WVIF	2,991,754	ED
	Red Jacket PSD	WDA	1,477,169	WW
	Williamson	WDA	2,114,959	WW
			<u>\$33,306,051</u>	
<b>Monongalia</b>	Canyon PSD	WVIF	200,000	WW
	Deckers Creek PSD	WDA	558,076	WW
	Granville	WDA	303,072	WW
	Monongalia County Commission	WDA	63,115	WW
	Monongalia County Development Authority	WVIF	1,914,000	ED
	Morgantown	CWSRF	27,753,668	WW
	Morgantown	WDA	445,415	WW
	Morgantown	WVIF	2,488,000	WW

**CUMULATIVE PROJECTS FUNDED BY COUNTY**

Key: CWSRF Clean Water State Revolving Fund ED Economic Development  
 DWTRF Drinking Water Treatment Revolving Fund WW Wastewater  
 WDA Water Development Authority W Water  
 WVIF West Virginia Infrastructure Fund

COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
	Morgantown	WVIF	3,812,470	W
	New Hill PSD	WDA	142,154	WW
	Pleasant Valley PSD	WDA	476,000	W
	River Road PSD	DWTRF	1,068,500	W
	Scotts Run PSD	CWSRF	8,111,813	WW
	Scotts Run PSD	WVIF	400,000	WW
	Westover	WDA	41,134	WW
	WVU Research Corporation	WVIF	9,395,920	ED
			<u>\$57,173,337</u>	
<b>Monroe</b>	Alderson	WDA	635,241	WW
	Monroe County Health Center	WVIF	641,236	ED
	Red Sulphur PSD	WDA	1,020,945	WW
	Red Sulphur PSD	WVIF	8,047,760	WW
	Union	WDA	4,675	WW
			<u>\$10,349,857</u>	
<b>Morgan</b>	Bath	DWTRF	2,400,000	W
	Bath	WVIF	1,237,000	W
	Paw Paw	WDA	2,000	WW
	Warm Springs PSD	CWSRF	5,739,158	WW
	Warm Springs PSD	WDA	367,535	WW
	Warm Springs PSD	WVIF	12,759,000	WW
			<u>\$22,504,693</u>	
<b>Nicholas</b>	Craigsville PSD	WDA	1,521,334	WW
	Craigsville PSD	WVIF	1,272,440	WW
	Craigsville PSD	WVIF	1,362,017	W
	Nettie-Leivasy PSD	WDA	386,000	W
	Richwood	CWSRF	682,314	WW
	Summersville	DWTRF	2,388,495	W
	Summersville	CWSRF	2,000,000	WW
	Summersville	WDA	855,668	WW
	Summersville	WDA	295,000	W
	Summersville	WVIF	8,682,265	WW
	Summersville	WVIF	5,887,913	W
	Wilderness PSD/Keslers Cross Lanes	WDA	100,000	W
			<u>\$25,433,446</u>	
<b>Ohio</b>	Clearview	WDA	17,575	WW
	Ohio County Development Authority	WVIF	974	ED
	Ohio County PSD	WDA	3,267,642	WW
	Ohio County PSD	WVIF	1,229,000	WW
	Ohio County PSD	WVIF	528,000	W
	Ohio Valley Industrial & Business Dev. Corp.	WVIF	9,000,000	ED
	Wheeling	CWSRF	14,500,000	WW
	Wheeling	WDA	994,815	WW
			<u>\$29,538,006</u>	
<b>Pendleton</b>	Franklin	CWSRF	1,332,645	WW
	Franklin	DWTRF	2,528,623	W
	Franklin	WDA	282,921	WW

**CUMULATIVE PROJECTS FUNDED BY COUNTY**

Key: CWSRF Clean Water State Revolving Fund ED Economic Development  
 DWTRF Drinking Water Treatment Revolving Fund WW Wastewater  
 WDA Water Development Authority W Water  
 WVIF West Virginia Infrastructure Fund

COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
	Franklin	WDA	309,000	W
	Pendleton County PSD	WVIF	709,573	W
			<u>\$5,162,762</u>	
<b>Pleasants</b>	Belmont	CWSRF	1,219,978	WW
	Belmont	WDA	1,302,490	W
	Belmont	WVIF	375,000	WW
	Pleasants County Development Authority	WVIF	275,375	ED
	St. Marys	CWSRF	128,000	WW
	St. Marys	WDA	480,958	WW
	St. Marys	WDA	554,000	W
	St. Marys	WVIF	1,581,250	WW
			<u>\$5,917,051</u>	
<b>Pocahontas</b>	Durbin	WDA	191,573	WW
	Hillsboro	WDA	704,807	WW
	Marlinton	CWSRF	1,660,766	WW
	Marlinton	DWTRF	705,400	W
	Marlinton	WVIF	555,450	WW
	Marlinton	WVIF	1,183,956	W
	New Frontier Firewood LLC	WVIF	1,100,000	ED
	Pocahontas County Building Commission	WVIF	324,000	WW
	Pocahontas County Building Commission	WVIF	100,000	W
	Upper Greenbrier PSD	WVIF	145,000	WW
			<u>\$6,670,952</u>	
<b>Preston</b>	Albright	WDA	153,332	WW
	Bruceston-Brandonville PSD	WDA	213,945	WW
	Kingwood	CWSRF	876,739	WW
	Kingwood	WDA	2,732,384	WW
	Kingwood	WDA	4,639,214	W
	Kingwood	WVIF	525,000	W
	Masontown	DWTRF	635,500	W
	Masontown	WVIF	2,000,000	WW
	Masontown	WVIF	815,500	W
	Newburg	WDA	4,400	WW
	Preston Co. Economic Development Authority	WVIF	259,200	ED
	Preston County PSD No. 4	WDA	290,000	W
	Preston County PSD No. 4	WVIF	1,000,000	W
	Terra Alta	CWSRF	600,000	WW
	Terra Alta	WDA	9,690	WW
	Terra Alta	WVIF	4,780,000	WW
	Terra Alta	WVIF	670,500	W
	Tunnelton	WDA	5,000	WW
	Valley Sanitary District	WDA	117,829	WW
			<u>\$20,328,233</u>	
<b>Putnam</b>	Buffalo	CWSRF	600,000	WW
	Buffalo	WDA	302,820	WW
	Buffalo	WVIF	250,000	ED
	Buffalo	WVIF	6,931,378	WW
	Eleanor	WDA	28,529	WW

**CUMULATIVE PROJECTS FUNDED BY COUNTY**

Key:	CWSRF	Clean Water State Revolving Fund	ED	Economic Development
	DWTRF	Drinking Water Treatment Revolving Fund	WW	Wastewater
	WDA	Water Development Authority	W	Water
	WVIF	West Virginia Infrastructure Fund		

COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
	Eleanor	WDA	328,180	W
	Hurricane	WDA	4,186,793	WW
	Hurricane	WDA	1,100,000	W
	Hurricane	WVIF	9,240,515	WW
	Nitro	CWSRF	7,542,302	WW
	Nitro	WDA	114,528	WW
	North Putnam PSD	CWSRF	267,000	WW
	North Putnam PSD	WDA	99,146	WW
	Poca	WDA	1,326,345	WW
	Putnam County Building Commission	WDA	10,410,000	W
	Putnam County Development Authority	WVIF	5,711,740	ED
	Putnam PSD (South Putnam PSD)	CWSRF	1,422,000	WW
	Putnam PSD (South Putnam PSD)	WDA	899,092	WW
	Putnam PSD (South Putnam PSD)	WDA	12,235,000	W
	Putnam PSD (South Putnam PSD)	WVIF	4,330,000	WW
	Putnam-Union PSD	WDA	350,000	W
	Rock Branch PSD	WDA	61,855	WW
	Winfield	CWSRF	599,250	WW
	Winfield	WDA	475,550	WW
			<u>\$68,812,023</u>	
<b>Raleigh</b>	Beckley	CWSRF	20,039,000	WW
	Beckley	WDA	2,651,584	WW
	Bradley PSD	CWSRF	6,485,677	WW
	Bradley PSD	WDA	219,100	WW
	Bradley PSD	WVIF	2,200,000	WW
	Crab Orchard-MacArthur PSD	CWSRF	8,861,836	WW
	Crab Orchard-MacArthur PSD	WDA	5,076,172	WW
	Crab Orchard-MacArthur PSD	WVIF	8,978,836	WW
	Glen White-Trap Hill PSD	WDA	18,857	WW
	North Beckley PSD	CWSRF	13,398,639	WW
	Raleigh County PSD	WDA	32,717	WW
	Shady Spring PSD	CWSRF	10,810,684	WW
	Shady Spring PSD	WDA	7,875,345	WW
	Shady Spring PSD	WVIF	3,075,000	WW
	Sophia	WDA	156,705	WW
	WV Economic Development Authority	WVIF	500,000	ED
			<u>\$90,380,152</u>	
<b>Randolph</b>	Beverly	CWSRF	300,000	WW
	Beverly	WDA	1,032,930	WW
	Beverly	WVIF	373,258	WW
	Elkins	CWSRF	8,888,400	WW
	Elkins	WDA	1,569,496	WW
	Harman	WDA	2,000	WW
	Huttonsville PSD	WDA	1,173,831	WW
	Huttonsville PSD	WVIF	4,299,000	WW
	Huttonsville PSD	WVIF	2,544,390	W
	Leadsville PSD	WDA	788,860	WW
	Midland PSD	WDA	1,565,092	WW
	Norton-Harding-Jimtown PSD	WDA	1,021,000	W
	Norton-Harding-Jimtown PSD	WVIF	575,733	WW
	Norton-Harding-Jimtown PSD	WVIF	1,380,000	W



**CUMULATIVE PROJECTS FUNDED BY COUNTY**

Key: CWSRF Clean Water State Revolving Fund ED Economic Development  
 DWTRF Drinking Water Treatment Revolving Fund WW Wastewater  
 WDA Water Development Authority W Water  
 WVIF West Virginia Infrastructure Fund

COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
	Womelsdorf	WDA	<u>5,000</u>	WW
			<u>\$25,518,990</u>	
<b>Ritchie</b>	Cairo	WDA	34,000	WW
	Ellenboro-Lamberton PSD	WVIF	65,950	WW
	Harrisville	CWSRF	638,000	WW
	Harrisville	WDA	24,075	WW
			<u>\$762,025</u>	
<b>Roane</b>	Roane Co. Economic Development Authority	WVIF	3,000,000	ED
	Spencer	WDA	392,730	WW
	Spencer	WVIF	200,000	WW
	Spencer Veneer, LLC	WVIF	2,650,000	ED
	Walton PSD	WVIF	100,000	W
			<u>\$6,342,730</u>	
<b>Summers</b>	Big Bend PSD	WVIF	339,315	WW
	Hinton	CWSRF	490,000	WW
	Hinton	WDA	697,550	WW
	Hinton Development Authority	WVIF	<u>2,730,000</u>	ED
			<u>\$4,256,865</u>	
<b>Taylor</b>	Flemington	CWSRF	160,000	WW
	Flemington	WVIF	752,904	WW
	Grafton	CWSRF	4,946,082	WW
	Grafton	WDA	18,125	WW
	Grafton	WDA	2,830,000	W
	Haymond PSD	WVIF	<u>1,688,397</u>	W
			<u>\$10,395,508</u>	
<b>Tucker</b>	Davis	CWSRF	154,000	WW
	Hamrick PSD	CWSRF	480,159	WW
	Hamrick PSD	DWTRF	760,000	W
	Hamrick PSD	WVIF	1,550,000	WW
	Parsons	WDA	318,994	WW
	Parsons	WDA	457,500	W
	Parsons	WVIF	2,817,850	W
	Thomas	CWSRF	1,500,000	WW
	Thomas	WDA	2,000	WW
			<u>\$8,040,503</u>	
<b>Tyler</b>	Friendly PSD	WDA	24,069	WW
	Friendly PSD	WDA	40,000	W
	Friendly PSD	WVIF	252,100	WW
	Friendly PSD	WVIF	300,000	W
	Middlebourne	CWSRF	375,000	WW
	Sistersville	WDA	1,115,860	WW
	Tyler Economic Development Authority	WVIF	<u>609,330</u>	ED
			<u>\$2,716,359</u>	
<b>Upshur</b>	Buckhannon	WDA	3,251,790	WW
	Elkins Road PSD	WVIF	5,657,288	W

**CUMULATIVE PROJECTS FUNDED BY COUNTY**

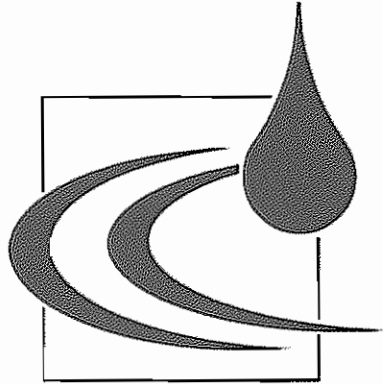
Key: CWSRF Clean Water State Revolving Fund ED Economic Development  
 DWTRF Drinking Water Treatment Revolving Fund WW Wastewater  
 WDA Water Development Authority W Water  
 WVIF West Virginia Infrastructure Fund

COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
	Tennerton PSD	CWSRF	585,627	WW
	Tennerton PSD	WDA	577,943	WW
			<u>\$10,072,648</u>	
<b>Wayne</b>	Ceredo	DWTRF	2,700,000	W
	Ceredo	WDA	645,975	WW
	Crum PSD	WDA	7,500	WW
	Fort Gay	DWTRF	305,000	W
	Fort Gay	WDA	2,500	WW
	Huntington Industrial Corporation	WVIF	3,000,000	ED
	Kenova	DWTRF	9,986,213	W
	Kenova	WDA	531,042	WW
	Kenova	WDA	3,000,000	W
	Lavalette PSD	WVIF	3,118,050	W
	Northern Wayne County PSD	CWSRF	5,033,857	WW
	Northern Wayne County PSD	WDA	2,704,000	WW
	Prichard PSD	WVIF	1,261,430	WW
	Spring Valley PSD	CWSRF	894,829	WW
	Wayne	DWTRF	1,925,000	W
	Wayne	WVIF	256,000	W
	Wayne County Commission	WVIF	5,000	WW
			<u>\$35,376,396</u>	
<b>Webster</b>	Bolair PSD	WDA	175,000	W
	Camden on Gauley	CWSRF	150,000	WW
	Camden on Gauley	WVIF	1,442,243	WW
	Cowen PSD	CWSRF	268,500	WW
	Cowen PSD	DWTRF	1,200,000	W
	Webster Co. Economic Dev. Authority	WVIF	1,864,811	ED
	Webster Springs PSD	WDA	732,547	WW
			<u>\$5,833,101</u>	
<b>Wetzel</b>	Grandview-Doolin PSD	DWTRF	1,483,979	W
	Grandview-Doolin PSD	WVIF	3,504,090	W
	Hundred	WDA	6,950	WW
	Hundred-Littleton PSD	WVIF	80,000	W
	New Martinsville	CWSRF	1,000,100	WW
	New Martinsville	WDA	125,222	WW
	New Martinsville	WVIF	8,301,395	WW
	Paden City	WDA	815,737	WW
	Pine Grove	WDA	41,587	WW
	The Progress Fund	WVIF	250,000	ED
	Wetzel County PSD	WDA	160,000	W
			<u>\$15,769,060</u>	
<b>Wirt</b>	Elizabeth	CWSRF	108,000	WW
	Elizabeth	WDA	565,179	WW
	Elizabeth	WDA	238,000	W
			<u>\$911,179</u>	
<b>Wood</b>	Central Boaz PSD	WDA	940,396	WW
	Claywood Park PSD	CWSRF	1,800,000	WW

**CUMULATIVE PROJECTS FUNDED BY COUNTY**

Key:	CWSRF	Clean Water State Revolving Fund	ED	Economic Development
	DWTRF	Drinking Water Treatment Revolving Fund	WW	Wastewater
	WDA	Water Development Authority	W	Water
	WVIF	West Virginia Infrastructure Fund		

COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
	Claywood Park PSD	WDA	3,217,202	WW
	Claywood Park PSD	WVIF	508,500	WW
	Claywood Park PSD	WVIF	143,920	W
	Lubeck PSD	CWSRF	7,950,000	WW
	Lubeck PSD	WDA	191,665	WW
	Lubeck PSD	WDA	3,392,500	W
	Lubeck PSD	WVIF	18,570,000	WW
	Lubeck PSD	WVIF	1,573,000	W
	Mineral Wells PSD	CWSRF	1,438,800	WW
	Mineral Wells PSD	WDA	2,595,752	WW
	Mineral Wells PSD	WVIF	4,000,000	W
	Parkersburg	CWSRF	17,699,305	WW
	Parkersburg	WDA	2,019,225	WW
	Parkersburg	WDA	3,250,000	W
	Parkersburg	WVIF	926,000	WW
	Parkersburg	WVIF	4,000,000	W
	Parkersburg-Wood County Area Dev. Corp.	WVIF	3,322,000	ED
	Union-Williams PSD	CWSRF	16,008,291	WW
	Union-Williams PSD	WDA	19,625	WW
	Union-Williams PSD	WVIF	2,808,352	WW
	Vienna	WDA	10,850	WW
	Williamstown	CWSRF	230,282	WW
	Williamstown	WDA	852,977	WW
	Wood County Commission	WDA	310,465	WW
			<u>\$97,779,107</u>	
<b>Wyoming</b>	Center PSD	WDA	1,625,000	WW
	Center PSD	WVIF	197,500	WW
	Eastern Wyoming PSD	DWTRF	3,500,000	W
	Eastern Wyoming PSD	WDA	360,000	W
	Eastern Wyoming PSD	WVIF	1,021,080	W
	Glen Rogers PSD	CWSRF	160,000	WW
	Glen Rogers PSD	WDA	104,603	WW
	Kopperston PSD	WDA	644,000	W
	Mullens	CWSRF	1,780,000	WW
	Mullens	WVIF	2,586,300	WW
	Oceana	CWSRF	5,920,000	WW
	Oceana	WDA	984,110	WW
	Oceana	WDA	2,172,800	W
	Oceana	WVIF	7,448,500	WW
	Ravencliff-McGraws-Saulsville PSD	WVIF	575,000	W
	Wyoming County Commission	WDA	47,975	WW
	Wyoming Co. Economic Dev. Authority	WVIF	992,763	ED
			<u>\$30,119,631</u>	
	Total - All Counties		\$1,532,422,890	
	CWSRF State Match	WVIF	57,119,873	
	DWTRF State Match	WVIF	13,409,940	
	Road Improvement Account	WVIF	251,566	
<b>GRAND TOTAL</b>			<u><b>\$1,603,204,269</b></u>	
<b>June 2007</b>				



## APPENDIX E

WEST VIRGINIA WATER  
DEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS  
WITH INDEPENDENT  
AUDITORS' REPORT

**West Virginia Water Development Authority**

**Financial Statements With Supplementary Information**

**Year Ended June 30, 2007**

**WITH INDEPENDENT AUDITORS' REPORT**

# West Virginia Water Development Authority

## Financial Statements

Year Ended June 30, 2007

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets of the West Virginia Water Development Authority (the Authority), a component unit of the State of West Virginia, as of and for the year ended June 30, 2007, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Water Development Authority as of June 30, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2007, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 to 8 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Jebbons & Kawash*

September 28, 2007



# MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

The West Virginia Water Development Authority (the "Authority") was established in 1972 by the West Virginia Legislature as a governmental instrumentality of the State of West Virginia (the "State") and a body corporate and is considered a component unit of the State for financial reporting purposes. The Authority commenced operations in 1974 and is authorized to serve as a revenue bond bank that provides financial assistance to municipalities, public service districts and other political subdivisions to meet the requirements of State and federal water pollution control and safe drinking water laws, thereby helping to protect the health of the State's citizens, improving drinking water quality, upgrading infrastructure to attract economic development and protecting the environment. The Authority operates under the supervision of the West Virginia Water Development Board, which is comprised of seven members. The Authority, which also serves as fiduciary for three other programs which are audited separately, has a staff of six and utilizes professional services to supplement its staff as needed. The Authority is self-supporting and does not receive State appropriations for operating expenses or bond programs.

