WEST VIRGINIA
WATER DEVELOPMENT AUTHORITY

FINANCIAL REPORT

June 30, 2018

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BROWNEDWARDS
certified public accountants

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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2018, and the changes in financial position and 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, the schedule of the proportionate share of the net pension liability, the schedule of contributions to the PERS, the schedule of the proportionate share of the net OPEB liability, and the schedule of contributions to the RHBT on pages 40 through 45 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 9, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
October 9, 2018

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, 2018, 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 $5.2 million or 2%. Deferred outflows of resources decreased by $768 thousand or 9%. There was a decrease in total liabilities of $9 million or 5%. Deferred inflows of resources increased $711 thousand. Total net position increased $2.6 million or approximately 4%.

(Continued)

FINANCIAL HIGHLIGHTS (Continued)

- Total revenues decreased $328 thousand or approximately 3%. This was primarily due to a decrease in charges for services of $658 thousand offset by an increase in interest and investment revenue of $318 thousand, as well as an increase in other revenue of $12 thousand.
- Total expenses decreased $1.4 million or 12%. This was primarily the combined result of a $760 thousand decrease in interest expense and a $605 thousand decrease 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

	2018 WDA	2017 WDA	Increase (Decrease)
Assets			
Current assets	$ 39,904,500	$ 36,934,798	$ 2,969,702
Non current assets	202,941,152	211,126,678	(8,185,526)
Total assets	**$ 242,845,652**	**$ 248,061,476**	**$ (5,215,824)**
Deferred outflows of resources			
Deferred loss on bond refundings	$ 7,974,054	$ 8,617,780	$ (643,726)
Deferred outflows of resources from OPEB amounts	17,523	-	17,523
Deferred outflows of resources from pension amounts	77,174	219,002	(141,828)
Total deferred outflows of resources	**$ 8,068,751**	**$ 8,836,782**	**$ (768,031)**
Liabilities			
Current liabilities	$ 11,096,791	$ 10,675,004	$ 421,787
Other accrued benefits	-	225,778	(225,778)
Net OPEB Liability	158,520	-	158,520
Net Pension Liability	164,270	364,905	(200,635)
Assets held on behalf of others	-	206,000	(206,000)
Long-term debt outstanding	171,084, 965	180,309,407	(9,224,442)
Total liabilities	**$ 182,504,546**	**$ 191,781,094**	**$ (9,276,548)**
Deferred inflows of resources			
Deferred gain on refunding	$ 596,143	$ -	$ 596,143
Deferred inflows of resources from OPEB amounts	60,769	-	60,769
Deferred inflows of resources from pension amounts	91,488	37,887	53,601
Total deferred inflows of resources	**$ 748,400**	**$ 37,887**	**$ 710,513**
Net position			
Net investment in capital assets	$ 4,559,902	$ 5,411,424	$ (851,522)
Restricted	23,892,386	26,298,886	(2,406,500)
Unrestricted	39,209,169	33,368,967	5,840,202
Total net position	**$ 67,661,457**	**$ 65,079,277**	**$ 2,582,180**

(Continued)

THE AUTHORITY AS A WHOLE (Continued)

Total assets decreased $5.2 million or 2%. Decreases to assets were the result of the use of assets to fund interest expense of $7.2 million on bonds payable, scheduled principal payments on bonds payable of $8.4 million, and general and administrative expenses of $1.4 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 $11.8 million and interest on investments of $590 thousand. During the year, the Authority disbursed $260 thousand in loans from unrestricted resources available to the authority.

Deferred Outflows of Resources decreased by $768 thousand which was the result of current year amortizations of loss on refundings in the amount of $644 thousand, and a reduction of the deferred outflow of resources for pension expense and pension contributions in the amount of $142 thousand, which is explained further in Note 11. An increase in the deferred outflow of resources for OPEB in the amount of $18 thousand offset these decreases due to the implementation of GASB 75, *Accounting and Financial Reporting for Poseemployment Benefits Other Than Pensions* which is explained further in Note 12.

Total liabilities decreased approximately $9 million or approximately 5%. The majority of the decrease was in revenue bonds payable, which are presented on the balance sheet net of unamortized premiums.

Deferred Inflows of Resources increased $711 thousand due to a $596 thousand gain on refundings from the Loan Program IV bond refunding, a $54 thousand increase due to current year pension activity and an additional deferred inflow of resources from OPEB of $61 thousand due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

Unrestricted net position increased $5.8 million, primarily explained by the combined result of $3.5 million net income in unrestricted accounts, a transfer of $2.7 million from restricted to unrestricted funds, and a $465 thousand transfer from the restricted portion of revenue bonds receivable in the four loan programs to current assets. Offsetting these increases was a decrease in revenue bonds receivable of $209 thousand and a transfer from restricted liabilities of $599 thousand for the current portion of revenue bonds.

