WV WATER DEVELOPMENT AUTHORITY
FY 2017 ANNUAL REPORT

James C. Justice, II
Governor

Marie Prezioso
Executive Director

Issued December, 2017

www.wvwda.org

WEST VIRGINIA
Water Development Authority

James C. Justice, II
Governor

ANNUAL REPORT
FISCAL YEAR 2017

BOARD

Authority

Marie L. Prezioso
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, wastewater, and economic infrastructure 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 and economic development loans and provides financing for the design, construction, improvement and acquisition of water and wastewater facilities to Local Governmental Agencies (the "LGA's") (municipalities, public service districts and other political subdivisions). The WDA is also the administrative oversight agency for servicing 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.

As of June 30, 2017, the WDA had a staff of nine 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 the 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. As of June 30, 2017, there were $106 million in projects that were partially funded and $453 million in projects that were deemed technically feasible and requiring funding.

- Administer loans and grants through the execution of payments to LGA's, monitoring repayments per loan agreements, and reconciling balances with the Municipal Bond Commission in order to protect capital investments and the WDA's and State's credit ratings for its revenue bond programs.

- Secure the maximum federal funding available each year under the CWSRF for wastewater projects and the DWTRF for drinking water projects by providing the required 20% match.

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 revolving 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.

OBJECTIVES (continued)

- 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 loans. As of June 30, 2017, total loans outstanding were $201 million.
- 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 work papers 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.

RESPONSIBILITIES (Continued)

- 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.
- 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.
- Providing ongoing servicing functions for all loans outstanding as of June 30, 2017, which total $151 million.
- Maintaining financial records, preparing and analyzing financial statements and preparing underlying work papers 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 all loans outstanding as of June 30, 2017, which total $485 million for water/wastewater and $91 million for economic development.
- Maintaining financial records, preparing and analyzing financial statements and preparing underlying work papers for the annual financial statement audit by a certified public accounting firm.
- Maintaining bonds, notes, bond transcripts and project-related files.

RESPONSIBILITIES (Continued)

- 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 43 Years of Service 1974 – 2017.**

- Closed 60 loans and grants totaling $115 million this year to communities for water, wastewater and economic development projects.

- Provided servicing for 835 loans (local bonds of communities) outstanding as of June 30, 2017 totaling $1.459 billion.

- Acted in a fiduciary capacity for funding of loans and grants in excess of $1.763 billion and continued to meet the challenge of enhancing and creating adequate infrastructure for the citizens of West Virginia.

- Refunded seven bonds resulting in a savings of $19,933,125 over the remaining life of the refunding bonds.

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 $349 million in revenue and refunding bonds outstanding, including $169 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, 2017, DEP had been awarded twenty-eight capitalization grant awards for the CWSRF from the EPA totaling $660 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 $120 million in matching funds, of which $101 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, 2017, the Bureau for Public Health ("BPH") had been awarded twenty-one capitalization grant awards from the EPA totaling $194 million, one of those grant awards being a Stimulus Grant, of which $146.3 million was allocated to the DWTRF and $47.7 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 $34.9 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,

WEST VIRGINIA INFRASTRUCTURE FUND (continued)

proceeds from general obligation and revenue bonds, video lottery proceeds, investment earnings and unrestricted loan repayments.

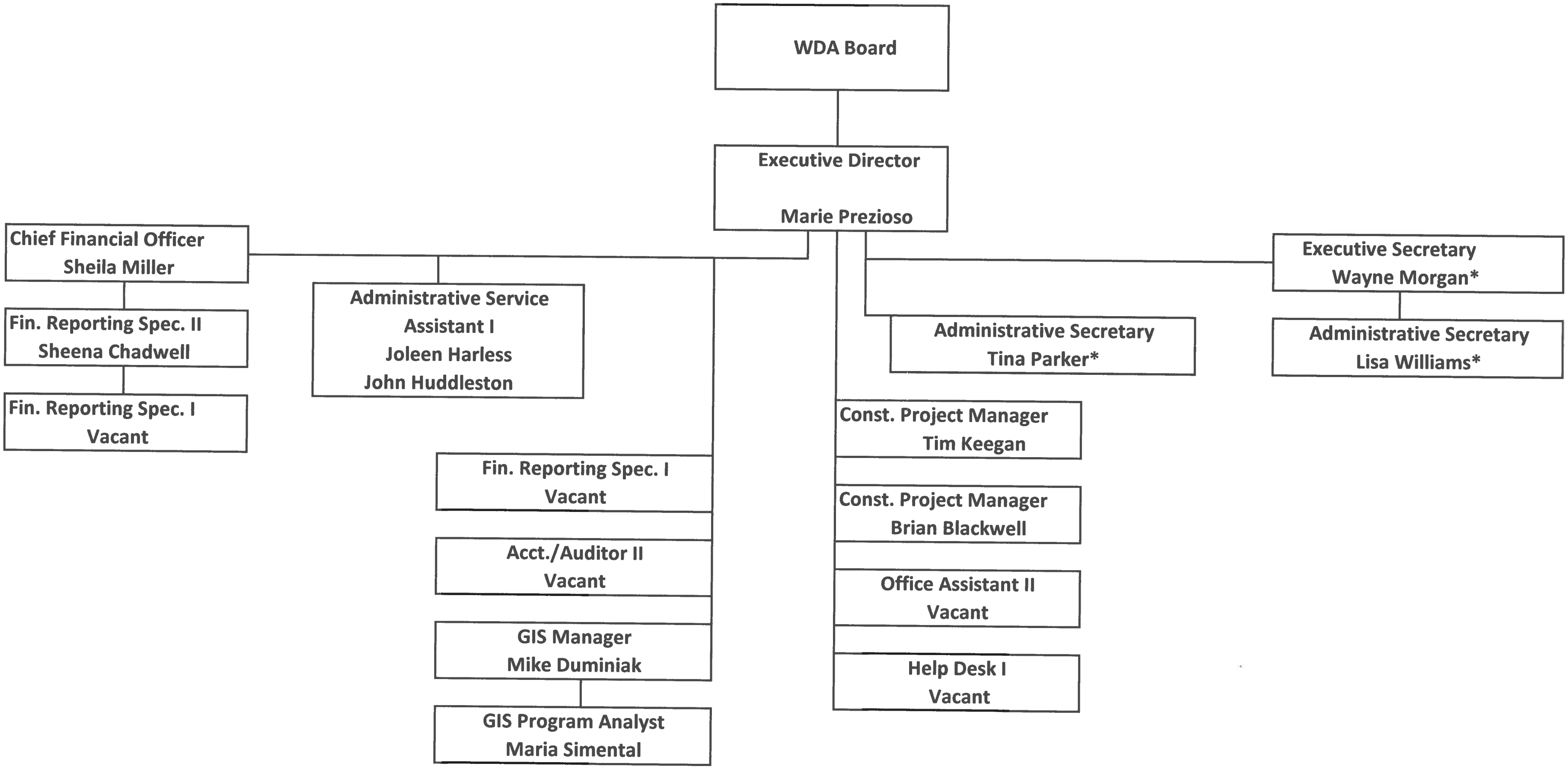
The WDA is the administrative agency for the IJDC and is fiduciary of the WVIF. The WDA provides administrative, financial and legal expertise to the IJDC and ongoing servicing on loans made from the WVIF. The WDA employs two additional individuals for the benefit of the IJDC. The WDA issues infrastructure 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 $365 million in infrastructure revenue and refunding bonds that have been issued, including the Chesapeake Bay/Greenbrier Watershed bonds, $169 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.

WEST VIRGINIA
Water Development Authority
Celebrating 43 Years of Service 1974-2017

APPENDIX A

ORGANIZATIONAL CHART



*Positions filled since June 30, 2017

WEST VIRGINIA
Water Development Authority
Celebrating 43 Years of Service 1974-2017

APPENDIX B

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

Audited Financial Statements

West Virginia Water Development Authority

Year Ended June 30, 2017

GIBBONS&KAWASH
Certified Public Accountants

Audited Financial Statements

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements 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, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the schedule of the proportionate share of the net pension liability and the schedule of contributions to the PERS on pages 33 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Gibbons & Kawash, A.C.

Charleston, West Virginia
October 10, 2017

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") 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, also serves as fiduciary agent for two other programs which are reported separately. 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 wastewater and/or water 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, the Authority has used and will use other available resources to fund loans and issue bonds when a significant identifiable need arises.

This discussion and analysis of the Authority's financial activities for the year ended June 30, 2017, 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 8.

USING THIS REPORT

This report consists of a series of financial statements. The Statement of Net Position and Statement of Revenues, Expenses, and Changes in Fund Net Position report the Authority's net position and the annual changes in net position. The Authority's net position, which is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is one way to measure the Authority's financial health or financial position.

FINANCIAL HIGHLIGHTS

- Total assets of the Authority decreased $6.5 million or 3%. Deferred outflows of resources decreased by $1.1 million or 11%. There was a decrease in total liabilities of $9 million or 4%. Deferred inflows of resources decreased $118 thousand. Total net position increased $1.5 million or approximately 2%.

FINANCIAL HIGHLIGHTS (Continued)

- Total revenues decreased $563 thousand or approximately 4%. This was primarily due to a decrease in charges for services of $582 thousand and a decrease in other revenue of $32 thousand, offset by an increase in interest and investment revenue of $51 thousand.

- Total expenses increased $7 thousand or less than 1%. This was primarily the combined result of a $368 thousand decrease in interest expense and a $376 thousand increase in operating expenses.

