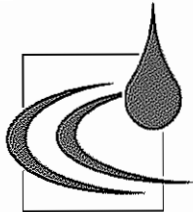


WEST VIRGINIA
Water Development Authority

ANNUAL REPORT FISCAL YEAR 2008

180 Association Drive
Charleston, WV 25311
304.558.3612
www.wvda.org



WEST VIRGINIA
Water Development Authority

Joe Manchin III
Governor

ANNUAL REPORT FISCAL YEAR 2008

BOARD

Joe Manchin III
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Vice Chairman

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Member

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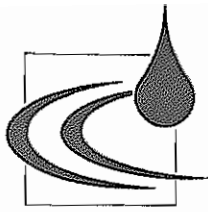
Chris Curtis, MPH
Ex Officio Member

Randy Huffman
Ex Officio Member

Authority

Chris E. Jarrett
Executive Director

Barbara B. Meadows CPA
Secretary/Treasurer



WEST VIRGINIA
Water Development Authority
Celebrating 34 Years of Service 1974 - 2008

December 22, 2008


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 2008 Annual Report is available on its website (www.wvwda.org) and also on the West Virginia Legislature's website at (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 2008 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. Accomplishments during Fiscal Year 2008 included:

- Closed 58 loans and grants totalling \$90.3 million to communities for water, wastewater and economic development projects.
- Provided servicing for 799 loans (local bonds of communities) outstanding as of June 30, 2008, totalling \$1.1 billion.
- Began the process for the State of West Virginia Comprehensive Planning Study for Water and Wastewater needs.
- Enhanced the Design Loan Programs for water and wastewater projects requiring financial assistance to increase participation in costs related to engineering, lands/rights of way, accounting, legal counsel for Public Service Commission of West Virginia and real estate matters, and bond counsel.
- Acted in a fiduciary capacity for \$1.7 billion of funding for grants and loans 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.



CHRIS E. JARRETT – EXECUTIVE 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 \$1.7 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 293 loans totalling \$255.9 million which were outstanding as of June 30, 2008.**
- 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 209 loans totalling \$412.6 million which were outstanding as of June 30, 2008.**
- 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 37 loans totalling \$49.9 million which were outstanding as of June 30, 2008.**
- 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 260 loans totalling \$378.8 million which were outstanding as of June 30, 2008.**
- 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 34 Years of Service 1974 – 2008.**
- Closed 58 loans and grants totalling \$90.3 million to communities for water, wastewater and economic development projects.
- Provided servicing for 799 loans (local bonds of communities) outstanding as of June 30, 2008, totalling \$1.1 billion.
- Began the process for the State of West Virginia Comprehensive Planning Study for Water and Wastewater needs.
- Enhanced the Design Loan Programs for water and wastewater projects requiring financial assistance to increase participation in costs related to engineering, lands/rights of way, accounting, legal counsel for Public Service Commission of West Virginia and real estate matters, and bond counsel.

ACCOMPLISHMENTS (Continued)

- Acted in a fiduciary capacity for \$1.7 billion of funding for grants and loans 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 it, the WDA makes low-interest loans to cover the design and related costs of wastewater and water 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. Servicing is vitally important because loan repayments are used to make debt service payments on publicly marketed bonds issued by the WDA or revolved for future projects. The viability and success of the programs administered by the WDA are dependent on the servicing aspect provided by the WDA. If servicing is not managed, bond reserve funds would potentially be needed to meet debt service payments with subsequent appeal to the Governor to replenish the reserve funds deficiency through the budget process.

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 \$379.2 million in revenue and refunding bonds outstanding, including \$124.5 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, 2008, DEP had been awarded seventeen capitalization grant awards for the CWSRF from the EPA totalling \$394.2 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 \$78.8 million in matching funds, of which \$60.4 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, 2008, the Bureau for Public Health (“BPH”) had been awarded nine capitalization grant awards from the EPA totalling \$83.5 million, of which \$60.9 million was allocated to the DWTRF and \$22.6 million for set-aside programs administered by the BPH. 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 \$16.7 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

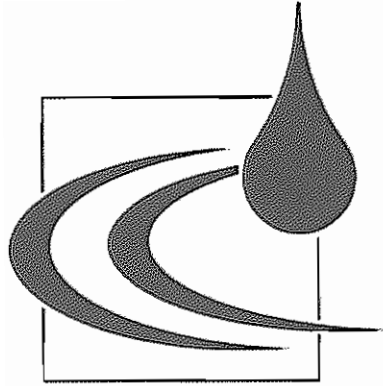
The Infrastructure and Jobs Development Council (“IJDC”) was created as a governmental entity of the State under the provisions of Chapter 31, Article 15A, Section 3 of the West Virginia Code, as amended, which also established the West Virginia Infrastructure Fund (“WVIF”). The IJDC has statutory responsibility 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.

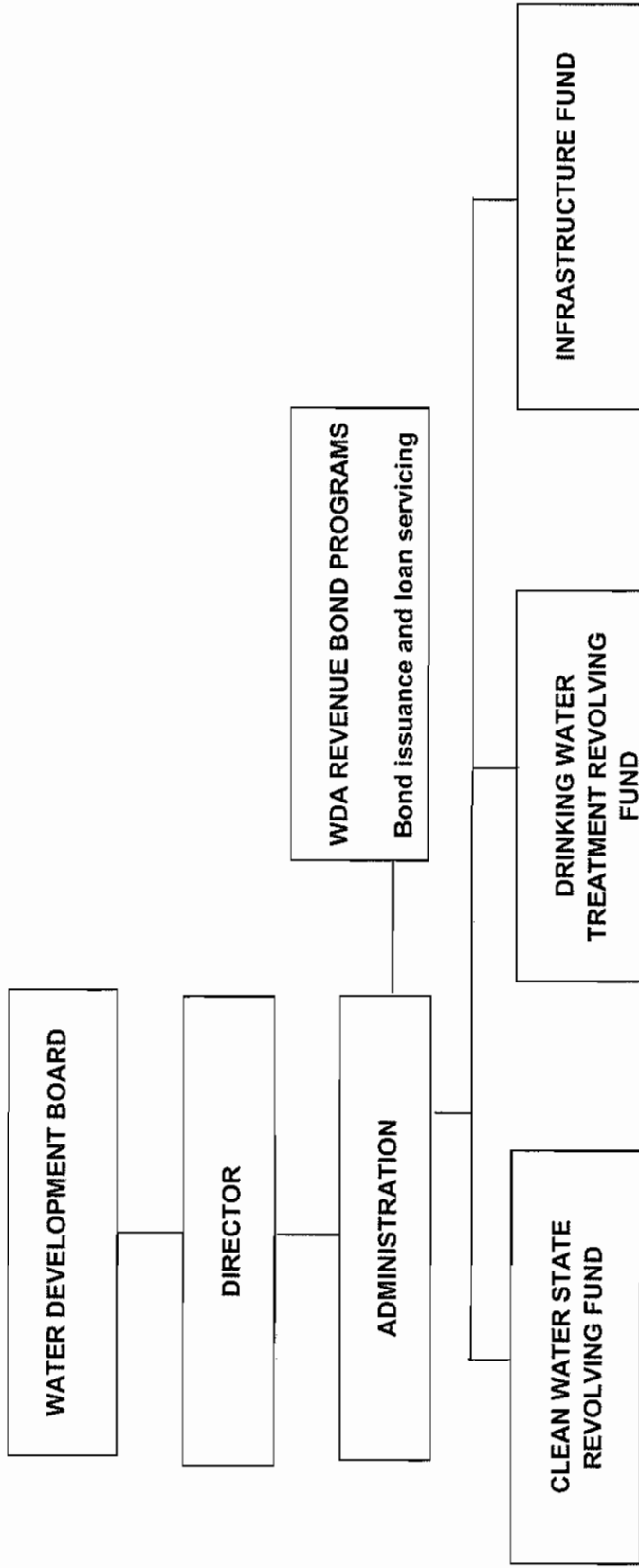
The WDA is administrative agency for the IJDC and is fiduciary of the WVIF. The WDA provides administrative, financial and legal expertise to the IJDC and ongoing servicing on loans made from the WVIF. The WDA employs two additional individuals for the benefit of the IJDC. The WDA issues infrastructure 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, \$124.5 million are outstanding.

For additional information on the various programs the WDA administers, visit the WDA’s website at www.wvwda.org and click on links to access the CWSRF, DWTRF and WVIF.



APPENDIX A
ORGANIZATIONAL CHART

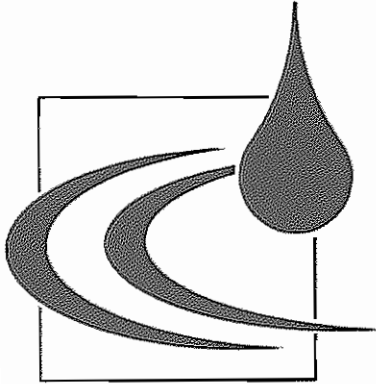
WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (WDA) ORGANIZATIONAL CHART



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 2008

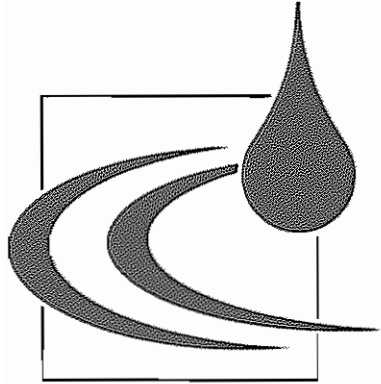
<u>Project #</u>	<u>Date</u>	<u>County</u>	<u>Local Governmental Agency</u>	<u>Loan</u>	<u>Grant</u>	<u>Type</u>	<u>Program</u>
2001W-602	07/12/07	Preston	Preston County PSD No. 1	806,838 1,391,300	-	W W	DWTRF WVIF
2002S-693	07/25/07	Wayne	Kenova, City of	3,747,000 4,649,209	-	WW WW	WVIF CWSRF
2005STRM-881	08/14/07	Monongalia	Morgantown, City of	8,500,000	-	WW	CWSRF
2007E-110	08/16/07	Kanawha	Enterprise Properties, Inc. (CASCI)	2,300,000	-	ED	WVIF
2007W-WDA1	08/27/07	Boone	Boone-Raleigh PSD	75,000 45,000	-	W WW	WDA WDA
2004W-842	08/28/07	Wayne	Lavalette PSD	200,000	-	W	WVIF
2006S-907	08/28/07	Cabell	Pea Ridge PSD	1,043,821	-	WW	CWSRF
2002S-692b	08/28/07	Kanawha	Greater St. Albans PSD	1,850,000	-	WW	CWSRF
2006D-927	09/13/07	Tyler	Friendly PSD	68,229	-	W	WVIF
2005S-890A	09/18/07	Lewis	Weston, City of	3,047,000	720,000	WW	WVIF
2000W-560	09/19/07	McDowell	McDowell County PSD (laeger/Coalwood)	-	154,963	W	WVIF
2006W-957	09/26/07	Marshall	Marshall County PSD No. 4	1,225,000	-	W	DWTRF WVIF
2003S-775	10/11/07	Marion	Fairmont, City of	5,577,760	-	WW	CWSRF
2004W-790	10/18/07	Boone	Boone County PSD	-	576,000	W	WVIF
2004S-810	10/19/07	Hampshire	Romney, City of	-	250,000	WW	WVIF
2002W-708	10/23/07	Fayette	New Haven PSD (Beauty Mountain)	41,286	-	W	WVIF

Water Development Authority Closings for Fiscal Year 2008

<u>Project #</u>	<u>Date</u>	<u>County</u>	<u>Local Governmental Agency</u>	<u>Loan</u>	<u>Grant</u>	<u>Type</u>	<u>Program</u>
2006W-951	10/23/07	Fayette	New Haven PSD (Stringtown Road)	52,801	-	W	WVIF
2002S-662	10/23/07	Raleigh	Sophia, Town of	767,031	-	WW	WVIF
2003S-765	11/02/07	Marshall	Marshall County Sewerage District	643,800	-	WW	WVIF
				200,000	-	WW	WVIF
2004S-786	11/02/07	McDowell	Welch, City of	-	803,000	WW	WVIF
2001W-630	11/13/07	Nicholas	Gauley River PSD	354,818	-	W	WVIF
2003S-740	11/14/07	Marion	Farmington, Town of	320,000	-	WW	WVIF
2002S-653	11/28/07	Fayette	Mount Hope, City of	646,600	-	WW	CWSRF
2003E-076	12/12/07	Hampshire	Hampshire County Development Authority	500,000	-	ED	WVIF
2003W-720	12/20/07	Marion	Grant Town, Town of	147,560	-	W	WVIF
97S-287	01/15/08	Hampshire	Green Spring Valley PSD		1,140,000	WW	WVIF
2006W-892	01/28/08	Putnam	Putnam PSD	1,436,000	-	W	WDA
2006S-893	01/28/08	Putnam	Putnam PSD	3,680,000	-	WW	CWSRF
2005W-852	02/06/08	Pocahontas	Marinton, Town of	2,187,000	-	W	WVIF
2003S-738	02/20/08	Wayne	Wayne, Town of	80,000		WW	WDA
2006D-895	03/11/08	Calhoun	Grantsville, Town of	135,800	-	WW	WDA
2005S-862	04/09/08	Logan	Logan County PSD	4,500,000	1,500,000	WW	WVIF
2002D-664	04/16/08	Barbour	Century-Volga PSD	115,500	-	W	WDA
2000S-553	04/16/08	Boone	Boone County PSD	1,200,000	306,457	WW	WVIF