Restricted net position decreased $2.4 million primarily due to the transfer of $465 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 the transfer of $2.7 million from restricted to unrestricted funds, offset by the transfer of $599 thousand for the current portion of revenue bonds payable and the gain of $604 thousand for the refunding of the Series 2005 A-IV bonds and Series 2005 B-IV bonds.

(Continued)

THE AUTHORITY AS A WHOLE (Continued)

Table 2
Changes in Net Position

	2018 WDA	2017 WDA	Increase (Decrease)
Revenues:			
Operating revenues:			
Charges for services	$ 11,795,545	$ 12,453,415	$ (657,870)
Other	238,920	227,361	11,559
Total operating revenues	**12,034,465**	**12,680,776**	**(646,311)**
Nonoperating revenues:			
Interest and investment revenue, net of arbitrage	590,450	272,082	318,368
Total revenues	**12,624,915**	**12,952,858**	**(327,943)**
Expenses:			
Operating expenses	2,813,226	3,417,997	(604,771)
Nonoperating expenses:			
Interest expense	7,235,194	7,995,300	(760,106)
Total expenses	**10,048,420**	**11,413,297**	**(1,364,877)**
Change in net position	**2,576,495**	**1,539,561**	**1,036,934**
Beginning net position	**65,079,277**	**63,539,716**	**1,539,561**
Cumulative effect of change in accounting principal, Beginning net position Restated	**5,685**	**-**	**5,685**
Ending net position	**$ 67,661,457**	**$ 65,079,277**	**$ 2,582,180**

Charges for services decreased $658 thousand. This is primarily due to closing only three loans during the current year and to lower interest rates on loans already in the portfolio.

Other increased $12 thousand primarily due to an increase in administrative fees as well as an increase in miscellaneous income.

Interest and investment revenue, net of arbitrage increased $318 thousand due to higher short term interest rates available to the Authority from period to period on comparable increased asset balances, as well as adding longer term investments to the portfolio with higher interest rates.

Operating expenses decreased $605 thousand from the prior year. The decrease in operating expense is primarily due to reductions in contractual and professional services of $109 thousand, computer services of $27 thousand, telecommunications expense of $24 thousand, legal expense of $64 thousand, and depreciation expense of $96 thousand.

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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 $170 million in revenue and refunding bonds outstanding versus $180 million in the prior year, a decrease of approximately 6%.

As of June 30, 2018, 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, 2018, the 2018 Series A-IV, had a Standard & Poor's rating of AA-.

The Authority's underlying rating of AA- from Standard & Poor's reflects the State's moral obligation, which is one full category below the State's A 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

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, 2018

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	28,273,645
Receivables:		
Revenue bonds, net of unamortized discount of $43,329		7,932,753
Supplemental revenue bonds		563,871
Interest		2,870,121
Administrative fees		1,668
Due from other agencies		258,783
Total unrestricted current assets		39,900,841
Restricted current assets:		
Prepaid insurance		3,659
Total current assets		39,904,500
NONCURRENT ASSETS		
Revenue bonds		9,205,119
Investments		1,200,000
Capital assets, net		4,559,902
Total unrestricted noncurrent assets		14,965,021
Restricted assets:		
Cash and cash equivalents		10,466,293
Investments		3,468,743
Receivables:		
Revenue bonds, net of unamortized discount of $836,333		169,718,654
Supplemental revenue bonds		4,241,909
Prepaid insurance		80,532
Total restricted noncurrent assets		187,976,131
Total assets	$	242,845,652
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refundings	$	7,974,054
Deferred outflows of resources from OPEB amounts		17,523
Deferred outflows of resources from pension amounts		77,174
Total deferred outflows of resources	$	8,068,751

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

STATEMENT OF NET POSITION
(Continued)
June 30, 2018

LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$	10,143
Current portion of revenue bonds payable, including unamortized net premium of $712,093		9,681,094
Accrued interest payable		1,405,554
Total current liabilities		11,096,791
NONCURRENT LIABILITIES		
Accrued employee benefits		50,014
Net OPEB liability		158,520
Net pension liability		164,270
Liabilities payable from restricted assets:		
Noncurrent portion of revenue bonds payable, including unamortized net premium of $9,892,952		171,034,951
Total noncurrent liabilities		171,407,755
Total liabilities	$	182,504,546
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding	$	596,143
Deferred inflows of resources from OPEB amounts		60,769
Deferred inflows of resources from pension amounts		91,488
Total deferred inflows of resources	$	748,400
NET POSITION		
Restricted	$	23,892,386
Unrestricted		39,209,169
Net investment in capital assets		4,559,902
Total net position	$	67,661,457