The Authority maintains a variety of programs to provide long-term, short-term and private-activity financing at favorable interest rates for design, construction and/or acquisition of wastewater and/or water systems. Generally, the Authority's programs are funded with proceeds from water development bonds issued by the Authority. Moneys in the various programs are loaned to municipalities, public service districts and other political subdivisions through the purchase of revenue bonds or notes issued by these local governmental agencies. The loans are repaid from the revenues of the systems or other permanent financing. Because the Authority's bonds are considered a moral obligation of the State, the aggregate principal amount of bonds and/or notes issued by the Authority may not exceed \$500 million outstanding at any time; provided that before the Authority issues bonds or notes in excess of \$440 million, the Legislature must pass a resolution authorizing this action. The Authority's long-term planning is accomplished within the confines of its authorized borrowing limit. Additionally, due to federal law changes regarding pool financing, the Authority has used and will use other available resources to fund loans and then issue bonds when a significant identifiable need arises.

This discussion and analysis of the Authority's financial activities for the year ended June 30, 2007, is designed to assist the reader in focusing on significant financial issues and activities of the Authority and to identify significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 9.

## USING THIS REPORT

This report consists of a series of financial statements. The Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Fund Net Assets report the Authority's net assets and changes in them. The Authority's net assets – the difference between assets and liabilities – is one way to measure the Authority's financial health or financial position.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

### FINANCIAL HIGHLIGHTS

- Total assets of the Authority decreased \$2.1 million or .70%. There was a corresponding decrease in total liabilities of \$5.7 million or 2.28%. Total net assets increased \$3.6 million or 7.56%.
- Total revenues had a net decrease of \$494 thousand. The decrease was in operating revenues. Operating revenues consist primarily of charges for services for both the current and prior years and prepayment fees for the prior year only, which are discussed in more detail on page 7.
- Total expenses increased \$334 thousand. This was the result of a \$430 thousand increase in interest expense, offset by a \$96 thousand decrease in operating expenses.
- The early redemption during the prior year of \$1.2 million of the Authority's outstanding Series 1995 A-II refunding and 1995 B-II revenue bonds resulted in a \$174 thousand loss, reflected as an extraordinary item in the financial statements for the prior year.

### THE AUTHORITY AS A WHOLE

The analysis below focuses on Net Assets (Table 1) and Changes in Net Assets (Table 2):

	2007	2006	Increase (Decrease)
<b>Assets:</b>			
Current assets	\$ 24,143,412	\$ 21,299,118	\$ 2,844,294
Noncurrent assets	<u>272,351,660</u>	<u>277,295,332</u>	<u>(4,943,672)</u>
Total assets	296,495,072	298,594,450	(2,099,378)
<b>Liabilities:</b>			
Current liabilities	8,201,375	8,495,981	(294,606)
Long-term debt outstanding	<u>236,937,030</u>	<u>242,349,532</u>	<u>(5,412,502)</u>
Total liabilities	245,138,405	250,845,513	(5,707,108)
<b>Net Assets:</b>			
Invested in capital assets	742,758	774,320	(31,562)
Restricted	26,128,267	25,710,221	418,046
Unrestricted	<u>24,485,642</u>	<u>21,264,396</u>	<u>3,221,246</u>
Total net assets	<u>\$ 51,356,667</u>	<u>\$ 47,748,937</u>	<u>\$ 3,607,730</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Table 2**  
**Changes in Net Assets**

	2007	2006	Increase (Decrease)
<b>Revenues:</b>			
Operating revenues:			
Charges for services	\$ 15,827,635	\$ 16,063,670	\$ (236,035)
Prepayment fees	-	247,396	(247,396)
Other	<u>1,800</u>	<u>23,162</u>	<u>(21,362)</u>
Total operating revenues	15,829,435	16,334,228	(504,793)
Nonoperating revenues:			
Interest and investment revenue, net of arbitrage	<u>1,600,747</u>	<u>1,590,330</u>	<u>10,417</u>
Total revenues	17,430,182	17,924,558	(494,376)
<b>Expenses:</b>			
Operating expenses	718,843	814,960	(96,117)
Nonoperating expenses:			
Interest expense	<u>13,103,609</u>	<u>12,673,059</u>	<u>430,550</u>
Total expenses	13,822,452	13,488,019	334,433
Income before extraordinary item	3,607,730	4,436,539	(828,809)
Extraordinary item—loss on redemption of bonds	<u>-</u>	<u>(174,334)</u>	<u>174,334</u>
<b>Change in net assets</b>	3,607,730	4,262,205	(654,475)
<b>Beginning net assets</b>	<u>47,748,937</u>	<u>43,486,732</u>	<u>4,262,205</u>
<b>Ending net assets</b>	<u>\$ 51,356,667</u>	<u>\$ 47,748,937</u>	<u>\$ 3,607,730</u>

**Total assets** decreased \$2.1 million or .70%. Decreases to assets were the result of the use of assets to pay interest expense on bonds payable of \$12.5 million, scheduled principal payments on bonds payable of \$6.6 million and general and administrative expenses of \$537 thousand. The combined decrease to assets of \$19.6 million was offset by the following increases to assets:

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

revenues from interest on loans reflected in the financial statements as "charges for services" of \$15.8 million and interest on investments of \$1.6 million. During the year, the Authority closed three wastewater project related loans totalling \$874 thousand, of which \$391 thousand was disbursed for those projects during the current year from unrestricted funds available to the Authority.

**Total liabilities** decreased \$5.7 million. Most of the decrease was in revenue bonds payable, which are presented on the balance sheet net of unamortized premiums, discounts, issue costs and deferred losses on advance refundings. If bonds payable net of these amounts as of June 30 of the prior year and as of June 30 of the current year are compared, the decrease in bonds payable was \$5.8 million. If the same comparison is made before netting these amounts against bonds payable, the decrease in bonds payable was \$6.6 million, which was the result of scheduled principal payments of bonds payable.

**Unrestricted net assets** increased \$3.2 million, primarily explained as the combined result of \$2.4 million net income in unrestricted accounts, a \$579 thousand transfer from the restricted portion of supplemental revenue bonds receivable to current assets and a decrease in liabilities payable from current assets of the four loan programs of \$302 thousand. Offsetting those increases was a net decrease in interest receivable in the four loan programs of \$108 thousand.

**Restricted net assets** increased \$418 thousand. This was primarily the result of \$1.25 million net income in the four loan programs offset by a net \$773 thousand transfer of assets to and liabilities from unrestricted accounts as discussed above.

**Charges for services** decreased \$236 thousand or about 1.5% as the result of a \$233 thousand adjustment to correct a prior year overstatement of administrative fees income. The adjustment was not material, so it was offset against current year revenues.

While charges for services in total otherwise remained consistent, the following activities occurred in the Supplemental Fund and each of the Loan Programs: In Loan Program II, charges for services consisting of interest on loans decreased \$162 thousand because of a significant decrease in outstanding loans the prior year, the result of \$956 thousand of principal on loans in Loan Program II being prepaid the prior year. Interest on loans in the Supplemental Fund and Loan Programs I and III had a combined decrease of \$109 thousand consistent with a reduction in principal outstanding as the result of scheduled principal payments on loans.

In Loan Program IV, however, charges for services consisting of interest on loans increased \$269 thousand, the result of \$13.2 million of loans in Loan Program IV that closed during the prior year and which generated interest for only part of a year the prior year; whereas those same loans generated a full year of interest the current year.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Prepayment fees** for the prior year represented revenues from local governmental agencies that prepaid \$956 thousand of principal on loans outstanding. Because there were no current year local governmental agencies' prepayments on loans, there were no current year prepayment fees.

**Interest expense** increased \$431 thousand. The increase in large part occurred in Loan Program IV which had an increase of \$242 thousand as the result of the Series 2005 B-IV bonds issued in December of the prior year, resulting in only about seven months of interest expense on those bonds the prior year versus a full year of interest expense the current year.

**Extraordinary item – loss on redemption of bonds** for the prior year represents losses from partial redemptions of the Series 1995 A-II refunding and Series 1995 B-II revenue bonds. There were no events in the current year considered extraordinary; therefore, there were no extraordinary gains or losses.

### DEBT ADMINISTRATION

As a financing entity, the business of the Authority is debt issuance and administration, including servicing. By statute, the maximum amount of bonds the Authority is authorized to have outstanding includes debt issued for the Authority and by the Authority on behalf of the West Virginia Infrastructure and Jobs Development Council. While the redemption of bonds is economically prudent because of the resulting debt service savings, any reduction in the liability for long-term debt enables the Authority to manage debt capacity for future needs as well as for new programs. The Authority, therefore, continues to monitor its long-term outstanding debt for prepayment and refunding opportunities for debt service savings. At year end, the Authority had \$261 million in revenue and refunding bonds outstanding versus \$267.6 million in the prior year, a decrease of 2.5%, as shown in Table 3.

**Table 3**  
**Outstanding Debt at Year End**  
**(in Millions)**

	<u>2007</u>	<u>2006</u>
Revenue bonds	\$ 87.5	\$ 89.0
Refunding bonds	<u>173.5</u>	<u>178.6</u>
Total	<u>\$ 261.0</u>	<u>\$ 267.6</u>

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

### **ECONOMIC FACTORS THAT MAY AFFECT THE AUTHORITY**

There are several unknown factors that may affect the Authority, including changes in existing federal or State legislation, additional responsibilities for new environmental or drinking water demands, and market conditions that could affect the viability of future revenue bond issues and impact investment earnings. Additionally, the Authority invests funds not required for immediate disbursement as permitted by statute, its bond resolutions and its "Investment Guidelines, Procedures and Controls." The Authority's investment income had been affected by the decline in short-term interest rates in prior years but continues to increase as interest rates increase.

### **CONTACTING THE AUTHORITY'S MANAGEMENT**

This financial report is designed to provide a general overview of the Authority's finances and to show the Authority's accountability for the money it receives as well as its ability to pay debt service. If you have questions about this report or need additional information, contact the Director or Secretary/Treasurer, West Virginia Water Development Authority, 180 Association Drive, Charleston, West Virginia 25311, call 304-558-3612 or visit the Authority's website ([www.wvwda.org](http://www.wvwda.org)).

# West Virginia Water Development Authority

## Statement of Net Assets June 30, 2007

<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 15,133,321
Receivables:	
Revenue bonds, net of unamortized discount of \$58,018	4,336,341
Supplemental revenue bonds	579,077
Interest	3,966,084
Administrative fees	2,075
Due from other agencies	<u>126,514</u>
Total current assets	<u>24,143,412</u>
Noncurrent assets:	
Receivables:	
Revenue bonds	7,649,651
Loans receivable, net of allowances	-
Investments	1,200,000
Restricted assets:	
Cash and cash equivalents	2,032,898
Investments	15,626,056
Receivables, net:	
Revenue bonds, net of unamortized discount of \$1,389,743	234,546,291
Supplemental revenue bonds	10,554,006
Capital assets, net	<u>742,758</u>
Total noncurrent assets	<u>272,351,660</u>
Total assets	<u>296,495,072</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	11,875
Current portion of revenue bonds payable, net of unamortized premium of \$144,196, discounts and issue costs of \$185,686 and deferred losses on advance refundings of \$757,970	5,530,540
Accrued interest payable	<u>2,658,960</u>
Total current liabilities	<u>8,201,375</u>
Noncurrent liabilities:	
Compensated absences	306,046
Liabilities payable from restricted assets:	
Arbitrage rebate payable	161,053
Noncurrent portion of revenue bonds payable, net of unamortized premium of \$3,641,298, discounts and issue costs of \$4,798,416 and deferred losses on advance refundings of \$17,087,951	<u>236,469,931</u>
Total noncurrent liabilities	<u>236,937,030</u>
Total liabilities	<u>245,138,405</u>
<b>NET ASSETS</b>	
Restricted	26,128,267
Unrestricted	24,485,642
Invested in capital assets	<u>742,758</u>
Total net assets	<u>\$ 51,356,667</u>

See accompanying notes to financial statements.

# West Virginia Water Development Authority

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## Statement of Revenues, Expenses, and Changes In Fund Net Assets Year Ended June 30, 2007

Operating revenues:	
Charges for services	\$15,827,635
Recovery of uncollectible loans and service charges	<u>1,800</u>
Total operating revenues	<u>15,829,435</u>
Operating expenses:	
Depreciation and amortization	217,249
General and administrative	<u>501,594</u>
Total operating expenses	<u>718,843</u>
Operating income	<u>15,110,592</u>
Nonoperating revenues (expenses):	
Interest and investment revenue, net of arbitrage	1,600,747
Interest expense	<u>(13,103,609)</u>
Total nonoperating revenues (expenses)	<u>(11,502,862)</u>
Change in net assets	3,607,730
Total net assets, beginning of year	<u>47,748,937</u>
Total net assets, end of year	<u>\$ 51,356,667</u>

See accompanying notes to financial statements.



# West Virginia Water Development Authority

## Statement of Cash Flows Year Ended June 30, 2007

<b>Cash flows from operating activities:</b>	
Receipts of principal on bonds receivable	\$ 5,017,426
Receipts of interest on bonds receivable	16,136,622
Receipts of administrative fees on bonds receivable	24,886
Receipts of uncollectible loans and service charges	1,800
Receipts of reimbursements from other agencies	434,799
Disbursements of loans	(422,430)
Disbursements for general and administrative expense	(282,088)
Disbursements to employees	(254,791)
Disbursements on behalf of other agencies	(457,638)
Net cash provided by operating activities	<u>20,198,586</u>
<b>Cash flows from noncapital financing activities:</b>	
Principal paid on revenue and refunding bonds	(6,585,000)
Interest paid on revenue and refunding bonds	(12,537,172)
Net cash used for noncapital financing activities	<u>(19,122,172)</u>
<b>Cash flows from investing activities:</b>	
Investment earnings	<u>1,721,148</u>
Net cash provided by investing activities	<u>1,721,148</u>
Net increase in cash and cash equivalents	2,797,562
Cash and cash equivalents, beginning of year	<u>14,368,657</u>
Cash and cash equivalents, end of year	<u>\$ 17,166,219</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 15,110,592
<b>Adjustments to reconcile operating income to net cash provided by operating activities:</b>	
Depreciation expense	31,562
Amortization of bond discounts and issuance costs	185,687
<b>Changes in assets and liabilities:</b>	
Due from other agencies	(22,839)
Supplemental revenue bonds receivable	578,259
Revenue bonds receivable	3,958,719
Accrued interest receivable	133,897
Administrative fees receivable	257,994
Accounts payable	7,731
Compensated absences	(43,016)
Net cash provided by operating activities	<u>\$ 20,198,586</u>

See accompanying notes to financial statements.

# West Virginia Water Development Authority

## Notes to Financial Statements

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(1) Reporting Entity

The West Virginia Water Development Authority (the “Authority”) is a governmental instrumentality of the State of West Virginia (the “State”) and a body corporate, created under the provisions of Chapter 22C, Article 1 of the Code of West Virginia, 1931, as amended, and known as the West Virginia Water Development Act. The Authority’s mission is to provide West Virginia communities effective financial assistance for development of wastewater, water and economic infrastructure that will improve health, protect the streams of the State, improve drinking water quality and encourage economic growth. This is accomplished by administering and managing the West Virginia Water Development Revenue Bond Programs, serving as the State-designated fiduciary of the West Virginia Infrastructure Fund, managing the Bureau for Public Health’s Drinking Water Treatment Revolving Fund, administering the Department of Environmental Protection’s Clean Water State Revolving Fund, and being an active member of the West Virginia Infrastructure and Jobs Development Council.

The Authority’s Water Development Revenue Bond Programs are funded with proceeds of water development bonds issued by the Authority. Moneys in the programs are loaned to municipalities, public service districts and other political subdivisions through the purchase by the Authority of revenue bonds or notes issued by those entities, who repay the loans from the revenues of the systems or other permanent financing.

The Authority receives no appropriations from the State; however, as the State is able to impose its will over the Authority, the Authority is considered a component unit of the State.

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in generally accepted accounting principles (GAAP) for governments. GAAP defines component units as those entities which are legally separate governmental organizations for which the appointed members of the Authority are financially accountable or other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority’s financial statements to be misleading. Because no such organizations exist which meet the above criteria, the Authority has no component units.

(2) Significant Accounting Policies

Basis of Presentation

The Authority is accounted for as a proprietary fund special purpose government engaged in business type activities. In accordance with accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting, using the flow of economic resources measurement focus. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. As permitted by GASB Statement No. 20, “Accounting and Financial Reporting for Proprietary

# West Virginia Water Development Authority

## Notes to Financial Statements (Continued)

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### (2) Significant Accounting Policies (Continued)

Funds and Other Governmental Entities that Use Proprietary Fund Accounting,” the Authority has elected not to adopt Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB statements or interpretations.

The Authority is included in the State’s basic financial statements as a discretely presented component unit proprietary fund and business type activity using the accrual basis of accounting. There may be differences between the amounts reported in these financial statements and the basic financial statements of the State as a result of major fund determination.

#### Cash Equivalents

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

#### Allowance for Uncollectible Loans and Service Charges

The Authority established an allowance for uncollectible revolving loans and service charges based on the estimated age of revolving loans and service charges and their anticipated collectibility. The Authority has not established an allowance for uncollectible loans in the Water Development Revenue Bond Programs because of remedies available to it in the loan agreements that exist between the Authority and the various entities.