Water Development Authority Closings for Fiscal Year 2008

<u>Project #</u>	<u>Date</u>	<u>County</u>	<u>Local Governmental Agency</u>	<u>Loan</u>	<u>Grant</u>	<u>Type</u>	<u>Program</u>
2004W-815	04/16/08	Gilmer	Gilmer County PSD	1,325,000	-	W	WVIF
2006W-923a	05/06/08	Mineral	Frankfort PSD (Wiley Ford)	400,000	-	W	WVIF
2006S-960	05/06/08	McDowell	Welch, City of	2,000,000	-	WW	CWSRF
2006E-105	05/14/08	Cabell	Huntington Industrial Corp. (Harbour, Inc.)	658,000	-	ED	WVIF
2007D-979	05/29/08	Putnam	Nitro, City of	313,929	-	WW	WDA
97S-355B	06/06/08	Putnam	Putnam PSD	509,000	-	WW	WVIF
2007D-970	06/06/08	Marion	Barrackville, Town of	396,000	-	WW	WDA
2006S-945	06/18/08	Jefferson	Jefferson County PSD	2,005,000	-	WW	CWSRF
97S-376	06/26/08	Monongalia	Canyon PSD	5,000,000	1,500,000	WW	WVIF
2002S-718	06/26/08	Kanawha	Charleston, City of	9,000,000	-	WW	CWSRF
2002W-686	06/26/08	Clay	Clay-Roane PSD	-	370,000	W	WVIF
2005W-873	06/26/08	Marion	Fairmont, City of	2,750,000	-	W	DWTRF
					913,668	W	WVIF
2007W-1000	06/26/08	McDowell	War, Town of	215,300	-	W	WVIF
2004S-823a-1	06/27/08	Logan	Logan, City of	4,468,000	-	WW	CWSRF
ED - Economic Development							
WW - Wastewater							
W - Water							
			TOTAL (46 Loans & 12 Grants)	\$80,574,582	\$9,734,088		
			GRAND TOTAL	\$90,308,670			



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)	234	\$243,263,820
Water (W)	70	<u>147,991,852</u>
		<u>\$391,255,672</u>

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

Type	Number of Projects	Amount
Wastewater (WW)	121	<u>\$570,767,335</u>

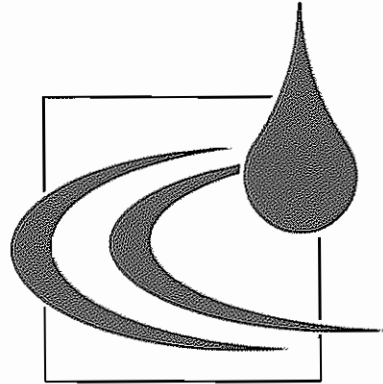
**FINANCIAL ASSISTANCE PROVIDED BY THE
DRINKING WATER TREATMENT REVOLVING FUND (DWTRF)
SINCE ITS INCEPTION IN 1997**

Type	Number of Projects	Amount
Water (W)	29	<u>\$62,913,309</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	119,868,930
Wastewater (WW)	98	268,932,182
Water (W)	82	<u>208,994,132</u>
		<u>\$668,576,623</u>
Grand Total - All Funding Sources	<u>692</u>	<u>\$1,693,512,939</u>

June 2008



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
Barbour	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
	Century-Volga PSD	WDA	115,500	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>57,212,401</u>
Berkeley	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	<u>1,622,000</u>	ED
				<u>5135,693,393</u>
Boone	Boone County PSD	DWTRF	2,130,000	W
	Boone County PSD	WVIF	1,506,457	WW
	Boone County PSD	WVIF	5,485,161	W
	Boone-Raleigh PSD	CWSRF	518,919	WW
	Boone-Raleigh PSD	WDA	1,593,981	WW
	Boone-Raleigh PSD	WDA	75,000	W
	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	<u>6,250</u>	WW
				<u>515,759,787</u>
Braxton	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	<u>7,149,825</u>	W
			<u>513,593,350</u>	

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	Bethany	WDA	3,125	WW
	Bethany	WVIF	1,250,000	WW
	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>
Cabell	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	1,258,000	ED
	Huntington Municipal Development Authority	WVIF	2,625,000	ED
	Lavalette PSD	WVIF	200,000	W
	Milton	CWSRF	6,886,371	WW
	Milton	WVIF	1,571,903	WW
	Pea Ridge PSD	CWSRF	15,200,321	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>\$77,215,641</u>	
Calhoun	Grantsville	WDA	139,425	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>\$1,238,125</u>
Clay	Clay	WVIF	1,074,800	WW
	Clay County PSD	WDA	333,000	W
	Clay County PSD	WVIF	2,440,000	W
	Clay-Roane PSD	WVIF	3,710,000	W
				<u>\$7,557,800</u>
Doddridge	West Union	WVIF	2,125,000	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
	West Union	WVIF	810,000	W
			<u>\$2,935,000</u>	
Fayette	Ansted	CWSRF	763,930	WW
	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
	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	2,136,600	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	10,094,087	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>\$41,437,707</u>	
Gilmer	Gilmer County PSD	DWTRF	1,639,000	W
	Gilmer County PSD	WVIF	340,000	ED
	Gilmer County PSD	WVIF	2,795,000	W
	Glenville	WVIF	670,000	ED
	Sand Fork	WDA	5,000	WW
			<u>\$5,449,000</u>	
Grant	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>	

CUMULATIVE PROJECTS FUNDED BY COUNTY

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COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
Greenbrier	Greenbrier PSD No. 1	WDA	4,666,600	WW
	Greenbrier PSD No. 2	CWSRF	235,000	WW
	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
				\$10,323,984
Hampshire	Central Hampshire PSD	CWSRF	2,836,000	WW
	Central Hampshire PSD	WVIF	1,450,000	W
	Central Hampshire PSD	WVIF	5,305,405	WW
	Green Spring Valley PSD	WVIF	1,140,000	WW
	Hampshire County Development Authority	WVIF	1,647,350	ED
	Romney	WDA	1,591,238	WW
	Romney	WVIF	1,962,038	W
	Romney	WVIF	4,664,015	WW
				\$20,596,046
Hancock	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
				\$31,290,576
Hardy	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
			\$10,279,088	
Harrison	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

CUMULATIVE PROJECTS FUNDED BY COUNTY

Key: CWSRF Clean Water State Revolving Fund ED Economic Development
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 WDA Water Development Authority W Water
 WVIF West Virginia Infrastructure Fund

COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
	Clarksburg	WDA	28,480	WW
	Clarksburg	WDA	1,885,764	W
	East View PSD	WDA	658,354	WW
	Enlarged Hepzibah PSWD	CWSRF	1,900,000	WW
	Enlarged Hepzibah PSWD	WDA	678,532	WW
	Enlarged Hepzibah PSWD	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	
Jackson	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	
Jefferson	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	5,108,341	WW
	Jefferson County PSD	WDA	2,157,881	WW
	Jefferson County PSD	WVIF	732,406	WW
	Jefferson County PSD	WVIF	145,000	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
	Natural Capital Investment Fund, Inc.	WVIF	125,000	ED
	Shepherdstown	DWTRF	2,000,000	W
	Shepherdstown	WDA	106,218	WW
			<u>\$27,386,407</u>	
Kanawha	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	30,750,880	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	4,240,955	ED
	Greater St. Albans PSD	CWSRF	1,850,000	WW
	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

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
	Upper Kanawha Valley Economic Dev. Corp.	WVIF	400,000	ED
	Upper Kanawha Valley PSD	WVIF	9,908,297	WW
			<u>\$198,394,795</u>	
Lewis	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	12,333,940	WW
			<u>\$27,229,030</u>	
Lincoln	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>	
Logan	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	CWSRF	4,468,000	WW
	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	11,594,000	WW
	Logan County PSD	WVIF	21,941,950	W
			<u>\$56,072,807</u>	
Marion	Barrackville	WDA	1,497,917	WW
	Colfax PSD	WDA	240,212	WW
	Fairmont	CWSRF	6,063,303	WW
	Fairmont	DWTRF	2,750,000	W
	Fairmont	WDA	658,247	WW
	Fairmont	WVIF	913,668	W
	Fairmont Industrial & Credit Corporation	WVIF	724,441	ED
	Farmington	WVIF	320,000	WW
	Grant PSD	WDA	5,412	WW
	Grant Town	WVIF	147,560	W
	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

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
	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
	Worthington	WVIF	100,000	W
	WV High Technology Consortium Foundation	WVIF	3,000,000	ED
			<u>\$33,790,230</u>	
Marshall	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 PSD No. 4	DWTRF	1,225,000	W
	Marshall County PSD No. 4	WVIF	1,500,000	W
	Marshall County Sewerage District	WDA	608,814	WW
	Marshall County Sewerage District	WVIF	843,800	WW
	McMechen	WDA	933,345	WW
	McMechen	WDA	115,000	W
	Moundsville	WDA	2,322,500	WW
	Moundsville	WDA	9,745,000	W
			<u>\$26,473,609</u>	
Mason	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>	
McDowell	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	1,555,488	W
	War	CWSRF	473,500	WW
	War	WVIF	4,170,000	WW

CUMULATIVE PROJECTS FUNDED BY COUNTY

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COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
	War	WVIF	215,300	W
	Welch	CWSRF	2,000,000	WW
	Welch	WVIF	803,000	WW
			<u>\$13,142,824</u>	
Mercer	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
	Bluemont 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
	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>	
Mineral	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
	Frankfort PSD	WVIF	400,000	W
	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>\$24,813,764</u>	
Mingo	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

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
	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>	
Monongalia	Canyon PSD	WVIF	6,700,000	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	36,253,668	WW
	Morgantown	WDA	445,415	WW
	Morgantown	WVIF	2,488,000	WW
	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>\$72,173,337</u>	
Monroe	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>	
Morgan	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>	
Nicholas	Craigsville PSD	WDA	1,521,334	WW
	Craigsville PSD	WVIF	1,272,440	WW
	Craigsville PSD	WVIF	1,362,017	W
	Gauley River PSD	WDA	6,250	WW
	Gauley River PSD	WDA	184,580	W
	Gauley River PSD	WVIF	354,818	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

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
	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>\$25,979,094</u>	
Ohio	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>	
Pendleton	Franklin	CWSRF	1,332,645	WW
	Franklin	DWTRF	2,528,623	W
	Franklin	WDA	282,921	WW
	Franklin	WDA	309,000	W
	Pendleton County PSD	WVIF	709,573	W
			<u>\$5,162,762</u>	
Pleasants	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>	
Pocahontas	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	3,370,956	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>\$8,857,952</u>	
Preston	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

CUMULATIVE PROJECTS FUNDED BY COUNTY

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COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
	Masonstown	WVIF	2,000,000	WW
	Masonstown	WVIF	815,500	W
	Newburg	WDA	4,400	WW
	Preston Co. Economic Development Authority	WVIF	259,200	ED
	Preston County PSD No. 1	DWTRF	806,838	W
	Preston County PSD No. 1	WVIF	1,391,300	W
	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>\$22,526,371</u>	
Putnam	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
	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	428,457	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	5,102,000	WW
	Putnam PSD (South Putnam PSD)	WDA	899,092	WW
	Putnam PSD (South Putnam PSD)	WDA	13,671,000	W
	Putnam PSD (South Putnam PSD)	WVIF	4,330,000	WW
	Putnam PSD	WVIF	509,000	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>\$74,750,952</u>	
Raleigh	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

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
	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
	Sophia	WVIF	767,031	WW
	WV Economic Development Authority	WVIF	500,000	ED
			<u>\$91,147,183</u>	
Randolph	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
	Womelsdorf	WDA	5,000	WW
			<u>\$25,518,990</u>	
Ritchie	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>	
Roane	Roane Co. Economic Development Authority	WVIF	3,000,000	ED
	Spencer	WDA	392,730	WW
	Spencer	WVIF	200,000	WW
	Spencer Vencer, LLC	WVIF	2,650,000	ED
	Walton PSD	WVIF	100,000	W
			<u>\$6,342,730</u>	
Summers	Big Bend PSD	WVIF	339,315	WW
	Hinton	CWSRF	490,000	WW
	Hinton	WDA	697,550	WW
	Hinton Development Authority	WVIF	2,730,000	ED
			<u>\$4,256,865</u>	
Taylor	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	1,688,397	W
			<u>\$10,395,508</u>	

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
Tucker	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>
Tyler	Friendly PSD	WDA	24,069	WW
	Friendly PSD	WDA	40,000	W
	Friendly PSD	WVIF	252,100	WW
	Friendly PSD	WVIF	368,229	W
	Middlebourne	CWSRF	375,000	WW
	Sistersville	WDA	1,115,860	WW
	Tyler Economic Development Authority	WVIF	609,330	ED
			<u>\$2,784,588</u>	
Upshur	Buckhannon	WDA	3,251,790	WW
	Elkins Road PSD	WVIF	5,657,288	W
	Tennerton PSD	CWSRF	585,627	WW
	Tennerton PSD	WDA	577,943	WW
				<u>\$10,072,648</u>
Wayne	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	CWSRF	4,649,209	WW
	Kenova	DWTRF	9,986,213	W
	Kenova	WDA	531,042	WW
	Kenova	WDA	3,000,000	W
	Kenova	WVIF	3,747,000	WW
	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	WDA	80,000	WW
	Wayne	DWTRF	1,925,000	W
	Wayne	WVIF	256,000	W
	Wayne County Commission	WVIF	5,000	WW
			<u>\$43,852,605</u>	
Webster	Bolair PSD	WDA	175,000	W
	Camden on Gauley	CWSRF	150,000	WW
	Camden on Gauley	WVIF	1,442,243	WW