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, 2018

OPERATING REVENUES	
Charges for services	$ 11,795,545
Miscellaneous	238,920
Total operating revenues	12,034,465
OPERATING EXPENSES	
Depreciation and amortization	997,543
General and administrative	1,398,842
Bond issuance costs	416,841
Total operating expenses	2,813,226
Operating income	9,221,239
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	590,450
Interest expense	(7,235,194)
Total nonoperating expenses	(6,644,744)
CHANGE IN NET POSITION	2,576,495
Total net position, beginning of year	65,079,277
Cumulative effect of change in accounting principle	5,685
Total net position, beginning of year, as restated	65,084,962
Total net position, end of year	$ 67,661,457

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

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS
Year Ended June 30, 2018

OPERATING ACTIVITIES	
Receipts of principal on bonds receivable	$ 8,125,545
Receipts of interest on bonds receivable	12,095,261
Receipts of administrative fees on bonds receivable	238,922
Receipts of reimbursements from other agencies	861,650
Disbursements from issuance of bonds receivable	(263,052)
Disbursements of general and administrative expense	(1,406,668)
Disbursements on behalf of employees	(571,693)
Disbursements on behalf of other agencies	(919,336)
Net cash provided by operating activities	18,160,629
CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(139,269)
NONCAPITAL FINANCING ACTIVITIES	
Proceeds from sale of revenue bonds	42,048,469
Principal paid on revenue and refunding bonds	(49,195,000)
Interest paid on revenue and refunding bonds	(7,381,670)
Net cash used in noncapital financing activities	(14,528,201)
INVESTING ACTIVITIES	
Proceeds from sale of investments	27,562
Investment earnings	514,655
Net cash used in investing activities	542,217
Net increase in cash and cash equivalents	4,035,376
CASH AND CASH EQUIVALENTS, beginning	34,704,562
CASH AND CASH EQUIVALENTS, ending	$ 38,739,938
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	$ 9,221,239
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization expense	997,543
Pension expense	52,159
OPEB expense	9,191
OPEB contribution support	(9,995)
Changes in operating accounts:	
Due from other agencies	(63,371)
Prepaid insurance	(85,400)
Supplemental revenue bonds receivable	563,870
Revenue bonds receivable	7,249,277
Accrued interest receivable	349,063

(Continued)

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

STATEMENT OF CASH FLOWS
(Continued)
Year Ended June 30, 2018

Adminstrative fees receivable	2
Accounts payable	(63,483)
Accrued employee benefits	15,423
Deferred outflows of resources due to pension contributions	(57,366)
Deferred outflows of resources due to OPEB contributions	(17,523)
Net cash provided by operating activities	$ 18,160,629

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

Note 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.

Note 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.

(Continued)

Note 2. Significant Accounting Policies (Continued)

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.

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 benefits. A liability for vacation pay is accrued when earned.

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.

(Continued)

Note 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, 2018, 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 and OPEB.

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 gains on bond refundings as deferred inflows of resources and deferred inflows of resources related to pensions and OPEB.

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.

Postemployment benefits other than pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the West Virginia Retiree Health Benefit Trust OPEB Plan (RHBT) and additions to/deductions from RHBT's fiduciary net position have been determined on the same basis as they are reported by RHBT. For this purpose, RHBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for certain pooled investments, money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

(Continued)

Note 2. Significant Accounting Policies (Continued)

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.

Note 3. Cumulative Effect of Adoption of Accounting Principle

Effective July 1, 2017, the Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The Authority determined that it was not practical to restate all periods presented and has recorded the cumulative effect of the increase to beginning net position of implementing this change of $5,685 as of July 1, 2017, which is the net OPEB liability of $233,334 less deferred outflows of resources related to OPEB contributions of $13,241 as of that date and the June 30, 2017 liability of $225,778 for postemployment benefits reported in accordance with GASB Statement No. 45, which is superseded by GASB Statement No. 75. The Authority further determined that it was not practical to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to OPEB as of July 1, 2017 and these amounts are not reported.