#### Investments

Investments are carried at fair market values which are based upon quoted market prices. Realized gains and losses are recognized and reported as a component of investment income when proceeds of the sale differ from historical costs. Unrealized gains and losses are recognized and reported as a component of investment income when fair market values differ from historical costs.

#### Restricted Assets

Proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by bond covenants.

#### Capital Assets

Capital assets are stated at cost. Depreciation is computed using the straight-line method over the estimated economic useful life. The table below details the capital asset categories and related economic useful lives:

Furniture and equipment	5 years
Building	40 years
Building improvements	10 years

# West Virginia Water Development Authority

## Notes to Financial Statements (Continued)

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(2) Significant Accounting Policies (Continued)

Compensated Absences

Accumulated vacation leave is recorded as an expense and a liability as the benefits accrue to employees. The liability for accumulated vacation leave has been recorded at June 30, 2007, in accordance with GASB Statement No. 16.

State employees earn sick leave benefits which accumulate but do not vest. When separated from employment with the State, an employee's sick leave benefits are considered ended and no reimbursement is provided. At the time of retirement, however, any employee enrolled in the West Virginia Public Employees Retirement System prior to June 30, 2001, may convert any unused or accumulated sick leave to pay a portion of an employee's postemployment health care insurance premiums. If this option is not selected, the leave amount may be applied toward an increase in the employee's retirement benefits with such sick leave constituting additional credited service in computation of such benefits. Any employee enrolled in the West Virginia Public Employees Retirement System after June 30, 2001, may not apply accumulated sick leave toward the cost of premiums for extended insurance coverage. The liability for accumulated sick leave for those eligible for retirement has been recorded at June 30, 2007, in accordance with GASB Statement No. 16.

Bond Discounts and Issuance Costs

Bond discounts and issuance costs are amortized using the straight-line method over the varying terms of the bonds issued.

Arbitrage Rebate Payable

The United States Internal Revenue Code of 1986, as amended (the "Code"), prescribes restrictions applicable to the Authority as issuer of Water Development Revenue and Refunding Bonds. Among those include restrictions on earnings on the bond proceeds. The Code requires payment to the federal government of investment earnings on certain bond proceeds in excess of the amount that would have been earned if the proceeds were invested at a rate equal to the yield on the bonds, and a liability for that amount has been recorded at June 30, 2007.

(3) Deposit and Investment Risk Disclosures

The General Revenue Bond Resolutions and the Authority's investment guidelines authorize the Authority to invest all bond proceeds in obligations of the United States and certain of its agencies, certificates of deposit, public housing bonds, direct and general obligations of states which are rated in either of the two highest categories by Standard & Poor's Corporation, advance-refunded municipal bonds and repurchase agreements relating to certain securities. Investments are managed by the financial institutions serving as trustees for the Authority.

Interest Rate Risk

As of June 30, 2007, the Authority had the following investments and maturities:

**West Virginia Water Development Authority**  
**Notes to Financial Statements (Continued)**

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(3) Deposit and Investment Risk Disclosures (Continued)

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 - 5	6 - 10	More than 10
Repurchase Agreements	\$ 15,626,056	\$ -	\$ 9,743,994	\$ 3,436,520	\$ 2,445,542
U.S. Treasury	1,200,000	-	-	-	1,200,000
U.S. Agencies	1,597,094	1,597,094	-	-	-
Money Markets	15,421,415	15,421,415	-	-	-
	<u>\$ 33,844,565</u>	<u>\$ 17,018,509</u>	<u>\$ 9,743,994</u>	<u>\$ 3,436,520</u>	<u>\$ 3,645,542</u>

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

Investments matched to obligations of the Authority would include investments of capital and/or special reserve funds for each of the Authority's outstanding bond issues in Loan Programs I, II and III. The General Revenue Bond Resolutions for Loan Programs I, II, III and IV require that, while the bonds are outstanding, there be on deposit in the capital and/or special reserve funds an amount equal to the maximum amount of principal installments and interest coming due during the current or any succeeding year. The General Revenue Bond Resolution for Loan Program IV permits this requirement to be met, and it has been met, with the deposit of a Reserve Fund Credit Facility into the reserve fund. There are, therefore, no investments of capital and/or special reserve funds for Loan Program IV. The Authority has both the intent and the ability to hold long-term securities until final maturity and thus is limited in its exposure to interest rate risk on these long-term obligations.

Concentration of Credit Risk

As of June 30, 2007, the Authority had investment balances with the following issuers which are greater than or equal to 5 percent of the investment balance:

Type	Issuer	Percentage of Investments
Repurchase Agreements	Ambac Capital Funding, Inc.	7%
	Bayerische Landesbank	22%
	Citigroup Global Markets, Inc.	7%
	Lehman Government Securities, Inc.	7%
Money Markets	Federated Prime Cash Obligations	46%

The Authority's investment guidelines manage concentration of credit risk by limiting its investment activity so that at any time its total investment portfolio will not exceed the percentage limits as to the permitted investments as shown on the next page:

# West Virginia Water Development Authority

## Notes to Financial Statements (Continued)

(3) Deposit and Investment Risk Disclosures (Continued)

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

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

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

### Credit Risk

The following table provides information on the credit ratings of the Authority's short-term investments:

<u>Security Type</u>	<u>Fitch</u>	<u>Moody's</u>	<u>Standard &amp; Poor's</u>	<u>Fair Value</u>
U.S. Agencies	AAA	AAA	AAA	\$ 1,597,094
Money Markets	AAA/V-1+	Aaa	AAAm	<u>15,421,415</u>
				<u>\$ 17,018,509</u>

# West Virginia Water Development Authority

## Notes to Financial Statements (Continued)

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### (3) Deposit and Investment Risk Disclosures (Continued)

Additionally, of the Authority's investments in repurchase agreements, the underlying securities consist of \$3,833,111 in United States Treasury Bonds, \$15,632 in federal agency obligations unconditionally guaranteed by the United States, and \$14,700,357 in mortgage-backed securities guaranteed by different federal agencies and which hold an implied AAA rating due to the guaranty of payment by the respective federal agency.

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

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

#### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Repurchase agreements are collateralized at 100% if the underlying security is cash and between 103% and 125% for other types of securities backed by the full faith and credit of the United States Government. The underlying securities of the Authority's \$15,626,056 in repurchase agreements are held by either a third-party custodian or by the Authority's trustee, in the name of the Trustee on behalf of the Authority.

The Authority's investment guidelines put certain restrictions on repurchase agreements, including the following: the Authority can only enter into repurchase agreements with financial institutions having a credit rating of at least "A/A"; collateral is limited to direct federal, federally guaranteed or federal agency obligations; collateral is required to be delivered to a third-party custodian, the Authority or the trustee; and, the financial institution must guarantee

# West Virginia Water Development Authority

## Notes to Financial Statements (Continued)

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(3) Deposit and Investment Risk Disclosures (Continued)

the aggregate market value of the collateral will equal or exceed the outstanding repurchase agreement by the margin specified in the respective repurchase agreement. As of June 30, 2007, the Authority held no securities that were subject to custodial credit risk.

Foreign Currency Risk

The Authority has no securities that are subject to foreign currency risk.

Cash consisted of the following at June 30, 2007:

Cash on deposit with State Treasurer	\$ 89,876
Cash on deposit with Trustee	<u>57,834</u>
	<u>\$ 147,710</u>

A reconciliation of the amounts disclosed as cash and investments included in this Note to cash and cash equivalents, restricted cash and cash equivalents, and investments in the Statement of Net Assets as of June 30, 2007, is as follows:

**Deposits:**

Cash and cash equivalents as reported on the Statement of Net Assets	\$ 15,133,321
Add: restricted cash and cash equivalents as reported	2,032,898
Less: cash equivalents and restricted cash equivalents disclosed as investments	<u>(17,018,509)</u>
Total cash as disclosed in this Note	<u>\$ 147,710</u>

**Investments:**

Investments as reported on the Statement of Net Assets	\$ 1,200,000
Add: restricted investments as reported	15,626,056
Add: cash equivalents and restricted cash equivalents disclosed as investments	<u>17,018,509</u>
Total investments as disclosed in this Note	<u>\$ 33,844,565</u>



# West Virginia Water Development Authority

## Notes to Financial Statements (Continued)

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(4) Due From Other Agencies

Certain agencies of the State were indebted to the Authority at June 30, 2007, in connection with expenses paid by the Authority on behalf of the agencies. Amounts due from other agencies at June 30, 2007, were as follows:

West Virginia Infrastructure and Jobs Development Council	\$ 97,534
Department of Environmental Protection Clean Water State Revolving Fund	20,478
Bureau for Public Health Drinking Water Treatment Revolving Fund	8,502
	\$ 126,514

(5) Allowance For Uncollectible Loans and Service Charges

Initiation of the Authority's Revolving Loan Fund program in 1974 was intended to complement a federal grant program under the United States Environmental Protection Agency, which began in 1972.

Step I (planning) and Step II (design) projects were funded by 75-percent federal grants and 25-percent Authority loans. These loans are no longer made. Step III (project construction) was funded with 75-percent federal grants and the remainder with Authority grants, other State and local grants, and local funds or note issues. Authority loans for Step I and Step II projects are eligible for repayment from construction financing.

It was anticipated that all projects initiated under this program would proceed through Steps I, II and III, thus completing the cycle and resulting in repayment of Authority loans. A federal policy change ended the United States Environmental Protection Agency grant program, which increased the probability of uncollectible amounts.

The Authority established guidelines to set up an allowance for estimated uncollectible amounts to be applied to balances as of June 30, 1981, and thereafter. The establishment of the allowance for financial reporting purposes does not affect the loan agreements that exist between the Authority and the various entities. The allowance of \$430,210 at June 30, 2007, is comprised of the following:

Loans receivable	\$ 426,084
Service charges receivable	4,126
Allowance for uncollectible	(430,210)
	\$ -

**West Virginia Water Development Authority**  
**Notes to Financial Statements (Continued)**

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(6) Revenue Bonds Receivable and Supplemental Revenue Bonds Receivable

As of June 30, 2007, the face value of revenue bonds of municipalities, public service districts and other political subdivisions purchased with proceeds from Water Development Revenue Bonds was \$240,060,885. Management's intentions are to hold such bonds until maturity; therefore, management believes the face amount of the bonds is fully collectible.

Although not required, the Authority purchased supplemental bonds of municipalities and public service districts using other available funds.

(7) Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Furniture and equipment	\$ 212,954	\$ -	\$ (12,683)	\$ 200,271
Building	963,493	-	-	963,493
Building improvements	<u>18,927</u>	<u>-</u>	<u>-</u>	<u>18,927</u>
Total at historical cost	<u>1,195,374</u>	<u>-</u>	<u>(12,683)</u>	<u>1,182,691</u>
Less accumulated depreciation for:				
Furniture and equipment	(187,351)	(7,475)	12,683	(182,143)
Building	(214,776)	(24,087)	-	(238,863)
Building improvements	<u>(18,927)</u>	<u>-</u>	<u>-</u>	<u>(18,927)</u>
Total accumulated depreciation	<u>(421,054)</u>	<u>(31,562)</u>	<u>12,683</u>	<u>(439,933)</u>
Capital assets, net	<u>\$ 774,320</u>	<u>\$ (31,562)</u>	<u>\$ -</u>	<u>\$ 742,758</u>

Depreciation expense for the year ended June 30, 2007, was \$31,562.

**West Virginia Water Development Authority**  
**Notes to Financial Statements (Continued)**

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(8) Revenue Bonds Payable

The following is a summary of the Authority's bond transactions for the year ended June 30, 2007:

Revenue bonds payable at June 30, 2006	\$ 267,630,000
Bonds issued	-
Bonds retired	<u>(6,585,000)</u>
Revenue bonds payable at June 30, 2007	<u>\$ 261,045,000</u>

Revenue and refunding bonds outstanding at June 30, 2007, were as follows:

<u>Series</u>	<u>Final Maturity</u>	<u>Interest Rates %</u>	<u>Balance</u>
2000 AIII	07/01/39	5.375-6.375	\$ 19,090,000
2000 BIII	07/01/40	4.800-5.875	10,415,000
2002 AI	11/01/25	3.625-5.125	7,075,000
2003 AII	11/01/23	2.000-4.400	8,855,000
2003 AI	11/01/26	2.625-5.250	22,770,000
2003 BII	11/01/29	2.625-5.250	51,210,000
2003 CII	11/01/33	2.625-5.000	16,950,000
2003 DII	11/01/24	2.625-4.850	5,030,000
2005 AIV	11/01/44	3.000-5.000	37,350,000
2005 AII	11/01/33	3.500-5.000	18,320,000
2005 BII	11/01/33	3.500-5.000	12,080,000
2005 BIV	11/01/44	3.750-5.125	11,810,000
2006 AII	11/01/39	3.750-5.000	<u>40,090,000</u>
			<u>\$ 261,045,000</u>

**West Virginia Water Development Authority**  
**Notes to Financial Statements (Continued)**

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(8) Revenue Bonds Payable (Continued)

Loan Program I includes Series 2002 A and 2003 A Water Development Revenue Refunding Bonds. Loan Program II includes Series 2003 A Water Development Revenue Bonds and Series 2003 B, 2003 C, 2003 D, 2005 A, 2005 B and 2006 A Water Development Revenue Refunding Bonds. Loan Program III includes Series 2000 A and 2000 B Water Development Revenue Bonds. Loan Program IV includes Series 2005 A and 2005 B Water Development Revenue Bonds.

Total future maturities of bond principal and interest on Authority indebtedness at June 30, 2007, are as follows:

**Loan Program I**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
11/01/07	\$ 1,190,000	\$ 1,310,006	\$ 2,500,006
11/01/08	1,220,000	1,273,620	2,493,620
11/01/09	1,265,000	1,233,728	2,498,728
11/01/10	1,305,000	1,188,578	2,493,578
11/01/11	<u>1,355,000</u>	<u>1,137,921</u>	<u>2,492,921</u>
	<u>6,335,000</u>	<u>6,143,853</u>	<u>12,478,853</u>
11/01/12 - 11/01/16	7,400,000	4,820,825	12,220,825
11/01/17 - 11/01/21	7,645,000	3,095,426	10,740,426
11/01/22 - 11/01/26	<u>8,465,000</u>	<u>1,087,447</u>	<u>9,552,447</u>
	<u>23,510,000</u>	<u>9,003,698</u>	<u>32,513,698</u>
	<u>\$ 29,845,000</u>	<u>\$ 15,147,551</u>	<u>\$ 44,992,551</u>

**Loan Program II**

11/01/07	\$ 3,935,000	\$ 6,950,264	\$ 10,885,264
11/01/08	4,060,000	6,827,291	10,887,291
11/01/09	4,185,000	6,695,739	10,880,739
11/01/10	4,320,000	6,551,319	10,871,319
11/01/11	<u>4,475,000</u>	<u>6,378,587</u>	<u>10,853,587</u>
	<u>20,975,000</u>	<u>33,403,200</u>	<u>54,378,200</u>
11/01/12 - 11/01/16	25,315,000	28,649,112	53,964,112
11/01/17 - 11/01/21	28,000,000	22,374,168	50,374,168
11/01/22 - 11/01/26	31,495,000	15,282,060	46,777,060
11/01/27 - 11/01/31	28,800,000	7,646,213	36,446,213
11/01/32 - 11/01/36	12,460,000	2,663,750	15,123,750
11/01/37 - 11/01/39	<u>5,490,000</u>	<u>395,500</u>	<u>5,885,500</u>
	<u>131,560,000</u>	<u>77,010,803</u>	<u>208,570,803</u>
	<u>\$ 152,535,000</u>	<u>\$ 110,414,003</u>	<u>\$ 262,949,003</u>

**West Virginia Water Development Authority**  
**Notes to Financial Statements (Continued)**

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(8) Revenue Bonds Payable (Continued)

**Loan Program III**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
07/01/07	\$ 705,000	\$ 1,743,343	\$ 2,448,343
07/01/08	740,000	1,705,020	2,445,020
07/01/09	785,000	1,664,053	2,449,053
07/01/10	820,000	1,620,208	2,440,208
07/01/11	<u>355,000</u>	<u>1,587,663</u>	<u>1,942,663</u>
	<u>3,405,000</u>	<u>8,320,287</u>	<u>11,725,287</u>
07/01/12 - 07/01/16	2,080,000	7,602,413	9,682,413
07/01/17 - 07/01/21	2,800,000	6,872,106	9,672,106
07/01/22 - 07/01/26	3,745,000	5,898,303	9,643,303
07/01/27 - 07/01/31	5,005,000	4,593,596	9,598,596
07/01/32 - 07/01/36	6,715,000	2,823,518	9,538,518
07/01/37 - 07/01/40	<u>5,755,000</u>	<u>610,298</u>	<u>6,365,298</u>
	<u>26,100,000</u>	<u>28,400,234</u>	<u>54,500,234</u>
	<u>\$ 29,505,000</u>	<u>\$ 36,720,521</u>	<u>\$ 66,225,521</u>

**Loan Program IV**

11/01/07	\$ 500,000	\$ 2,322,794	\$ 2,822,794
11/01/08	665,000	2,303,756	2,968,756
11/01/09	695,000	2,280,569	2,975,569
11/01/10	715,000	2,256,216	2,971,216
11/01/11	<u>745,000</u>	<u>2,230,069</u>	<u>2,975,069</u>
	<u>3,320,000</u>	<u>11,393,404</u>	<u>14,713,404</u>
11/01/12 - 11/01/16	4,145,000	10,700,753	14,845,753
11/01/17 - 11/01/21	5,155,000	9,648,072	14,803,072
11/01/22 - 11/01/26	6,350,000	8,260,072	14,610,072
11/01/27 - 11/01/31	7,355,000	6,620,087	13,975,087
11/01/32 - 11/01/36	8,705,000	4,592,122	13,297,122
11/01/37 - 11/01/41	8,170,000	2,553,553	10,723,553
11/01/42 - 11/01/44	<u>5,960,000</u>	<u>457,213</u>	<u>6,417,213</u>
	<u>45,840,000</u>	<u>42,831,872</u>	<u>88,671,872</u>
	<u>\$ 49,160,000</u>	<u>\$ 54,225,276</u>	<u>\$ 103,385,276</u>

Total all loan programs	\$ 261,045,000
Add: unamortized premium	3,785,494
Less: unamortized discount, bond issue costs and deferred losses on advance refundings	<u>(22,830,023)</u>
Total all programs, presented net	242,000,471
Less: current portion	<u>(5,530,540)</u>
Noncurrent portion	<u>\$ 236,469,931</u>

# West Virginia Water Development Authority

## Notes to Financial Statements (Continued)

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(8) Revenue Bonds Payable (Continued)

In prior years, the Authority defeased certain revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's financial statements. At June 30, 2007, there are \$43,450,000 in defeased bonds outstanding.