CUMULATIVE PROJECTS FUNDED BY COUNTY

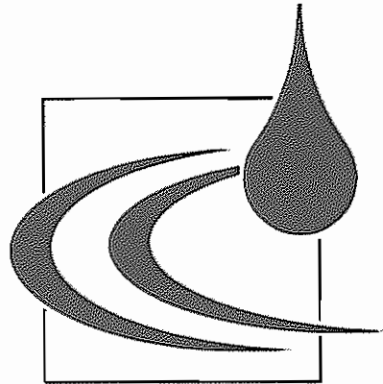
Key:	CWSRF	Clean Water State Revolving Fund	ED	Economic Development
	DWTRF	Drinking Water Treatment Revolving Fund	WW	Wastewater
	WDA	Water Development Authority	W	Water
	WVIF	West Virginia Infrastructure Fund		

COUNTY	PROJECT	FUNDING SOURCE	AMOUNT	TYPE
	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>	
Wetzel	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>	
Wirt	Elizabeth	CWSRF	108,000	WW
	Elizabeth	WDA	565,179	WW
	Elizabeth	WDA	238,000	W
			<u>\$911,179</u>	
Wood	Central Boaz PSD	WDA	940,396	WW
	Claywood Park PSD	CWSRF	1,800,000	WW
	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>	

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
Wyoming	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		\$1,622,731,560	
	CWSRF State Match	WVIF	57,119,873	
	DWTRF State Match	WVIF	13,409,940	
	Road Improvement Account	WVIF	251,566	
GRAND TOTAL			<u>\$1,693,512,939</u>	
June 2008				



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, 2008

WITH INDEPENDENT AUDITORS' REPORT

West Virginia Water Development Authority

Financial Statements

Year Ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

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

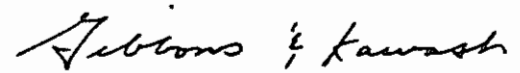
We have audited the accompanying statement of net assets of the West Virginia Water Development Authority (the Authority), a component unit of the State of West Virginia, as of and for the year ended June 30, 2008, and the related statements of revenues, expenses, and changes in fund net assets and cash 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 respective financial position of the West Virginia Water Development Authority as of June 30, 2008, and the respective changes in financial position and 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 October 13, 2008, 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 important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 to 8 is not a required part of the 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.

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

October 13, 2008

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, 2008, 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 \$1.58 million or .53%. There was a corresponding decrease in total liabilities of \$5.3 million or 2.17%. Total net assets increased \$3.7 million or 7.26%. This increase includes the current year change in net assets of \$3.48 million and the effect of a restatement of beginning net assets of \$254 thousand.
- Total revenues had a net increase of \$317 thousand. Most of the increase was in interest and investment revenue. Operating revenues, which remained about the same as the prior year, consist primarily of charges for services for both the current and prior years.
- Total expenses increased \$449 thousand. This was the combined result of a \$323 thousand increase in interest expense and a \$126 thousand increase in operating expenses.

THE AUTHORITY AS A WHOLE

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

	Table 1		
	Net Assets		
	2008	2007	Increase (Decrease)
Assets:			
Current assets	\$26,865,685	\$24,143,412	\$ 2,722,273
Noncurrent assets	<u>268,047,388</u>	<u>272,351,660</u>	<u>(4,304,272)</u>
Total assets	294,913,073	296,495,072	(1,581,999)
Liabilities:			
Current liabilities	8,537,201	8,201,375	335,826
Long-term debt outstanding	<u>231,290,222</u>	<u>236,937,030</u>	<u>(5,646,808)</u>
Total liabilities	239,827,423	245,138,405	(5,310,982)
Net Assets:			
Invested in capital assets	764,819	742,758	22,061
Restricted	26,150,178	26,128,267	21,911
Unrestricted	<u>28,170,653</u>	<u>24,485,642</u>	<u>3,685,011</u>
Total net assets	<u>\$55,085,650</u>	<u>\$51,356,667</u>	<u>\$ 3,728,983</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Table 2
Changes in Net Assets

	2008	2007	Increase (Decrease)
Revenues:			
Operating revenues:			
Charges for services	\$ 15,818,935	\$ 15,827,635	\$ (8,700)
Other	<u>62,713</u>	<u>1,800</u>	<u>60,913</u>
Total operating revenues	15,881,648	15,829,435	52,213
Nonoperating revenues:			
Interest and investment revenue, net of arbitrage	1,858,048	1,600,747	257,301
Other	<u>7,597</u>	<u>-</u>	<u>7,597</u>
Total nonoperating revenues	<u>1,865,645</u>	<u>1,600,747</u>	<u>264,898</u>
Total revenues	17,747,293	17,430,182	317,111
Expenses:			
Operating expenses	844,906	718,843	126,063
Nonoperating expenses:			
Interest expense	<u>13,427,086</u>	<u>13,103,609</u>	<u>323,477</u>
Total expenses	14,271,992	13,822,452	449,540
Change in net assets	3,475,301	3,607,730	(132,429)
Beginning net assets, as restated*	<u>51,610,349</u>	<u>47,748,937</u>	<u>3,861,412</u>
Ending net assets	<u>\$ 55,085,650</u>	<u>\$ 51,356,667</u>	<u>\$ 3,728,983</u>

* Restated for \$253,682 adjustment to other postemployment benefit liability at the beginning of the year.

Total assets decreased \$1.58 million or .53%. Decreases to assets were the result of the use of assets to pay interest expense on bonds payable of \$12.3 million, scheduled principal payments on bonds payable of \$6.3 million and general and administrative expenses of \$628 thousand. The combined decrease to assets of \$19.3 million was offset by revenues from interest on loans reflected in the financial statements as "charges for services" of \$15.8 million and interest on investments of \$1.86 million. During the year, the Authority closed eight wastewater or water project related loans totalling \$2.6 million, of which \$1.78 million was disbursed for those projects during the current year from unrestricted funds available to the Authority.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Total liabilities decreased about \$5.3 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 million. If the same comparison is made before netting these amounts against bonds payable, the decrease in bonds payable was \$6.33 million, which was the result of scheduled principal payments of bonds payable.

Unrestricted net assets increased \$3.7 million, primarily explained as the combined result of \$2.7 million net income in unrestricted accounts, a \$254 thousand decrease in liabilities payable from current assets as the result of a change in accounting principle, a \$579 thousand transfer from the restricted portion of supplemental revenue bonds receivable to current assets, and a \$567 thousand transfer from the restricted portion of revenue bonds receivable in the four loan programs to current assets. Offsetting those increases was a net decrease in interest receivable in the four loan programs of \$64 thousand, and an increase in liabilities payable from current assets of the four loan programs of \$325 thousand.

Restricted net assets remained about the same. This was primarily the combined result of \$756 thousand net income in the four loan programs offset by a \$579 thousand transfer from the restricted portion of supplemental revenue bonds receivable to current assets and by approximately the same amount of transfers of assets and liabilities to unrestricted accounts in the four loan programs as discussed above.

Charges for services remained about the same since there were no significant changes in any of the portfolios of the four loan programs. Although eight loans totaling \$2.6 million in the Supplemental Fund were closed during the current year and \$1.78 million of those loans was disbursed and accrued interest at rates between 3% and 5% during the current year, \$1.66 million of those loans was disbursed during the last six months of the year and only accrued interest for six months or less.

Interest and investment revenue, net of arbitrage increased \$257 thousand, even though interest rates on the Authority's money market accounts decreased during the year. However, because interest and investment revenue is presented net of the adjustment to the liability for arbitrage rebate and because the adjustment to the liability was less for the current year than the prior year, there was an increase in the net amount of interest and investment revenue. If the adjustment to the liability for arbitrage is not netted against interest and investment earnings for the prior and current year, interest and investment earnings actually decreased about \$47 thousand during the current year, which is consistent with the decrease in interest rates.

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 \$254.7 million in revenue and refunding bonds outstanding versus \$261 million in the prior year, a decrease of 2.4%, as shown in Table 3 on the next page.

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

DEBT ADMINISTRATION (Continued)

Table 3
Outstanding Debt at Year End
(in Millions)

	<u>2008</u>	<u>2007</u>
Revenue bonds	\$ 85.9	\$ 87.5
Refunding bonds	<u>168.8</u>	<u>173.5</u>
Total	<u>\$ 254.7</u>	<u>\$ 261.0</u>

On January 31, 2008, Standard & Poor’s Ratings Group (“Standard & Poor’s”) downgraded from AAA to AA the Financial Guaranty Insurance Company, the bond insurer for the West Virginia Water Development Authority, Water Development Revenue Refunding Bonds (Loan Program II) 2005 Series A-II and B-II and 2006 Series A-II. As required, on February 20, 2008, the Authority submitted written Notices of Material Event Filing (Rating Agency Change) to the Municipal Securities Rulemaking Board and electronic notices to the Nationally Recognized Municipal Securities Information Repositories through Disclosure USA.

On June 5, 2008, Standard & Poor’s downgraded from AAA to AA the Ambac Financial Group, the bond insurer for the West Virginia Water Development Authority, Water Development Revenue Refunding Bonds (Loan Program) 2002 Series A and 2003 Series A-I; Water Development Revenue Bonds (Loan Program II) 2003 Series A; Water Development Revenue Refunding Bonds (Loan Program II) 2003 Series B, 2003 Series C and 2003 Series D; Water Development Revenue Bonds (Loan Program III) 2000 Series A and 2000 Series B; and Water Development Revenue Bonds (Loan Program IV) 2005 Series B-IV. As required, on June 26, 2008, the Authority submitted written Notices of Material Event Filing (Rating Agency Change) to the Municipal Securities Rulemaking Board and electronic notices to the Nationally Recognized Municipal Securities Information Repositories through Disclosure USA.

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

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

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

DEBT ADMINISTRATION (Continued)

The Authority, as well as its underwriters and bond counsel, continues to monitor the status of its bond insurers and is considering options for issuance of future bonds without an insurance policy.

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 was affected during the current year by the decline in short-term interest rates, which continue to remain low.

SUBSEQUENT EVENT

Between August 20, 2008 and August 28, 2008, the custodian of the collateral securing one of the Authority’s repurchase agreements allowed part of the collateral consisting of the proceeds of called United States Treasury Bonds (“Treasuries”) of \$1,325,000 and accrued interest on those bonds of \$79,500 to be withdrawn by the investment provider. The security provided by the investment provider to replace the Treasuries consisted of a Federal Home Loan Mortgage Real Estate Mortgage Investment Conduit which is backed by the full faith and credit of the United States but is not an eligible security in accordance with the investment contract. Additionally, even though the market value of the remaining collateral exceeds the face amount of the investment, or purchase price, the collateral value does not meet the 125% margin required by the terms of the investment contract.

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 Executive Director or Secretary/Treasurer, West Virginia Water Development Authority, 180 Association Drive, Charleston, West Virginia 25311, call 304-558-3612, extension 108; or visit the Authority’s website (www.wvwda.org).

West Virginia Water Development Authority

Statement of Net Assets June 30, 2008

ASSETS

Current assets:	
Cash and cash equivalents	\$ 16,721,645
Receivables:	
Revenue bonds, net of unamortized discount of \$58,018	5,565,561
Supplemental revenue bonds	579,074
Interest	3,868,393
Administrative fees	2,011
Due from other agencies	129,001
Total current assets	26,865,685
Noncurrent assets:	
Receivables:	
Revenue bonds	8,675,459
Loans receivable, net of allowances	-
Investments	1,200,000
Restricted assets:	
Cash and cash equivalents	2,016,542
Investments	15,626,056
Receivables, net:	
Revenue bonds, net of unamortized discount of \$1,331,726	229,791,204
Supplemental revenue bonds	9,973,308
Capital assets, net	764,819
Total noncurrent assets	268,047,388
Total assets	294,913,073

LIABILITIES

Current liabilities:	
Accounts payable	19,219
Other postemployment benefits	3,335
Current portion of revenue bonds payable, net of unamortized premium of \$144,196, discounts and issue costs of \$185,686 and deferred losses on refundings of \$740,935	5,902,575
Accrued interest payable	2,612,072
Total current liabilities	8,537,201
Noncurrent liabilities:	
Compensated absences	33,290
Liabilities payable from restricted assets:	
Arbitrage rebate payable	155,783
Noncurrent portion of revenue bonds payable, net of unamortized premium of \$3,497,101, discounts and issue costs of \$4,612,730 and deferred losses on refundings of \$15,813,222	231,101,149
Total noncurrent liabilities	231,290,222
Total liabilities	239,827,423
NET ASSETS	
Restricted	26,150,178
Unrestricted	28,170,653
Invested in capital assets	764,819
Total net assets	\$ 55,085,650

See accompanying notes to financial statements.

West Virginia Water Development Authority

Statement of Revenues, Expenses, and Changes In Fund Net Assets Year Ended June 30, 2008

Operating revenues:	
Charges for services	\$15,818,935
Miscellaneous	24,838
Recovery of uncollectible loans and service charges	<u>37,875</u>
Total operating revenues	<u>15,881,648</u>
Operating expenses:	
Depreciation and amortization	225,117
General and administrative	<u>619,789</u>
Total operating expenses	<u>844,906</u>
Operating income	<u>15,036,742</u>
Nonoperating revenues (expenses):	
Interest and investment revenue, net of arbitrage	1,858,048
Other nonoperating revenues	7,597
Interest expense	<u>(13,427,086)</u>
Total nonoperating revenues (expenses)	<u>(11,561,441)</u>
Change in net assets	3,475,301
Total net assets, beginning of year, as previously reported	51,356,667
Cumulative effect of a change in accounting principle	<u>253,682</u>
Total net assets, beginning of the year, as restated	<u>51,610,349</u>
Total net assets, end of year	<u>\$ 55,085,650</u>

See accompanying notes to financial statements.