Note 4. Deposit and Investment Risk Disclosures

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

Interest rate risk

As of June 30, 2018, the Authority had the following investments (which include certain cash equivalents) and maturities:

	Maturities (in Years)			
Type	Carrying Value	Less Than 1	1-5	6-10
U.S. Treasury	$ 4,668,743	$ -	$ 4,668,743	$ -
Money markets	38,654,980	38,654,980	-	-
	$ 43,323,723	$ 38,654,980	$ 4,668,743	$ -

(Continued)

Note 4. Deposit and Investment Risk Disclosures (Continued)

Interest rate risk (Continued)

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, 2018, 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	89%

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%

(Continued)

Note 4. Deposit and Investment Risk Disclosures (Continued)

Concentration of credit risk (Continued)

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, 2018:

Security Type	Fitch	Moody's	Standard & Poors	Fair Value
Money Markets	AAAmmf	Aaa-mf	AAAm	$ 38,654,980

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.

(Continued)

Note 4. Deposit and Investment Risk Disclosures (Continued)

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, 2018:

Operating cash on hand	$ -
Cash on deposit with State Treasurer	84,958
Total	$ 84,958

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, 2018, is as follows:

Deposits:	
Cash and cash equivalents as reported on the Statement of Net Position	$ 28,273,645
Add: restricted cash and cash equivalents	10,466,293
Less: cash equivalents and restricted cash equivalents disclosed as investments	(38,654,980)
Total cash as disclosed in this Note	$ 84,958
Investments:	
Investments as reported on the Statement of Net Position	$ 1,200,000
Add: restricted investments	3,468,743
Add: cash equivalents and restricted cash equivalents disclosed as investments	38,654,980
Total investments as disclosed in this Note	$ 43,323,723

Note 5. 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:

Note 5. Investments Measured at Fair Value (Continued)

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, 2018.

Investment Type	Level 1	Level 2	Level 3	Total
U.S. Treasury	$ 4,668,743	$ -	$ -	$ 4,668,743

Note 6. Due From Other Agencies

Certain agencies of the State were indebted to the Authority at June 30, 2018, in connection with services performed by the Authority on behalf of the agencies. Amounts due the Authority at June 30, 2018 are as follows:

West Virginia Infrastructure and Jobs Development Council, net	$ 210,485
Department of Environmental Protection Clean Water State Revolving Fund	16,371
Bureau for Public Health Drinking Water Treatment Revolving Fund	31,927
	$ 258,783

Note 7. Revenue Bonds Receivable

As of June 30, 2018, the face value of revenue bonds of municipalities, public service districts and other political subdivisions purchased with proceeds from Water Development Revenue Bonds was $178,104,311. 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. As of June 30, 2018, the face value of supplemental bonds was $9,205,119.

Note 8. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Land	$ 514,684	$ -	$ -	$ 514,684
Construction work in progress	-	11,510	-	11,510
Total capital assets not being depreciated	514,684	11,510	-	526,194
Capital assets, being depreciated:				
Furniture and equipment	6,850,173	127,761	-	6,977,934
Building	4,100,298	-	-	4,100,298
Total capital assets, being depreciated	10,950,471	127,761	-	11,078,232
Less accumulated depreciation for:				
Furniture and equipment	5,547,961	888,286	-	6,436,247
Building	505,770	102,507	-	608,277
Total accumulated depreciation	6,053,731	990,793	-	7,044,524
Total capital assets, net	$ 5,411,424	$ (851,522)	$ -	$ 4,559,902

Note 9. Debt Refundings

On February 28, 2018, the Authority currently refunded two series of previously outstanding Loan Program IV bonds. Series 2018 A-IV, issued for $31,520,000, with interest rates ranging from 2.5% to 5.0%, was used to refund $31,575,000 of the remaining balance of the Authority's outstanding Series 2005 A-IV revenue bonds, with interest rates ranging from 4.375% to 5.0% and $1,510,000 of the Authority's outstanding Series 2005 B-IV revenue bonds with interest rates originally ranging from 4.75% to 5.125%. The proceeds of $34,087,469 (including net original issue premium of $2,567,469) were used to pay $362,889 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 ($542,749). This difference is being charged to interest expense through fiscal year 2045. The Authority completed the refunding to reduce its total debt service payments over the next 27 years by $7,351,148 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $4,899,316.

Note 9. Debt Refundings (Continued)

Series 2018 B-IV, a private placement, issued for $7,961,000, with an interest rate of 3.5%, was used to refund $ 7,675,000 of the remaining balance of the Authority's outstanding Series 2005 B-IV revenue bonds, with interest rates originally ranging from 4.750% to 5.125%. The proceeds of 7,961,000 were used to pay $139,352 in issuance costs relating to the refunding bond issue and to purchase United States Treasury obligations.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of ($61,268). This difference is being charged to interest expense through fiscal year 2036. The Authority completed the refunding to reduce its total debt service payments over the next 18 years by $883,403 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $663,851.