(9) Pension Plan

The Authority contributes to a cost-sharing, multiple-employer defined benefit pension plan administered by the West Virginia Public Employees Retirement System ("PERS"). It provides retirement, disability and death benefits to plan members and beneficiaries. State statutes establish benefit provisions. The West Virginia Consolidated Public Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information of PERS. That report may be obtained by writing to:

West Virginia Consolidated Public Retirement Board  
Building 5, Room 1000  
1900 Kanawha Boulevard East  
Charleston, West Virginia 25305-0720

The Authority and plan members are required to contribute 10.5% and 4.5%, respectively, of annual covered salaries. The contribution requirements of the Authority and plan members are established and may be amended by State statute. The Authority's contributions to PERS for the years ended June 30, 2007, 2006 and 2005 for Authority employees, including employees utilized by the Infrastructure and Jobs Development Council (the "Council"), were \$43,999, \$45,973, and \$48,228, respectively. The Authority's contributions to PERS for Authority employees utilized by the Council for the years ended June 30, 2007, 2006 and 2005 were \$9,783, \$10,967 and \$11,187, respectively, which contributions were reimbursed by the Council.

(10) Other Postemployment Benefits

The Governmental Accounting Standards Board ("GASB") issued GASB 43 "Financial Reporting for Postemployment Benefit Plans Other than Pension Plans" and GASB 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" effective for years ending June 30, 2007, and June 30, 2008, respectively. Beginning July 1, 2007, the Authority will contribute to the West Virginia Other Postemployment Benefit ("WVOPEB") Plan, a cost-sharing, multiple-employer plan administered by the West Virginia Public Employees Insurance Agency. It provides health insurance coverage to retired employees as defined by West Virginia Code §5-16-2. In order to conform to the new GASB pronouncements, the WVOPEB Plan is administered in the West Virginia Retiree Health Benefit Trust Fund ("WVRHBT"), an irrevocable trust fund. WVRHBT issues a publicly available

**West Virginia Water Development Authority**  
**Notes to Financial Statements (Continued)**

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(10) Other Postemployment Benefits (Continued)

financial report that includes financial statements and required supplementary information for WVRHBT. That report may be obtained by writing to:

West Virginia Retiree Health Benefits Trust Fund  
Building 5, Room 1001  
1900 Kanawha Boulevard East  
Charleston, WV 25305-0710

(11) General and Administrative Expenses

General and administrative expenses for the year ended June 30, 2007, are as follows:

Personal services	\$ 211,775
Legal	59,378
Trustee	50,363
Public employees insurance	35,543
Professional	34,574
Public employees retirement	34,216
Office supplies/printing	10,664
Travel	10,447
Building	9,901
Utilities	9,422
Telecommunications	9,249
Advertising	4,424
Janitorial	4,320
Rental	4,320
Payroll taxes	3,520
Insurance	2,544
Administrative	2,400
Training and development	1,687
Computer supplies	1,446
Miscellaneous	1,401
	<u>\$ 501,594</u>

# West Virginia Water Development Authority

## Notes to Financial Statements (Continued)

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### (12) Risk Management

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

The Authority has obtained coverage for job-related injuries of employees and health coverage for its employees through its participation in Brickstreet Mutual Insurance Company (“Brickstreet”) and the West Virginia Public Employees Insurance Agency (“PEIA”). In exchange for the payment of premiums to Brickstreet and PEIA, the Authority has transferred its risk related to job-related injuries and health coverage for employees.

The Authority participates in the West Virginia Board of Risk and Insurance Management to obtain coverage for general liability, property damage, business interruption, errors and omissions, and natural disasters. Coverage is offered in exchange for an annual premium.

### (13) Segment Information

The presentation of segment information for the Authority, which follows, conforms with the requirements of GASB Statement No. 37, “Basic Financial Statements - and Management’s Discussion and Analysis – for State and Local Governments: Omnibus.”

Loan Program I includes Series 2002 A and 2003 A Water Development Revenue Refunding Bonds. Loan Program II includes Series 2003 A Water Development Revenue Bonds and Series 2003 B, 2003 C, 2003 D, 2005 A, 2005 B and 2006 A Water Development Revenue Refunding Bonds. Loan Program III includes Series 2000 A and 2000 B Water Development Revenue Bonds. Loan Program IV includes Series 2005 A and 2005 B Water Development Revenue Bonds.



**West Virginia Water Development Authority**  
**Notes to Financial Statements (Continued)**

(13) Segment Information (Continued)

	<u>Loan Program I</u>	<u>Loan Program II</u>	<u>Loan Program III</u>
<b>Assets:</b>			
Current	\$ 1,307,208	\$ 4,658,633	\$ 868,005
Noncurrent - other	-	-	-
Restricted	28,046,371	144,228,053	31,007,146
Capital	-	-	-
<b>Total assets</b>	<b>29,353,579</b>	<b>148,886,686</b>	<b>31,875,151</b>
<b>Liabilities:</b>			
Current	1,130,156	4,617,476	1,547,208
Long-term	23,654,270	136,503,612	27,586,270
<b>Total liabilities</b>	<b>24,784,426</b>	<b>141,121,088</b>	<b>29,133,478</b>
<b>Net assets:</b>			
Restricted	4,392,101	7,724,441	3,420,876
Unrestricted	177,052	41,157	(679,203)
Invested in capital assets	-	-	-
<b>Total net assets</b>	<b>\$ 4,569,153</b>	<b>\$ 7,765,598</b>	<b>\$ 2,741,673</b>
<b>Operating revenues:</b>			
Charges for services	\$ 2,211,238	\$ 9,290,082	\$ 1,571,540
Recovery of uncollectible loans and service charges	-	-	-
<b>Operating expenses:</b>			
Depreciation	-	-	-
Amortization	27,567	94,620	38,779
General and administrative	-	13	-
Allocation of general and administrative	55,438	261,032	56,794
<b>Operating income (loss)</b>	<b>2,128,233</b>	<b>8,934,417</b>	<b>1,475,967</b>
<b>Nonoperating revenues (expenses):</b>			
Interest and investment revenue, net of arbitrage	(72,641)	704,851	167,004
Interest expense	(1,591,607)	(7,446,055)	(1,761,974)
<b>Transfers (net)</b>	<b>(396,218)</b>	<b>(828,457)</b>	<b>(137,949)</b>
<b>Change in net assets</b>	<b>67,767</b>	<b>1,364,756</b>	<b>(256,952)</b>
<b>Beginning net assets</b>	<b>4,501,386</b>	<b>6,400,842</b>	<b>2,998,625</b>
<b>Ending net assets</b>	<b>\$ 4,569,153</b>	<b>\$ 7,765,598</b>	<b>\$ 2,741,673</b>
<b>Net cash provided (used) by:</b>			
Operating activities	\$ 2,451,270	\$ 10,581,786	\$ 2,297,119
Noncapital financing activities	(2,503,368)	(11,392,349)	(2,449,299)
Investing activities	50,242	748,703	143,628
Beginning cash and cash equivalents	61,294	377,216	1,665,325
<b>Ending cash and cash equivalents</b>	<b>\$ 59,438</b>	<b>\$ 315,356</b>	<b>\$ 1,656,773</b>

# West Virginia Water Development Authority

## Notes to Financial Statements (Continued)

(13) Segment Information (Continued)

	<u>Loan Program IV</u>	<u>Supplemental</u>	<u>Total</u>
<b>Assets:</b>			
Current	\$ 1,036,027	\$ 16,273,539	\$ 24,143,412
Noncurrent - other	-	8,849,651	8,849,651
Restricted	48,923,676	10,554,005	262,759,251
Capital	-	742,758	742,758
<b>Total assets</b>	<b>49,959,703</b>	<b>36,419,953</b>	<b>296,495,072</b>
<b>Liabilities:</b>			
Current	894,660	11,875	8,201,375
Long-term	48,886,832	306,046	236,937,030
<b>Total liabilities</b>	<b>49,781,492</b>	<b>317,921</b>	<b>245,138,405</b>
<b>Net assets:</b>			
Restricted	36,844	10,554,005	26,128,267
Unrestricted	141,367	24,805,269	24,485,642
Invested in capital assets	-	742,758	742,758
<b>Total net assets</b>	<b>\$ 178,211</b>	<b>\$ 36,102,032</b>	<b>\$ 51,356,667</b>
<b>Operating revenues:</b>			
Charges for services	\$ 2,524,312	\$ 230,463	\$ 15,827,635
Recovery of uncollectible loans and service charges	-	1,800	1,800
<b>Operating expenses:</b>			
Depreciation	-	31,562	31,562
Amortization	24,721	-	185,687
General and administrative	-	501,581	501,594
Allocation of general and administrative	91,741	(465,005)	-
<b>Operating income (loss)</b>	<b>2,407,850</b>	<b>164,125</b>	<b>15,110,592</b>
<b>Nonoperating revenues (expenses):</b>			
Interest and investment revenue, net of arbitrage	12,154	789,379	1,600,747
Interest expense	(2,303,973)	-	(13,103,609)
Transfers (net)	(41,825)	1,404,449	-
<b>Change in net assets</b>	<b>74,206</b>	<b>2,357,953</b>	<b>3,607,730</b>
<b>Beginning net assets</b>	<b>104,005</b>	<b>33,744,079</b>	<b>47,748,937</b>
<b>Ending net assets</b>	<b>\$ 178,211</b>	<b>\$ 36,102,032</b>	<b>\$ 51,356,667</b>
<b>Net cash provided (used) by:</b>			
Operating activities	\$ 2,765,047	\$ 2,103,364	\$ 20,198,586
Noncapital financing activities	(2,777,156)	-	(19,122,172)
Investing activities	12,211	766,364	1,721,148
Beginning cash and cash equivalents	1,228	12,263,594	14,368,657
<b>Ending cash and cash equivalents</b>	<b>\$ 1,330</b>	<b>\$ 15,133,322</b>	<b>\$ 17,166,219</b>

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

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

We have audited the financial statements of the West Virginia Water Development Authority (the Authority) as of and for the year ended June 30, 2007, and have issued our report thereon dated September 28, 2007. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

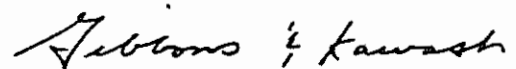
A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

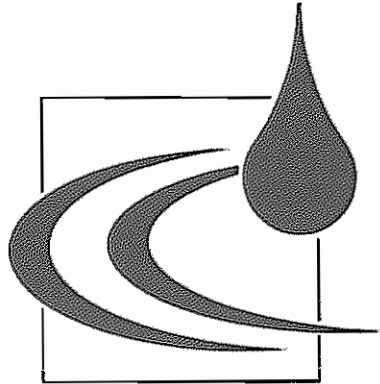
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of 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*.

This report is intended solely for the information of the Authority's board, audit committee, management, and the State of West Virginia and is not intended to be and should not be used by anyone other than these specified parties.



September 28, 2007



## APPENDIX F

### WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

### FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

**West Virginia Drinking Water Treatment Revolving Fund**  
**Financial Statements With Supplementary Information**  
**Year Ended June 30, 2007**

**WITH INDEPENDENT AUDITORS' REPORT**

# West Virginia Drinking Water Treatment Revolving Fund

Financial Statements  
Year Ended June 30, 2007

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## INDEPENDENT AUDITORS' REPORT

To the West Virginia Water  
Development Authority  
Charleston, West Virginia

We have audited the accompanying balance sheet of the West Virginia Drinking Water Treatment Revolving Fund (the Fund), a component unit of the State of West Virginia, as of June 30, 2007, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 to 6 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information on page 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Fund. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Stebbins & Kawash*

October 5, 2007

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

Our discussion and analysis of the West Virginia Drinking Water Treatment Revolving Fund's (the "Fund") financial performance provides an overview of the Fund's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Fund's financial statements, which begin on page 7.

## FINANCIAL HIGHLIGHTS

- The Fund's assets increased by \$10,223,498 or about 20.15%. Because the Fund had no liabilities as of the current or prior year-end, this is also the amount of the increase in the Fund's net assets.
- Expenses related to the administration of the Fund are reported in the separate financial statements of the West Virginia Drinking Water Treatment Revolving Fund Program Set Aside Funds. During the current year, there were no expenses incurred by the Fund. The Fund's change in net assets, therefore, consists solely of revenues, capital grants and contributions generated by the Fund.
- Income of the Fund before capital grants and contributions increased by \$220,026 or about 24%. Administrative fees and interest on loans, which comprise 93.4% of operating revenues, increased from \$424,537 in the prior year to \$461,240 in the current year. Investment earnings, which increased by \$185,106, accounted for most of the increase in the income of the Fund before capital grants and contributions.
- Capital grants and contributions from the United States Environmental Protection Agency (the "EPA") decreased by \$735,943. Capital grants and contributions from the State of West Virginia (the "State") decreased \$3,520.
- Three new loans were closed during the current year.

## USING THIS REPORT

This report consists of a series of basic financial statements. The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Fund Net Assets report the Fund's net assets and changes in them. The Fund's net assets – the difference between assets and liabilities – is one way to measure the Fund's financial health or financial position. Over time, increases or decreases in the Fund's net assets are one indicator of whether its financial health is improving or deteriorating.

## THE FUND AS A WHOLE

Assets of the Fund increased \$10,223,498 or about 20.15%. The Fund had no liabilities as of the current or prior year-end. Therefore, the increase in assets is also the increase in the Fund's net assets. Our analysis that follows focuses on the net assets (Table 1) and changes in net assets (Table 2) of the Fund's activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Table 1**  
**Net Assets**

	2007	2006
<b>Assets:</b>		
Current assets	\$ 15,215,971	\$ 15,068,529
Loans receivable, less current maturities of \$1,904,130 and \$1,519,204, respectively	<u>45,743,898</u>	<u>35,667,842</u>
Total assets	<u>\$ 60,959,869</u>	<u>\$ 50,736,371</u>
<b>Liabilities:</b>		
	<u>\$ -</u>	<u>\$ -</u>
<b>Net assets:</b>		
Restricted	<u>\$ 60,959,869</u>	<u>\$ 50,736,371</u>
Total net assets	<u>\$ 60,959,869</u>	<u>\$ 50,736,371</u>

**Table 2**  
**Changes in Net Assets**

	2007	2006
<b>Revenues:</b>		
<b>Operating revenues:</b>		
Administrative fees	\$ 210,601	\$ 175,362
Interest on loans	250,639	249,175
User fees	<u>32,392</u>	<u>34,175</u>
Total operating revenues	493,632	458,712
<b>Investment earnings:</b>	<u>643,634</u>	<u>458,528</u>
Total revenues	1,137,266	917,240
<b>Operating expenses:</b>		
	<u>-</u>	<u>-</u>
Income before capital grants and contributions	<u>1,137,266</u>	<u>917,240</u>
Capital grants and contributions	<u>9,086,232</u>	<u>9,825,695</u>
Total income	<u>10,223,498</u>	<u>10,742,935</u>
Increase in net assets	<u>\$ 10,223,498</u>	<u>\$ 10,742,935</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Most of the increase in the Fund's assets, and therefore its net assets, is attributable to \$9,086,232 of capital grants and contributions received in the current year from EPA in the amount of \$7,429,132 and from the State through the West Virginia Infrastructure and Jobs Development Council in the amount of \$1,657,100. Of the \$7,429,132 received from EPA in the current year, 100% of that amount, as well as \$1,549,808 received in the prior year, was for eligible costs reviewed and approved by the Fund for a total of \$8,978,940 (as well as the proportionate share of State match funds) and was disbursed as loans to local governmental agencies to assist in drinking water infrastructure projects and is included on the balance sheet in "Loans Receivable." The \$1,657,100 received in advance from the State during the current year, \$2,380,180 of State moneys received for matching purposes in prior years and \$1,539,120 of cumulative investment earnings on those State match amounts, all totalling \$5,576,400, have been committed to drinking water infrastructure projects but have not yet been loaned. These moneys are invested with the West Virginia Board of Treasury Investments and are included on the balance sheet as "Cash Equivalents."

Capital grant income from EPA is recognized after the Fund has reviewed and approved supporting invoices for disbursements of loan proceeds to local governmental agencies and the federal portion of those disbursements has been received by the Fund. The sources of funding for loans to local governmental agencies, besides the capital grant income from EPA, or the federal portion, include State match and revolving loan repayments. As a percentage of total sources of funds disbursed during the current year as loans to local governmental agencies, the federal and State portions, as well as the portion from revolving loan repayments, were consistent with the prior year of 75%, 22% and 3%, respectively. Even though the amount of funds disbursed as loans during the current year increased \$3,161,699 and the federal portion of those loans disbursed increased \$2,363,673, capital grant income from EPA actually decreased \$735,943. Normally, the capital grant income from EPA and the federal portion of loans disbursed match; however, because \$1,549,808 of capital grant income was received at the end of the prior year but not disbursed as loans until the current year, capital grant income was \$1,549,808 higher than federal loan disbursements in the prior year and federal loan disbursements were \$1,549,808 higher than capital grant income in the current year. The federal portion of loans disbursed for eligible costs incurred during the current year decreased \$735,943 compared to the federal portion of loans disbursed for eligible costs incurred during the prior year, which is consistent with the decrease in capital grant income from EPA.

Investment earnings increased \$185,106 during the current year. There are several reasons for the increase, including an increase in interest rates and an increase in the amount invested. The largest portion, or 92.6%, of investment earnings is from the investment of unspent State match and loan repayments. Interest rates for State match and loan repayments invested steadily increased during the prior year from 3.14% the first month of the year to 4.93% the last month of the year, and rates continued to increase during the current year, from 5.09% the first month of the year to 5.23% the last month of the year. Additionally, although \$2,602,594 of State match was withdrawn during the current year, the current year State match of \$1,657,100 received in early December 2006 was invested for nearly seven months of the current year.

Finally, loan repayments invested increased by a net amount of \$1,372,290 (payments of principal and interest on loans less disbursements for new loans of \$398,652) during the current year, resulting in additional investment earnings.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

Three loans totalling \$4,585,500 were closed during the current year. The amount disbursed for these loans was \$1,642,093, of which \$1,273,083 was federal funds and \$369,010 was State match. The amount disbursed during the current year for loans closed in prior years was \$10,338,093, of which \$7,705,857 was federal funds, \$2,233,584 was State match and \$398,652 was recirculated loan repayments.

### **COMMITMENTS AND PENDING APPLICATION FOR EPA GRANT**

As of June 30, 2007, \$14,609,338 of drinking water infrastructure projects had been approved to participate in lending activities. Funding for approved projects will come from resources currently available to the Fund as well as federal capital grants and State matches to be paid to the Fund in future periods. The Fund has \$13,120,139 of cash equivalents available for these projects. Additionally, the Fund has \$142,406 of cash equivalents from user fees; however, the purpose for which these funds will be used has not yet been determined.