West Virginia Water Development Authority

Statement of Cash Flows Year Ended June 30, 2008

Cash flows from operating activities:	
Receipts of principal on bonds receivable	\$ 5,121,977
Receipts of interest on bonds receivable	15,805,321
Receipts of administrative fees on bonds receivable	24,902
Receipts of uncollectible loans and service charges	37,875
Receipts of reimbursements from other agencies	480,343
Disbursements of loans	(1,983,201)
Disbursements for general and administrative expense	(345,702)
Disbursements to employees	(282,482)
Disbursements on behalf of other agencies	(482,830)
Net cash provided by operating activities	<u>18,376,203</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(61,492)
Net cash used for capital and related financing activities	<u>(61,492)</u>
Cash flows from noncapital financing activities:	
Principal paid on revenue and refunding bonds	(6,330,000)
Interest paid on revenue and refunding bonds	(12,326,407)
PEIA reserve transfer	7,597
Net cash used for noncapital financing activities	<u>(18,648,810)</u>
Cash flows from investing activities:	
Investment earnings	1,906,067
Net cash provided by investing activities	<u>1,906,067</u>
Net increase in cash and cash equivalents	1,571,968
Cash and cash equivalents, beginning of year	17,166,219
Cash and cash equivalents, end of year	<u>\$ 18,738,187</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 15,036,742
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	39,431
Amortization expense	185,686
Changes in assets and liabilities:	
Due from other agencies	(2,487)
Supplemental revenue bonds receivable	580,701
Revenue bonds receivable	2,500,059
Accrued interest receivable	44,402
Administrative fees receivable	64
Accounts payable	7,344
Other postemployment benefits liability	3,335
Compensated absences	(19,074)
Net cash provided by operating activities	<u>\$ 18,376,203</u>

See accompanying notes to financial statements.

West Virginia Water Development Authority

Notes to Financial Statements

(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 accounting principles generally accepted in the United States of America (“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 GAAP, 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 Governmental Accounting Standards Board (“GASB”) Statement No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities

West Virginia Water Development Authority

Notes to Financial Statements (Continued)

(2) Significant Accounting Policies (Continued)

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 loans and service charges from the 1974 Revolving Loan Fund Program 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. Gains and losses are reported as a component of investment income.

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 and amortization are 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
Intangible assets	5 years

West Virginia Water Development Authority

Notes to Financial Statements (Continued)

(2) Significant Accounting Policies (Continued)

Compensated Absences

In accordance with State policy, the Authority permits employees to accumulate earned but unused vacation and sick pay benefits. A liability for vacation pay is accrued when earned. To the extent that accumulated sick leave is expected to be converted to benefits on termination or retirement, a liability is accrued through the Authority's participation in the State's multiple employer cost-sharing post-employment benefit plan that represents billed and unpaid charges from that plan in accordance with GASB Statement No. 45.

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. The straight-line method is not in accordance with GAAP, but the difference in amortization using the straight-line method, versus the effective interest method which is in accordance with GAAP, is not material.

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, 2008.

(3) Change in Accounting Principle and Restatement of Net Assets

Beginning July 1, 2007, the Authority adopted GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which provides guidance on other postemployment benefit reporting by employers, effectively revising the provisions of GASB Statement No. 16. As a result of adopting the new standard, the Authority has restated net assets as of July 1, 2007, to account for the cumulative effect of this change in accounting principle related to accounting for other postemployment benefits. The effect of the restatement was an increase to beginning net assets of \$253,682.

(4) 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 Ratings Services, advance-refunded municipal bonds and repurchase agreements relating to certain securities. Investments are managed by the financial institutions serving as trustees for the Authority.

West Virginia Water Development Authority

Notes to Financial Statements (Continued)

(4) Deposit and Investment Risk Disclosures (Continued)

Interest Rate Risk

As of June 30, 2008, the Authority had the following investments and maturities:

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
Money Markets	18,576,112	18,576,112	-	-	-
	<u>\$ 35,402,168</u>	<u>\$ 18,576,112</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, 2008, 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	21%
	Citigroup Global Markets, Inc.	7%
	Lehman Government Securities, Inc.	7%
Money Markets	Federated Prime Cash Obligations	52%

West Virginia Water Development Authority

Notes to Financial Statements (Continued)

(4) Deposit and Investment Risk Disclosures (Continued)

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:

<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 & Poor's</u>	<u>Fair Value</u>
Money Markets	AAA	Aaa	AAAm	<u>\$ 18,576,112</u>

West Virginia Water Development Authority

Notes to Financial Statements (Continued)

(4) Deposit and Investment Risk Disclosures (Continued)

Additionally, of the Authority's investments in repurchase agreements, the underlying securities consist of \$3,980,022 in United States Treasury Bonds, \$1,236,830 in federal agency obligations backed by the full faith and credit of the United States, \$12,157,729 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 and \$827,351 in a federal agency obligation guaranteed by the federal agency on a subordinated basis which is rated Aa2, AA- and AA- by Moody's, Standard & Poor's and Fitch, respectively, but which collateralizes the related repurchase agreement in excess of the required 105%.

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)

(4) 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, 2008, \$174,247 of the Authority's \$35,402,168 investments was undercollateralized. Subsequent to June 30, 2008, additional collateral was secured for that investment and that investment is now fully collateralized.

Foreign Currency Risk

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

Cash consisted of the following at June 30, 2008:

Cash on deposit with State Treasurer	\$ 75,691
Cash on deposit with Trustee	<u>86,384</u>
	<u>\$ 162,075</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, 2008, is as follows:

Deposits:

Cash and cash equivalents as reported on the Statement of Net Assets	\$ 16,721,645
Add: restricted cash and cash equivalents as reported	2,016,542
Less: cash equivalents and restricted cash equivalents disclosed as investments	<u>(18,576,112)</u>
Total cash as disclosed in this Note	<u>\$ 162,075</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>18,576,112</u>
Total investments as disclosed in this Note	<u>\$ 35,402,168</u>

West Virginia Water Development Authority

Notes to Financial Statements (Continued)

(5) Due From Other Agencies

Certain agencies of the State were indebted to the Authority at June 30, 2008, in connection with expenses paid by the Authority on behalf of the agencies. Amounts due from other agencies at June 30, 2008, were as follows:

West Virginia Infrastructure and Jobs Development Council	\$ 103,916
Department of Environmental Protection Clean Water State Revolving Fund	19,047
Bureau for Public Health Drinking Water Treatment Revolving Fund	6,038
	\$ 129,001

(6) 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 loans receivable in the Revolving Loan Fund program 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 Revolving Loan Fund program balance at June 30, 2008, is comprised of the following:

Loans receivable	\$ 388,584
Service charges receivable	3,751
Allowance for uncollectible	(392,335)
	\$ -

West Virginia Water Development Authority

Notes to Financial Statements (Continued)

(7) Revenue Bonds Receivable and Supplemental Revenue Bonds Receivable

As of June 30, 2008, the face value of revenue bonds of municipalities, public service districts and other political subdivisions purchased with proceeds from Water Development Revenue Bonds was \$235,814,577. 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.

(8) Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Furniture and equipment	\$ 200,271	\$ 34,963	\$ (1,624)	\$ 233,610
Building	963,493	-	-	963,493
Building improvements	18,927	-	-	18,927
Intangible assets (software)	<u>-</u>	<u>26,529</u>	<u>-</u>	<u>26,529</u>
Total at historical cost	<u>1,182,691</u>	<u>61,492</u>	<u>(1,624)</u>	<u>1,242,559</u>
Less accumulated depreciation for:				
Furniture and equipment	(182,143)	(10,037)	1,624	(190,556)
Building	(238,863)	(24,088)	-	(262,951)
Building improvements	<u>(18,927)</u>	<u>-</u>	<u>-</u>	<u>(18,927)</u>
Total accumulated depreciation	<u>(439,933)</u>	<u>(34,125)</u>	<u>1,624</u>	<u>(472,434)</u>
Less accumulated amortization for:				
Intangible assets (software)	<u>-</u>	<u>(5,306)</u>	<u>-</u>	<u>(5,306)</u>
Total accumulated amortization	<u>-</u>	<u>(5,306)</u>	<u>-</u>	<u>(5,306)</u>
Capital assets, net	<u>\$ 742,758</u>	<u>\$ 22,061</u>	<u>\$ -</u>	<u>\$ 764,819</u>

Depreciation expense and amortization expense on capital assets for the year ended June 30, 2008, was \$34,125 and \$5,306, respectively.

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

(9) Revenue Bonds Payable

The following is a summary of the Authority's bond transactions for the year ended June 30, 2008:

Revenue bonds payable at June 30, 2007	\$ 261,045,000
Bonds issued	-
Bonds retired	<u>(6,330,000)</u>
Revenue bonds payable at June 30, 2008	<u>\$ 254,715,000</u>

Revenue and refunding bonds outstanding at June 30, 2008, were as follows:

<u>Series</u>	<u>Final Maturity</u>	<u>Interest Rates %</u>	<u>Balance</u>
2000 AIII	07/01/39	5.400-6.375	\$ 18,495,000
2000 BIII	07/01/40	4.900-5.875	10,305,000
2002 AI	11/01/25	3.850-5.125	6,700,000
2003 AII	11/01/23	2.400-4.400	8,455,000
2003 AI	11/01/26	2.750-5.250	21,955,000
2003 BII	11/01/29	2.750-5.250	50,160,000
2003 CII	11/01/33	2.750-5.000	16,570,000
2003 DII	11/01/24	2.750-4.850	4,835,000
2005 AIV	11/01/44	3.250-5.000	36,905,000
2005 AII	11/01/33	3.500-5.000	17,315,000
2005 BII	11/01/33	3.500-5.000	11,830,000
2005 BIV	11/01/44	3.750-5.125	11,755,000
2006 AII	11/01/39	3.750-5.000	<u>39,435,000</u>
			<u>\$ 254,715,000</u>

West Virginia Water Development Authority

Notes to Financial Statements (Continued)

(9) 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, 2008, are as follows:

Loan Program I

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,188,577	2,493,577
11/01/11	1,355,000	1,137,921	2,492,921
11/01/12	<u>1,385,000</u>	<u>1,084,009</u>	<u>2,469,009</u>
	<u>6,530,000</u>	<u>5,917,855</u>	<u>12,447,855</u>
11/01/13 - 11/01/17	7,670,000	4,504,711	12,174,711
11/01/18 - 11/01/22	7,560,000	2,717,797	10,277,797
11/01/23 - 11/01/26	<u>6,895,000</u>	<u>697,181</u>	<u>7,592,181</u>
	<u>22,125,000</u>	<u>7,919,689</u>	<u>30,044,689</u>
	<u>\$ 28,655,000</u>	<u>\$ 13,837,544</u>	<u>\$ 42,492,544</u>

Loan Program II

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	4,475,000	6,378,587	10,853,587
11/01/12	<u>4,660,000</u>	<u>6,178,394</u>	<u>10,838,394</u>
	<u>21,700,000</u>	<u>32,631,330</u>	<u>54,331,330</u>
11/01/13 - 11/01/17	25,980,000	27,469,777	53,449,777
11/01/18 - 11/01/22	28,840,000	21,027,059	49,867,059
11/01/23 - 11/01/27	31,880,000	13,771,648	45,651,648
11/01/28 - 11/01/32	25,785,000	6,313,800	32,098,800
11/01/33 - 11/01/37	10,850,000	2,081,000	12,931,000
11/01/38 - 11/01/39	<u>3,565,000</u>	<u>169,125</u>	<u>3,734,125</u>
	<u>126,900,000</u>	<u>70,832,409</u>	<u>197,732,409</u>
	<u>\$ 148,600,000</u>	<u>\$ 103,463,739</u>	<u>\$ 252,063,739</u>

West Virginia Water Development Authority

Notes to Financial Statements (Continued)

(9) Revenue Bonds Payable (Continued)

Loan Program III

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,620,207	2,440,207
07/01/11	355,000	1,587,663	1,942,663
07/01/12	<u>370,000</u>	<u>1,567,200</u>	<u>1,937,200</u>
	<u>3,070,000</u>	<u>8,144,143</u>	<u>11,214,143</u>
07/01/13 - 07/01/17	2,210,000	7,475,834	9,685,834
07/01/18 - 07/01/22	2,965,000	6,697,594	9,662,594
07/01/23 - 07/01/27	3,970,000	5,668,091	9,638,091
07/01/28 - 07/01/32	5,300,000	4,281,649	9,581,649
07/01/33 - 07/01/37	7,130,000	2,399,916	9,529,916
07/01/38 - 07/01/40	<u>4,155,000</u>	<u>309,950</u>	<u>4,464,950</u>
	<u>25,730,000</u>	<u>26,833,034</u>	<u>52,563,034</u>
	<u>\$ 28,800,000</u>	<u>\$ 34,977,177</u>	<u>\$ 63,777,177</u>

Loan Program IV

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	2,256,215	2,971,215
11/01/11	745,000	2,230,069	2,975,069
11/01/12	<u>770,000</u>	<u>2,202,319</u>	<u>2,972,319</u>
	<u>3,590,000</u>	<u>11,272,928</u>	<u>14,862,928</u>
11/01/13 - 11/01/17	4,310,000	10,528,216	14,838,216
11/01/18 - 11/01/22	5,405,000	9,390,006	14,795,006
11/01/23 - 11/01/27	6,495,000	7,953,369	14,448,369
11/01/28 - 11/01/32	7,720,000	6,249,712	13,969,712
11/01/33 - 11/01/37	8,490,000	4,167,653	12,657,653
11/01/38 - 11/01/42	8,580,000	2,134,388	10,714,388
11/01/43 - 11/01/44	<u>4,070,000</u>	<u>206,209</u>	<u>4,276,209</u>
	<u>45,070,000</u>	<u>40,629,553</u>	<u>85,699,553</u>
	<u>\$ 48,660,000</u>	<u>\$ 51,902,481</u>	<u>\$ 100,562,481</u>

Total all loan programs	\$ 254,715,000
Add: unamortized premium	3,641,297
Less: unamortized discount, bond issue costs and deferred losses on advance refundings	<u>(21,352,573)</u>
Total all programs, presented net	237,003,724
Less: current portion	<u>(5,902,575)</u>
Noncurrent portion	<u>\$ 231,101,149</u>

West Virginia Water Development Authority

Notes to Financial Statements (Continued)

(9) 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, 2008, there are \$42,675,000 in defeased bonds outstanding.