Note 10. Revenue Bonds Payable

The following is a summary of the Authority's bond transactions for the year ended June 30, 2018:

Revenue bonds payable at June 30, 2017	$ 179,825,000
Bonds issued during the year ended June 30, 2018	39,481,000
Bonds retired during the year ended June 30, 2018	(8,435,000)
Bonds refunded during the year ended June 30, 2018	(40,760,000)
Revenue bonds payable at June 30, 2018	$ 170,111,000

Revenue and refunding bonds outstanding at June 30, 2018, were as follows:

Series	Final Maturity	Interest Rates %	Balance
2012 AI	11/1/25	2.000-3.000	$ 1,720,000
2012 B-I	11/1/26	3.000-4.500	11,170,000
2012 A-II	11/1/23	2.000-3.000	3,410,000
2012 B-II	11/1/33	2.000-4.000	11,875,000
2012 A-III	7/1/39	3.000-4.000	14,275,000
2012 B-III	7/1/40	2.000-3.750	8,670,000
2013 A-II	11/1/29	2.000-5.000	29,795,000
2016 A-II	11/1/39	2.000-5.000	49,715,000
2018 A-IV	11/1/44	2.500-5.000	31,520,000
2018 B-IV	11/1/35	3.500	7,961,000
			$ 170,111,000

Note 10. 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 2018 A-IV and 2018 B-IV Water Development Revenue Bonds.

Total future maturities of bond principal and interest on Authority indebtedness at June 30, 2018, are as follows:

Loan Program I

	Principal	Interest	Total
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
11/01/22	1,400,000	255,850	1,655,850
	6,915,000	1,820,288	8,735,288
11/01/23-11/01/26	5,975,000	465,212	6,440,212
	$ 12,890,000	$ 2,285,500	$ 15,175,500

Loan Program II

	Principal	Interest	Total
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
11/01/22	5,850,000	2,973,300	8,823,300
	27,200,000	17,031,175	44,231,175
11/01/23-11/01/27	30,110,000	11,027,575	41,137,575
11/01/28-11/01/32	23,905,000	5,073,100	28,978,100
11/01/33-11/01/37	10,265,000	1,574,900	11,839,900
11/01/38-11/01/39	3,315,000	125,500	3,440,500
	67,595,000	17,801,075	85,396,075
	$ 94,795,000	$ 34,832,250	$ 129,627,250

Note 10. Revenue Bonds Payable (Continued)

Loan Program III

	Principal	Interest	Total
11/01/18	$ 700,000	$ 799,756	$ 1,499,756
11/01/19	720,000	773,981	1,493,981
11/01/20	745,000	747,356	1,492,356
11/01/21	775,000	719,731	1,494,731
11/01/22	810,000	690,932	1,500,932
	3,750,000	3,731,756	7,481,756
11/01/23-11/01/27	4,435,000	3,043,141	7,478,141
11/01/28-11/01/32	5,205,000	2,244,700	7,449,700
11/01/33-11/01/37	6,205,000	1,225,656	7,430,656
11/01/38-11/01/40	3,350,000	156,563	3,506,563
	19,195,000	6,670,060	25,865,060
	$ 22,945,000	$ 10,401,816	$ 33,346,816

Loan Program IV

	Principal	Interest	Total
11/01/18	$ 1,534,000	$ 1,616,596	$ 3,150,596
11/01/19	1,053,000	1,575,936	2,628,936
11/01/20	1,084,000	1,538,489	2,622,489
11/01/21	1,126,000	1,496,039	2,622,039
11/01/22	1,169,000	1,447,951	2,616,951
	5,966,000	7,675,011	13,641,011
11/01/23-11/01/27	6,327,000	6,491,756	12,818,756
11/01/28-11/01/32	7,396,000	4,981,536	12,377,536
11/01/33-11/01/37	8,052,000	3,150,864	11,202,864
11/01/38-11/01/42	8,075,000	1,428,581	9,503,581
11/01/43-11/01/44	3,665,000	134,035	3,799,035
	33,515,000	16,186,772	49,701,772
	$ 39,481,000	$ 23,861,783	$ 63,342,783

Note 10. Revenue Bonds Payable (Continued)

Loan Program IV (Continued)

Total all loan programs	$170,111,000
Add: unamortized net premium	10,605,045
Total all programs, net	180,716,045
Less: current portion of revenue bonds payable	9,681,094
Noncurrent portion of revenue bonds payable	$171,034,951

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, 2018, there are $1,115,000 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, 2018, was $8,435,000 and $7,381,670, respectively, and principal payments and interest received on pledged notes receivable were $8,125,545 and $12,095,261, respectively, at June 30, 2018.