THE AUTHORITY AS A WHOLE

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

Table 1
Net Position

	2017 WDA	2016 WDA	Increase (Decrease)
Assets			
Current assets	$ 36,934,798	$ 32,463,421	$ 4,471,377
Non current assets	211,126,678	222,097,693	(10,971,015)
Total assets	**$ 248,061,476**	**$ 254,561,114**	**$ (6,499,638)**
Deferred outflows of resources			
Deferred loss on bond refundings	$ 8,617,780	$ 9,677,292	$ (1,059,512)
Deferred outflows of resources from pension amounts	219,002	213,676	5,326
Total deferred outflows of resources	**$ 8,836,782**	**$ 9,890,968**	**$ (1,054,186)**
Liabilities			
Current liabilities	10,675,004	$ 10,547,053	$ 127,951
Net Pension Liability	364,905	241,080	123,825
Assets held on behalf of others	206,000	-	206,000
Long-term debt outstanding	180,535,185	189,968,818	(9,433,633)
Total liabilities	**$ 191,781,094**	**$ 200,756,951**	**$ (8,975,857)**
Deferred inflows of resources			
Deferred inflows of resources from pension amounts	$ 37,887	$ 155,415	$ (117,528)
Total deferred inflows of resources	**$ 37,887**	**$ 155,415**	**$ (117,528)**
Net position			
Net investment in capital assets	5,411,424	6,074,745	(663,321)
Restricted	26,298,886	26,168,147	130,739
Unrestricted	33,368,967	31,296,824	2,072,143
Total net position	**$ 65,079,277**	**$ 63,539,716**	**$ 1,539,561**

THE AUTHORITY AS A WHOLE (Continued)

Total assets decreased $6.5 million or 3%. Decreases to assets were the result of the use of assets to fund interest expense of $8.0 million on bonds payable, scheduled principal payments on bonds payable of $8.3 million, and general and administrative expenses of $1.6 million. The decrease to assets were substantially offset by operating revenues including revenues from interest on revenue bonds receivable reflected in the financial statements as "charges for services" of $12.4 million and interest on investments of $272 thousand. During the year, the Authority disbursed $6 thousand in loans from unrestricted resources available to the authority.

Deferred Outflows of Resources decreased by $1.1 million which was the result of current year amortizations of loss on refundings in the amount of $643 thousand, as well as a $407 thousand gain on refundings from the Loan Program II bond refunding. This was offset by the deferred outflow of resources for pension expense and pension contributions in the amount of $5 thousand, which is explained further in Note 10.

Total liabilities decreased approximately $9 million or 4%. The majority of the decrease was in revenue bonds payable, which are presented on the balance sheet net of unamortized premiums.

Unrestricted net position increased $2.1 million, primarily explained by the combined result of $3.6 million net income in unrestricted accounts, a $73 thousand transfer from the restricted portion of revenue bonds receivable in the four loan programs to current assets, and an increase in assets held on behalf of others of $206 thousand due to a foreclosure on secured property for non-payment. Offsetting these increases was a decrease in revenue bonds receivable of $1.3 million and a transfer from restricted liabilities of $274 thousand for the current portion of revenue bonds.

Restricted net position increased $131 thousand primarily due to the transfer of $73 thousand from the restricted portion of revenue bonds receivable to current assets, the transfer of $564 thousand from the restricted portion of supplemental bonds receivable to current assets, and an increase in the deferral of pension expense of $118 thousand, offset by the transfer of $275 thousand for the current portion of revenue bonds payable and the gain of $407 thousand for the refunding of the Series 2005 A-II bonds, Series 2005 B-II bonds, and the Series 2006 A-II bonds.

Table 2
Changes in Net Position

	2017 WDA	2016 WDA	Increase (Decrease)
Revenues:			
Operating revenues:			
Charges for services	$ 12,453,415	$ 13,034,978	$ (581,563)
Other	227,361	259,435	(32,074)
Total operating revenues	**$ 12,680,776**	**$ 13,294,413**	**$ (613,637)**
Nonoperating revenues:			
Interest and investment revenue, net of arbitrage	$ 272,082	$ 221,130	$ 50,952
Total revenues	**$ 12,952,858**	**$ 13,515,543**	**$ (562,685)**
Expenses:			
Operating expenses	$ 3,417,997	$ 3,042,005	$ 375,992

	2017 WDA	2016 WDA	Increase (Decrease)
Nonoperating expenses:			
Interest expense	7,995,300	8,363,798	(368,498)
Total expenses	**$ 11,413,297**	**$ 11,405,803**	**$ 7,494**
Change in net position	**1,539,561**	**2,109,740**	**(570,179)**
Beginning net position	**63,539,716**	**61,429,976**	**2,109,740**
Ending net position	**$ 65,079,277**	**$ 63,539,716**	**$ 1,539,561**

Charges for services decreased $581 thousand. This is primarily due to closing no loans during the current year and to lower interest rates on loans already in the portfolio.

Other decreased $32 thousand primarily due to a decrease in miscellaneous income. During fiscal year 2016 a settlement of $37,500 was reached for the sale of municipal securities.

Interest and investment revenue, net of arbitrage increased $51 thousand due to slightly higher short term interest rates available to the Authority from period to period on comparable asset balances.

Operating expenses increased $376 thousand from the prior year. The increase in operating expense is primarily due to bond issue costs of $443 thousand and a write off of insurance expense in the amount of $234 thousand resulting from the refunding of the 2005 Series A-II bonds, 2005 Series B-II bonds, and the 2006 Series A-II bonds. These increases were offset by a decrease in depreciation expense of $250 thousand.

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 $180 million in revenue and refunding bonds outstanding versus $192 million in the prior year, a decrease of 6%.

As of June 30, 2017, the 2012 Series A-I and B-I, 2012 Series A-II and B-II, 2013 Series A-II, 2016 Series A-II, and 2012 Series A-III and B-III had a Moody's rating of A1 and a Fitch rating of A+.

As of June 30, 2017, Assured Guaranty, the bond insurer for the West Virginia Water Development Authority, Water Development Revenue Bonds (Loan Program IV) 2005 Series A-IV, had a Standard & Poor's rating of AA.

As of June 30, 2017, the West Virginia Water Development Revenue Bonds (Loan Program IV) 2005 Series B-IV had a Standard & Poor's rating of A-.

DEBT ADMINISTRATION (Continued)

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.

The Authority, as well as its underwriters and bond counsel, continue to monitor the status of its bond insurers. The 2012 Series, 2013 Series, and 2016 Series of refunding bonds were issued without an insurance policy.

ECONOMIC FACTORS THAT MAY AFFECT THE AUTHORITY

At its July 27, 2017, meeting, the Board authorized the Authority to refund two bond issues in October 2017, to obtain debt service savings. The proceeds of the 2017 Series A-IV (Loan Program IV) will be used to refund the Authority's outstanding 2005 Series A-IV bonds and the 2005 Series B-IV bonds.

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."

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 Chief Financial Officer, West Virginia Water Development Authority, 1009 Bullitt Street, Charleston, West Virginia 25301, call 304-414-6500; or visit the Authority's website (www.wvwda.org).

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION

June 30, 2017

ASSETS		
Current assets:		
Cash and cash equivalents	$	22,057,594
Receivables:		
Revenue bonds, net of unamortized discount of $49,346		7,468,244
Supplemental revenue bonds		563,871
Interest		3,143,388
Administrative fees		1,670
Due from other agencies		195,412
Total unrestricted current assets		33,430,179
Restricted current assets:		
Prepaid insurance		8,314
Investments		3,496,305
Total current assets		36,934,798
Noncurrent assets:		
Revenue bonds		9,413,792
Assets held on behalf of others		206,000
Investments		1,200,000
Capital assets, net		5,411,424
Total unrestricted noncurrent assets		16,231,216
Restricted assets:		
Cash and cash equivalents		12,646,968
Receivables:		
Revenue bonds, net of unamortized discount of $879,662		177,223,767
Supplemental revenue bonds		4,805,779
Prepaid insurance		218,948
Total restricted noncurrent assets		194,895,462
Total assets	$	248,061,476
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refundings	$	8,617,780
Deferred outflows of resources from pension amounts		219,002
Total deferred outflows of resources	$	8,836,782

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION
(Continued)

June 30, 2016

LIABILITIES		
Current liabilities:		
Accounts payable	$	73,626
Current portion of revenue bonds payable, including unamortized net premium of $646,778		9,081,779
Accrued interest payable		1,519,599
Total current liabilities		10,675,004
Noncurrent liabilities:		
Accrued employee benefits		260,369
Assets held on behalf of others		206,000
Net pension liability		364,905
Liabilities payable from restricted assets:		
Noncurrent portion of revenue bonds payable, including unamortized net premium of $8,884,817		180,274,816
Total noncurrent liabilities		181,106,090
Total liabilities	$	191,781,094
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources from pension amounts	$	37,887
NET POSITION		
Restricted	$	26,298,886
Unrestricted		33,368,967
Net investment in capital assets		5,411,424
Total net position	$	65,079,277

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

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

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

Year Ended June 30, 2017

Operating revenues:	
Charges for services	$ 12,453,415
Miscellaneous	227,361
Total operating revenues	12,680,776
Operating expenses:	
Depreciation and amortization	1,341,527
General and administrative	1,633,460
Bond issuance costs	443,010
Total operating expenses	3,417,997
Operating income	9,262,779
Nonoperating revenues (expenses):	
Interest and investment revenue	272,082
Interest expense	(7,995,300)
Total nonoperating expenses	(7,723,218)
Change in net position	1,539,561
Total net position, beginning of year	63,539,716
Total net position, end of year	$ 65,079,277