(10) 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
4101 MacCorkle Avenue, S.E.
Charleston, West Virginia 25304

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, 2008, 2007 and 2006 for Authority employees, including employees utilized by the Infrastructure and Jobs Development Council (the "Council"), were \$45,519, \$43,999, and \$45,973, respectively. The Authority's contributions to PERS for Authority employees utilized by the Council for the years ended June 30, 2008, 2007 and 2006 were \$10,153, \$9,783 and \$10,967, respectively, which contributions were reimbursed by the Council.

(11) Other Postemployment Benefits

Plan Description

The Authority participates in the West Virginia Other Postemployment Benefits ("OPEB") Plan of the West Virginia Retiree Health Benefit Trust Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employees Insurance Agency ("WVPEIA"). The OPEB Plan provides retiree postemployment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended, assigns the authority to establish and amend benefit provisions to the WVPEIA board of trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by calling 1-888-680-7342 or by writing to:

Public Employees Insurance Agency
State Capitol Complex, Building 5, Room 1001
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305-0710

West Virginia Water Development Authority

Notes to Financial Statements (Continued)

(11) Other Postemployment Benefits (Continued)

Funding Policy

The Code requires the OPEB Plan bill the participating employers 100% of the annual required contribution ("ARC") an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. State of West Virginia plan employers are billed per active health policy per month.

The Authority's contributions to the OPEB Plan for the year ended June 30, 2008, were \$18,114 and the billed ARC was \$29,046. During the year ended June 30, 2008, the Authority received on-behalf payments from the WVPEIA in the amount of \$7,597. These amounts were transferred to the OPEB Plan which resulted in a net ARC liability of \$3,335, which is included in the Authority's liabilities as of June 30, 2008.

(12) General and Administrative Expenses

General and administrative expenses for the year ended June 30, 2008, are as follows:

Personal services	\$ 263,408
Legal	81,240
Professional	48,866
Trustee	44,338
Public employees retirement	35,366
Other postemployment benefits	29,047
Public employees insurance	19,288
Office supplies/printing	14,488
Building	12,964
Travel	10,812
Utilities	9,810
Telecommunications	9,053
Advertising	8,834
Payroll taxes	7,206
Computer supplies	5,110
Janitorial	4,997
Miscellaneous	4,371
Rental	4,345
Administrative	2,550
Insurance	2,086
Training and development	<u>1,610</u>
	<u>\$ 619,789</u>

West Virginia Water Development Authority

Notes to Financial Statements (Continued)

(13) 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 Brickstreet Mutual Insurance Company (“Brickstreet”) and the WVPEIA. In exchange for the payment of premiums to Brickstreet and WVPEIA, 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.

(14) Subsequent Event

Between August 20, 2008 and August 28, 2008, the custodian of the collateral securing one of the Authority’s repurchase agreements allowed part of the collateral consisting of the proceeds of called United States Treasury Bonds (“Treasuries”) of \$1,325,000 and accrued interest on those bonds of \$79,500 to be withdrawn by the investment provider. The security provided by the investment provider to replace the Treasuries consisted of a Federal Home Loan Mortgage Real Estate Mortgage Investment Conduit which is backed by the full faith and credit of the United States but is not an eligible security in accordance with the investment contract. Additionally, even though the market value of the remaining collateral exceeds the face amount of the investment, or purchase price, the collateral value does not meet the 125% margin required by the terms of the investment contract.

(15) 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)

(15) Segment Information (Continued)

	<u>Loan Program I</u>	<u>Loan Program II</u>	<u>Loan Program III</u>
Assets:			
Current	\$ 1,348,912	\$ 4,901,714	\$ 884,698
Noncurrent - other	-	-	-
Restricted	27,258,206	141,536,152	30,305,359
Capital	-	-	-
Total assets	28,607,118	146,437,866	31,190,057
Liabilities:			
Current	1,154,324	4,739,653	1,563,578
Long-term	22,674,685	133,481,863	26,884,795
Total liabilities	23,829,009	138,221,516	28,448,373
Net assets:			
Restricted	4,583,521	8,054,289	3,420,564
Unrestricted	194,588	162,061	(678,880)
Invested in capital assets	-	-	-
Total net assets	\$ 4,778,109	\$ 8,216,350	\$ 2,741,684
Operating revenues:			
Charges for services	\$ 2,152,951	\$ 9,128,530	\$ 1,792,046
Recovery of uncollectible loans and service charges	-	-	-
Operating expenses:			
Depreciation	-	-	-
Amortization	27,567	94,619	38,779
General and administrative	-	(12)	-
Allocation of general and administrative	67,340	319,198	70,152
Operating income	2,058,044	8,714,725	1,683,115
Nonoperating revenues (expenses):			
Interest and investment revenue, net of arbitrage	226,066	690,627	167,294
Other nonoperating revenue	-	-	-
Interest expense	(1,557,702)	(7,855,411)	(1,724,713)
Transfers (net)	(517,452)	(1,099,189)	(125,685)
Change in net assets	208,956	450,752	11
Beginning net assets, as previously reported	4,569,153	7,765,598	2,741,673
Cumulative effect on prior years of a change in accounting principle	-	-	-
Adjusted balance, beginning net assets	4,569,153	7,765,598	2,741,673
Ending net assets	\$ 4,778,109	\$ 8,216,350	\$ 2,741,684
Net cash provided (used) by:			
Operating activities	\$ 2,314,340	\$ 10,107,133	\$ 2,293,777
Capital and related financing activities	-	-	-
Noncapital financing activities	(2,500,007)	(10,885,264)	(2,448,343)
Investing activities	185,516	725,703	192,002
Beginning cash and cash equivalents	59,438	315,356	1,656,773
Ending cash and cash equivalents	\$ 59,287	\$ 262,928	\$ 1,694,209

West Virginia Water Development Authority

Notes to Financial Statements (Continued)

(15) Segment Information (Continued)

	<u>Loan Program IV</u>	<u>Supplemental</u>	<u>Total</u>
Assets:			
Current	\$ 1,213,133	\$ 18,517,228	\$ 26,865,685
Noncurrent - other	-	9,875,459	9,875,459
Restricted	48,334,085	9,973,308	257,407,110
Capital	-	764,819	764,819
Total assets	49,547,218	39,130,814	294,913,073
Liabilities:			
Current	1,057,091	22,555	8,537,201
Long-term	48,215,589	33,290	231,290,222
Total liabilities	49,272,680	55,845	239,827,423
Net assets:			
Restricted	118,496	9,973,308	26,150,178
Unrestricted	156,042	28,336,842	28,170,653
Invested in capital assets	-	764,819	764,819
Total net assets	\$ 274,538	\$ 39,074,969	\$ 55,085,650
Operating revenues:			
Charges for services	\$ 2,504,169	\$ 266,077	\$ 15,843,773
Recovery of uncollectible loans and service charges	-	37,875	37,875
Operating expenses:			
Depreciation	-	34,125	34,125
Amortization	24,721	5,306	190,992
General and administrative	-	619,801	619,789
Allocation of general and administrative	116,057	(572,747)	-
Operating income	2,363,391	217,467	15,036,742
Nonoperating revenues (expenses):			
Interest and investment revenue, net of arbitrage	9,708	764,353	1,858,048
Other nonoperating revenue	-	7,597	7,597
Interest expense	(2,289,260)	-	(13,427,086)
Transfers (net)	12,488	1,729,838	-
Change in net assets	96,327	2,719,255	3,475,301
Beginning net assets, as previously reported	178,211	36,102,032	51,356,667
Cumulative effect on prior years of a change in accounting principle	-	253,682	253,682
Adjusted balance, beginning net assets	178,211	36,355,714	51,610,349
Ending net assets	\$ 274,538	\$ 39,074,969	\$ 55,085,650
Net cash provided (used) by:			
Operating activities	\$ 2,811,869	\$ 849,084	\$ 18,376,203
Capital and related financing activities	-	(61,492)	(61,492)
Noncapital financing activities	(2,822,793)	7,597	(18,648,810)
Investing activities	9,713	793,133	1,906,067
Beginning cash and cash equivalents	1,330	15,133,322	17,166,219
Ending cash and cash equivalents	\$ 119	\$ 16,721,644	\$ 18,738,187

**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, 2008, and have issued our report thereon dated October 13, 2008. 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.

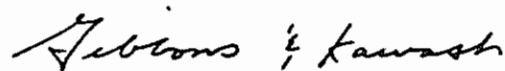
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

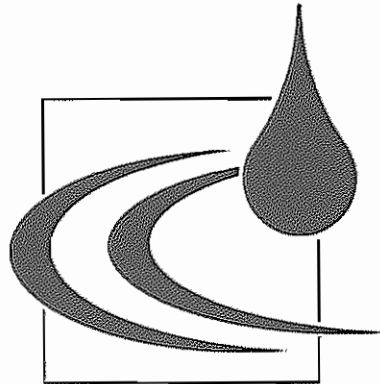
As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

We noted certain matters that we reported to management of the Authority in a separate letter dated October 13, 2008.

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.



October 13, 2008



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, 2008

WITH INDEPENDENT AUDITORS' REPORT

West Virginia Drinking Water Treatment Revolving Fund

Financial Statements
Year Ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the West Virginia Bureau for Public Health
and the West Virginia Water Development Authority
Charleston, West Virginia

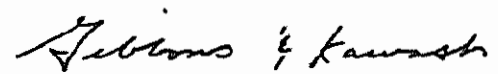
We have audited the accompanying balance sheet of the West Virginia Drinking Water Treatment Revolving Fund (the Fund), a component unit of the State of West Virginia, as of June 30, 2008, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the year then 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, 2008, and the respective changes in financial position, and cash flows thereof 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.

A handwritten signature in cursive script that reads "Helms & Kowalski".

October 13, 2008

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, 2008. Please read it in conjunction with the Fund's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- The Fund's assets increased by \$5,862,933 or about 9.6%. 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 remained about the same. Administrative fees increased \$52,932. Investment earnings, however, decreased \$42,248 due to the decrease in interest rates.
- Capital grants and contributions from the United States Environmental Protection Agency (the "EPA") decreased by \$4,352,613 from the prior year. Capital grants and contributions from the State of West Virginia (the "State") decreased \$11,240 from the prior year.
- 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 \$5,862,933 or about 9.6%. 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

	2008	2007
Assets:		
Current assets	\$ 19,036,021	\$ 15,215,971
Loans receivable, less current maturities of \$2,099,644 and \$1,904,130, respectively	<u>47,786,781</u>	<u>45,743,898</u>
Total assets	<u>\$ 66,822,802</u>	<u>\$ 60,959,869</u>
Liabilities:	<u>\$ -</u>	<u>\$ -</u>
Net assets:		
Restricted	\$ 66,822,802	\$ 60,959,869
Total net assets	<u>\$ 66,822,802</u>	<u>\$ 60,959,869</u>

Table 2
Changes in Net Assets

	2008	2007
Revenues:		
Operating revenues:		
Administrative fees	\$ 263,533	\$ 210,601
Interest on loans	241,556	250,639
User fees	<u>34,079</u>	<u>32,392</u>
Total operating revenues	539,168	493,632
Investment earnings:	<u>601,386</u>	<u>643,634</u>
Total revenues	1,140,554	1,137,266
Operating expenses:	<u>-</u>	<u>-</u>
Income before capital grants and contributions	<u>1,140,554</u>	<u>1,137,266</u>
Capital grants and contributions	<u>4,722,379</u>	<u>9,086,232</u>
Total income	<u>5,862,933</u>	<u>10,223,498</u>
Increase in net assets	<u>\$ 5,862,933</u>	<u>\$ 10,223,498</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Most of the increase in the Fund's assets, and therefore its net assets, is attributable to \$4,722,379 of capital grants and contributions received in the current year from EPA in the amount of \$3,076,519 and from the State through the West Virginia Infrastructure and Jobs Development Council in the amount of \$1,645,860. Of the \$3,076,519 received from EPA in the current year, 100% of that amount was for eligible costs reviewed and approved by the Fund 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 \$1,645,860 received in advance from the State during the current year, \$3,145,534 of State moneys received for matching purposes in prior years and \$1,782,361 of cumulative investment earnings on those State match amounts, all totalling \$6,573,755, 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 of 74%, 22% and 4%, respectively, were consistent with the prior year even though the total amount of funds disbursed as loans during the current year decreased \$7,839,659. Although loans for three projects totaling \$4,781,838 closed during the current year, only \$1,017,710 of construction costs were incurred and disbursed for those projects during the current year. One of those loans for \$2,750,000 closed just four days prior to year end, so most of the construction costs, and therefore, most of the loan disbursements will occur in future years. Additionally, of the six remaining projects which incurred construction costs during the current year, only one incurred most of its construction costs during the current year. Most of the construction costs of the remaining five projects were incurred in prior years. The federal portion of loans disbursed for eligible costs incurred during the current year decreased \$5,902,421, compared to the federal portion of loans disbursed for eligible costs incurred during the prior year. Capital grant income from EPA decreased \$4,352,613. The difference of \$1,549,808 was the result of the federal portion of loans disbursed in the prior year for which the capital grant income was received in fiscal year 2006.