Note 11. 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.

Note 11. Pension Plan (Continued)

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. A member may retire with the pension reduced actuarially if the member is at least age 55 and has at least 10 years of contributory service, or at any age with 30 years of contributory service. For all employees hired July 1, 2015 and later, qualification for normal retirement is age 62 with 10 years of service. A member hired after July 1, 2015 may retire with the pension reduced actuarially if the member is between ages 60 and 62 with at least ten years of contributory service, between ages 57 and 62 with at least twenty years of contributory service, or between ages 55 and 62 with at least thirty years of contributory service. 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 with at least ten years of contributory service, or age 63 with at least twenty years of contributory service.

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 11.0%, 12.0%, and 13.5% for the years ended June 30, 2018, 2017, and 2016, respectively.

During the years ended June 30, 2018, 2017, and 2016, the Authority’s contributions to PERS required and made were approximately $57,366, $63,388, and $74,720, respectively.

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

At June 30, 2018, the Authority reported a liability of $164,270 for its proportionate share of the net pension liability. The net pension liability reported at June 30, 2018 was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, rolled forward to the measurement date of June 30, 2017. The Authority’s proportion of the net pension liability was based on the Authority’s share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2017. At June 30, 2017, the Authority’s proportion was 0.038057 percent, which was a decrease of 0.001645 percent from its proportion measured as of June 30, 2016.

(Continued)

Note 11. Pension Plan (Continued)

For the year ended June 30, 2018, the Authority recognized pension expense of $52,159. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 39,937
Changes in assumptions	-	8,520
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	5,189	42,668
Differences between expected and actual experience	14,619	363
The Authority's contributions made subsequent to the measurement date of June 30, 2017	57,366	-
Total	$ 77,174	$ 91,488

The amount of $57,366 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	
2019	$ (26,432)
2020	(445)
2021	(10,307)
2022	(34,496)

Actuarial Assumptions

The total pension liability in the June 30, 2017 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 100% of RP-2000 Non-Annuitant, Scale AA fully generational for active employees, 110% of the RP-2000 Non-Annuitant, Scale AA fully generational for healthy males, 101% of RP-2000 Non-Annuitant Scale AA fully generational for healthy females, 96% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled males, and 107% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled females.

Note 11. Pension Plan (Continued)

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%

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

Note 11. Pension Plan (Continued)

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:

Discount Rate

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Authority's proportionate share of the net pension liability	$ 454,771	$ 164,270	$ 81,347

Note 12. Other Postemployment Benefits

Plan description

The West Virginia Other Postemployment Benefit Plan (the OPEB Plan) is a cost-sharing, multiple-employer, defined benefit other post-employment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code Section 5-16D-2 (the Code). The financial activities of the OPEB Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The OPEB Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. OPEB Plan benefits are established and revised by PEIA and the RHBT management with approval of their Finance Board. The PEIA issues a publically available financial report of the RHBT that can be obtained at www.peia.wv.gov or by writing to the West Virginia Public Employees Insurance Agency, 601 57th Street, SE Suite 2, Charleston, WV 25304.

Benefits provided

Authority employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the PERS or meet certain other eligibility requirements of other CPRB sponsored retirement plans. RHBT provides medical and prescription drug insurance and life insurance benefits to those qualified participants. Life insurance is provided through a vendor and is fully funded by member contributions. The medical and prescription drug insurance is provided through two options; Self-Insured Preferred Provider Benefit Plan - primarily for non-Medicare-eligible retirees and spouses or External Managed Care Organizations - primarily for Medicare-eligible retirees and spouses.

The RHBT Medicare-eligible retired employees and their Medicare-eligible dependents receive medical and drug coverage from a Medicare Advantage Plan. Under this arrangement, the vendor assumes the financial risk of providing comprehensive medical and drug coverage with limited copayments. Non-Medicare retirees continue enrollment in PEIA's Preferred Provider Benefit or the Managed Care Option. The RHBT collects employer contributions for Managed Care Organization (MCO) participants and remits capitation payments to the MCO. Survivors of retirees have the option of purchasing the medical and prescription drug coverage.

(Continued)

Note 12. Other Postemployment Benefits (Continued)

Eligible participants hired after June 30, 2010, will be required to fully fund premium contributions upon retirement. The Plan is a closed plan to new entrants.