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

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

Cash flows from operating activities:	
Receipts of principal on bonds receivable	$ 8,899,862
Receipts of interest on bonds receivable	12,613,315
Receipts of administrative fees on bonds receivable	227,415
Receipts of reimbursements from other agencies	837,133
Disbursements from issuance of bonds receivable	(6,030)
Disbursements of general and administrative expense	(1,588,295)
Disbursements on behalf of employees	(530,353)
Disbursements on behalf of other agencies	(814,420)
Net cash provided by operating activities	19,638,627
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(423,639)
Cash flows from noncapital financing activities:	
Proceeds from sale of revenue bonds	54,880,163
Principal paid on revenue and refunding bonds	(63,040,000)
Interest paid on revenue and refunding bonds	(8,038,485)
Net cash used in noncapital financing activities	(16,198,322)
Cash flows from investing activities:	
Purchase of investments	(988,705)
Investment earnings	255,176
Net cash used in investing activities	(733,529)
Net increase in cash and cash equivalents	2,283,137
Cash and cash equivalents, beginning of year	32,421,425
Cash and cash equivalents, end of year	$ 34,704,562
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 9,262,779
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization expense	1,341,527
Pension expense	64,358
Changes in operating accounts:	
Due from other agencies	22,713
Supplemental revenue bonds receivable	572,510
Revenue bonds receivable	8,271,975
Accrued interest receivable	209,247

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS
(Continued)

Year Ended June 30, 2016

Adminstrative fees receivable	54
Accounts payable	(28,994)
Accrued employee benefits	(14,154)
Deferred outflows of resources due to pension contributions	(63,388)
Net cash provided by operating activities	$ 19,638,627

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 (GAAP) in the United States of America 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.

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

Cash and Cash Equivalents

Cash and cash equivalents include deposits with the West Virginia Treasure's office and investments with original maturities of less than ninety days and are carried at amortized costs.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Uncollectible Loans and Service Charges

The Authority established an allowance for uncollectible revolving loans and service charges based on the estimated age of revolving loans and service charges and their anticipated collectability. 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 value which is 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. When both restricted and unrestricted resources are available for use, it is generally the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

Capital Assets

Capital assets are stated at cost. Depreciation and amortization are computed using the straight-line method over an estimated economic useful life. The table below details the capital asset categories and related economic useful lives for assets in excess of $1,000 with useful lives in excess of 1 year.

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

Accrued Employee Benefits

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 retirement, an estimated liability is accrued through the Authority's participation in the State's multiple employer cost-sharing other post employment benefit plan that represents billed and unpaid charges from that plan.

Bond Premiums, Discounts, and Issuance Costs

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

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. As of June 30, 2017, the Authority is not liable to the federal government as a result of arbitrage.

Deferred Outflows of Resources / Deferred Inflows of Resources

The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The Authority reports losses on bond refunding as deferred outflows of resources and deferred outflows of resources related to pensions.

The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Authority reports deferred inflows of resources related to pensions.

Pension

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

Net Position

Net position is presented as unrestricted, restricted, or as the net investment in capital assets. The net investment in capital assets consists of all capital assets, less accumulated depreciation. Restricted net position represents assets restricted for the repayment of bond proceeds, by bond covenants, or for retirement of other long term obligations. All remaining net position is considered unrestricted. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, restricted resources are applied first.

3 - DEPOSIT AND INVESTMENT RISK DISCLOSURES

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

3 - DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Interest Rate Risk

As of June 30, 2017, the Authority had the following investments (which include certain cash equivalents) and maturities:

Type	Carrying Value	Maturities (in Years) Less Than 1	1-5	6-10
U.S. Treasury	$ 4,696,305	$ -	$ 4,696,305	$ -
Money markets	34,533,645	34,533,645	-	-
	$ 39,229,950	$ 34,533,645	$ 4,696,305	$ -

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 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 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 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, 2017, 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
Money Markets	Federated Prime Cash Obligations	88%

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - 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 follows:

	Permitted Investments	Maximum % of Portfolio
(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 as of June 30, 2017:

Security Type	Fitch	Moody's	Standard & Poors	Fair Value
Money Markets	AAAmmf	Aaa-mf	AAAm	$ 34,533,645

3 - DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

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-mf by Moody's and AAAm by Standard and Poor's, certain types of commercial paper, advance-refunded municipal bonds, certain general obligations of the State of West Virginia or any other state, or other forms of investments approved in writing by the applicable bond insurer, if any.

Accordingly, the credit risk with the investment of cash assets other than bond proceeds, known as "other revenues," is managed by the limitation on investment of other revenues in the following types of debt securities in accordance with the Authority's investment guidelines: 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.

Cash consisted of the following at June 30, 2017:

Operating cash on hand	$ -
Cash on deposit with State Treasurer	170,917
Total	$ 170,917

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

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, 2017, is as follows:

Deposits:	
Cash and cash equivalents as reported on the Statement of Net Position	$ 22,057,594
Add: restricted cash and cash equivalents	12,646,968
Less: cash equivalents and restricted cash equivalents disclosed as investments	(34,533,645)
Total cash as disclosed in this Note	$ 170,917
Investments:	
Investments as reported on the Statement of Net Position	$ 1,200,000
Add: restricted investments	3,496,305
Add: cash equivalents and restricted cash equivalents disclosed as investments	34,533,645
Total investments as disclosed in this Note	$ 39,229,950

4 - INVESTMENTS MEASURED AT FAIR VALUE

The Authority measures the investments listed below at fair value for financial reporting purposes. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. The Authority categorizes fair value measurements within the fair value hierarchy established by GAAP.

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

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

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

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

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

U.S. Treasury investments are valued using the last reported sales prices quoted in active markets that can be accessed at the measurement date.

The table below summaries the recurring fair value measurements of the investments in accordance with the fair value hierarchy levels as of June 30, 2017.

Investment Type	Level 1	Level 2	Level 3	Total
U.S. Treasury	$ 4,696,305	$ -	$ -	$ -

5 - DUE FROM OTHER AGENCIES

Certain agencies of the State were indebted to the Authority at June 30, 2017, in connection with services performed by the Authority on behalf of the agencies. Amounts due the Authority at June 30, 2017, are as follows:

West Virginia Infrastructure and Jobs Development Council, net	$ 167,709
Department of Environmental Protection Clean Water State Revolving Fund	24,629
Bureau for Public Health Drinking Water Treatment Revolving Fund	3,074
	$ 195,412

6 - REVENUE BONDS RECEIVABLE

As of June 30, 2017, the face value of revenue bonds of municipalities, public service districts and other political subdivisions purchased with proceeds from Water Development Revenue Bonds was $185,171,022. Management's intentions are to hold such bonds until maturity; therefore, management believes the face amount of the bonds is fully collectible.

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

7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 20177, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, not being depreciated:				
Land	$ 514,684	$ -	$ -	$ 514,684
Capital assets, being depreciated:				
Furniture and equipment	6,426,534	423,639	-	6,850,173
Building	4,100,298	-	-	4,100,298
Total capital assets, being depreciated	10,526,832	423,639	-	10,950,471
Less accumulated depreciation for:				
Furniture and equipment	4,563,508	984,453	-	5,547,961
Building	403,263	102,507	-	505,770
Total accumulated depreciation	4,966,771	1,086,960	-	6,053,731
Total capital assets, net	$ 6,074,745	$ (663,321)	$ -	$ 5,411,424

8 – DEBT REFUNDINGS

On December 20, 2016, the Authority currently refunded three series of previously outstanding bonds which affected loan program II. Series 2016A-II, issued for $51,105,000, with interest rates ranging from 2% to 5%, were used to refund $13,345,000 of the remaining balance of the Authority's outstanding Series 2005 A-II revenue bonds, with interest rates ranging from 4.375% to 5%, and $9,100,000 of the remaining balance of the Authority's outstanding Series 2005 B-II revenue bonds with interest rates ranging from 4.375% to 5%. Series 2016 A-II was also used to refund $32,290,000 of the remaining balance of the Authority's outstanding Series 2006 A-II revenue bonds with interest rates ranging from 4% to 5%. The proceeds of $55,723,546 (including net original issue premium of $3,775,163) and other funds available to the Authority were used to pay $443,010 in underwriting fees and other issuance costs relating to the refunding bond issue and to purchase United States Treasury obligations. Those securities were deposited in an irrevocable trust to provide for redemption of the bonds.

8 – DEBT REFUNDINGS (Continued)

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of ($406,641). This difference is being charged to interest expense through fiscal year 2040, along with $3,930,537 of the previously unamortized balance of the prior refunding. The Authority completed the refunding to reduce its total debt service payments over the next 23 years by $7,419,424 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $5,812,520.

9 - REVENUE BONDS PAYABLE

The following is a summary of the Authority's bond transactions for the year ended June 30, 2017:

Revenue bonds payable at June 30, 2016	$ 191,760,000
Bonds issued during the year ended June 30, 2017	51,105,000
Bonds retired during the year ended June 30, 2017	(8,305,000)
Bonds refunded during the year ended June 30, 20177	(54,735,000)
Revenue bonds payable at June 30, 2017	$ 179,825,000

Revenue and refunding bonds outstanding at June 30, 2017, were as follows:

Series	Final Maturity	Interest Rates %	Balance
2005 A-IV	11/01/44	4.000-5.000	$ 32,200,000
2005 B-IV	11/01/44	4.750-5.125	9,495,000
2012 A-I	11/01/25	2.000-3.000	2,290,000
2012 B-I	11/01/26	3.000-4.500	12,170,000
2012 A-II	11/01/23	2.000-3.000	3,970,000
2012 B-II	11/01/33	2.000-4.000	12,440,000
2012 A-III	07/01/39	3.000-4.000	14,695,000
2012 B-III	07/01/40	2.000-3.750	8,925,000
2013 A-II	11/01/29	2.000-5.000	32,535,000
2016 A-II	11/01/39	2.000-5.000	51,105,000
			$ 179,825,000

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

9 - REVENUE BONDS PAYABLE (Continued)

Loan Program I includes Series 2012 A-I and 2012 B-I Water Development Revenue Refunding Bonds. Loan Program II includes Series 2012 A-II, 2012 B-II, 2013 A-II, and 2016 A-II Water Development Revenue Refunding Bonds. Loan Program III includes Series 2012 A-III and 2012 B-III Water Development Revenue Refunding Bonds. Loan Program IV includes Series 2005 A-IV and 2005 B-IV Water Development Revenue Bonds.