The Bureau for Public Health intends to submit an application to EPA for a grant for the Fund for the federal fiscal year 2007 grant period. The application, if approved, would result in an award from EPA of \$5,678,217. The \$1,645,860 State match has been committed to the Fund in order to secure the federal funds. The total of \$7,324,077, if awarded to the Fund, would be used to provide no-interest or low-interest loans to assist in financing approved drinking water infrastructure projects, including projects approved as of June 30, 2007, as noted above.

### **CONTACTING THE FUND'S MANAGEMENT**

This financial report is designed to provide a general overview of the Fund's finances and to show the Fund's accountability for the money it receives. The Fund is administered by the West Virginia Water Development Authority on behalf of the Bureau for Public Health. If you have questions about this report or need additional information, contact the Director or Secretary/Treasurer, West Virginia Water Development Authority, 180 Association Drive, Charleston, West Virginia 25311; call 304-558-3612; or visit the Authority's website ([www.wvwda.org](http://www.wvwda.org)).

# West Virginia Drinking Water Treatment Revolving Fund

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## Balance Sheet June 30, 2007

### Assets:

#### Current assets:

Cash equivalents	\$	13,262,545
User fees receivable		8,034
Administrative fees receivable		20,943
Accrued interest receivable		20,319
Current maturities of loans receivable		<u>1,904,130</u>
Total current assets		15,215,971

Loans receivable, less current maturities 45,743,898

Total assets \$ 60,959,869

### Liabilities and Net Assets:

Commitments (Note 6)

Net assets, restricted \$ 60,959,869

Total liabilities and net assets \$ 60,959,869

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

# West Virginia Drinking Water Treatment Revolving Fund

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## Statement of Revenues, Expenses, and Changes In Fund Net Assets Year Ended June 30, 2007

<b>Operating revenues:</b>	
Administrative fees	\$ 210,601
Interest on loans	250,639
User fees	<u>32,392</u>
	<u>493,632</u>
<b>Operating expenses:</b>	
	<u>-</u>
Operating income	493,632
<b>Nonoperating revenues:</b>	
Investment income	<u>643,634</u>
Income before capital grants and contributions	<u>1,137,266</u>
<b>Capital grants and contributions:</b>	
U.S. Environmental Protection Agency	7,429,132
State of West Virginia	<u>1,657,100</u>
	<u>9,086,232</u>
Increase in net assets	10,223,498
Net assets, beginning of year	<u>50,736,371</u>
Net assets, end of year	<u>\$ 60,959,869</u>

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

# West Virginia Drinking Water Treatment Revolving Fund

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## Statement of Cash Flows Year Ended June 30, 2007

### Operating activities:

Cash payments for:	
Loans originated	\$ (11,980,186)
Cash receipts from:	
Principal repayments	1,519,204
Administrative fees	205,192
Interest on loans	251,738
User fees	<u>32,570</u>
Net cash used in operating activities	<u>(9,971,482)</u>

### Capital and related financing activities:

Capital grants and contributions:	
U.S. Environmental Protection Agency	7,429,132
State of West Virginia	<u>1,657,100</u>
Net cash provided by capital and related financing activities	<u>9,086,232</u>

### Investing activities:

Investment income	<u>643,634</u>
Net cash provided by investing activities	<u>643,634</u>
Net decrease in cash equivalents	(241,616)
Cash and cash equivalents, beginning of year	<u>13,504,161</u>
Cash equivalents, end of year	<u>\$ 13,262,545</u>

### Reconciliation of operating income to net cash used in operating activities:

Operating income	\$ 493,632
Adjustments to reconcile operating income to net cash used in operating activities:	
Increase in loans receivable	(10,460,982)
Increase in administrative fees receivable	(5,409)
Decrease in interest receivable	1,099
Decrease in user fees receivable	<u>178</u>
Net cash used in operating activities	<u>\$ (9,971,482)</u>

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



# West Virginia Drinking Water Treatment Revolving Fund

## Notes to Financial Statements

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(1) Description of the Fund

The West Virginia Drinking Water Treatment Revolving Fund (the "Fund") was established pursuant to the Safe Drinking Water Act (the "Act") by the State of West Virginia (the "State") Legislature under Chapter 16, Article 13C of the Code of West Virginia, 1931, as amended, and is administered by the West Virginia Water Development Authority on behalf of the Bureau for Public Health. The purpose of the Act was to establish and implement a State-operated perpetual revolving loan fund to provide no-interest or low-interest rate loans to local governmental agencies and other eligible water providers to assist in financing drinking water infrastructure projects, including but not limited to, treatment, distribution, transmission, storage and extensions; and remain in perpetuity by recirculating the principal repayments and interest earned from the loans. The Fund's loan programs are designed to provide financial and compliance assistance to eligible local governmental agencies and other eligible water providers in the State in accordance with the Act. Such loan programs provide long-term financing to cover all or a portion of the cost of qualifying projects.

The Fund has received capital grants and contributions from the United States Environmental Protection Agency (the "EPA"), and the State is required to provide an additional twenty percent of the federal award as matching funds in order to qualify for funding. As of June 30, 2007, Congress has authorized EPA to award \$75,335,200 in capitalization grants to the State, of which \$55,293,588 is allocated to the Fund. The State is required to contribute \$15,067,040 in matching funds to the Fund, which are provided through the West Virginia Infrastructure and Jobs Development Council.

These financial statements present the loan activity of the Fund and do not include the activity in any set-aside accounts required by the EPA grants.

(2) Significant Accounting Policies

Basis of Presentation

The Fund is accounted for as a proprietary fund special purpose government engaged in business type activities. In accordance with accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting, using the flow of economic resources measurement focus. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. As permitted by the Governmental Accounting Standards Board's ("GASB") Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the Fund has elected not to adopt Financial Accounting Standards Board ("FASB") statements and interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB statements or interpretations.

# West Virginia Drinking Water Treatment Revolving Fund

## Notes to Financial Statements (Continued)

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### (2) Significant Accounting Policies (Continued)

#### Basis of Presentation (Continued)

The Fund is included in the State's basic financial statements as a proprietary fund and business type activity using the accrual basis of accounting. Because of the Fund's presentation in these financial statements as a special purpose government engaged in business type activities, there may be differences between the presentation of amounts reported in these financial statements and the basic financial statements of the State as a result of major fund determination.

#### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from management's estimates.

#### Cash Equivalents

Cash equivalents consist of investments with the West Virginia Board of Treasury Investments ("BTI") and are recorded at market value which approximates cost. The State Treasurer deposits cash with the BTI at the direction of the Water Development Authority, and deposits are not separately identifiable as to specific types of securities. Such funds are available to the Fund daily.

#### Loans Receivable

The State operates the Fund as a perpetual revolving loan program, whereby loans made to local governmental agencies or other eligible water providers are funded by the federal capitalization grant and the State matching amount and/or repayments from existing loans. Loan funds are disbursed to the local governmental agencies or other eligible water providers as costs are incurred on approved projects. Interest, if applicable, is not paid during construction but begins accruing three months before the date that local governmental agencies or other eligible water providers begin repayment; and the payment schedule is adjusted for actual amounts disbursed and interest accrued on those disbursements. The loans are secured by a lien on the revenues of the local governmental agencies' or other eligible water providers' water systems and by debt service reserve funds held by the West Virginia Municipal Bond Commission. No provision for uncollectible amounts has been made because management believes that the loans will be repaid according to the loan terms. There are no defaults of principal or interest; however, five local governmental agencies are deficient in their revenue and/or reserve fund balances as of June 30, 2007.

# West Virginia Drinking Water Treatment Revolving Fund

## Notes to Financial Statements (Continued)

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### (2) Significant Accounting Policies (Continued)

#### Administrative Fees

Administrative fees are a percentage of the outstanding loan balance and are recognized as income when fees are earned over the life of the loan. Administrative fees are collected over the life of the loan concurrently with principal reduction payments by local governmental agencies or other eligible water providers at terms set forth in the applicable loan agreements.

#### Capital Grants and Contributions

Amounts received from EPA and the State for the continued capitalization of the Fund are recorded at cost as capital grants and contributions.

#### Net Assets

Net assets are reported as restricted. Restrictions of net assets are the result of constraints placed on net asset use which have been imposed by the grantor agency and by law through enabling legislation.

#### Operating Revenues and Expenses

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

### (3) Cash Equivalents

The Water Development Authority, as administrative agency for the Fund, adopted investment guidelines for the Fund as of June 30, 2007. Those guidelines require all investment funds to be invested in accordance with the Act and applicable federal guidelines related to the Fund. In accordance with the Act, the Fund, which is comprised of "moneys appropriated to the Fund by the Legislature, moneys allocated to the State by the federal government expressly for the purpose of establishing and maintaining a drinking water treatment revolving fund and set-aside accounts, all receipts from loans made from the Fund, all income from the investment of moneys held in the Fund, and all other sums designated for deposit to the Fund from any source, public or private" is to be "continued" in the Office of the State Treasurer. The State Treasurer has statutory responsibility for the daily cash management activities of the State's agencies, departments, boards and commissions and transfers funds to the BTI for investment in accordance with West Virginia Code, policies set by the BTI and by provisions of bond indentures and trust agreements when applicable. The Fund's cash balances are invested by the BTI in the BTI's Cash Liquidity Pool.

# West Virginia Drinking Water Treatment Revolving Fund

## Notes to Financial Statements (Continued)

(3) Cash Equivalents (Continued)

**Credit risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither the BTI nor the Cash Liquidity Pool has been rated for credit risk by any organization. The Cash Liquidity Pool is subject to credit risk. The BTI limits the exposure to credit risk in the Cash Liquidity Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The pool must have at least 15% of its assets in U. S. Treasury issues. The following table provides information on the credit ratings of the Cash Liquidity Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Investments:				
Commercial paper	P1	A-1	\$ 1,015,926	48.89%
Corporate bonds and notes	Aaa	AAA	98,999	4.76
	Aa3	AA	20,001	0.96
	Aa3	A	23,002	1.11
	Aa2	AA	15,000	0.72
	Aa2	A	27,000	1.30
	Aa1	AA	77,023	3.71
Total corporate bonds and notes			261,025	12.56
U.S. agency bonds	Aaa	AAA	46,994	2.26
U.S. Treasury bills	Aaa	AAA	358,725	17.27
Negotiable certificates of deposit	P1	A-1	76,500	3.68
U.S. agency discount notes	P1	A-1	21,655	1.04
Money market funds	Aaa	AAA	185	0.01
Repurchase agreements (underlying securities):				
U.S. agency notes	Aaa	AAA	246,821	11.88
Total investments			2,027,831	97.59
Deposits:				
Nonnegotiable certificates of deposit	NR*	NR*	50,000	2.41
			\$ 2,077,831	100.00%

\* NR = Not Rated. See "Deposits" note at the conclusion of this footnote.

# West Virginia Drinking Water Treatment Revolving Fund

## Notes to Financial Statements (Continued)

### (3) Cash Equivalents (Continued)

**Concentration of credit risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of the Cash Liquidity Pool’s investment in a single corporate issuer. The Cash Liquidity Pool is not exposed to concentration of credit risk. The BTI investment policy prohibits the Cash Liquidity Pool from investing more than 5% of its assets in any one corporate name or one corporate issue.

**Custodial credit risk** – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Cash Liquidity Pool is not exposed to custodial credit risk. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the Statement of Fiduciary Net Assets is invested in the lending agent’s money market fund in the BTI’s name. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

**Interest rate risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Cash Liquidity Pool is subject to interest rate risk.

The overall weighted average maturity of the investments of the Cash Liquidity Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the Cash Liquidity Pool:

<u>Security Type</u>	<u>Carrying Value (In Thousands)</u>	<u>WAM (Days)</u>
Repurchase agreements	\$ 246,821	2
U.S. Treasury bills	358,725	30
Commercial paper	1,015,926	52
Certificates of deposit	126,500	76
U.S. agency discount notes	21,655	113
Corporate notes	261,025	58
U.S. agency bonds/notes	46,994	156
Money market funds	185	1
	<u>\$ 2,077,831</u>	48

**Foreign currency risk** – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The Cash Liquidity Pool does not hold interests in foreign currency or interests valued in foreign currency.

# West Virginia Drinking Water Treatment Revolving Fund

## Notes to Financial Statements (Continued)

(4) Loans Receivable

As of June 30, 2007, loans receivable consisted of loans to local governmental agencies for qualifying projects which comply with the Act. Loans mature at various intervals through March 1, 2039. The scheduled principal payments on loans maturing in subsequent years are as follows at June 30:

2008	\$	1,904,130
2009		2,086,196
2010		2,170,061
2011		2,194,564
2012		2,203,778
Thereafter		41,266,911
		51,825,640
Less loans closed but not totally disbursed at June 30, 2007		(4,177,612)
		47,648,028
Less current maturities		(1,904,130)
	\$	45,743,898

(5) Capital Grants and Contributions

The Fund receives grants from EPA as authorized by the Act and matching funds from the West Virginia Infrastructure and Jobs Development Council's Infrastructure Fund. All funds drawn are recorded as capital grants and contributions from EPA and the State. As of June 30, 2007, the cumulative amounts awarded to the Fund from EPA and the contributed matching funds from the State were as follows:

<u>Effective Award Date</u>	<u>EPA Grant</u>	<u>State Match</u>
09/01/98	\$ 9,076,449	\$ 2,511,760
06/11/99	12,965,142	2,917,020
12/10/01	5,352,330	1,551,400
11/09/02	5,374,479	1,557,820
10/23/03	5,556,225	1,610,500
06/16/05	5,522,829	1,600,820
12/01/05	5,729,139	1,660,620
12/04/06	5,716,995	1,657,100
Total	\$ 55,293,588	\$ 15,067,040

# West Virginia Drinking Water Treatment Revolving Fund

## Notes to Financial Statements (Continued)

### (5) Capital Grants and Contributions (Continued)

The following represents the amounts of EPA grants and State matching funds received by the Fund through June 30, 2007:

<u>Through the Year Ended</u>	<u>Federal</u>	<u>State</u>	<u>Total Capital Grants and Contributions</u>
June 30, 2007	<u>\$ 41,363,474</u>	<u>\$ 15,067,040</u>	<u>\$ 56,430,514</u>

### (6) Commitments

The Fund has established a list of local governmental agencies that have formally been recommended by the West Virginia Infrastructure and Jobs Development Council and approved by the Bureau for Public Health to participate in future lending activities consistent with the guidelines of the Act. The following is a list of outstanding commitments as of June 30, 2007:

<u>Local Governmental Agency (County)</u>	<u>Commitment Date</u>	<u>Amount Committed by the Fund</u>
Fairmont, City of (Marion)	03/24/06	\$ 2,750,000
Marshall County PSD #4 (Marshall)	10/18/06	1,225,000
Petersburg, City of (Grant)	12/22/06	3,877,500
Preston County PSD #1 (Preston)	06/21/06	806,838
Ronceverte, City of (Greenbrier)	02/02/05	2,000,000
Sun Valley PSD (Harrison)	04/12/06	2,400,000
Wardensville, Town of (Hardy)	06/14/06	1,550,000
Total		<u>\$ 14,609,338</u>

### (7) Risk Management

The Fund is exposed to various risks of loss related to torts and errors and omissions. Through its participation in the West Virginia Board of Risk and Insurance Management, the Fund obtained coverage for general liability, property damage, business interruptions, errors and omissions, and natural disasters. Such coverage is provided in exchange for an annual premium.

# West Virginia Drinking Water Treatment Revolving Fund

## Notes to Financial Statements (Continued)

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(8) User Fees

As part of the settlement in the Public Service Commission of West Virginia case concerning the acquisition of its parent company, American Water Works Company, Inc., West Virginia-American Water Company (WVAWC) agreed with the State's Attorney General to pay a user fee of three percent of the gross revenues received by WVAWC from certain sales of water outside the State. Also as part of the settlement agreement effective January 1, 2003, the user fee is to be paid quarterly.



## **ACCOMPANYING INFORMATION**

# West Virginia Drinking Water Treatment Revolving Fund

## Schedules of Administrative Fees Activity Year Ended June 30, 2007

### Schedule of Assets and Fund Net Assets

Assets	
Cash equivalents	\$ 926,882
Administrative fees receivable	20,943
Total assets	<u>\$ 947,825</u>
Restricted net assets	<u>\$ 947,825</u>
Total fund net assets	<u>\$ 947,825</u>

### Schedule of Administrative Fees Activity in Fund Net Assets

Revenues	
Administrative fees	\$ 210,601
Interest on investments	40,934
Total revenues	<u>\$ 251,535</u>
Expenses	
Administrative expenses	\$ -
Net Income	251,535
Restricted net assets - administrative fees, beginning of year	<u>696,290</u>
Restricted net assets - administrative fees, end of year	<u>\$ 947,825</u>

### Schedule of Cash Flows

Net income	\$ 251,535
Adjustments to reconcile net income to net cash provided by administrative fees and interest on investments:	
Increase in administrative fees receivable	<u>(5,409)</u>
Net cash provided by administrative fees and interest on investments	246,126
Cash equivalents, beginning of year	<u>680,756</u>
Cash equivalents, end of year	<u>\$ 926,882</u>

See Independent Auditors' Report.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE  
CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUND AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
THE PROGRAM-SPECIFIC AUDIT OPTION UNDER OMB CIRCULAR A-133**

The West Virginia Water  
Development Authority  
Charleston, West Virginia

Compliance

We have audited the compliance of the West Virginia Drinking Water Treatment Revolving Fund (the Fund) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to the Fund for the year ended June 30, 2007. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the EPA's Capitalization Grant for Drinking Water State Revolving Fund occurred. An audit includes examining on a test basis, evidence about the Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Fund's compliance with those requirements.

In our opinion, the Fund complied, in all material respects, with the requirements referred to above that are applicable to the Capitalization Grant for Drinking Water State Revolving Fund for the year ended June 30, 2007.

Internal Control over Compliance

The management of the Fund is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Fund's internal control over compliance with requirements that could have a direct and material effect on its Capitalization Grant for Drinking Water State Revolving Fund in order to determine our auditing procedures for the purpose of expressing our opinion on

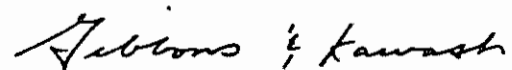
compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

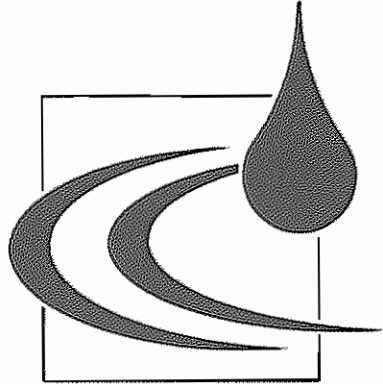
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Fund's management, the State of West Virginia, and the federal awarding agency and is not intended to be and should not be used by anyone other than these specified parties.