Contributions

West Virginia Code section 5-16D-6 assigns to the PEIA Finance Board the authority to establish and amend contribution requirements of the plan members and the participating employers. Participating employers are required by statute to contribute at a rate assessed each year by the RHBT. The annual contractually required rate is the same for all participating employers. Employer contributions represent what the employer was billed during the respective year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments. The annual contractually required per active policyholder per month rates for State non-general funded agencies and other participating employers effective June 30, 2018, 2017, and 2016, respectively, were:

	2018	2017 1/1/17 –6/30/17	2017 7/1/17 - 12/31/17	2016
Paygo Premium	$ 177	$ 135	$ 196	$ 163

Contributions to the OPEB plan from the Authority were $17,523, $8,604, and $19,152 for the years ended June 30, 2018, 2017, and 2016, respectively.

Members retired before July 1, 1997, pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and June 30, 2010, pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below:

- Members hired before July 1, 1988, may convert accrued sick or leave days into 100% of the required retiree healthcare contribution.

- Members hired from July 1, 1988, to June 30, 2001, may convert accrued sick or leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and annual leave days per month for single healthcare coverage and three days of unused sick and annual leave days per month for family healthcare coverage.

Contributions by Nonemployer Contributing Entities in Special Funding Situations

Note 12. Other Postemployment Benefits (Continued)

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

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

The State is a nonemployer contributing entity that provides funding through SB 469 which was passed February 10, 2012, granting OPEB liability relief to the 55 County Boards of Education effective July 1, 2012. The public school support plan (PSSP) is a basic foundation allowance program that provides funding to the local school boards for "any amount of the employer's annual required contribution allocated and billed to the county boards for employees who are employed as professional employees, employees who are employed as service personnel and employees who are employed as professional student support personnel", within the limits authorized by the State Code. This special funding under the school aid formula subsidizes employer contributions of the county boards of education.

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

At June 30, 2018, the Authority reported a liability for its proportionate share of the RHBT net OPEB liability that reflected a reduction for State OPEB support provided to the Authority. The amount recognized by the Authority as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Authority was as follows:

Authority's proportionate share of the net OPEB liability	$ 158,520
State's special funding proportionate share of the net OPEB liability associated with the Authority.	32,560
Total portion of net OPEB liability associated with the Authority	$ 191,080

The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2016. The Authority's proportion of the net OPEB liability was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date. At June 30, 2017, the Authority's proportion was .006446548 percent, which is a decrease of .001873403 percent from its proportion measured as of June 30, 2016.

(Continued)

Note 12. Other Postemployment Benefits (Continued)

For the year ended June 30, 2018, the Authority recognized OPEB expense of $9,191 and for support provided by the State under special funding situations revenue of $9,995. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 531
Net difference between projected and actual earnings on OPEB plan investments	-	2,530
Changes in proportion and differences between Authority's contributions and proportionate share of contributions	-	57,708
Authority's contributions subsequent to the measurement date of June 30, 2017	17,523	-
Total	$ 17,523	$ 60,769

The amount of $17,523 reported as deferred outflows of resources related to OPEB resulting from Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2019	($16,314)
2020	(16,314)
2021	(16,314)
2022	(11,827)

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation

Note 12. Other Postemployment Benefits (Continued)

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

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and Teachers' Retirement System (TRS). RP-2000 Healthy Annuitant Mortality Table projected to 2025 with scale BB for West Virginia Death, Disability, and Retirement Fund (Troopers A) and West Virginia State Police Retirement System (Troopers B). Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 Non-Annuitant Mortality Table projected to 2020 with Scale BB for Troopers A and B.

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

The long-term expected rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the West Virginia Investment Management Board (WVIMB) and an expected short-term rate of return of 3.0% for assets invested with the WVBTI. Long-term pre-funding assets are invested with the WVIMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the WVBTI.

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

Note 12. Other Postemployment Benefits (Continued)

Asset Class	Long-Term Expected Real Rate of Return
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

Discount rate

The discount rate used to measure the total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. Future pre-funding assumptions include a $30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2036, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates. The discount rate used to measure the total OPEB liability at June 30, 2016 is a 0.45% increase from the June 30, 2015 valuation.