Total future maturities of bond principal and interest on Authority indebtedness at June 30, 2017, are as follows:

Loan Program I

	Principal	Interest	Total
11/01/17	$ 1,570,000	$ 539,775	$ 2,109,775
11/01/18	1,635,000	476,363	2,111,363
11/01/19	1,240,000	417,225	1,657,225
11/01/20	1,295,000	362,475	1,657,475
11/01/21	1,345,000	308,375	1,653,375
	7,085,000	2,104,213	9,189,213
11/01/22-11/01/26	7,375,000	721,063	8,096,063
	$ 14,460,000	$ 2,825,276	$ 17,285,276

Loan Program II

	Principal	Interest	Total
11/01/17	$ 5,255,000	$ 3,918,475	$ 9,173,475
11/01/18	5,100,000	3,784,150	8,884,150
11/01/19	5,225,000	3,623,175	8,848,175
11/01/20	5,420,000	3,432,475	8,852,475
11/01/21	5,605,000	3,218,075	8,823,075
	26,605,000	17,976,350	44,581,350
11/01/22-11/01/26	29,795,000	12,313,650	42,108,650
11/01/27-11/01/31	26,770,000	6,128,025	32,898,025
11/01/32-11/01/36	11,750,000	2,038,300	13,788,300
11/01/37-11/01/39	5,130,000	294,400	5,424,400
	73,445,000	20,774,375	94,219,375
	$ 100,050,000	$ 38,750,725	$ 138,800,725

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

9 - REVENUE BONDS PAYABLE (Continued)

Loan Program III

	Principal	Interest	Total
07/01/17	$ 675,000	$ 823,406	$ 1,498,406
07/01/18	700,000	799,756	1,499,756
07/01/19	720,000	773,981	1,493,981
07/01/20	745,000	747,356	1,492,356
07/01/21	775,000	719,731	1,494,731
	3,615,000	3,864,230	7,479,230
07/01/22-07/01/26	4,300,000	3,181,694	7,481,694
07/01/27-07/01/31	5,040,000	2,422,216	7,462,216
07/01/32-07/01/36	5,980,000	1,499,863	7,479,863
07/01/37-07/01/40	4,685,000	307,219	4,992,219
	20,005,000	7,410,992	27,415,992
	$ 23,620,000	$ 11,275,222	$ 34,895,222

Loan Program IV

	Principal	Interest	Total
11/01/17	$ 935,000	$ 2,029,781	$ 2,964,781
11/01/18	980,000	1,981,509	2,961,509
11/01/19	1,030,000	1,930,844	2,960,844
11/01/20	1,080,000	1,879,222	2,959,222
11/01/21	1,130,000	1,826,716	2,956,716
	5,155,000	9,648,072	14,803,072
11/01/22-11/01/26	6,350,000	8,260,072	14,610,072
11/01/27-11/01/31	7,355,000	6,620,088	13,975,088
11/01/32-11/01/36	8,705,000	4,592,122	13,297,122
11/01/37-11/01/41	8,170,000	2,553,553	10,723,553
11/01/42-11/01/44	5,960,000	457,212	6,417,212
	36,540,000	22,483,047	59,023,047
	$ 41,695,000	$ 32,131,119	$ 73,826,119
Total all loan programs	$ 179,825,000		
Add: unamortized net premium	9,531,595		
Total all programs, net	189,356,595		
Less: current portion	9,081,779		
Noncurrent portion	$ 180,274,816		

9 - REVENUE BONDS PAYABLE (Continued)

The Authority has 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 accounts' assets and the liabilities for the defeased bonds are not included in the Authority's financial statements. At June 30, 2017, there are $1,615,000 in defeased bonds outstanding.

The proceeds from the Authority's Revenue Bond Program provide financial assistance to municipalities, public service districts and other public subdivisions to meet the requirements of state and federal water pollution control and safe drinking water laws. All bonds are considered a moral obligation of the state of West Virginia. All assets of the Authority except capital assets have been pledged to fulfill the commitments of the bonds over the life of the debt. Principal and interest paid on bonds payable for the year ended June 30, 2017, was $8,305,000 and $8,038,485, respectively, and principal payments and interest received on pledged notes receivable were $8,899,862 and $12,613,315, respectively, at June 30, 2017.

10 - PENSION PLAN

Plan Description

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

Benefits Provided

PERS provides retirement benefits as well as death and disability benefits. For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. For all employees hired July 1, 2015 and later, qualification for normal retirement is age 62 with 10 years of service or at least age 55 and service equal to 80 or greater. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the highest annual compensation during any period of three consecutive years within the last fifteen years of earnings. For all employees hired July 1, 2015 and later, average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings. For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired July 1, 2015 and later, this age increases to 64.

Contributions

Although contributions are not actuarially determined, actuarial valuations are performed to assist the Legislature in establishing appropriate contribution rates. Members hired prior to July 1 2015 contribute 4.5% of annual earnings. All members hired July 1, 2015 and later contribute 6% of annual earnings. Current funding policy requires employer contributions of 12.0%, 13.5%, and 14.0% for the years ended June 30, 2017, 2016, and 2015, respectively.

10 - PENSION PLAN (Continued)

During the years ended June 30, 2017, 2016, and 2015, the Authority's contributions to PERS required and made were approximately $63,388, $74,720, and $81,986, respectively.

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

At June 30, 2017, the Authority reported a liability of $364,905 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2017 was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015, rolled forward to the measurement date of June 30, 2016. The Authority's proportion of the net pension liability was based on the Authority's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2016. At June 30, 2016, the Authority's proportion was 0.039702 percent, which was a decrease of 0.00348 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Authority recognized pension expense of $64,358. At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ 114,666	$ -
Changes in assumptions	-	17,778
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	10,518	20,109
Differences between expected and actual experience	30,430	-
The Authority's contributions made subsequent to the measurement date of June 30, 2016	63,388	-
Total	$ 219,002	$ 37,887

The amount of $63,388 reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2018	$ 19,196
2019	18,012
2020	45,868
2021	34,651

10 - PENSION PLAN (Continued)

Actuarial Assumptions

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

Inflation	3.0 percent
Salary increases	3.0 - 6.0 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense

Mortality rates were based on 110% of the RP-2000 Non-Annuitant, Scale AA for healthy males, 101% of RP-2000 Non-Annuitant Scale AA for healthy females, 96% of RP-2000 Disabled Annuitant, Scale AA for disabled males, and 107% of RP-2000 Disabled Annuitant, Scale AA for disabled females.

An experience study, which was based on the years 2009 through 2014, was completed prior to the 2015 actuarial valuation.

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

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

10 - PENSION PLAN (Continued)

Discount Rate

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

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability	$ 660,539	$ 364,905	$ 113,837

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 multiple-employer, cost-sharing 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
601 57th Street, SE, Suite 2
Charleston, West Virginia 25304-2345

Funding Policy

The Code requires that the OPEB Plan bill the participating employers 100% of the annual required contribution (ARC), an amount actuarially determined in accordance with GAAP. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each

11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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 trust fund for the years ended June 30, 2017, 2016, and 2015 were $0, $532, and $154, respectively, and the billed ARC's were $8,604, $19,152, and $16,446. The Authority's contributions represent 0.0%, 2.8%, and 0.9% of the ARC for the years then ended, respectively. These amounts were transferred to the OPEB Plan which resulted in accrued employee benefits of $225,778 and $217,174, respectively, which are included in the Authority's liabilities as of June 30, 2017 and 2016.

12 - GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended June 30, 2017, are as follows:

Personal services	$ 517,171
Legal	126,281
Professional	328,712
Trustee	42,992
Employee benefits	86,617
Public employees insurance	57,067
Office supplies/printing	42,878
Advertising	4,916
Repairs and maintenance	47,362
Travel	17,046
Utilities	37,564
Telecommunications	55,290
Vehicle	108
Payroll taxes	7,957
Computer supplies/services	182,358
Janitorial	30,000
Miscellaneous	24,336
Rental	8,522
Administrative	2,907
Insurance	4,751
Training and development	8,625
	$ 1,633,460

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 from a commercial insurance provider and the WVPEIA, respectively. In exchange

13 - RISK MANAGEMENT (Continued)

for the payment of premiums to the commercial insurance provider 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. There were no changes in coverage or claims in excess of coverage for the year ended June 30, 2017.

14 - NEW ACCOUNTING PRONOUNCEMENTS

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

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

The GASB has also issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This Statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Authority management has not determined the effect, if any, this statement will have on its financial statements.

15 - SUBSEQUENT EVENT

On July 27, 2017, the Authority's Board of Directors authorized the current refunding of the 2005 Series A-IV in the amount of $32,200,000 and the 2005 Series B-IV in the amount of $9,495,000 through the issuance of 2017 Series A-IV bonds in an amount not to exceed $45,000,000. The Authority is scheduled to issue these bonds during October 2017.