October 5, 2007



## APPENDIX G

WEST VIRGINIA  
INFRASTRUCTURE AND JOBS  
DEVELOPMENT COUNCIL

FINANCIAL STATEMENTS  
WITH INDEPENDENT  
AUDITORS' REPORT

**West Virginia Infrastructure and Jobs Development Council**  
**Financial Statements With Supplementary Information**  
**Year Ended June 30, 2007**

**WITH INDEPENDENT AUDITORS' REPORT**

# West Virginia Infrastructure and Jobs Development Council

Financial Statements  
Year Ended June 30, 2007

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the West Virginia Infrastructure and Jobs Development Council (the Council), a component unit of the State of West Virginia, as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Council's management. 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Infrastructure and Jobs Development Council as of June 30, 2007, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2007, on our consideration of the Council's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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* and should be considered in assessing the results of our audit.



The Management's Discussion and Analysis on pages 3 to 9 and the Budgetary Comparison Schedule – Special Revenue Fund and the accompanying note on pages 33 and 34 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Gibbons & Kawash*

October 5, 2007

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## INTRODUCTION

Our discussion and analysis of the West Virginia Infrastructure and Jobs Development Council's (the "Council") financial performance provides an overview of the Council's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the Council's financial statements, which begin on page 10.

## USING THIS REPORT

This report consists of a series of fund level and government-wide basic financial statements. The Governmental Funds Balance Sheet/Statement of Net Assets and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities report the Council's net assets and changes in them. The Council's net assets – the difference between assets and liabilities – is one way to measure the Council's financial health or financial position. Over time, increases or decreases in the Council's net assets are one indicator of whether its financial health is improving or deteriorating.

Also included, as required supplementary information, is the Budgetary Comparison Schedule for the Special Revenue Fund. Because there is a legally adopted budget at the State of West Virginia (the "State") level for the excess lottery revenue received by the Council during the fiscal year, the Budgetary Comparison Schedule is presented for those revenues. The schedule presents both the original and the final appropriated budgets for the reporting period as well as actual inflows and ending balance.

## FINANCIAL HIGHLIGHTS

### Special Revenue Fund:

- Total assets increased \$71.4 million, from \$571.4 million to \$642.8 million, or about 12.5%.
- Total liabilities increased from \$90 thousand in the prior year to \$117 thousand in the current year or about 30%.
- Excess of revenues, transfers in and other financing sources over expenditures, transfers out and other financing uses increased \$28.9 million or about 68%. Even though the Council did not receive \$14 million in supplementary appropriations in the current year as was the case last year, this amount increased for several reasons, primarily because \$38.2 million of proceeds from a current year revenue bond issue was transferred to this fund from the Debt Service Fund.

### Debt Service Fund:

- Total assets increased \$98 thousand, from \$250 thousand to \$348 thousand, or about 39%.
- Excess (deficiency) of revenues, transfers in and other financing sources over expenditures, transfers out and other financing uses decreased \$55 thousand, from \$153 thousand to \$98 thousand, or about 36%.

# MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

## FINANCIAL HIGHLIGHTS (Continued)

### Debt Service Fund (Continued):

- Included as other financing sources during the current year were \$94.2 million and \$38.1 million in proceeds from the issue of one series of general obligation refunding bonds ("refunding bonds") and one series of revenue bonds, respectively, as well as the related \$6.5 million bond premium for both series. Offsetting those other financing sources were debt service expenditures of \$55.4 million to currently refund \$53.2 million of two series of general obligation bonds, pay early call premiums of \$1 million and pay bond issuance costs of \$1.2 million. Additionally, \$45.4 million of proceeds from the refunding bonds was paid to a refunded bonds escrow agent for the portion of general obligation bonds that was advance refunded; and \$38.2 million of proceeds from the revenue bonds and related premium was transferred to the Special Revenue Fund for financing infrastructure projects and to fund the debt service reserve fund. The current year refunding bonds are discussed in more detail in Note 4 to the financial statements.

### Government Wide:

- Total assets increased \$71.6 million or about 12.5%.
- Total liabilities increased \$31 million or about 8%.
- Net assets increased \$40.6 million or about 21.5%. Expenses decreased by \$2.1 million and total revenues decreased \$11.1 million.
- An agency fund is used to report funds held and disbursed by the Council on behalf of the State for economic development projects (see Statement on page 12).

## FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE

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

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 159,154,276	\$ 79,520,801
Investments	132,284,082	170,993,534
Loans receivable	350,288,709	319,990,700
Other	1,705,368	1,296,979
<b>Total assets</b>	<u>643,432,435</u>	<u>571,802,014</u>
<b>Liabilities</b>		
Bonds payable	410,829,101	380,805,193
Other	3,379,376	2,379,401
<b>Total liabilities</b>	<u>414,208,477</u>	<u>383,184,594</u>
<b>Net assets</b>		
Restricted	211,359,954	180,725,964
Unrestricted	17,864,004	7,891,456
	<u>\$ 229,223,958</u>	<u>\$ 188,617,420</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

**Table 2**  
**Changes in Net Assets**

	<u>2007</u>	<u>2006</u>
<b>Revenues</b>		
<b>Program revenues</b>		
Charges for services	\$ 2,113,842	\$ 2,101,876
<b>Total program revenues</b>	<u>2,113,842</u>	<u>2,101,876</u>
<b>General revenues</b>		
Intergovernmental	64,000,000	78,000,000
Investment earnings	<u>12,249,444</u>	<u>9,340,098</u>
<b>Total general revenues</b>	<u>76,249,444</u>	<u>87,340,098</u>
<b>Total revenues</b>	<u>78,363,286</u>	<u>89,441,974</u>
<b>Expenses</b>		
General and administrative	390,680	525,615
Interest on long-term debt	20,636,066	19,822,330
Amortization	69,519	17,731
Infrastructure and economic development	<u>16,660,483</u>	<u>19,497,918</u>
<b>Total expenses</b>	<u>37,756,748</u>	<u>39,863,594</u>
<b>Change in net assets</b>	40,606,538	49,578,380
<b>Beginning net assets</b>	<u>188,617,420</u>	<u>139,039,040</u>
<b>Ending net assets</b>	<u>\$ 229,223,958</u>	<u>\$ 188,617,420</u>

“Cash equivalents,” which include short-term, highly liquid investments with original maturities of 90 days or less, increased \$79.8 million, from \$79.4 million last year to \$159.2 million at the end of the current year. Additions to cash equivalents were the result of intergovernmental revenues from mineral severance tax and excess lottery appropriations, interest on loans, principal repayments of loans, investment earnings, and proceeds from a revenue bond issue.

Offsetting these increases were expenditures for grants and loans, contributions of the State matches for the federally sponsored Drinking Water Treatment and Clean Water State Revolving Funds, principal and interest payments on outstanding bonds payable, and general and administrative expenses.

“Investments” on the Governmental Funds Balance Sheet/Statement of Net Assets decreased \$38.7 million as the result of maturities of investments of \$8.3 million and sales of investments to purchase cash equivalents of \$9.5 million, disbursements of loans and grants of \$24.1 million and payments of \$2.7 million required State matches for the federally sponsored Clean Water State Revolving Fund. Offsetting those decreases was the reinvestment of current year investment earnings of \$5.9 million.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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**“Loans receivable”** on the Governmental Funds Balance Sheet/Statement of Net Assets had a net increase of \$30.3 million. This increase was the combined effect of disbursements of new and prior year loan funds to projects of \$41.1 million, less repayments of principal on loans of \$10.4 million and forgivable loans of \$432 thousand being converted to grants during the current year.

**“Total liabilities”** increased \$31 million. Of that total increase, about \$30 million was related to bonds payable. One series of refunding bonds and one series of revenue bonds issued during the current year increased bonds payable \$94.9 million and \$38.2 million, respectively, net of unamortized amounts. Additionally, there was a \$4.86 million increase in general obligation bonds for interest accreted on those bonds during the current year. Current year principal payments on outstanding debt of \$66.8 million, including \$53.2 million of bonds that were currently refunded, decreased bonds payable. Additionally, two series of general obligation bonds were partially advance refunded, resulting in a \$41.9 million decrease in bonds payable. The net increase in bonds payable resulted in a corresponding increase in accrued interest payable.

Restrictions of **“Net assets”** are the result of constraints placed on net asset use which have been imposed externally through debt covenants and by law through enabling legislation. Restricted net assets increased about \$30.6 million during the current year. That increase can be explained primarily as follows: mineral severance tax revenue of \$24 million, excess lottery appropriations of \$40 million received from the State during the current year and \$13 million of interest on loans and investment earnings. Offsetting the increases were disbursements of \$16.7 million for grants and the State matches for the federally sponsored Drinking Water Treatment and Clean Water State Revolving Funds, \$20.6 million of interest expense related to revenue and general obligation bonds and \$9.4 million transferred from restricted accounts to unrestricted accounts. Transfers from restricted accounts included interest earnings on accounts funded with residual mineral severance tax revenue, earnings on accounts funded with State appropriations of excess lottery revenue and earnings on debt service reserve funds. The earnings on those restricted accounts were transferred to the unrestricted revenue account and various rebate accounts and were used, in part, to pay operating expenses of the Council. Transfers of \$9.4 million from restricted accounts to unrestricted accounts also explains most of the increase in **“Unrestricted net assets.”**

**“Charges for services”** consists of interest earnings on loans to projects and did not significantly increase during the current year. Even though loans receivable had a net increase of \$30.3 million during the current year, most of the new loans to projects are noninterest bearing or bear no interest during the construction period or the accrual and payment of interest are for other reasons deferred to future periods.

**“Intergovernmental”** consists of \$24 million mineral severance tax revenue and \$40 million excess lottery revenue, both appropriated from the State. The mineral severance tax revenue was received from the State's general fund into the Debt Service Fund to pay the general obligation bonds debt service payments required in fiscal year 2007. Excess lottery revenue represents the amount in the State's lottery fund in the State Treasury appropriated by the Legislature to the Council for loans, grants and other funding assistance.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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Most of the **"Investment earnings"** consists of earnings on excess lottery revenue. Investment earnings also include earnings on committed but unloaned proceeds of bond issues, earnings on repayments of principal and interest on loans to projects and earnings on mineral severance tax revenue that is invested prior to payment of debt service on general obligation bonds. Subsequent to the payment of debt service, any residual mineral severance tax revenue is also invested.

Investment earnings for the prior and current years were \$9 million and \$12.2 million, respectively. The increase in earnings is primarily explained by an increase in funds invested, including \$40 million of excess lottery revenue received between February and April of the current year. Additionally, prior year excess lottery proceeds of \$40 million and a prior year general fund appropriation of \$14 million were not received until the month before the end of the prior year and two days before the end of the prior year, respectively, so excess lottery proceeds were invested for less than two months the prior year versus twelve months the current year and the general fund appropriation was invested only two days the prior year versus twelve months the current year.

Money market rates, which were 4.72% and 5.00% at the end of the prior year, remained about the same or slightly increased during the current year and were 4.89% and 5.15% at the end of the current year.

**"Interest on long-term debt"** increased \$814 thousand. The increase is due in large part to interest on revenue bonds issued during the current year. Offsetting the increase in interest on revenue bonds was a decrease in interest on general obligation bonds due to the partial refunding of three series of bonds on November 1 of the current year at a lower rate of interest.

**"Infrastructure and economic development"** consists of grants paid to projects as well as the contributions for the required State matches for the federally sponsored Drinking Water Treatment and Clean Water State Revolving Funds and decreased \$2.8 million during the current year. While the current year State match of \$1.6 million for the Drinking Water Treatment Revolving Fund remained about the same, the State match to the Clean Water State Revolving Fund during the current year was \$637 thousand less than the prior year. Additionally, there was a \$2.2 million decrease in grants paid to projects during the current year.

The Council has issued commitments to loan or grant funds to qualifying applicants for a period of time contingent on numerous actions to be completed by the applicants. As of June 30, 2007, \$90.6 million of Special Revenue Fund balance was designated by the Council for loan and grant commitments. Additionally, \$4.4 million was designated by the Council for contribution of State matches for the Drinking Water Treatment and Clean Water State Revolving Funds.

The \$348 thousand of fund balance reserved in the Debt Service Fund represents amounts reserved for debt service.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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The \$408.6 million of fund balance reserved in the Special Revenue Fund includes \$47.2 million that has been committed but not distributed to projects with which the Council has entered into loan and grant agreements. The remaining \$361.4 million consists of \$350.3 million in loans receivable which are not available for appropriation, the debt service reserve fund requirement of \$8 million and the balance of repayments of defined loans reserved for debt service of \$3.1 million.

The analysis given in the preceding paragraphs relates to the Council's overall financial position and results of operations and also reflects the reasons for significant changes in fund balances.

### **BUDGETARY HIGHLIGHTS**

West Virginia Code §29-22-18a ("Section 18a") created within the State's lottery fund in the State Treasury an excess lottery revenue fund from which moneys are disbursed in specific allocations to various State accounts, including the Council. If there are not sufficient revenues to fully comply with the funding requirements of Section 18a, remaining funds are distributed first to the economic development project fund; second, to the other funds from which debt service is to be paid; third, to the education improvement fund for appropriation by the Legislature to the promise scholarship fund; fourth, to the general purpose account to be expended pursuant to appropriation by the Legislature provided that, to the extent such revenues are not pledged in support of revenue bonds which are or may be issued from time to time under Section 18a; and then on a pro rata basis to the remaining State accounts, including the Council.

During the year ended June 30, 2007, \$40 million of excess lottery revenue was appropriated for and received by the Council.

### **DEBT ADMINISTRATION**

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

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

# **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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## **DEBT ADMINISTRATION (Continued)**

At year-end, \$412.3 million (prior to amortization) in general obligation, revenue and refunding bonds issued for the benefit of the Council were outstanding versus \$383.9 million in the prior year, an increase of 7.4% resulting from the issuance of revenue bonds and current year accreted interest on capital appreciation bonds, offset by current year scheduled principal payments and the net effect of partially refunding general obligation debt. For more information on long-term debt, please refer to Notes 4 and 5 to the financial statements.

## **FACTORS WHICH MAY AFFECT THE COUNCIL**

Currently known facts, decisions or conditions that are expected to have a significant effect on financial position (net assets) or results of operations (revenues, expenses, and other changes in net assets) include several factors. The major factor is that the Legislature appropriated to the Council \$40 million for fiscal year 2008 from excess lottery revenue. This amount is contingent on revenue from the video lottery meeting expected projections; therefore, the Council may receive up to \$40 million to provide additional loans, grants and other funding assistance.

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

## **CONTACTING THE COUNCIL'S MANAGEMENT**

This financial report is designed to provide a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director or Secretary/Treasurer, West Virginia Water Development Authority, 180 Association Drive, Charleston, West Virginia 25311 (Phone: 304-558-3612) or the Executive Director, West Virginia Infrastructure and Jobs Development Council, 300 Summers Street, Suite 980, Charleston, West Virginia 25301 (Phone: 304-558-4607).



# West Virginia Infrastructure and Jobs Development Council

## Governmental Funds Balance Sheet/Statement of Net Assets June 30, 2007

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments (Note 10)</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>					
Cash equivalents	\$ 158,806,211	\$ 348,065	\$ 159,154,276	\$ -	\$ 159,154,276
Investments	132,284,082	-	132,284,082	-	132,284,082
Accrued interest receivable	1,460,899	25	1,460,924	220,250	1,681,174
Loans receivable	350,288,709	-	350,288,709	-	350,288,709
Miscellaneous receivable	24,194	-	24,194	-	24,194
Total assets	<u>642,864,095</u>	<u>348,090</u>	<u>643,212,185</u>	<u>220,250</u>	<u>643,432,435</u>
<b>LIABILITIES</b>					
Accounts payable	19,984	-	19,984	-	19,984
Due to other State of West Virginia agencies (Note 6)	97,534	-	97,534	-	97,534
Accrued interest payable	-	-	-	3,253,049	3,253,049
Compensated absences	-	-	-	8,809	8,809
General obligation bonds (Note 5)					
Due within one year, net of unamortized premium of \$294,819, unamortized issue costs of \$32,598 and losses on refunding of \$251,408	-	-	-	13,025,813	13,025,813
Due after one year, net of unamortized premium of \$5,405,028, unamortized issue costs of \$597,632 and losses on refunding of \$4,064,302	-	-	-	273,904,723	273,904,723
Revenue Bonds (Note 5)					
Due within one year, net of unamortized premium of \$47,732, unamortized discount and issue costs of \$57,204 and losses on refunding of \$86,726	-	-	-	1,513,802	1,513,802
Due after one year, net of unamortized premium of \$1,590,897, unamortized discount and issue costs of \$1,646,839 and losses on refunding of \$2,089,295	-	-	-	122,384,763	122,384,763
Total liabilities	<u>117,518</u>	<u>-</u>	<u>117,518</u>	<u>414,090,959</u>	<u>414,208,477</u>
<b>FUND BALANCES/NET ASSETS</b>					
<b>Fund balances</b>					
Reserved (Note 9)	408,628,367	348,090	408,976,457	(408,976,457)	-
Unreserved, designated (Note 9)	94,961,303	-	94,961,303	(94,961,303)	-
Unreserved, undesignated	139,156,907	-	139,156,907	(139,156,907)	-
Total fund balances	<u>642,746,577</u>	<u>348,090</u>	<u>643,094,667</u>	<u>(643,094,667)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 642,864,095</u>	<u>\$ 348,090</u>	<u>\$ 643,212,185</u>		
<b>Net assets</b>					
Restricted				211,359,954	211,359,954
Unrestricted				17,864,004	17,864,004
Total net assets				<u>\$ 229,223,958</u>	<u>\$ 229,223,958</u>

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

# West Virginia Infrastructure and Jobs Development Council

## Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities Year Ended June 30, 2007