Total revenues, including operating revenues and investment earnings, of \$1,140,554 were about the same as the prior year. There was a decrease in investment earnings of \$42,248 despite an increase in the amount invested during the current year. The investment of unexpended State match and loan repayments provided 92% of investment earnings. Although \$891,746 of State match was withdrawn during the current year, the current year State match of \$1,645,860 received in December 2007 was invested for over six months in the current year. Additionally, loan repayments invested increased by a net amount of \$1,968,514 (payments of principal and interest on loans of \$2,140,776 less disbursements for new loans of \$172,262). Despite the increase in amounts invested during the current year, interest rates for State match and loan repayments invested steadily decreased during the current year resulting in the decrease in investment earnings. While interest rates during the prior year remained consistent and above 5%, current year interest rates steadily decreased every month beginning in August 2007, when the rate was 5.26%, through June 2008, to the fiscal year low of 2.40%.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

There was a slight decrease in interest on loans of \$9,083. There was only one loan which began accruing interest during the current year and that loan only accrued interest for one month. All other revenue from interest on loans was from loans which began accruing interest in prior years. As repayments continue to be made on those loans, the principal balance outstanding continues to decrease, resulting in less interest earned on those loans, and a corresponding decrease in revenue from interest on loans.

Three loans totalling \$4,781,838 were closed during the current year. The amount disbursed for these loans was \$1,017,710, of which \$655,458 was federal funds, \$189,990 was State match, and \$172,262 was recirculated loan repayments. The amount disbursed during the current year for loans closed in prior years was \$3,122,817, of which \$2,421,061 was federal funds and \$701,756 was State match.

COMMITMENTS AND PENDING APPLICATION FOR EPA GRANT

As of June 30, 2008, \$20,851,360 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 \$16,698,569 of cash equivalents available for these projects. Additionally, the Fund has \$181,618 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 the EPA for a grant for the Fund for the federal fiscal year 2008 grant period. The application, if approved, would result in an award from the EPA of \$5,678,010. The \$1,645,800 State match has been committed to the Fund in order to secure the federal funds. The total of \$7,323,810, 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, 2008, 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 Executive Director or Secretary/Treasurer, West Virginia Water Development Authority, 180 Association Drive, Charleston, West Virginia 25311; call 304-558-3612, extension 108; or visit the Authority's website (www.wvwda.org).

West Virginia Drinking Water Treatment Revolving Fund

Balance Sheet June 30, 2008

Assets:

Current assets:

Cash equivalents	\$ 16,880,186
User fees receivable	9,523
Administrative fees receivable	23,439
Accrued interest receivable	23,229
Current maturities of loans receivable	<u>2,099,644</u>
Total current assets	19,036,021

Loans receivable, less current maturities 47,786,781

Total assets \$ 66,822,802

Liabilities and Net Assets:

Commitments (Note 6)

Net assets, restricted \$ 66,822,802

Total liabilities and net assets \$ 66,822,802

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

West Virginia Drinking Water Treatment Revolving Fund

Statement of Revenues, Expenses, and Changes In Fund Net Assets Year Ended June 30, 2008

Operating revenues:	
Administrative fees	\$ 263,533
Interest on loans	241,556
User fees	34,079
	<u>539,168</u>
Operating expenses:	<u>-</u>
Operating income	539,168
Nonoperating revenues:	
Investment income	<u>601,386</u>
Income before capital grants and contributions	<u>1,140,554</u>
Capital grants and contributions:	
U.S. Environmental Protection Agency	3,076,519
State of West Virginia	1,645,860
	<u>4,722,379</u>
Increase in net assets	5,862,933
Net assets, beginning of year	<u>60,959,869</u>
Net assets, end of year	<u>\$ 66,822,802</u>

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

West Virginia Drinking Water Treatment Revolving Fund

Statement of Cash Flows Year Ended June 30, 2008

Operating activities:	
Cash payments for:	
Loans originated	\$ (4,140,527)
Cash receipts from:	
Principal repayments	1,902,130
Administrative fees	261,037
Interest on loans	238,646
User fees	32,590
Net cash used in operating activities	<u>(1,706,124)</u>
Capital and related financing activities:	
Capital grants and contributions:	
U.S. Environmental Protection Agency	3,076,519
State of West Virginia - Infrastructure and Jobs Development Council	1,645,860
Net cash provided by capital and related financing activities	<u>4,722,379</u>
Investing activities:	
Investment income	<u>601,386</u>
Net increase in cash equivalents	3,617,641
Cash and cash equivalents, beginning of year	<u>13,262,545</u>
Cash equivalents, end of year	<u>\$ 16,880,186</u>
 Reconciliation of operating income to net cash used in operating activities:	
Operating income	\$ 539,168
Adjustments to reconcile operating income to net cash used in operating activities:	
Increase in loans receivable	(2,238,397)
Increase in administrative fees receivable	(2,496)
Increase in accrued interest receivable	(2,910)
Increase in user fees receivable	<u>(1,489)</u>
Net cash used in operating activities	<u>\$ (1,706,124)</u>

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

West Virginia Drinking Water Treatment Revolving Fund

Notes to Financial Statements

(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, 2008, Congress has authorized EPA to award \$83,564,500 in capitalization grants to the State, of which \$60,971,805 is allocated to the Fund. The State is required to contribute \$16,712,900 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)

(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 amortized cost which approximates fair value. 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, two local governmental agencies are deficient in their revenue and/or reserve fund balances as of June 30, 2008.

West Virginia Drinking Water Treatment Revolving Fund

Notes to Financial Statements (Continued)

(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 agent for the Fund, adopted investment guidelines for the Fund. 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 West Virginia Money Market 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. The West Virginia Money Market Pool has been rated AAAM by Standard & Poor’s. A fund rated AAAM has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. AAAM is the highest principal stability fund rating assigned by Standard & Poor’s. The BTI, as a whole, has not been rated for credit risk by any organization. The West Virginia Money Market Pool is subject to credit risk. The BTI limits the exposure to credit risk in the West Virginia Money Market 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 West Virginia Money Market 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	\$ 658,879	27.94%
Corporate bonds and notes	Aaa	AAA	40,000	1.70
	Aa3	AA	20,000	0.85
	Aa2	A	27,000	1.14
	Aa1	AA	71,000	3.01
Total corporate bonds and notes			158,000	6.70
U.S. agency bonds	Aaa	AAA	254,019	10.77
U.S. Treasury bills	Aaa	AAA	406,426	17.23
Negotiable certificates of deposit	P1	A-1	147,000	6.23
U.S. agency discount notes	P1	A-1	212,924	9.03
Money market funds	Aaa	AAA	150,058	6.36
Repurchase agreements (underlying securities):				
U.S. Treasury notes	Aaa	AAA	62,265	2.64
U.S. agency notes	Aaa	AAA	308,898	13.10
Total investments			\$ 2,358,469	100.00%

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 West Virginia Money Market Pool’s investment in a single corporate issuer. The West Virginia Money Market Pool is not exposed to concentration of credit risk. The BTI investment policy prohibits the West Virginia Money Market 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 West Virginia Money Market 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 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 West Virginia Money Market Pool is subject to interest rate risk.

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

<u>Security Type</u>	<u>Carrying Value (In Thousands)</u>	<u>WAM (Days)</u>
Repurchase agreements	\$ 371,163	1
U.S. Treasury bills	406,425	31
Commercial paper	658,880	29
Certificates of deposit	147,001	95
U.S. agency discount notes	212,924	84
Corporate notes	158,000	21
U.S. agency bonds/notes	254,019	111
Money market funds	150,057	1
	<u>\$ 2,358,469</u>	40

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 West Virginia Money Market 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, 2008, loans receivable consisted of loans to local governmental agencies or other eligible water providers for qualifying projects which comply with the Act. Loans mature at various intervals through September 1, 2039. The scheduled principal payments on loans maturing in subsequent years are as follows at June 30:

2009	\$	2,099,644
2010		2,306,544
2011		2,353,964
2012		2,363,178
2013		2,380,555
Thereafter		43,201,463
		54,705,348
Less loans closed but not disbursed at June 30, 2008		(4,818,923)
		49,886,425
Less current maturities		(2,099,644)
	\$	47,786,781

(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, 2008, 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
12/19/07	5,678,217	1,645,860
Total	\$ 60,971,805	\$ 16,712,900

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, 2008:

<u>Through the Year Ended</u>	<u>Federal</u>	<u>State</u>	<u>Total Capital Grants and Contributions</u>
June 30, 2008	\$ 44,439,993	\$ 16,712,900	\$ 61,152,893

(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, 2008:

<u>Local Governmental Agency (County)</u>	<u>Commitment Date</u>	<u>Amount Committed by the Fund</u>
Nettie-Leviashy PSD (Nicholas)	07/19/07	\$ 2,173,000
Petersburg, City of (Grant)	12/22/06	1,700,000
Petersburg, City of (Grant)	12/22/06	3,000,000
Ronceverte, City of (Greenbrier)	02/02/05	2,000,000
Southwestern PSD (Taylor)	01/21/08	6,100,000
Sun Valley PSD (Harrison)	04/12/06	2,400,000
Wardensville, Town of (Hardy)	06/14/06	1,550,000
Weirton, City of (Brooke)	09/18/07	1,928,360
Total		<u>\$ 20,851,360</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, business interruptions, and errors and omissions. Such coverage is provided in exchange for an annual premium.

West Virginia Drinking Water Treatment Revolving Fund

Notes to Financial Statements (Continued)

(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, 2008

Schedule of Assets and Fund Net Assets

Assets	
Cash equivalents	\$ 1,230,611
Administrative fees receivable	<u>23,439</u>
Total assets	<u>\$ 1,254,050</u>
Restricted net assets	<u>\$ 1,254,050</u>
Total fund net assets	<u>\$ 1,254,050</u>

Schedule of Administrative Fees Activity in Fund Net Assets

Revenues	
Administrative fees	\$ 263,533
Interest on investments	<u>42,692</u>
Total revenues	<u>\$ 306,225</u>
Expenses	
Administrative expenses	<u>\$ -</u>
Net Income	<u>306,225</u>
Restricted net assets - administrative fees, beginning of year	<u>947,825</u>
Restricted net assets - administrative fees, end of year	<u>\$ 1,254,050</u>

Schedule of Cash Flows

Net income	\$ 306,225
Adjustments to reconcile net income to net cash provided by administrative fees and interest on investments:	
Increase in administrative fees receivable	<u>(2,496)</u>
Net cash provided by administrative fees and interest on investments	<u>303,729</u>
Cash equivalents, beginning of year	<u>926,882</u>
Cash equivalents, end of year	<u>\$ 1,230,611</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**

To the West Virginia Bureau for Public Health
and 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, 2008. 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, 2008.

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 the Capitalization Grant for Drinking Water State Revolving Fund in order to determine our auditing procedures for the purpose of expressing our opinion

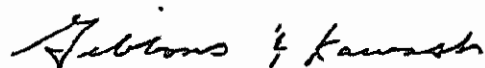
on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over compliance.

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.

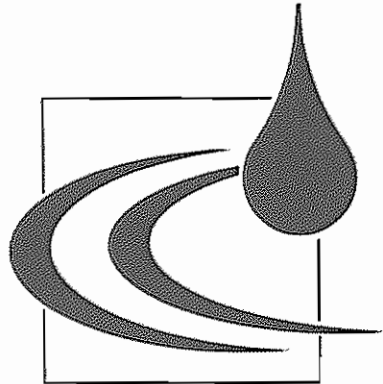
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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 13, 2008



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, 2008

WITH INDEPENDENT AUDITORS' REPORT

West Virginia Infrastructure and Jobs Development Council

Financial Statements
Year Ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
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, 2008, 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 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 Infrastructure and Jobs Development Council as of June 30, 2008, and the changes in financial position 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 13, 2008, 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 important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 to 10 and the Budgetary Comparison Schedule - Special Revenue Fund and the accompanying note on pages 33 and 34 are not a required part of the 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 13, 2008

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, 2008. Please read it in conjunction with the Council's financial statements, which begin on page 11.

USING THIS REPORT

This report consists of a series of fund level and government-wide 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 \$29.4 million, from \$642.9 million to \$672.3 million, or about 4.57%.
- Total liabilities increased from \$117 thousand in the prior year to \$226 thousand in the current year or about 93%.
- Excess of revenues, transfers in and other financing sources over expenditures, transfers out and other financing uses decreased \$42.1 million or about 58.9%. This amount was higher the prior year primarily because \$38.2 million of proceeds from a revenue bond issue was transferred to this fund from the Debt Service Fund during the prior year.