16 - UNCERTAINTY

The Authority is currently cooperating with a State of West Virginia legislative oversight commission request for information related to certain administrative expenses for the period July 1, 2011 to the present. This inquiry process is ongoing and no information regarding the status of this matter has been communicated to management. Consequently, management cannot determine the effect, if any, of this inquiry on the Authority's financial position. Although an amount cannot presently be estimated, due to the uncertainty with regard to this matter, it is at least reasonably possible that an effect on the Authority's financial position could occur in the near term.

17 - SEGMENT INFORMATION

The presentation of segment information for the Authority, which follows, and conforms with GAAP is comprised of the following segments:

Loan Program I includes Series 2012 A-I and 2012 B-I Water Development Revenue Refunding Bonds. Loan Program II includes Series 2016 A-II Water Development Revenue Refunding Bonds, 2012 A-II, 2012 B-II, and 2013 A-II Water Development Revenue Refunding Bonds. Loan Program III includes Series 2012 A-III and 2012 B-III Water Development Revenue Refunding Bonds. Loan Program IV includes Series 2005 A-IV and 2005 B-IV Water Development Revenue Bonds.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

17 - SEGMENT INFORMATION (Continued)

	Loan Program I	Loan Program II	Loan Program III
ASSETS			
Current - unrestricted	$ 3,138,107	$ 7,719,796	$ 657,701
Noncurrent - unrestricted	-	-	-
Restricted - current and noncurrent	16,549,063	108,098,734	27,235,248
Capital assets, net	-	-	-
Total assets	$ 19,687,170	$ 115,818,530	$ 27,892,949
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	-	-	-
Deferred loss on bond refundings	$ 2,354,455	$ 5,919,911	$ 343,414
Total deferred outflows	$ 2,354,455	$ 5,919,911	$ 343,414
LIABILITIES			
Current	$ 1,849,230	$ 6,340,796	$ 1,103,163
Long-term	14,404,562	101,118,494	23,176,345
Total liabilities	$ 16,253,792	$ 107,459,290	$ 24,279,508
DEFERRED INFLOWS			
Deferred inflows of resources related to pension	$ -	$ -	$ -
NET POSITION			
Restricted	$ 4,498,956	$ 12,900,151	$ 4,402,317
Unrestricted	1,288,877	1,379,000	(445,462)
Investment in capital assets	-	-	-
Total net position	$ 5,787,833	$ 14,279,151	$ 3,956,855
OPERATING REVENUE			
Charges for services and miscellaneous revenue	$ 1,383,656	$ 7,001,035	$ 1,510,224
OPERATING EXPENSES			
Depreciation and amortization	-	246,253	-
General and administrative	-	-	-
Bond issuance cost	-	443,010	-
Allocation of general and administrative	761,582	4,942,190	1,125,011
OPERATING INCOME	622,074	1,369,582	385,213
NONOPERATING REVENUES (EXPENSES):			
Interest and investment revenue	15,642	43,893	17,536
Interest expense	(662,329)	(4,458,902)	(838,663)
Transfers (net)	653,584	3,727,882	1,125,010
Change in net position	628,971	682,455	689,096
Beginning net position	5,158,862	13,596,696	3,267,759
Ending net position	$ 5,787,833	$ 14,279,151	$ 3,956,855
Net cash provided by (used in):			
Operating activites	$ 2,111,603	$ 8,693,612	$ 1,976,564
Capital and related financing activities	-	-	-
Noncapital financing activities	(2,125,792)	(9,606,718)	(1,497,930)
Investing activities	(989,408)	64,092	14,832
Beginning cash and cash equivalents	2,146,770	7,322,774	4,586,616
Ending cash and cash equivalents	$ 1,143,173	$ 6,473,760	$ 5,080,082

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS
(Continued)

17 - SEGMENT INFORMATION (Continued)

ASSETS	Loan Program IV	Supplemental	Total
Current - unrestricted	$ 730,513	$ 21,184,062	$ 33,430,179
Noncurrent - unrestricted	-	10,819,792	10,819,792
Restricted - current and noncurrent	41,711,257	4,805,779	198,400,081
Capital assets - net	-	5,411,424	5,411,424
Total assets	$ 42,441,770	$ 42,221,057	$ 248,061,476
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension	$ -	$ 219,002	$ 219,002
Deferred loss on bond refundings	-	-	8,617,780
Total deferred outflows	$ -	$ 219,002	$ 8,836,782
LIABILITIES			
Current	$ 1,308,190	$ 73,625	$ 10,675,004
Long-term	41,575,415	831,274	181,106,090
Total liabilities	$ 42,883,605	$ 904,899	$ 191,781,094
DEFERRED INFLOWS			
Deferred inflows of resouces related to pension	$ -	$ 37,887	$ 37,887
NET POSITION			
Restricted	$ 135,842	$ 4,361,620	$ 26,298,886
Unrestricted	(577,677)	31,724,229	33,368,967
Investment in capital assets	-	5,411,424	5,411,424
Total net position	$ (441,835)	$ 41,497,273	$ 65,079,277
OPERATING REVENUE			
Charges for services and miscellaneous revenue	$ 2,177,235	$ 608,626	$ 12,680,776
OPERATING EXPENSES			
Depreciation and amortization	8,314	1,086,960	1,341,527
General and administrative	-	1,633,460	1,633,460
Bond issuance cost	-	-	443,010
Allocation of general and administrative	2,028,337	(8,857,120)	-
OPERATING INCOME	140,584	6,745,326	9,262,779
NONOPERATING REVENUES (EXPENSES):			
Interest and investment revenue	2,474	192,537	272,082
Interest expense	(2,035,406)	-	(7,995,300)
Transfers (net)	1,026,112	(6,532,588)	-
Change in net position	(866,236)	405,275	1,539,561
Beginning net position	424,401	41,091,998	63,539,716
Ending net position	$ (441,835)	$ 41,497,273	$ 65,079,277
Net cash provided by (used in):			
Operating activites	$ 2,965,598	$ 3,891,250	$ 19,638,627
Capital and related financing activities	-	(423,639)	(423,639)
Noncapital financing activities	(2,967,882)	-	(16,198,322)
Investing activities	2,350	174,605	(733,529)
Beginning cash and cash equivalents	54,526	18,310,739	32,421,425
Ending cash and cash equivalents	$ 54,592	$ 21,952,955	$ 34,704,562

REQUIRED SUPPLEMENTARY INFORMATION

THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Public Employees Retirement System Plan

	Year Ended June 30,		
	2017	2016	2015
Authority's proportion (percentage) of the net pension liability	0.039702%	0.043182%	0.040945%
Authority's proportionate share of the net pension liability	$ 364,905	$ 241,080	$ 151,290
Authority's covered payroll	$ 553,481	$ 587,420	$ 507,753
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	65.929%	41.040%	29.796%
Plan fiduciary net position as a percentage of the total pension liability	86.11%	91.29%	93.98%

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

THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

SCHEDULE OF CONTRIBUTIONS TO THE PERS

	Year Ended June 30,				
	2017	2016	2015	2014	2013
Statutorily required contribution	$ 63,388	$ 74,720	$ 81,986	$ 72,599	$ 62,525
Contributions in relation to the statutorily required contribution	$ (63,388)	$ (74,720)	$ (81,986)	$ (72,599)	$ (62,525)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 530,764	$ 553,481	$ 587,420	$ 507,753	$ 463,946
Contributions as a percentage of covered payroll	12.00%	13.50%	14.00%	14.30%	13.48%

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

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1 - TREND INFORMATION PRESENTED

The accompanying schedules of the Authority's proportionate share of the net pension liability and contributions to PERS are required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedules for those years for which information is available.

2 - PLAN AMENDMENT

The PERS was amended to make changes which apply to new employees hired July 1, 2015 and later as follows:

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

3 - CHANGES IN ASSUMPTIONS

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

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

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

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

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

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Gibbons & Kawash, A.C.

Charleston, West Virginia
October 10, 2017

WEST VIRGINIA
Water Development Authority
Celebrating 43 Years of Service 1974-2017

APPENDIX C

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

Audited Financial Statements
with Other Financial Information

West Virginia Drinking Water Treatment Revolving Fund

Year Ended June 30, 2017

GIBBONS & KAWASH
Certified Public Accountants

Audited Financial Statements
With Other Financial Information

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Drinking Water Treatment Revolving Fund (the Fund), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Drinking Water Treatment Revolving Fund, as of June 30, 2017, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements present only the West Virginia Drinking Water Treatment Revolving Fund and do not purport to, and do not present fairly the financial position of the State of West Virginia as of June 30, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Fund's basic financial statements. The accompanying information on page 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 19 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The accompanying information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2017, on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

Gibbons & Kawash, A.C.

Charleston, West Virginia
September 26, 2017

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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, 2017. Please read it in conjunction with the Fund's financial statements, which begin on page 7.

FINANCIAL HIGHLIGHTS

- Under the former American Recovery and Reinvestment Act (ARRA), the Drinking Water Treatment Revolving Fund was awarded $19.5 million, of which $19.25 million was to be distributed through the drinking water revolving loan program. Under the ARRA program at least 50% of the $19,250,000 was required to be provided in the form of principal forgiveness loans (an approved loan type whereby the loan recipient is not required to repay the loan). The Fund closed fourteen (14) projects receiving ARRA funding over the life of the program. $18.95 million of the $19.25 million was provided in the form of principal forgiveness loans. The ARRA principal forgiveness loans are written off quarterly according to their respective debt service schedules. A total of $1.895 million in ARRA principal forgiveness loans were written off against the existing allowance for principal forgiveness during fiscal year 2017.