	Special Revenue Fund	Debt Service Fund	Total	Adjustments (Note 11)	Statement of Activities
<b>Expenditures/Expenses</b>					
Infrastructure and economic development	\$ 16,660,483	\$ -	\$ 16,660,483	\$ -	\$ 16,660,483
Debt Service					
Principal	-	66,835,000	66,835,000	(66,835,000)	-
Interest	-	14,119,262	14,119,262	6,516,804	20,636,066
Call premium	-	1,064,100	1,064,100	(1,064,100)	-
Bond issuance costs	-	1,179,156	1,179,156	(1,179,156)	-
Amortization	-	-	-	69,519	69,519
General and administrative	387,409	-	387,409	3,271	390,680
<b>Total Expenditures/Expenses</b>	<u>17,047,892</u>	<u>83,197,518</u>	<u>100,245,410</u>	<u>(62,488,662)</u>	<u>37,756,748</u>
<b>Program Revenues</b>					
Charges for services	2,023,842	-	2,023,842	90,000	2,113,842
<b>Total Program Revenues</b>	<u>2,023,842</u>	<u>-</u>	<u>2,023,842</u>	<u>90,000</u>	<u>2,113,842</u>
<b>Net Program Expense</b>					<u>35,642,906</u>
<b>General Revenues</b>					
Intergovernmental (Note 6)	40,000,000	24,000,000	64,000,000	-	64,000,000
Investment earnings	11,785,618	463,826	12,249,444	-	12,249,444
Transfers	34,653,463	(34,653,463)	-	-	-
<b>Total General Revenues and Transfers</b>	<u>86,439,081</u>	<u>(10,189,637)</u>	<u>76,249,444</u>	<u>-</u>	<u>76,249,444</u>
<b>Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out</b>	71,415,031	(93,387,155)	(21,972,124)	21,972,124	-
<b>Other Financing Sources</b>					
Proceeds of general obligation refunding bonds	-	94,180,000	94,180,000	(94,180,000)	-
Proceeds of revenue bonds	-	38,135,000	38,135,000	(38,135,000)	-
Bond issuance premium	-	6,534,482	6,534,482	(6,534,482)	-
<b>Total Other Financing Sources</b>	<u>-</u>	<u>138,849,482</u>	<u>138,849,482</u>	<u>(138,849,482)</u>	<u>-</u>
<b>Other Financing Uses</b>					
Payment to refunded bonds escrow agent	-	45,364,216	45,364,216	(45,364,216)	-
<b>Total Other Financing Uses</b>	<u>-</u>	<u>45,364,216</u>	<u>45,364,216</u>	<u>(45,364,216)</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues, Transfers In and Other Financing Sources Over Expenditures, Transfers Out and Other Financing Uses</b>	71,415,031	98,111	71,513,142	(71,513,142)	-
<b>Change in Net Assets</b>	-	-	-	40,606,538	40,606,538
<b>Fund Balances/Net Assets</b>					
Beginning of the year	571,331,546	249,979	571,581,525	(382,964,105)	188,617,420
End of the year	<u>\$ 642,746,577</u>	<u>\$ 348,090</u>	<u>\$ 643,094,667</u>	<u>\$ (413,870,709)</u>	<u>\$ 229,223,958</u>

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

# West Virginia Infrastructure and Jobs Development Council

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## Statement of Fiduciary Net Assets – Agency Fund June 30, 2007

	<b>Balance</b> <b><u>June 30, 2007</u></b>
<b>ASSETS</b>	
Cash equivalents	\$ <u>48,913</u>
Total assets	\$ <u>48,913</u>
<b>LIABILITIES</b>	
Due to State of West Virginia	\$ <u>48,913</u>
Total liabilities	\$ <u>48,913</u>

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

# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements

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(1) Reporting Entity

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

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

The Council is a governmental instrumentality of the State and is reported as part of the primary government in the State’s comprehensive annual financial report.

(2) Significant Accounting Policies

The Council is accounted for as a special-purpose government whose funds are governmental. The Special Revenue Fund is used to account for specific revenues that are legally restricted to expenditures for particular purposes. The Debt Service Fund is used to account for financial resources accumulated to repay long-term obligations and interest thereon. In accordance with accounting principles generally accepted in the United States of America, the fund financial data is presented using the current financial resources measurement focus and the modified accrual basis of accounting. The current financial resources focus reports all financial resources in the fund balance sheet but offsets those that are not “expendable” by a reservation of fund balance.

Expendable financial resources are resources that are available for expenditure; that is, cash and claims to cash that are expected to result in a cash receipt early enough in the following reporting period to be available to liquidate the current period’s liabilities. The

# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

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### (2) Significant Accounting Policies (Continued)

current financial resources measurement focus reports in the balance sheet those liabilities that will require the use of available expendable financial resources reported at the end of the reporting period and certain other liabilities designated by the Governmental Accounting Standards Board (“GASB”) to be reported in the fund. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined, and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government-wide data in the Statement of Net Assets and the Statement of Activities is presented using the economic resources measurement focus and the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

#### Budgetary Accounting

Except for excess lottery revenue and supplementary appropriations, the Council’s funds are not subject to the Legislative budget process.

#### Cash Equivalents

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

#### Investments

All investments with readily determined fair values are stated at fair value determined from published sources.

#### Compensated Absences

Accumulated vacation leave is recorded as an expense and a liability as the benefits accrue to employees. The liability for accumulated vacation leave has been recorded at June 30, 2007, in accordance with GASB Statement No. 16.

State employees earn sick leave benefits which accumulate but do not vest. When separated from employment with the State, an employee’s sick leave benefits are considered ended and no reimbursement is provided. At the time of retirement, however, any employee enrolled in the West Virginia Public Employees Retirement System prior to June 30, 2001, may convert any unused or accumulated sick leave to pay a portion of

# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

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### (2) Significant Accounting Policies (Continued)

#### Compensated Absences (Continued)

an employee's post employment health care insurance premiums, which results in an expense and a liability as the benefits accrue to the employees. If this option is not selected, the leave amount may be applied toward an increase in the employee's retirement benefits with such sick leave constituting additional credited service in computation of such benefits. Any employee enrolled in the West Virginia Public Employees Retirement System after June 30, 2001, may not apply accumulated sick leave toward the cost of premiums for extended insurance coverage. There is no liability for accumulated sick leave at June 30, 2007.

#### Interfund Transactions

During the normal course of operations of the Council, certain transactions, including expenditures and transfers of resources to provide services and service debt, take place between funds. Interfund transactions are recorded as operating transfers as determined by Council management.

#### Fund Balance

Reservations of fund balance represent amounts that are not subject to appropriation or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

#### Net Assets

Restrictions of net assets are the result of constraints placed on net asset use which have been imposed through debt covenants and by law through enabling legislation.

### (3) Deposit and Investment Risk Disclosures

The Authority, as administrative agency for the Council, adopted investment guidelines for the Council as of June 30, 2006. Those guidelines and the General Revenue Bond Resolution authorize the Council to invest all bond proceeds and other revenues in obligations of the United States and certain of its agencies, certificates of deposit, public housing bonds, direct and general obligations of states which are rated in either of the two highest categories by Standard & Poor's Corporation, advance-refunded municipal bonds and repurchase agreements relating to certain securities. With the exception of deposits and investments of the General Obligation Debt Service Fund, investments are managed by the financial institution serving as trustee for the Council.

# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

### (3) Deposit and Investment Risk Disclosures (Continued)

As required by West Virginia Code, the mineral severance tax revenue appropriated annually for debt service on the general obligation bonds is deposited in the General Obligation Debt Service Fund held by the Treasurer of the State of West Virginia and is invested in accordance with the Act and in conformity with investment guidelines of the Board of Treasury Investments ("BTI"). The Debt Service Fund's cash balances are invested by the BTI in the Cash Liquidity Pool.

#### Interest Rate Risk – Cash Liquidity Pool

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Cash Liquidity Pool is subject to interest rate risk.

The overall weighted average maturity of the investments of the Cash Liquidity Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the Cash Liquidity Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 246,821	2
U.S. Treasury bills	358,725	30
Commercial paper	1,015,926	52
Certificates of deposit	126,500	76
U.S. agency discount notes	21,655	113
Corporate notes	261,025	58
U.S. agency bonds/notes	46,994	156
Money market funds	<u>185</u>	1
	<u>\$ 2,077,831</u>	48

#### Interest Rate Risk – All Other Investments

As of June 30, 2007, the Council had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1 - 5	6 - 10
Guaranteed Investment Contracts	\$ 132,284,082	\$ 1,086,549	\$ 125,439,311	\$ 5,758,222
Money Markets	<u>158,806,995</u>	<u>158,806,995</u>	-	-
	<u>\$ 291,091,077</u>	<u>\$ 159,893,544</u>	<u>\$ 125,439,311</u>	<u>\$ 5,758,222</u>

# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

### (3) Deposit and Investment Risk Disclosures (Continued)

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

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

#### Concentration of Credit Risk – Cash Liquidity Pool

Concentration of credit risk is the risk of loss attributed to the magnitude of the Cash Liquidity Pool's investment in a single corporate issuer. The Cash Liquidity Pool is not exposed to concentration of credit risk. The BTI investment policy prohibits the Cash Liquidity Pool from investing more than 5% of its assets in any one corporate name or one corporate issue.

#### Concentration of Credit Risk – All Other Investments

As of June 30, 2007, the Council had investment balances with the following issuers which are greater than or equal to 5% of the investment balances:

Type	Issuer	Percentage of Investments
Certificates of Deposit - Guaranteed Investment Contracts	Citizens Bank of Pennsylvania	43%
Money Markets	Federated Prime Obligations	39%
	Federated Government Obligations Fund	15%

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



# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

(3) Deposit and Investment Risk Disclosures (Continued)

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

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

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

### Credit Risk – Cash Liquidity Pool

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither the BTI nor the Cash Liquidity Pool has been rated for credit risk by any organization. The Cash Liquidity Pool is subject to credit risk.

The BTI limits the exposure to credit risk in the Cash Liquidity Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings of the Cash Liquidity Pool's investments (in thousands):

# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

### (3) Deposit and Investment Risk Disclosures (Continued)

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
<b>Investments:</b>				
Commercial paper	P1	A-1	\$ 1,015,926	48.89%
Corporate bonds and notes	Aaa	AAA	98,999	4.76
	Aa3	AA	20,001	0.96
	Aa3	A	23,002	1.11
	Aa2	AA	15,000	0.72
	Aa2	A	27,000	1.30
	Aa1	AA	77,023	3.71
Total corporate bonds and notes			261,025	12.56
U.S. agency bonds	Aaa	AAA	46,994	2.26
U.S. Treasury bills	Aaa	AAA	358,725	17.27
Negotiable certificates of deposit	P1	A-1	76,500	3.68
U.S. agency discount notes	P1	A-1	21,655	1.04
Money market funds	Aaa	AAA	185	0.01
Repurchase agreements (underlying securities):				
U.S. agency notes	Aaa	AAA	246,821	11.88
Total investments			2,027,831	97.59
<b>Deposits:</b>				
Nonnegotiable certificates of deposit	NR*	NR*	50,000	2.41
			<u>\$ 2,077,831</u>	<u>100.00%</u>

\* NR = Not Rated. See "Deposits" note at the conclusion of this footnote.

#### Credit Risk – All Other Investments

The following table provides information on the credit ratings of the Council's investments:

# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

(3) Deposit and Investment Risk Disclosures (Continued)

<u>Security Type</u>	<u>Moody's</u>	<u>Standard &amp; Poor's</u>	<u>Fair Value</u>
<b>Bond Proceeds:</b>			
Guaranteed Investment Contracts	Aaa	AAA	\$ 5,758,222
Guaranteed Investment Contracts	Aa2	AA-	452,875
Money Markets	Aaa	AAAm	<u>19,401,335</u>
Total Bond Proceeds			25,612,432
<b>Other Revenues:</b>			
Guaranteed Investment Contracts	Aa3	AA	1,086,549
Guaranteed Investment Contracts	Aa2	AA-	124,986,436
Money Markets	Aaa	AAAm	139,405,660
Cash Liquidity Pool	See Above	See Above	<u>347,281</u>
Total Other Revenues			265,825,926
<b>Total Bond Proceeds and Other Revenues</b>			<b><u>\$ 291,438,358</u></b>

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

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

# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

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### (3) Deposit and Investment Risk Disclosures (Continued)

#### Custodial Credit Risk – Cash Liquidity Pool

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Cash Liquidity Pool is not exposed to custodial credit risk. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the Statement of Fiduciary Net Assets is invested in the lending agent's money market fund in the BTI's name. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

#### Custodial Credit Risk – All Other Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Authority's investment guidelines for the Council put certain restrictions on repurchase agreements, including the following: the Council can only enter into repurchase agreements with financial institutions having a credit rating of at least "A/A"; collateral is limited to direct federal, federally guaranteed or federal agency obligations; collateral is required to be delivered to a third-party custodian, the Council or the trustee; and, the financial institution must guarantee the aggregate market value of the collateral will equal or exceed the outstanding repurchase agreement by the margin specified in the respective repurchase agreement. As of June 30, 2007, the Council held no securities that were subject to custodial credit risk.

#### Foreign Currency Risk – All Investments

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

A reconciliation of investments as disclosed in this Note to the amounts reported on the Governmental Funds Balance Sheet/Statement of Net Assets is as follows:

# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

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(3) Deposit and Investment Risk Disclosures (Continued)

As disclosed in this Note:	
Total investments	\$ 291,438,358
Less: cash equivalents	<u>(159,154,276)</u>
Carrying amount of investments	<u>\$ 132,284,082</u>
As reported on the Governmental Funds	
Balance Sheet/Statement of Net Assets:	
Investments	<u>\$ 132,284,082</u>

(4) Current and Advance Refundings

On November 1, 2006, the State issued Infrastructure General Obligation Refunding Bonds, Series 2006, for \$94,180,000 with interest rates ranging from 4.00% to 5.00% to partially refund \$27,305,000, \$36,710,000 and \$31,135,000 of the State's outstanding Series 1996A, 1996D and 1998A general obligation bonds, respectively, with interest rates ranging from 4.80% to 6.50%. The proceeds of \$100,076,395 (including original issue premium of \$5,896,395) and \$275,000 of the State's funds were used to pay \$718,079 in underwriting fees, insurance and other issuance costs relating to the refunding bond issue; provide for the November 1, 2006, redemption of \$27,305,000 and \$25,900,000 of the Series 1996A and 1996D general obligation bonds, respectively, being currently refunded; pay the early redemption premium of \$546,100 and \$518,000 of the Series 1996A and 1996D general obligation bonds, respectively, being currently refunded; and to purchase United States government obligations. Those securities were deposited in an irrevocable escrow fund with an escrow agent to provide for (i) the interest due on the Series 1996D bonds being advance refunded through and including November 1, 2016, and to redeem the principal amount of the Series 1996D bonds on November 1, 2016, at a redemption price of 102% of the principal amount thereof, and (ii) the interest due on the Series 1998A bonds being advance refunded through and including November 1, 2008, and to redeem the principal amount of the Series 1998A bonds on November 1, 2008, at a redemption price of 102% of the principal amount thereof. As a result of these advance refundings, \$10,810,000 of the Series 1996D bonds and \$31,135,000 of the Series 1998A bonds are considered to be defeased; and the liability for those bonds has been removed from the financial statements.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$2,302,669 and \$1,116,547 of the Series 1996D and 1998A bonds, respectively. Adjusted for 2007 combined amortization of \$126,380, those differences are being charged to expense through fiscal years 2027 and 2022 for the differences associated with the refunding of the Series 1996D bonds and 1998A bonds, respectively, using the straight-line method. The State completed the refunding to reduce

# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

(4) Current and Advance Refundings (Continued)

its total debt service payments over the next 20 years by \$9,714,744 and to obtain an economic gain (difference between the present values of the old and new debt service requirements, discounted at the effective interest rate of the new debt and adjusted for additional cash paid) of \$6,204,472.

(5) Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2007:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Debt</u> <u>Additions/</u> <u>Accretions</u>	<u>Debt</u> <u>Reductions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>General Obligation Bonds*</b>				
1996 Series A, B, C, D and E	\$ 99,530,000	\$ -	\$ 66,470,000	\$ 33,060,000
1998 Series A, B and C	77,880,000	-	33,495,000	44,385,000
1999 Series B and C	21,300,000	-	950,000	20,350,000
1999 Series A Capital Appreciation	96,192,867	4,858,762	6,850,000	94,201,629
2006 Series Refunding	-	94,180,000	-	94,180,000
	294,902,867	99,038,762	107,765,000	286,176,629
<b>Revenue and Refunding Bonds</b>				
2003 Series A	34,220,000	-	965,000	33,255,000
2006 Series A	44,650,000	-	50,000	44,600,000
2006 Series B	10,150,000	-	-	10,150,000
2007 Series A	-	38,135,000	-	38,135,000
	89,020,000	38,135,000	1,015,000	126,140,000
<b>Compensated Absences</b>	5,538	3,271	-	8,809
	<b>\$ 383,928,405</b>	<b>\$ 137,177,033</b>	<b>\$ 108,780,000</b>	<b>\$ 412,325,438</b>

\*A 1994 Constitutional Amendment authorized the issuance of \$300,000,000 in Infrastructure General Obligation Bonds. The Infrastructure General Obligation Bonds were issued in four separate issues totalling \$299,993,910: Series 1996A - \$35,300,000; Series 1996B - \$14,700,000; Series 1996C - \$10,000,000; Series 1996D - \$50,000,000; Series 1996E - \$7,000,000; Series 1998A - \$68,000,000; Series 1998B - \$10,000,000; Series 1998C - \$14,000,000; Series 1999A - \$69,693,910; Series 1999B - \$7,300,000; and Series 1999C - \$14,000,000. In November 2006, the Infrastructure General Obligation Refunding Bonds, Series 2006, partially refunded the Series 1996A, Series 1996D and Series 1998A Bonds.

# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

(5) Long-Term Debt (Continued)

Future maturities of principal and interest of general obligation bonds, with interest rates ranging from 4.00% to 7.25% and maturing through 2027, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 6,065,000	\$ 10,018,314	\$ 16,083,314
2009	6,330,000	9,651,736	15,981,736
2010	6,640,000	9,281,864	15,921,864
2011	7,075,000	8,895,647	15,970,647
2012	<u>7,555,000</u>	<u>8,486,094</u>	<u>16,041,094</u>
	<u>33,665,000</u>	<u>46,333,655</u>	<u>79,998,655</u>
2013 - 2017	43,905,000	35,639,348	79,544,348
2018 - 2022	53,280,000	21,802,725	75,082,725
2023 - 2027	<u>61,125,000</u>	<u>7,753,750</u>	<u>68,878,750</u>
	<u>158,310,000</u>	<u>65,195,823</u>	<u>223,505,823</u>
<b>Total</b>	<u>\$ 191,975,000</u>	<u>\$ 111,529,478</u>	<u>\$ 303,504,478</u>

Capital Appreciation Bonds

	<u>Principal, net of amounts to be accreted in future years</u>	<u>Amounts to be accreted in future years</u>	<u>Total</u>
2008	\$ 6,841,614	\$ 108,386	\$ 6,950,000
2009	6,617,468	432,532	7,050,000
2010	6,341,205	758,795	7,100,000
2011	5,969,793	1,080,207	7,050,000
2012	<u>5,595,246</u>	<u>1,379,754</u>	<u>6,975,000</u>
	<u>31,365,326</u>	<u>3,759,674</u>	<u>35,125,000</u>
2013 - 2017	24,335,086	11,239,914	35,575,000
2018 - 2022	20,440,030	19,584,970	40,025,000
2023 - 2027	<u>18,061,187</u>	<u>28,138,813</u>	<u>46,200,000</u>
	<u>62,836,303</u>	<u>58,963,697</u>	<u>121,800,000</u>
<b>Total capital appreciation bonds</b>	<u>94,201,629</u>	<u>\$ 62,723,371</u>	<u>\$ 156,925,000</u>
<b>Total general obligation bonds</b>	<u>\$ 286,176,629</u>		
<b>Add: unamortized premium</b>	5,699,847		
<b>Less: unamortized issue costs</b>	(630,230)		
<b>unamortized loss on refunding</b>	<u>(4,315,710)</u>		
<b>Total, presented net</b>	286,930,536		
<b>Less: amount due within one year</b>	<u>(13,025,813)</u>		
<b>Amount due after one year</b>	<u>\$ 273,904,723</u>		

# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

(5) Long-Term Debt (Continued)

Future maturities of principal and interest of revenue and refunding bonds, with interest rates ranging from 2.50% to 5.50% and maturing through 2046, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,610,000	\$ 5,871,045	\$ 7,481,045
2009	1,655,000	5,709,319	7,364,319
2010	2,310,000	5,643,554	7,953,554
2011	2,390,000	5,562,576	7,952,576
2012	<u>2,465,000</u>	<u>5,475,848</u>	<u>7,940,848</u>
	<u>10,430,000</u>	<u>28,262,342</u>	<u>38,692,342</u>
2013 - 2017	13,510,000	25,833,865	39,343,865
2018 - 2022	15,460,000	22,741,655	38,201,655
2023 - 2027	18,105,000	18,851,100	36,956,100
2028 - 2032	20,830,000	14,130,675	34,960,675
2033 - 2037	24,945,000	8,642,081	33,587,081
2038 - 2042	16,980,000	2,977,206	19,957,206
2043 - 2046	<u>5,880,000</u>	<u>475,238</u>	<u>6,355,238</u>
	<u>115,710,000</u>	<u>93,651,820</u>	<u>209,361,820</u>
Total revenue and refunding bonds	<u>\$ 126,140,000</u>	<u>\$ 121,914,162</u>	<u>\$ 248,054,162</u>
Add: unamortized premium	1,638,629		
Less: unamortized issue costs	(1,580,918)		
unamortized discount	(123,125)		
unamortized loss on refunding	<u>(2,176,021)</u>		
Total, presented net	123,898,565		
Less: amount due within one year	<u>(1,513,802)</u>		
Amount due after one year	<u>\$ 122,384,763</u>		

The source of repayment for the general obligation and refunding bonds is the annual receipt of \$24 million of mineral severance tax revenue deposited into the Debt Service Fund from the State's general fund.

The primary source of repayment for the revenue and refunding bonds is the receipt of payments of principal and interest on a set of loans, known as defined loans, previously made to projects from general obligation and revenue bond proceeds. The amount needed from the Special Revenue Fund to the Debt Service Fund for revenue bond debt service during the fiscal year ended June 30, 2007, was \$4,498,755.

The bonds are subject to the arbitrage rebate provisions of the Internal Revenue Code which requires that 90% of excess investment earnings on the bond proceeds be paid to the United States Internal Revenue Service every five years in order for the bonds to maintain their tax-exempt status. As of June 30, 2007, the Council had no liability for excess investment earnings on bond proceeds.



# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

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(6) Transactions with State of West Virginia Agencies

The Council reimburses the Authority for all payroll costs of Authority employees utilized by the Council as well as general and administrative expenses incurred by the Council and paid by the Authority. The Authority also provides office space and fiduciary services to the Council. Such costs and expenses reimbursed to the Authority for the year ended June 30, 2007, totalled \$343,569. As of June 30, 2007, the Council was indebted to the Authority for \$97,534 in connection with these costs and expenses.

A reconciliation of the amounts reimbursed to the Authority for general and administrative expenses incurred by the Council is as follows:

Expenses reimbursed to the Authority	\$ 343,569
Less: reimbursements for prior year expenses	(82,523)
Add: current year expenses incurred but not reimbursed to the Authority	97,534
Current year expenses reimbursed and due to the Authority	\$ 358,580
General and administrative expenses paid directly by Council	17,000
Reimbursements from third parties	(439)
Accounts payable, June 30, 2006	(7,716)
Accounts payable, June 30, 2007	19,984
Total general and administrative expenses incurred by Council	\$ 387,409

The Council received \$24 million of mineral severance tax revenue from the State's general fund into the Debt Service Fund to accommodate the general obligation bonds debt service payments required in fiscal year 2007. Funds remaining after the payment of general obligation bonds debt service were transferred to the Special Revenue Fund to provide additional lending and granting capacity, which is consistent with the Council's purpose.

West Virginia Code §29-22-18a ("Section 18a") created within the State's lottery fund in the State Treasury an excess lottery revenue fund from which moneys are disbursed in specific allocations to various State accounts, including the Council. If there are not sufficient revenues to fully comply with the funding requirements of Section 18a, remaining funds are distributed first to the economic development project fund; second, to the other funds from which debt service is to be paid; third, to the education improvement fund for appropriation by the Legislature to the promise scholarship fund; fourth, to the general purpose account to be expended pursuant to appropriation by the Legislature provided that, to the extent such revenues are not pledged in support of revenue bonds which are or may be issued from time to time under Section 18a; and then on a pro rata basis to the remaining State accounts, including the Council. During the year ended June 30, 2007, \$40 million was appropriated for and received by the Council.

# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

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(6) Transactions with State of West Virginia Agencies (Continued)

During the year ended June 30, 2007, the Council contributed \$1,657,100 to the Bureau for Public Health for the required State match for the federally sponsored Drinking Water Treatment Revolving Fund to secure federal dollars and continue that program. Also during the year ended June 30, 2007, the Council contributed \$2,730,182 to the Department of Environmental Protection as required State match for the federally sponsored Clean Water State Revolving Fund for the purpose of securing federal dollars and continuing that program.

(7) Schedule of General and Administrative Expenses

General and administrative expenses for the year ended June 30, 2007, were as follows:

Salaries and benefits	\$ 176,285
Legal	109,750
Consulting and professional	25,035
Rentals	20,585
Trustee	17,000
Travel	13,020
Computer services	7,026
Office supplies	5,284
Telecommunications	3,548
Insurance	2,544
Training	2,464
Postage	2,116
Employee parking	1,320
Association dues	1,183
Miscellaneous	249
	<u>\$ 387,409</u>

(8) Leases

The Council rents office space under an operating lease agreement which expires on August 31, 2007. As provided in the operating lease agreement, the Council exercised the lease option for certain office space on a month-to-month basis, beginning September 1, 2007. The Council paid \$11,437 under the lease during the year ended June 30, 2007. Following is a schedule of future minimum lease payments, which includes lease payments on certain office equipment:

# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

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(8) Leases (Continued)

<u>Year Ending June 30</u>	<u>Amount</u>
2008	\$ 6,576
2009	4,580
2010	<u>1,145</u>
Future minimum lease payments	<u>\$ 12,301</u>

(9) Fund Balance

The Council has issued commitments to loan or grant funds to qualifying applicants for a period of time contingent on numerous actions to be completed by the applicants. As of June 30, 2007, \$90,585,261 of available fund balance was designated by the Council for loans and grants. Additionally, the Council has designated \$4,376,042 for contributions to two State agencies for the required State match for federally sponsored revolving funds.

The Council has entered into loan and grant agreements with various municipalities and other entities to provide no-interest or low-interest loans and grants in accordance with the Act. Amounts not distributed under these agreements amounted to \$47,225,557 at June 30, 2007, and fund balance has been reserved to recognize these obligations. In addition, loans receivable of \$350,288,709 represent amounts not available for appropriation and are reported as a reservation of fund balance. As required by the General Revenue Bond Resolution, \$7,998,061, which is equal to the reserve fund requirement, is on deposit in four debt service reserve fund accounts and is reported as a reservation of fund balance. Finally, the balance of repayments of \$3,116,040 on loans, which have been identified as defined loans because the repayments of those loans are reserved for debt service on the revenue and refunding bonds, is also reported as a reservation of fund balance.

(10) Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Statement of Net Assets

The portion of accrued interest receivable, \$220,250, which is a long-term asset and not available to pay for current period expenditures, is not reported in the Special Revenue Fund and Debt Service Fund as an asset in the Governmental Funds Balance Sheet. All assets, both current and long-term, however, are reported in the Statement of Net Assets.

Long-term liabilities of the Council are not due and payable in the current period and accordingly are not reported in the Special Revenue Fund and the Debt Service Fund as fund liabilities in the Governmental Funds Balance Sheet. All liabilities, both current and

# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

(10) Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Statement of Net Assets (Continued)

long term, however, are reported in the Statement of Net Assets. Balances at June 30, 2007, were:

General obligation bonds payable	\$	286,930,536
Revenue and refunding bonds payable		123,898,565
Compensated absences		8,809
Accrued interest on bonds		3,253,049
Total adjustment	\$	414,090,959

“Total fund balances” of the Council’s governmental funds of \$643,094,667 differs from “net assets” of governmental activities of \$229,223,958 reported in the Statement of Net Assets as described above. This difference primarily results from the long-term economic focus of the Statement of Net Assets versus the current financial resources focus of the Governmental Funds Balance Sheet.

(11) Explanation of Certain Differences between the Governmental Fund Operating Statements and the Statement of Activities

Repayment of bond principal is reported as an expenditure in governmental funds and thus has the effect of reducing fund balance because current financial resources have been used. The principal payment of \$66,835,000 during the year ended June 30, 2007, however, reduces the liability in the Statement of Net Assets and does not result in an expense in the Statement of Activities. Interest on long-term debt was adjusted \$6,495,869 to reflect interest expense on the accrual basis in the Statement of Activities rather than the expenditure paid for interest, as is presented in governmental funds. This adjustment was increased by the amortization of the loss on refunding of bond issues of \$253,813, discussed below. Offsetting that increase was the amortization of bonds payable premium of \$232,878, also discussed below.

The expense related to an increase of \$3,271 in the liability for compensated absences accrued during the year ended June 30, 2007, is reported in the Statement of Activities but does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds.

# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

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(11) Explanation of Certain Differences between the Governmental Fund Operating Statements and the Statement of Activities (Continued)

Bond issuance costs of \$1,179,156 related to one series of refunding and one series of revenue bonds during the current year are reported as an expenditure in governmental funds and thus have the effect of reducing fund balance because current financial resources have been used. On an accrual basis, this amount is a deferred charge amortized using the straight-line method over the lives of the bonds and, therefore, only the current year amortization of \$25,985 is expensed in the Statement of Activities. Likewise, bond issuance costs related to a prior year revenue bond issue were reported as an expenditure in governmental funds and had the effect of reducing fund balance the year of the bond issue when current financial resources were used. On an accrual basis, this amount is a deferred charge amortized using the straight-line method over the life of the revenue bonds and the current year amortization of \$35,957 is expensed in the Statement of Activities. Since this expense does not require the use of current financial resources, it is not reported as an expenditure in governmental funds.

Receipts of bond proceeds from one series of refunding and one series of revenue bonds of \$132,315,000, as well as the premium on both series of \$6,534,482, are reported as other financing sources in governmental funds and have the effect of increasing fund balance because current financial resources have been provided. The receipts of bond proceeds, net of the unamortized premiums, however, are reflected as liabilities in the Statement of Net Assets and do not result in revenue in the Statement of Activities. Likewise, on an accrual basis, the premiums are not revenue but additions to the face amounts of the bonds payable and are amortized using the straight-line method over the life of the bonds. Only the current year premium amortization of \$201,694 is reflected as a reduction of interest expense.

The portion of bond proceeds from prior year revenue bond issues that consisted of a premium was reported as an other financing source in governmental funds the year of the bond issue and had the effect of increasing fund balance because current financial resources were provided. On an accrual basis, the unamortized premium is an addition to the face amount of the revenue bonds payable and is amortized using the straight-line method over the life of the bonds. The current year amortization of \$31,184 is reflected as a reduction of interest expense on the Statement of Activities. Since the amortized amount does not represent receipts of current financial resources, it is not reported as an other financing source in governmental funds.

# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

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(11) Explanation of Certain Differences between the Governmental Fund Operating Statements and the Statement of Activities (Continued)

The amount deducted in a prior year from the bond proceeds of a refunding bond issue, or the bond discount, was reported as an other financing use in governmental funds the year of the bond issue and had the effect of decreasing fund balance because current financial resources were used. On an accrual basis, the unamortized discount is a deduction from the face amount of the refunding bonds payable and is amortized using the straight-line method over the life of the bonds. The current year amortization of \$7,577 is reflected as an expense on the Statement of Activities. Since the amortized amount does not represent expenditures of current financial resources, it is not reported as an other financing use in governmental funds.

Payment to the escrow agent of \$45,364,216 came from refunding bond proceeds and is reported as an other financing use in governmental funds. That payment had the effect of decreasing fund balance because current financial resources were used. Because that amount represents the reacquisition price of two series of general obligation bonds that were partially refunded, to the extent that amount exceeded the carrying amount of the bonds refunded, that amount is reflected as a loss on refunding. On an accrual basis, the loss on refunding is not an expense but a deduction from the face amount of the refunding bonds payable and is amortized using the straight-line method over the life of the bonds. The current year amortization of \$126,380 is reflected as an increase to interest expense.

Payments of two call premiums of \$1,064,100 during the year are reported as an expenditure because current financial resources were used. Because that amount represents part of the reacquisition price of two series of general obligation bonds that were partially refunded, it is reflected as a loss on refunding. On an accrual basis, the loss on refunding is not an expense but a deduction from the face amount of the refunding bonds payable and is amortized using the straight-line method over the life of the bonds. The current year amortization of \$41,225 is reflected as an increase to interest expense.

Prior year payments to the escrow agent from refunding bond proceeds and from other resources of the Council were reported as an other financing use in governmental funds and as a debt service expenditure in governmental funds, respectively, in a prior year and had the effect of decreasing fund balance because current financial resources were used. To the extent those amounts exceeded the carrying amount of the bonds refunded, those amounts were a loss on refunding. On an accrual basis, the loss on refunding is not an expense but a deduction from the face amount of the refunding bonds payable and is amortized using the straight-line method over the life of the bonds. The current year amortization of prior year losses on refundings of \$86,208 is reflected as an increase to interest expense. Since this expense does not require the use of current financial resources, it is not reported as an expenditure in governmental funds.

# West Virginia Infrastructure and Jobs Development Council

## Notes to Financial Statements (Continued)

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(11) Explanation of Certain Differences between the Governmental Fund Operating Statements and the Statement of Activities (Continued)

The \$90,000 increase in charges for services represents interest on loans not included as income in governmental funds because it is not collectible within the current period but included as revenue on an accrual basis.

(12) Risk Management

The Council is exposed to various risks of loss related to torts, theft of assets, errors and omissions, injuries to and illnesses of Authority employees and natural disasters. Through its participation in Brickstreet Mutual Insurance Company ("Brickstreet") and the West Virginia Public Employees Insurance Agency ("PEIA"), the Authority obtains coverage for job-related injuries of and health coverage for its employees, including the employees whose payroll costs are reimbursed by the Council. In exchange for the payment of premiums to Brickstreet and PEIA, the risk related to job-related injuries and health coverage is transferred to these entities. The Authority participates in the West Virginia Board of Risk and Insurance Management to obtain coverage for general liability, property damage, business interruption, errors and omissions, and natural disasters. Such coverage is offered in exchange for an annual premium, which is partially reimbursed by the Council.

(13) Restricted Net Assets

Restrictions of net assets are the result of constraints placed on net asset use which have been imposed through debt covenants and by law through enabling legislation. The government-wide Statement of Net Assets reports \$211,359,954 restricted net assets, of which \$82,600,714 is restricted by enabling legislation for loans and grants and \$128,759,240 is restricted by debt covenants for debt service on the revenue, refunding, and general obligation bonds.

(14) Agency Fund

During the year ended June 30, 2002, \$1.5 million was appropriated to the West Virginia Economic Development Authority by House Bill 4672 from the State Treasurer's Abandoned Property Claims Trust Fund and is administered by the Council in a purely custodial capacity. The funds were received, temporarily invested and are disbursed as grants for various water and wastewater projects in accordance with instructions from the West Virginia Economic Development Authority (see Statement on page 12).

## **REQUIRED SUPPLEMENTARY INFORMATION**





Required Supplementary Information  
West Virginia Infrastructure and Jobs Development Council  
Budgetary Comparison Schedule – Special Revenue Fund  
For the Year Ended June 30, 2007

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	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Budget to</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>GAAP</u>	<u>Amounts</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Differences</u>	<u>GAAP Basis</u>
Budgetary fund balance, July 1, 2006	\$ -	\$ -	\$ -	\$ -	\$ -
Resources (inflows)					
Excess lottery revenue	<u>40,000,000</u>	<u>40,000,000</u>	<u>40,000,000</u>	<u>-</u>	<u>40,000,000</u>
Amounts available for appropriation	40,000,000	40,000,000	40,000,000	-	40,000,000
Charges to appropriations (outflows)	<u>(40,000,000)</u>	<u>(40,000,000)</u>	<u>(40,000,000)</u>	<u>-</u>	<u>(40,000,000)</u>
Budgetary fund balance, June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# West Virginia Infrastructure and Jobs Development Council

## Note to Required Supplementary Information – Budgetary Reporting

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- (1) West Virginia Code §29-22-18a (“Section 18a”) created within the State’s lottery fund in the State Treasury an excess lottery revenue fund from which moneys are disbursed in specific allocations to various State accounts, including the Council. If there are not sufficient revenues to fully comply with the funding requirements of Section 18a, remaining funds are distributed first to the economic development project fund; second, to the other funds from which debt service is to be paid; third, to the education improvement fund for appropriation by the Legislature to the promise scholarship fund; fourth, to the general purpose account to be expended pursuant to appropriation by the Legislature provided that, to the extent such revenues are not pledged in support of revenue bonds which are or may be issued from time to time under Section 18a; and then on a pro rata basis to the remaining State accounts, including the Council.

During the year ended June 30, 2007, \$40 million of excess lottery revenue was appropriated for and received by the Council.

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

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

We have audited the financial statements of the West Virginia Infrastructure and Jobs Development Council (the Council) as of and for the year ended June 30, 2007, and have issued our report thereon dated October 5, 2007. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

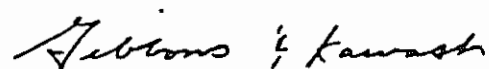
A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free of 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*.

This report is intended solely for the information of the Council, audit committee, management, and the State of West Virginia and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Gibson & Kawash".

October 5, 2007