Debt Service Fund:

- Total assets decreased \$122 thousand, from \$348 thousand to \$226 thousand, or about 35%.
- Excess (deficiency) of revenues, transfers in and other financing sources over expenditures, transfers out and other financing uses decreased \$220 thousand, from \$98 thousand to (\$122) thousand, or about 224%.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL HIGHLIGHTS (Continued)

Government Wide:

- Total assets increased \$29.4 million or about 4.56%.
- Total liabilities decreased \$9.8 million or about 2.37%.
- Net assets increased \$39.2 million or about 17.1%. Expenses increased by \$1.7 million and total revenues increased \$335 thousand.

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:

	Table 1	
	Net Assets	
	<u>2008</u>	<u>2007</u>
Assets		
Cash equivalents	\$ 178,682,616	\$ 159,154,276
Investments	117,243,246	132,284,082
Loans receivable, net of allowances	375,511,007	350,288,709
Other	<u>1,390,973</u>	<u>1,705,368</u>
Total assets	672,827,842	643,432,435
Liabilities		
Bonds payable	401,076,500	410,829,101
Other	<u>3,308,341</u>	<u>3,379,376</u>
Total liabilities	404,384,841	414,208,477
Net assets		
Restricted	241,827,435	211,359,954
Unrestricted	<u>26,615,566</u>	<u>17,864,004</u>
	<u>\$ 268,443,001</u>	<u>\$ 229,223,958</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Table 2
Changes in Net Assets

	<u>2008</u>	<u>2007</u>
Revenues		
Program revenues		
Charges for services	\$ 2,779,427	\$ 2,113,842
Total program revenues	<u>2,779,427</u>	<u>2,113,842</u>
General revenues		
Intergovernmental	64,000,000	64,000,000
Investment earnings	11,889,330	12,249,444
Other	29,677	-
Total general revenues	<u>75,919,007</u>	<u>76,249,444</u>
Total revenues	<u>78,698,434</u>	<u>78,363,286</u>
Expenses		
General and administrative	397,398	390,680
Interest on long-term debt	20,491,563	20,636,066
Amortization	89,803	69,519
Infrastructure and economic development	15,200,627	16,660,483
Loss on uncollectible loans	3,300,000	-
Total expenses	<u>39,479,391</u>	<u>37,756,748</u>
Change in net assets	39,219,043	40,606,538
Beginning net assets	<u>229,223,958</u>	<u>188,617,420</u>
Ending net assets	<u>\$ 268,443,001</u>	<u>\$ 229,223,958</u>

“Cash equivalents,” which include short-term, highly liquid investments with original maturities of 90 days or less, increased \$19.3 million, from \$159.1 million last year to \$178.7 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 and investment earnings.

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 \$15 million primarily as the result of maturities of investments of \$1.1 million, disbursements of loans and grants of \$14 million and payments of \$4.98 million required State matches for the federally sponsored Drinking Water Treatment and Clean Water State Revolving Funds. Offsetting those decreases was the reinvestment of current year investment earnings of \$5 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

“Loans receivable” on the Governmental Funds Balance Sheet/Statement of Net Assets had a net increase of \$25.2 million. This increase was primarily the combined effect of disbursements of new and prior year loan funds to projects of \$40.3 million, less repayments of principal on loans of \$12.3 million and an increase in the allowance for doubtful accounts of \$3.3 million.

“Total liabilities” decreased \$9.8 million related mostly to bonds payable. Current year principal payments on outstanding debt of \$14.6 million decreased bonds payable. Offsetting that decrease was a \$4.79 million increase in general obligation bonds for interest accreted on those bonds during the current year. The net decrease in bonds payable resulted in a corresponding decrease 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 \$30.5 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 \$14 million of interest on loans and investment earnings. Offsetting the increases were disbursements of \$15.2 million for grants and the State matches for the federally sponsored Drinking Water Treatment and Clean Water State Revolving Funds, \$20.5 million of interest expense related to revenue and general obligation bonds, a loss of \$3.3 million incurred on uncollectible loans and \$9.4 million of investment earnings 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 which increased during the current year. Even though loans receivable had a net increase of \$25.2 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 2008. 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)

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 \$12.2 million and \$11.9 million, respectively. Despite the increase in funds invested, including \$40 million of excess lottery revenue received between February and April of the current year, interest rates for the money market accounts in which most of the Council's funds are invested steadily decreased during the year, from 4.91% at the beginning of the year to 1.95% at the end of the year for one money market account and from 5.20% at the beginning of the year to 2.55% at the end of the year for the other money market account.

“Interest on long-term debt” decreased slightly by \$144 thousand. This is consistent with the prior year partial refunding of three series of bonds at lower rates of interest. Additionally, no new debt was issued during the current year and outstanding debt was reduced by current year principal payments.

“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 \$1.46 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 \$606 thousand more than the prior year. There was, however, a \$2.1 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, 2008, \$149.8 million of Special Revenue Fund balance was designated by the Council for loan and grant commitments. Additionally, \$1.65 million was designated by the Council for contribution of State match for the Drinking Water Treatment Revolving Fund.

The \$226 thousand of fund balance reserved in the Debt Service Fund represents amounts reserved for debt service.

The \$423.4 million of fund balance reserved in the Special Revenue Fund includes \$36.6 million that has been committed but not distributed to projects with which the Council has entered into loan and grant agreements. The remaining \$386.8 million consists of \$375.5 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 \$3.27 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

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, 2008, \$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.

At year-end, \$402.5 million (prior to amortization) in general obligation, revenue and refunding bonds issued for the benefit of the Council were outstanding versus \$412.3 million in the prior year, a decrease of 2.4% resulting from current year scheduled principal payments and the net effect of partially refunding general obligation debt in the prior year, offset by current year accreted interest on capital appreciation bonds. For more information on long-term debt, please refer to Note 4 to the financial statements.

On June 5, 2008, Standard & Poor's downgraded from AAA to AA the Ambac Financial Group, the bond insurer for the West Virginia Water Development Authority, Infrastructure Revenue Bonds (West Virginia Infrastructure and Jobs Development Council Program), 2003 Series A. As required, on June 26, 2008, the Authority submitted written Notices of Material Event Filing (Rating Agency Change) to the Municipal Securities Rulemaking Board and electronic notices to the Nationally Recognized Municipal Securities Information Repositories through Disclosure USA.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

DEBT ADMINISTRATION (Continued)

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

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

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

FACTORS WHICH MAY AFFECT THE COUNCIL

Currently known facts, decisions or conditions that are expected to have a significant effect on financial position (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 2009 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.

During the year, the Council experienced payment defaults on two economic development project loans. Because of the uncertainty on the future repayment of these loans, as well as other economic development project loans, the Council established a reserve for uncollectible economic development project loans to recognize current events.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

CONTACTING THE COUNCIL'S MANAGEMENT

This financial report is designed to provide a general overview of the Council's finances and to show the Council's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Director or Secretary/Treasurer, West Virginia Water Development Authority, 180 Association Drive, Charleston, West Virginia 25311 (Phone: 304-558-3612 Extension 108) 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, 2008

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
ASSETS					
Cash equivalents	\$ 178,456,221	\$ 226,395	\$ 178,682,616	\$ -	\$ 178,682,616
Investments	117,243,246	-	\$ 117,243,246	-	117,243,246
Accrued interest receivable	1,056,784	-	1,056,784	310,250	1,367,034
Loans receivable, net of allowances of \$3,300,000	375,511,007	-	375,511,007	-	375,511,007
Miscellaneous receivable	23,939	-	23,939	-	23,939
Total assets	<u>672,291,197</u>	<u>226,395</u>	<u>672,517,592</u>	<u>310,250</u>	<u>672,827,842</u>
LIABILITIES					
Accounts payable	29,898	-	29,898	-	29,898
Arbitrage rebate payable	92,198	-	92,198	-	92,198
Due to other State of West Virginia agencies	103,916	-	103,916	-	103,916
Accrued interest payable	-	-	-	3,072,658	3,072,658
Compensated absences	-	-	-	9,671	9,671
General obligation bonds					
Due within one year, net of unamortized premium of \$294,820, unamortized issue costs of \$32,598 and losses on refunding of \$251,408	-	-	-	13,390,814	13,390,814
Due after one year, net of unamortized premium of \$5,110,209, unamortized issue costs of \$565,034 and losses on refunding of \$3,812,894	-	-	-	265,300,923	265,300,923
Revenue Bonds					
Due within one year, net of unamortized premium of \$47,730, unamortized discount and issue costs of \$57,204 and losses on refunding of \$86,726	-	-	-	1,558,800	1,558,800
Due after one year, net of unamortized premium of \$1,543,167, unamortized discount and issue costs of \$1,589,635 and losses on refunding of \$2,002,569	-	-	-	120,825,963	120,825,963
Total liabilities	<u>226,012</u>	<u>-</u>	<u>226,012</u>	<u>404,158,829</u>	<u>404,384,841</u>
FUND BALANCES/NET ASSETS					
Fund balances					
Reserved	423,368,442	226,395	423,594,837	(423,594,837)	-
Unreserved, designated	151,426,951	-	151,426,951	(151,426,951)	-
Unreserved, undesignated	97,269,792	-	97,269,792	(97,269,792)	-
Total fund balances	<u>672,065,185</u>	<u>226,395</u>	<u>672,291,580</u>	<u>(672,291,580)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 672,291,197</u>	<u>\$ 226,395</u>	<u>\$ 672,517,592</u>		
Net assets					
Restricted				241,827,435	241,827,435
Unrestricted				26,615,566	26,615,566
Total net assets				<u>\$ 268,443,001</u>	<u>\$ 268,443,001</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, 2008

	Special Revenue <u>Fund</u>	Debt Service <u>Fund</u>	Total	Adjustments	Statement of Activities
Expenditures/Expenses					
Infrastructure and economic development	\$ 15,200,627	\$ -	\$ 15,200,627	\$ -	\$ 15,200,627
Debt Service					
Principal	-	14,625,000	14,625,000	(14,625,000)	-
Interest	-	15,889,358	15,889,358	4,602,205	20,491,563
Amortization	-	-	-	89,803	89,803
Loss on uncollectible loans	3,300,000	-	3,300,000	-	3,300,000
General and administrative	<u>396,536</u>	<u>-</u>	<u>396,536</u>	<u>862</u>	<u>397,398</u>
Total Expenditures/Expenses	<u>18,897,163</u>	<u>30,514,358</u>	<u>49,411,521</u>	<u>(9,932,130)</u>	<u>39,479,391</u>
Program Revenues					
Charges for services	<u>2,689,427</u>	<u>-</u>	<u>2,689,427</u>	<u>90,000</u>	<u>2,779,427</u>
Total Program Revenues	<u>2,689,427</u>	<u>-</u>	<u>2,689,427</u>	<u>90,000</u>	<u>2,779,427</u>
Net Program Expense					<u>36,699,964</u>
General Revenues					
Intergovernmental	40,000,000	24,000,000	64,000,000	-	64,000,000
Investment earnings, net of arbitrage rebate	11,476,770	412,560	11,889,330	-	11,889,330
Other nonoperating revenues	1,568	-	1,568	-	1,568
Miscellaneous	28,109	-	28,109	-	28,109
Transfers	<u>(5,980,103)</u>	<u>5,980,103</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers	<u>45,526,344</u>	<u>30,392,663</u>	<u>75,919,007</u>	<u>-</u>	<u>75,919,007</u>
Excess (Deficiency) of Revenues and Transfers In Over Expenditures and Transfers Out	29,318,608	(121,695)	29,196,913	(29,196,913)	-
Change in Net Assets	-	-	-	39,219,043	39,219,043
Fund Balances/Net Assets					
Beginning 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>
End of the year	<u>\$ 672,065,185</u>	<u>\$ 226,395</u>	<u>\$ 672,291,580</u>	<u>\$ (403,848,579)</u>	<u>\$ 268,443,001</u>

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

West Virginia Infrastructure and Jobs Development Council

Notes to Financial Statements

(1) Reporting Entity

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

The Council consists of 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)

(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.

Allowance for Uncollectible Loans

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

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

West Virginia Infrastructure and Jobs Development Council

Notes to Financial Statements (Continued)

(2) Significant Accounting Policies (Continued)

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

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, 2008, in accordance with GASB Statement No. 16.

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 West Virginia Money Market Pool.

Interest Rate Risk – West Virginia Money Market Pool

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

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

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 371,163	1
U.S. Treasury bills	406,426	31
Commercial paper	658,879	29
Certificates of deposit	147,001	95
U.S. agency discount notes	212,924	84
Corporate notes	158,000	21
U.S. agency bonds/notes	254,019	111
Money market funds	150,058	1
	<u>\$ 2,358,470</u>	40

West Virginia Infrastructure and Jobs Development Council

Notes to Financial Statements (Continued)

(3) Deposit and Investment Risk Disclosures (Continued)

Interest Rate Risk – All Other Investments

As of June 30, 2008, 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	\$ 117,243,246	\$ 111,485,024	\$ -	\$ 5,758,222
Money Markets	<u>178,456,303</u>	<u>178,456,303</u>	-	-
	<u>\$ 295,699,549</u>	<u>\$ 289,941,327</u>	<u>\$ -</u>	<u>\$ 5,758,222</u>

As a means of limiting its exposure to fair value losses arising from changing 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 – West Virginia Money Market Pool

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

West Virginia Infrastructure and Jobs Development Council

Notes to Financial Statements (Continued)

(3) Deposit and Investment Risk Disclosures (Continued)

Concentration of Credit Risk – All Other Investments

As of June 30, 2008, 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	38%
Money Markets	Federated Prime Obligations Fund	28%
	Federated Government Obligations Fund	32%

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 below:

<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.