- The United States Environmental Protection Agency (the "EPA") authorized the Fund to issue principal forgiveness loans. These loans, which are issued to certain local government agencies or other eligible water providers will be forgiven on the 30th day of June in the fiscal year coinciding with the disbursement or on the last day of the month in which the last disbursement is made. These loans are deemed no longer outstanding after the last loan disbursement is forgiven. Therefore, it is the Fund's policy to maintain an allowance for principal forgiveness loans, equal to the amount of the disbursement, until the last disbursement is made. Consistent with the prior year, a large operating expense, loss on forgivable loans, was incurred due to the provisions of the EPA principal forgiveness loans. Total principal forgiveness loans disbursed during the fiscal year totaled $701 thousand. The Fund's change in net position, therefore, consists of total revenues, less operating expenses and capital grants and contributions.

- The Fund's assets increased by $8,389,611 or about 5.4%. This is largely due to an increase in the volume of loans issued and funds disbursed during the fiscal year. The Fund's liabilities decreased $16,717. This is the largely the result of a decrease in legal fees related to project review. The Fund's net position increased by $8,406,328 or approximately 5.4%.

- The Fund's revenues increased by $135,315 or approximately 9.5%. This is primarily due to an increase in administrative fees of $26,205, as well as an increase in investment earnings of $119,863, offset by a decrease in interest on loans of $10,753. The overall increase in revenues is largely due to the increase in investment earnings over the past year.

- Capital grant and contribution awards from the EPA and the State of West Virginia (the "State") continue to provide the necessary resources to the Fund to carry out its mission. Federal and state awards for the Fund are described in footnote 5 in the accompanying financial statements. Capital grants and contributions received from the EPA and the State decreased by $872,817 from the prior year.

- Five (5) new loans were closed during the current year. Also, there are fifteen (15) additional loans that are still under construction that were closed in prior years, seven (7) of which are substantially complete but still have a remaining loan balance.

USING THIS REPORT

This report consists of a series of financial statements. The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Fund Net Position report the Fund's net position and changes in them. The Fund's net position, which is 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 position is one indicator of whether its financial health is improving or deteriorating.

THE FUND AS A WHOLE

Assets of the Fund increased $8,389,611 or about 5.4%. The Fund has $8,798 in liabilities as of the current fiscal year and $25,515 in liabilities in the prior fiscal year ended June 30. The increase in assets approximates the increase in the Fund's net position. Our analysis that follows focuses on the net position (Table 1) and changes in net position (Table 2) of the Fund's activities.

Table 1
Statements of Net Position

	2017	2016
Assets		
Current assets	$ 31,105,443	$ 31,476,629
Loans receivable, less current maturities, net	132,117,380	123,356,583
Total assets	$ 163,222,823	$ 154,833,212
Liabilities		
Current liabilities	$ 8,798	$ 25,515
Net position		
Restricted	$ 163,214,025	$ 154,807,697

THE FUND AS A WHOLE (Continued)

Table 2
Statements of Revenues, Expenses, and Changes in Fund Net Position

	2017	2016
Revenues:		
Operating revenues:		
Administrative fees	$ 660,978	$ 634,773
Interest on loans	698,254	709,007
Total operating revenues	1,359,232	1,343,780
Investment earnings	195,369	75,506
Total revenues	1,554,601	1,419,286
Operating expenses	(759,673)	(1,800,962)
Income (loss) before capital grants and contributions	794,928	(381,676)
Capital grants and contributions	7,611,400	8,484,217
Increase in net position	$ 8,406,328	$ 8,102,541

Most of the increase in the Fund's assets and net position is attributable to both the capital grants and contributions received in the current year from the EPA in the amount of $5,949,000 and the State match through the West Virginia Infrastructure and Jobs Development Council in the amount of $1,662,400 totaling $7,611,400. Of the $5,949,000 received from the EPA in the current year, $118,824 was disbursed with an agreed 100% loan forgiveness feature. 100% of the EPA 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 $1,662,400 received from the State during the current year in matching funds, was disbursed during the year. In addition, $1,894,166 in cumulative investment earnings on current and previous State match amounts have been committed to drinking water infrastructure projects but have not yet been expended. These moneys are invested with the West Virginia Board of Treasury Investments and are included on the balance sheet as "Cash Equivalents."

The Fund's liabilities are attributable to the last quarter of administrative expenses that were payable at the end of the fiscal year.

Capital grant income from the 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. Capital grant income from the EPA decreased $777,817 from the prior year. The sources of funding for loans to local governmental agencies, besides the capital grant income from the EPA, and the State match, include revolving loan repayments, and investment earnings, both of which have increased $382,885 from prior year. Five (5) loans closed during the current year, totaling $12,158,438. Three (3) loans closed in the first quarter, and two (2) closed in the second quarter.

Total revenues, including operating revenues and investment earnings totaled $1,554,601. This was an increase of $135,315 from prior year. This was attributed to an increase in administrative fees of $26,205 over the prior year, an increase in investment earnings of $119,863, and offset by a decrease in interest on loans of $10,753.

THE FUND AS A WHOLE (Continued)

The five loans that closed in the current year totaled $12,158,438. The amounts disbursed for these loans totaled $6,614,800 of which $804,939 represented federal funds, $225,133 represented state match, and $5,584,728 represented proceeds from loan repayments with $4,631 of those funds having principal forgiveness features. The amount disbursed during the current year for loans closed in prior years totaled $9,649,379 of which $5,144,062 represented federal funds with $118,825 of those funds having principal forgiveness features, $1,437,267 represented State match with $33,471 of those funds having principal forgiveness features, and $3,068,050 represented proceeds from loan repayments with $543,876 having principal forgiveness features. The sum of all disbursements for the years ended June 30, 2017 and 2016 was $16,264,179 and $16,765,494, respectively.

COMMITMENTS AND PENDING APPLICATION FOR EPA GRANT

As of June 30, 2017, the Fund had no outstanding binding commitments and all of the 2016 EPA Capitalization Grant funds were disbursed. On August 29 the 2017 EPA Capitalization Grant was received and will be disbursed in fiscal year 2018 for approved drinking water infrastructure projects. Funding for approved projects will also come from resources currently available to the Fund such as loan repayments as well as federal capital grants and State matches to be paid to the Fund in future periods. As of the year ended June 30, 2017 the Fund has $21,494,489 in cash equivalents available for these projects. Additionally, the Fund has $374,728 of cash equivalents from user fees obtained from a State Settlement with the West Virginia American Water Company in 2004. These funds will be used for future drinking water infrastructure projects.

The West Virginia Bureau for Public Health submitted an application to the EPA for a grant for the Fund for the fiscal year 2018 grant period. The application was approved in August 2017, and resulted in an award from the EPA of $5,458,468. The $1,648,200 State match has been committed to the Fund in order to secure the federal funds. The total of $7,106,668, awarded to the Fund, will be used to provide no-interest or low-interest traditional or principal forgiveness featured loans to assist in financing approved drinking water infrastructure projects.

The 2016 EPA Capitalization Grant awarded for fiscal year 2017 contained a provision which requires that not less than twenty (20) and not more than (30) percent of each grant be provided to eligible water system loan recipients in the form of grants, negative interest, or principal forgiveness. The 2017 EPA Capitalization Grant for fiscal year 2018 just awarded will contain the same provision. The principal forgiveness will be provided to the loan recipients as a separate loan agreement. The principal forgiveness requirement is expected to remain a grant condition in the near future. While this new provision will not directly enhance the Fund, the plan is that it will assist in meeting the Fund's goal of providing safe drinking water infrastructure to West Virginia residents.

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 West Virginia Bureau for Public Health. If you have questions about this report or need additional information, contact the Executive Director or the Chief Financial Officer of the West Virginia Water Development Authority, 1009 Bullitt Street, Charleston, West Virginia 25301; call 304-414-6500 or visit the Authority's website (www.wvwda.org).

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

STATEMENT OF NET POSITION

June 30, 2017

ASSETS	
Current assets:	
Cash and cash equivalents	$ 21,869,217
Administrative fees receivable	58,236
Accrued interest receivable	62,163
Current maturities of loans receivable	9,115,827
Total current assets	31,105,443
Loans receivable, less current maturities (net of principal forgiveness of $10,074,124)	132,117,380
Total assets	$ 163,222,823
LIABILITIES	
Current liabilities:	
Accounts payable, related party	$ 8,798
NET POSITION	
Net position, restricted	$ 163,214,025

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 POSITION

June 30, 2017

Operating revenues:	
Administrative fees	$ 660,978
Interest on loans	698,254
	1,359,232
Operating expense:	
Administrative expense	58,870
Grant expense - principal forgiveness	700,803
	759,673
Operating income	599,559
Nonoperating revenues:	
Investment income	195,369
Income before capital grants and contributions	794,928
Capital grants and contributions:	
U.S. Environmental Protection Agency	5,949,000
State of West Virginia	1,662,400
	7,611,400
Increase in net position	8,406,328
Net position, beginning of year	154,807,697
Net position, end of year	$ 163,214,025

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, 2017

Operating activities:	
Cash payments for:	
Loans originated	$ (16,264,179)
Administrative expenses	(75,587)
Cash receipts from:	
Principal repayments	6,184,542
Administrative fees	656,157
Interest on loans	699,409
Net cash and cash equivalents used in operating activities	(8,799,658)
Capital and related financing activities:	
Capital grants and contributions received:	
U.S. Environmental Protection Agency	5,949,000
State of West Virginia, Infrastructure and Jobs Development Council	1,662,400
Net cash provided by capital and related financing activites	7,611,400
Investing activities:	
Investment income	195,369
Net decrease in cash and cash equivalents	(992,889)
Cash and cash equivalents, beginning of year	22,862,106
Cash and cash equivalents, end of year	$ 21,869,217
Reconciliation of operating loss to net cash and cash equivalents used in operating activities:	
Operating income	$ 599,559
Adjustments to reconcile operating loss to net cash and cash equivalents used in operating activities:	
Increase in loans receivable	(9,378,834)
Increase in administrative fees receivable	(4,821)
Decrease in accrued interest receivable	1,155
Decrease in accounts payable, related party	(16,717)
Net cash and cash equivalents used in operating activities	$ (8,799,658)
Supplemental disclosure of noncash activities:	
New loans originated with principal forgiveness features and forgiven during the year ended June 30, 2017	$ 700,803

The accompanying notes are an integral part of these 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), as amended, and is administered by the West Virginia Water Development Authority (the 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, design, treatment, distribution, transmission, storage and extensions; and remain in perpetuity by recirculating the principal repayments and interest earned from the loans. The Fund’s programs are designed to provide financial assistance in the form of no-interest, low-interest, and forgivable loans 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, which 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, 2017 Congress has authorized the EPA to award $194,015,782 in capitalization grants to the State, of which $146,364,433 is allocated to the fund. The state is required to contribute $34,889,557 in matching funds to the Fund, which are provided through the West Virginia Infrastructure and Jobs Development Council. The 2017 Capitalization Grant State Match of $1,648,200 will be deposited in in the Fund in July 2017.

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, these 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.

The Fund is a component of the State and as such is included in the State’s financial statements as a proprietary fund and business type activity blended component 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 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.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include 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 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 a federal capitalization grant, including amounts awarded under the former American Recovery and Reinvestment Act of 2009 (ARRA), 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. According to the terms as set forth in the ARRA, management believes that it is probable that certain of the local government agencies will fulfill specific ARRA program requirements allowing for principal forgiveness, and as such a 100% principal forgiveness valuation has been made for certain of these program loans through the year ended June 30, 2017.

The Fund also issues loans eligible for principal forgiveness from funds provided under EPA grants received by the Fund. These loans, which are issued to certain local government agencies or other eligible water providers will be forgiven on the 30th day of June in the fiscal year coinciding with the disbursement. These loans, which are secured by principal only bonds issued by the loan recipient, and held in the name of the Authority and the West Virginia Bureau for Public Health on behalf of the Fund, are to be deemed no longer outstanding after the last loan disbursement is forgiven. Therefore, it is the Fund's policy to maintain an allowance for principal forgiveness loans, equal to the amount of the disbursement, until the last disbursement is made to the recipient and the loan can be removed from the outstanding loans list.

As of June 30, 2017, with the exception of forgivable loans, no provision for uncollectible accounts has been made because management believes that the loans will be repaid according to the loan terms. There are no principal or interest payments in default.

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 principle reduction payments by local governmental agencies or other eligible water providers at terms set forth in the applicable loan agreements.

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Grants and Contributions

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

Net Position

Net position is reported as restricted. Restricted net position is the result of constraints placed on its 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 AND CASH EQUIVALENTS

The 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, 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 or deposited with the State Treasurer.

Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The WV Money Market pool has been rated AAAm by Standard & Poor’s. A fund rated “AAAm” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. “AAAm” is the highest principal stability fund rating assigned by Standard & Poor’s. The BTI itself has not been rated for credit risk by any organization.

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - CASH AND CASH EQUIVALENTS (Continued)

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated A+ by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Money Market Pool's investments (in thousands):

	Credit Rating			
Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets
Commercial paper	P-1	A-1+	$ 358,377	20.10%
	P-1	A-1	706,150	39.60
Corporate bonds and notes	Aa3	AA-	6,285	0.35
	A1	A	3,200	0.18
U.S. Treasury notes *	Aaa	AA+	97,823	5.49
U.S. Treasury bills *	P-1	A-1+	69,837	3.92
Negotiable certificates of deposit	P-1	A-1+	174,000	9.76
	P-1	A-1	156,476	8.78
Money market funds	Aaa	AAAm	100,005	5.61
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	P-1	A-1	50,000	2.80
U.S. Treasury notes *	NR	A-1	60,800	3.41
			$1,782,953	100.00%

*U.S. Treasury issues are explicitly guaranteed by the United States government and are not considered to have credit risk.

Concentration of credit risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a pool's investment in a single corporate issuer. The BTI investment policy prohibits the West Virginia Money Market Pool from investing more than 5% of their assets in any one corporate name or one corporate issue.

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. 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. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

3 - CASH AND CASH EQUIVALENTS (Continued)

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, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

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

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.

4 - LOANS RECEIVABLE

As of June 30, 2017, loans receivable consisted of loans to local governmental agencies (LGA's) or other eligible water providers for qualifying projects which comply with the Act. The Fund issued $700,803 in loans whose principal was forgiven during the year ended June 2017 in accordance with funding covenants provided by the EPA. Accordingly a valuation account for expected principal forgiveness has been recorded as of June 30, 2017 for the total allotment of anticipated qualifying principal forgiveness loans. During the year, the Fund disbursed $15,563,376 of loans which are required to be repaid in accordance with the loan agreements.

4 - LOANS RECEIVABLE (Continued)

Loans receivable consisted of the following at June 30, 2017:

Loans without principal forgiveness features	$ 141,233,207
ARRA loans	7,841,435
EPA principal forgiveness loans (original principal of $14,083,153)	2,232,689
Total loans outstanding	151,307,331
Less:	
Allowance for principal forgiveness programs	10,074,124
Current maturities	9,115,827
Total loans receivable, net of current maturities and principal forgiveness	$ 132,117,380

Non-principal forgiveness loans mature at various intervals through June 2048, ARRA and EPA principal forgiveness loans will be forgiven over various periods through June 2032. The scheduled principal payments on principal forgiveness loans maturing in subsequent years and annual principal forgiveness in future years are as follows at June 30:

2018	$	9,115,827
2019		9,604,042
2020		9,683,215
2021		9,468,394
2022		8,006,177
Thereafter		113,664,811
		159,542,466
Less loans closed but not disbursed at June 30, 2017		8,235,135
		151,307,331
Less current maturities		9,115,827
		142,191,504
Less allowance for principal forgiveness programs		10,074,124
Total loans receivable, net of current maturities and principal forgiveness	$	132,117,380

5 - CAPITAL GRANTS AND CONTRIBUTIONS

The Fund is awarded grants from the EPA as authorized by the Act and the State provides matching funds from the West Virginia Infrastructure and Jobs Development Council's Infrastructure Fund. Funds drawn are recorded as capital grants and contributions from the EPA and the State. As of June 30, 2017, the cumulative amounts awarded to the Fund from the EPA and the contributed matching funds from the State were as follows:

Effective Award Date	EPA Grant	State Match
09/11/1998	$ 9,076,449	$ 2,511,760
06/11/1999	12,965,142	2,917,020
12/10/2001	5,352,330	1,551,400
11/09/2002	5,374,479	1,557,820
10/23/2003	5,556,225	1,610,500
06/16/2005	5,522,829	1,600,820
12/01/2005	5,729,139	1,660,620
12/04/2006	5,716,995	1,657,100
12/19/2007	5,678,217	1,645,860
11/07/2008	6,089,460	1,645,800
06/15/2009*	15,350,000	-
08/03/2009*	3,900,000	-
10/01/2009	5,620,740	1,629,200
07/29/2010	7,345,036	1,629,200
9/22/2010	9,466,950	2,714,600
9/15/2011	6,394,920	1,853,600
1/20/2012*	150,000	-
9/20/2012	6,224,032	1,831,257
7/1/2013	5,810,490	1,684,200
7/1/2014	6,701,750	1,769,000
7/1/2015	6,590,250	1,757,400
6/27/16	5,749,000	1,662,400
Total	$ 146,364,433	$ 34,889,557

*Funds did not require a State match.

The 2017 Capitalization Grant was not approved until fiscal year 2018.

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, 2017:

Cumulative Through	Federal	State	Total Capital Grants and Contributions
June 30, 2017	$ 146,364,433	$ 34,889,557	$ 181,253,990

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. There were no outstanding commitments as of June 30, 2017.

The Fund has awarded amounts not yet disbursed of approximately $8,235,135 for projects previously approved and in various stages of completion.

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. There were no changes in coverage or claims in excess of coverage for the year ended June 30, 2017.

8 - TRANSACTIONS WITH STATE OF WEST VIRGINIA AGENCIES

The Authority pays for and is reimbursed for certain administrative expenses (including salaries and legal expenses) on behalf of the Fund. As of June 30, 2017, the Fund had incurred and recognized $58,870 in administrative expenses of which $8,798 remained payable to the Authority at June 30, 2017.

ACCOMPANYING INFORMATION

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

SCHEDULES OF ADMINISTRATIVE FEES ACTIVITY

As of and for the Year ended June 30, 2017

Schedule of assets and fund net position		
Assets:		
Cash and cash equivalents	$	5,252,438
Administrative fees receivable		58,236
Total assets	$	5,310,674
Liabilities:		
Accounts payable, related party	$	8,798
Restricted fund net position	$	5,301,876
Schedule of administrative fees activity and fund net position		
Revenues:		
Administrative fees	$	660,978
Interest on investments		40,200
Total revenues		701,178
Expenses:		
Administrative expense		58,870
Net income		642,308
Restricted fund net position - administrative fees, beginning of year		4,659,568
Restricted fund net position - administrative fees, end of year	$	5,301,876
Schedule of cash flows		
Net income	$	642,308
Adjustments to reconcile net income to net cash provided by administrative fees activity:		
Increase in administrative fees receivable		(4,821)
Decrease in accounts payable, related party		(16,717)
Net cash provided by administrative fees activity		620,770
Cash and cash equivalents, beginning of year		4,631,668
Cash and cash equivalents, end of year	$	5,252,438

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2017

	CFDA #	Expenditures
U.S. Environmental Protection Agency		
Capitalization Grants for Drinking Water State Revolving Funds	66.468	$ 5,949,000[1]

[1] This amount was passed through to non federal entities under a loan program.