West Virginia Infrastructure and Jobs Development Council

Notes to Financial Statements (Continued)

(3) Deposit and Investment Risk Disclosures (Continued)

Concentration of Credit Risk – All Other Investments (Continued)

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

Credit Risk – West Virginia Money Market Pool

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The West Virginia Money Market Pool has been rated AAAM by Standard & Poor’s. A fund rated AAAM has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. AAAM is the highest principal stability fund rating assigned by Standard & Poor’s. The BTI, as a whole, has not been rated for credit risk by any organization. The West Virginia Money Market Pool is subject to credit risk. The BTI limits the exposure to credit risk in the West Virginia Money Market 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 table on the next page provides information on the credit ratings of the West Virginia Money Market Pool’s investments (in thousands):

West Virginia Infrastructure and Jobs Development Council

Notes to Financial Statements (Continued)

(3) Deposit and Investment Risk Disclosures (Continued)

Credit Risk – West Virginia Money Market Pool (Continued)

Security Type	Credit Rating		Carrying Value in Thousands	Percent of Pool Assets
	Moody's	S&P		
Investments:				
Commercial paper	P1	A-1	\$ 658,879	27.94%
Corporate bonds and notes	Aaa	AAA	40,000	1.70
	Aa3	AA	20,000	0.85
	Aa2	A	27,000	1.14
	Aa1	AA	71,000	3.01
Total corporate bonds and notes			158,000	6.70
U.S. agency bonds	Aaa	AAA	254,019	10.77
U.S. Treasury bills	Aaa	AAA	406,426	17.23
Negotiable certificates of deposit	P1	A-1	147,001	6.23
U.S. agency discount notes	P1	A-1	212,924	9.03
Money market funds	Aaa	AAA	150,058	6.36
Repurchase agreements (underlying securities):				
U.S. Treasury notes	Aaa	AAA	62,265	2.64
U.S. agency notes	Aaa	AAA	308,898	13.10
Total investments			\$ 2,358,470	100.00%

Credit Risk – All Other Investments

The table on the next page 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)

Credit Risk – All Other Investments (Continued)

<u>Security Type</u>	<u>Moody's</u>	<u>Standard & Poor's</u>	<u>Fair Value</u>
Bond Proceeds:			
Guaranteed Investment Contracts	Aaa	AAA	\$ 5,758,222
Guaranteed Investment Contracts	Aa3	AA-	452,875
Money Markets	Aaa	AAAm	<u>2,839,701</u>
Total Bond Proceeds			9,050,798
Other Revenues:			
Guaranteed Investment Contracts	Aa3	AA-	111,032,149
Money Markets	Aaa	AAAm	175,616,602
West Virginia Money Market Pool	See Above	See Above	<u>226,313</u>
Total Other Revenues			286,875,064
Total Bond Proceeds and Other Revenues			<u>\$ 295,925,862</u>

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)

(3) Deposit and Investment Risk Disclosures (Continued)

Custodial Credit Risk – West Virginia Money Market 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 West Virginia Money Market 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, 2008, 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 on the following page:

West Virginia Infrastructure and Jobs Development Council

Notes to Financial Statements (Continued)

(3) Deposit and Investment Risk Disclosures (Continued)

As disclosed in this Note:

Total investments	\$	295,925,862
Less: cash equivalents		<u>(178,682,616)</u>
Carrying amount of investments	\$	<u>117,243,246</u>

As reported on the Governmental Funds

Balance Sheet/Statement of Net Assets:

Investments	\$	<u>117,243,246</u>
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(4) Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2008:

	Balance <u>July 1, 2007</u>	Debt Additions/ <u>Accretions</u>	Debt <u>Reductions</u>	Balance <u>June 30, 2008</u>
General Obligation Bonds*				
1996 Series A, B, C, D and E	\$ 33,060,000	\$ -	\$ 2,610,000	\$ 30,450,000
1998 Series A, B and C	44,385,000	-	2,400,000	41,985,000
1999 Series B and C	20,350,000	-	1,025,000	19,325,000
1999 Series A Capital Appreciation	94,201,629	4,787,013	6,950,000	92,038,642
2006 Series Refunding	<u>94,180,000</u>	<u>-</u>	<u>30,000</u>	<u>94,150,000</u>
	286,176,629	4,787,013	13,015,000	277,948,642
Revenue and Refunding Bonds				
2003 Series A	33,255,000	-	1,025,000	32,230,000
2006 Series A	44,600,000	-	530,000	44,070,000
2006 Series B	10,150,000	-	55,000	10,095,000
2007 Series A	<u>38,135,000</u>	<u>-</u>	<u>-</u>	<u>38,135,000</u>
	126,140,000	-	1,610,000	124,530,000
Compensated Absences	<u>8,809</u>	<u>862</u>	<u>-</u>	<u>9,671</u>
	<u>\$ 412,325,438</u>	<u>\$ 4,787,875</u>	<u>\$ 14,625,000</u>	<u>\$ 402,488,313</u>

*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)

(4) Long-Term Debt (Continued)

Future maturities of principal and interest of general obligation bonds, with interest rates ranging from 4.00% to 7.625% and maturing through 2027, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	7,555,000	8,486,094	16,041,094
2013	7,805,000	8,061,936	15,866,936
	<u>35,405,000</u>	<u>44,377,277</u>	<u>79,782,277</u>
2014 - 2018	46,530,000	33,099,618	79,629,618
2019 - 2023	51,375,000	19,034,590	70,409,590
2024 - 2027	52,600,000	4,999,679	57,599,679
	<u>150,505,000</u>	<u>57,133,887</u>	<u>207,638,887</u>
Total	<u>185,910,000</u>	<u>\$ 101,511,164</u>	<u>\$ 287,421,164</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>
2009	\$ 6,938,924	\$ 111,076	\$ 7,050,000
2010	6,655,733	444,267	7,100,000
2011	6,275,078	774,922	7,050,000
2012	5,887,116	1,087,884	6,975,000
2013	5,723,535	1,426,465	7,150,000
	<u>31,480,386</u>	<u>3,844,614</u>	<u>35,325,000</u>
2014 - 2018	24,195,354	11,304,646	35,500,000
2019 - 2023	21,291,768	20,358,232	41,650,000
2024 - 2027	15,071,134	22,428,866	37,500,000
	<u>60,558,256</u>	<u>54,091,744</u>	<u>114,650,000</u>
Total capital appreciation bonds	<u>92,038,642</u>	<u>\$ 57,936,358</u>	<u>\$ 149,975,000</u>
Total general obligation bonds	<u>\$ 277,948,642</u>		
Add: unamortized premium	5,405,029		
Less: unamortized issue costs	(597,632)		
unamortized loss on refunding	(4,064,302)		
Total, presented net	278,691,737		
Less: amount due within one year	(13,390,814)		
Amount due after one year	<u>\$ 265,300,923</u>		

West Virginia Infrastructure and Jobs Development Council

Notes to Financial Statements (Continued)

(4) Long-Term Debt (Continued)

Future maturities of principal and interest of revenue and refunding bonds, with interest rates ranging from 2.625% to 5.50% and maturing through 2046, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,465,000	5,475,848	7,940,848
2013	2,480,000	5,383,235	7,863,235
	11,300,000	27,774,532	39,074,532
2014 - 2018	13,895,000	25,266,348	39,161,348
2019 - 2023	16,060,000	22,038,881	38,098,881
2024 - 2028	18,645,000	17,961,856	36,606,856
2029 - 2033	21,355,000	13,114,413	34,469,413
2034 - 2038	25,545,000	7,401,778	32,946,778
2039 - 2043	13,815,000	2,242,703	16,057,703
2044 - 2046	3,915,000	242,606	4,157,606
	113,230,000	88,268,585	201,498,585
Total revenue and refunding bonds	\$ 124,530,000	\$ 116,043,117	\$ 240,573,117
Add: unamortized premium	1,590,897		
Less: unamortized issue costs	(1,531,291)		
unamortized discount	(115,548)		
unamortized loss on refunding	(2,089,295)		
Total, presented net	122,384,763		
Less: amount due within one year	(1,558,800)		
Amount due after one year	\$ 120,825,963		

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, 2008, was \$7,480,103.

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, 2008, the Council had an accrued liability of \$92,198 for excess investment earnings on bond proceeds.

West Virginia Infrastructure and Jobs Development Council

Notes to Financial Statements (Continued)

(4) Long-Term Debt (Continued)

In prior years, certain general obligation bonds and revenue bonds were defeased by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the refunded bonds. Accordingly, the trust assets and the liability for the defeased bonds are not included in the Council's financial statements. At June 30, 2008, there were \$41,945,000 in defeased general obligation bonds and \$52,415,000 in defeased revenue bonds outstanding.

(5) 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, 2008, totalled \$374,217. As of June 30, 2008, the Council was indebted to the Authority for \$103,916 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	\$ 374,217
Less: reimbursements for prior year expenses	(97,534)
Add: current year expenses incurred but not reimbursed to the Authority	<u>103,916</u>
Current year expenses reimbursed and due to the Authority	\$ 380,599
General and administrative expenses paid directly by Council	4,500
General and administrative expenses paid by PEIA transfer	1,568
Reimbursements from third parties	(45)
Accounts payable, June 30, 2007	(19,984)
Accounts payable, June 30, 2008	<u>29,898</u>
Total general and administrative expenses incurred by Council	<u>\$ 396,536</u>

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 2008. 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 Infrastructure and Jobs Development Council

Notes to Financial Statements (Continued)

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

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, 2008, \$40 million was appropriated for and received by the Council.

During the year ended June 30, 2008, the Council contributed \$1,645,860 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, 2008, the Council contributed \$3,336,894 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.

West Virginia Infrastructure and Jobs Development Council

Notes to Financial Statements (Continued)

(6) Schedule of General and Administrative Expenditures

General and administrative expenditures for the year ended June 30, 2008, were as follows:

Salaries and benefits	\$	184,207
Legal		101,676
Consulting and professional		41,603
Rentals		18,703
Travel		13,864
Office supplies		9,547
Computer services		7,598
Telecommunications		5,118
Trustee		4,500
Training		2,506
Insurance		2,087
Postage		2,052
Employee parking		1,320
Association dues		1,000
Miscellaneous		755
	\$	<u>396,536</u>

(7) Leases

The Council rents office space under an operating lease agreement which expired 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 \$11,977 under the lease during the year ended June 30, 2008. Following is a schedule of future minimum lease payments, which includes lease payments on certain office equipment:

<u>Year Ending June 30</u>	<u>Amount</u>
2009	\$ 4,580
2010	<u>1,145</u>
Future minimum lease payments	<u>\$ 5,725</u>

West Virginia Infrastructure and Jobs Development Council

Notes to Financial Statements (Continued)

(8) 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, 2008, \$149,781,151 of available fund balance was designated by the Council for loans and grants. Additionally, the Council has designated \$1,645,800 for contributions to one State agency 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 \$36,583,833 at June 30, 2008, and fund balance has been reserved to recognize these obligations. In addition, loans receivable, net of allowances of \$375,511,007 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 \$3,275,541 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.

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

The portion of accrued interest receivable, \$310,250, 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 long term, however, are reported in the Statement of Net Assets. Balances at June 30, 2008, were:

General obligation bonds payable	\$	278,691,737
Revenue and refunding bonds payable		122,384,763
Compensated absences		9,671
Accrued interest on bonds		3,072,658
Total adjustment	\$	404,158,829

West Virginia Infrastructure and Jobs Development Council

Notes to Financial Statements (Continued)

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

“Total fund balances” of the Council’s governmental funds of \$672,291,580 differs from “net assets” of governmental activities of \$268,443,001 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.

(10) 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 \$14,625,000 during the year ended June 30, 2008, 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 \$4,606,621 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 \$338,134, discussed below. Offsetting that increase was the amortization of bonds payable premium of \$342,550, also discussed below.

The expense related to an increase of \$862 in the liability for compensated absences accrued during the year ended June 30, 2008, 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.

Bond issuance costs related to prior year revenue and refunding bond issues were reported as an expenditure in governmental funds and had the effect of reducing fund balance the years of the respective bond issues 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 and refunding bonds and the current year amortization of \$82,226 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.

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 \$342,550 is reflected as a reduction of interest expense on the Statement of Activities. Since the amortized

West Virginia Infrastructure and Jobs Development Council

Notes to Financial Statements (Continued)

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

amount does not represent receipts of current financial resources, it is not reported as an other financing source in governmental funds.

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.

Prior year payments of call premiums as well as 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 prior years 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 \$338,134 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.

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.

(11) 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

West Virginia Infrastructure and Jobs Development Council

Notes to Financial Statements (Continued)

(11) Risk Management (Continued)

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.

(12) 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 \$241,827,435 restricted net assets, of which \$116,521,350 is restricted by enabling legislation for loans and grants and \$125,306,085 is restricted by debt covenants for debt service on the revenue, refunding, and general obligation bonds.

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, 2008

	<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, 2007	\$ -	\$ -	\$ -	\$ -	\$ -
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, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

West Virginia Infrastructure and Jobs Development Council

Note to Required Supplementary Information – Budgetary Reporting

- (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, 2008, \$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 Board of Directors
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, 2008, and have issued our report thereon dated October 13, 2008. 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

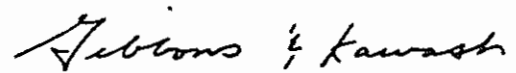
that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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*.

We noted certain matters that we reported to management of the Council in a separate letter dated October 13, 2008.

This report is intended solely for the information of the Council'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.



October 13, 2008