1 - BASIS OF PRESENTATION

The above schedule of expenditures of federal awards includes the federal award activity of the West Virginia Drinking Water Treatment Revolving Loan Fund (the Fund) under programs of the federal government for the year ended June 30, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the Fund, it is not intended to and does not present the financial position, changes in fund net position or cash flows of the Fund.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3 - INDIRECT COST RATE

The Fund has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

See Independent Auditor’s Report.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Drinking Water Treatment Revolving Fund (the Fund), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated September 26, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Gibbons & Kawash, A.C.

Charleston, West Virginia
September 26, 2017

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the West Virginia Drinking Water Treatment Revolving Fund 's (the Fund) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Fund's major federal program for the year ended June 30, 2017. The Fund's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Fund's major federal program based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 a major federal program 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Fund's compliance.

Opinion on Each Major Federal Program

In our opinion, the Fund complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Fund is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Fund's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, however, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gibbons & Kawash, A.C.

Charleston, West Virginia
September 26, 2017

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes __X__ No
- Significant deficiency(ies) identified? _____ Yes __X__ None reported

Noncompliance material to financial statements noted? _____ Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes __X__ No
- Significant deficiency(ies) identified? _____ Yes __X__ None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? _____ Yes __X__ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
66.468	Capitalization Grants for Drinking Water State Revolving Funds

WEST VIRGINIA DRINKING WATER TREATMENT REVOLVING FUND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Year Ended June 30, 2017

Section I - Summary of Auditors' Results (Continued)

Dollar threshold used to distinguish between type A and type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?	X	Yes	___	No

Section II - Financial Statement Findings

No findings were identified that are required to be reported under this section.

Section III - Federal Award Findings and Questioned Costs

No findings were identified that are required to be reported under this section.

WEST VIRGINIA
Water Development Authority
Celebrating 43 Years of Service 1974-2017

APPENDIX D

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT

Audited Financial Statements

West Virginia Infrastructure and Jobs Development Council

Year Ended June 30, 2017

GIBBONS&KAWASH
Certified Public Accountants

Audited Financial Statements

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Council, and do not purport to, and do not present fairly the financial position of the State of West Virginia as of June 30, 2017, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the schedule of the proportionate share of the net pension liability and the schedule of contributions to the PERS on pages 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017, on our consideration of the Council's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

Gibbons & Kawash, A.C.

Charleston, West Virginia
October 10, 2017

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

INTRODUCTION

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

USING THIS REPORT

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

FINANCIAL HIGHLIGHTS

Business Type Activities:

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

Governmental Activities:

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

Government Wide:

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

Other Highlights:

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

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE

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

Table 1
Net Position

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

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (Continued)

Table 2
Changes in Net Position

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

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (Continued)

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

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

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

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

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

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

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

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

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

FINANCIAL ANALYSIS OF THE COUNCIL AS A WHOLE (Continued)

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

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

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

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

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

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

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

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

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

BUDGETARY HIGHLIGHTS

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

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

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

DEBT ADMINISTRATION

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

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

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

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

DEBT ADMINISTRATION (Continued)

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

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

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

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

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

FACTORS WHICH MAY AFFECT THE COUNCIL

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

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

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

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

CONTACTING THE COUNCIL'S MANAGEMENT

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

STATEMENT OF NET POSITION

Year Ended June 30, 2017

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

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

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

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2017

	Debt Service Fund
ASSETS	
Cash	$ 123
FUND BALANCE	
Restricted fund balance	$ 123

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

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

Year Ended June 30, 2017

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

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

STATEMENT OF NET POSITION - PROPRIETARY FUND

Year Ended June 30, 2017

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

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

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

Year Ended June 30, 2017

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

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year Ended June 30, 2017

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

1 - REPORTING ENTITY

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

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

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

2 - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

The government reports the following major governmental fund:

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

The government reports the following major proprietary fund:

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

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

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

4 - SIGNIFICANT ACCOUNTING POLICIES

Budgetary Accounting

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

Cash Equivalents

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

Investments

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

4 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Uncollectible Loans

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

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

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

Interfund Transactions

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

Bond Premiums, Discounts and Issuance Costs

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

Deferred Outflows of Resources / Deferred Inflows of Resources

The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The council reports losses on bond refundings and certain pension amounts as deferred outflows of resources on the statement of net position.

The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Council reports deferred inflows of resources related to pensions on the statement of net position.

4 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pension

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

Arbitrage Rebate Payable

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

Fund Balances

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

Net Position

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

5 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Total fund balance on governmental fund balance sheet	$	123
Under the current financial resources measurement focus and modified accrual basis of accounting, liabilities related to debt service are not recorded until due and are not included in the governmental funds balance sheet:		
Deferred outflows of resources		6,152,420

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

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

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

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

6 - DEPOSIT AND INVESTMENT RISK DISCLOSURES

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

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

Interest Rate Risk - West Virginia Money Market Pool

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

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

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

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

Interest Rate Risk - All Other Investments

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

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

6 - DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

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

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

Concentration of Credit Risk - West Virginia Money Market Pool

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

Concentration of Credit Risk - All Other Investments

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

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

6 - DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

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

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

Credit Risk - West Virginia Money Market Pool

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The WV Money Market Pool has been rated AAAm by the Standard & Poor’s. A fund rated “AAAm” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market and/or liquidity risks. “AAAm” is the highest principal stability fund rating assigned by Standard & Poor’s. The BTI itself has not been rated for credit risk by any organization.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated A+ by Standard & Poor’s (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor’s and P-1 by Moody’s. The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Money Market Pool’s investments (in thousands):

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

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

6 - DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Credit Risk - All Other Investments

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

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

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

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

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

Custodial Credit Risk - West Virginia Money Market Pool

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the BTI will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

6 - DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Custodial Credit Risk - All Other Investments

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

Foreign Currency Risk - All Investments

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

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

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

7 - INVESTMENTS MEASURED AT FAIR VALUE

The Council measures the investments listed below at fair value for financial reporting purposes. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. The Council categorizes fair value measurements within the fair value hierarchy established by GAAP.

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

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

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

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

7 - INVESTMENTS MEASURED AT FAIR VALUE (Continued)

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

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

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

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

8 – DEBT REFUNDINGS

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

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

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

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

9 - LONG -TERM DEBT

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

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

Debt Service Fund

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

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)

9 - LONG -TERM DEBT (Continued)

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

Capital Appreciation Bonds:

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)

9 - LONG -TERM DEBT (Continued)

Business Type Activity

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

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

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

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

9- LONG -TERM DEBT (Continued)

Business Type Activity (Continued)

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

10 - TRANSACTIONS WITH STATE OF WEST VIRGINIA AGENCIES

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

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

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

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

11 - EMPLOYEE BENEFITS

Pension Plan

Plan Description

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

11 - EMPLOYEE BENEFITS (Continued)

Pension Plan (Continued)

Benefits Provided

PERS provides retirement benefits as well as death and disability benefits. Qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. For all employees hired on or after July 1, 2015, qualification for normal retirement is age 62 with 10 years of service or at least age 55 with age and service equal to 80 or greater. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. Average salary is the average of the highest annual compensation during any period of three consecutive years within the last fifteen years of earnings. For all employees hired on or after July 1, 2015, average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, this age increases to 64.

Contributions

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

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

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

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

11 – EMPLOYEE BENEFITS (Continued)

Pension Plan (Continued)

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

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

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

Year ended June 30,	
2017	$ 9,383
2018	8,807
2019	22,422
2020	16,938

Actuarial Assumptions

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

Inflation	3.0 percent
Salary increases	3.0 - 6.0 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense

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

11 - EMPLOYEE BENEFITS (Continued)

Pension Plan (Continued)

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

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

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

Discount Rate

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

11 - EMPLOYEE BENEFITS (Continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
The Council's proportionate share of the net pension liability	$ 332,892	$ 178,377	$ 55,647

12 - SCHEDULE OF GENERAL AND ADMINISTRATIVE EXPENSES

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

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

13 - RISK MANAGEMENT

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

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

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

14 - RESTRICTED NET POSITION

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

15 - COMMITMENTS

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

16 - NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

The GASB has also issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This Statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Council management has not determined the effect, if any, this statement will have on its financial statements.

17 - SEGMENT INFORMATION

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

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

Defined loan program segment:

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

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)

June 30, 2017

17 - SEGMENT INFORMATION (Continued)

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

REQUIRED SUPPLEMENTARY INFORMATION

THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Public Employees Retirement System Plan

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

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

THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

SCHEDULE OF CONTRIBUTIONS TO THE PERS

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

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

THE WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1 - TREND INFORMATION PRESENTED

The accompanying schedules of the Council's proportionate share of the net pension liability and contributions to PERS are required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedules for those years for which information is available.

2 - PLAN AMENDMENT

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

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. For employees hired on or after July 1, 2015, qualification for normal retirement is 62 with 10 years of service or at least age 55 with age and service equal to 80 or greater.

- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015 average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.

- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, this age increases to 64.

- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired on or after July 1, 2015, are required to contribute 6% of annual earnings.

3 - CHANGES IN ASSUMPTIONS

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

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

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

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

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

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Gibbons & Kawash, A.C.

Charleston, West Virginia
October 10, 2017