Other key assumptions

The projection assumes that the capped subsidy aggregate contribution limit of $150 million for 2017 would increase by $10 million per year on and after 2018. Additionally, the per member subsidy is projected to increase by at least 3.0% per year but no more than the healthcare trend inflation assumption such that the product of the projected subsidy and projected members is less than the projected aggregated capped costs; and the member's share of plan costs is expected remain stable as a percentage of total costs following the year that the program is fully funded. After 2035, the program is projected to be fully funded and the sponsor is assumed to contribute the residual portion of normal cost and operational expenses needed to maintain a funded ratio of 100% in future years. In addition, after 2035, the member's share of total plan costs is assumed to remain stable at approximately 61% of total plan costs. These assumptions produced per member annual capped subsidy increases of 3.0% per year from 2018 to 2023 and 4.5% per year after 2023.

Note 12. Other Postemployment Benefits (Continued)

Members hired on or after July 1, 2010, are required to pay 100% of expected cost of coverage, resulting in no implicit or explicit employer cost. Consequently, these members are excluded from the actuarial valuation.

Sensitivity of the Authority's proportionate share of the net OPEB liability to changes in the discount rate.

The following presents the Authority's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
Authority's proportionate share of the net OPEB liability	$ 184,578	$ 158,520	$ 136,858

Sensitivity of the Authority's proportionate share of net OPEB liability to changes in the healthcare cost trend rates.

The following presents the Authority's proportionate share of the net OPEB liability, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current rates:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Authority's proportionate share of the net OPEB liability	$ 133,159	$ 158,520	$ 189,538

Note 13. General and Administrative Expenses

General and administrative expenses for the year ended June 30, 2018, are as follows:

Personal services	$ 557,898
Legal	62,579
Professional	219,720
Trustee	36,006
Employee benefits	62,247
Public employees insurance	60,288
Unemployment Compensation	7,632
Office supplies/printing	54,462
Advertising	5,375
Repairs and maintenance	47,647
Travel	7,051
Utilities	32,425
Telecommunications	31,242
Payroll taxes	14,486
Computer supplies/services	154,287
Janitorial	25,296
Miscellaneous	1,638
Rental	6,517
Administrative	2,790
Insurance	6,877
Training and development	2,379
	$ 1,398,842

Note 14. 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 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, 2018.

Note 15. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following Statements which are not yet effective.

The GASB issued **Statement No. 83**, *Certain Asset Retirement Obligations* in November 2016. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The requirements of this Statement are effective for periods beginning after June 15, 2018.

The GASB issued **Statement No. 84**, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2018.

The GASB issued **Statement No. 87**, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019.

Management has not determined the effects these new GASB Statements may have on prospective financial statements.

Note 16. Uncertainty

The Authority has cooperated with a State of West Virginia legislative oversight commission request for information related to certain administrative expenses for the period July 1, 2011 to March 17, 2017. 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.

Note 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 2018 A-IV and 2018 B-IV Water Development Revenue Bonds.

Note 17. Segement Information (Continued)

	Loan Program I	Loan Program II	Loan Program III
ASSETS			
Current - unrestricted	$ 3,470,533	$ 8,219,930	$ 684,722
Noncurrent - unrestricted	-	-	-
Restricted - current and noncurrent	14,916,082	103,747,210	24,472,896
Capital assets, net	-	-	-
Total assets	$ 18,386,615	$ 111,967,140	$ 25,157,618
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension and OPEB	$ -	$ -	$ -
Deferred loss on bond refundings	2,101,203	5,544,729	328,122
Total deferred outflows	$ 2,101,203	$ 5,544,729	$ 328,122
LIABILITIES			
Current	$ 1,903,879	$ 6,161,835	$ 1,117,213
Long-term	12,585,471	95,597,757	22,465,360
Total liabilities	$ 14,489,350	$ 101,759,592	$ 23,582,573
DEFERRED INFLOWS			
Deferred inflows of resources related to pension and OPEB	$ -	$ -	$ -
Deferred gain on refunding	-	-	-
	$ -	$ -	$ -
NET POSITION			
Restricted	$ 4,431,814	$ 13,694,182	$ 2,335,658
Unrestricted	1,566,654	2,058,095	(432,491)
Investment in capital assets	-	-	-
Total net position	$ 5,998,468	$ 15,752,277	$ 1,903,167
OPERATING REVENUE			
Charges for services and miscellaneous revenue	$ 1,263,117	$ 6,568,164	$ 1,478,320
OPERATING EXPENSES			
Depreciation and amortization	$ -	$ -	$ -
General and administrative	-	-	-
Bond issuance cost	-	-	-
Allocation of general and administrative	643,925	4,434,971	1,027,845
OPERATING INCOME	$ 619,192	$ 2,133,193	$ 450,475
NONOPERATING REVENUES (EXPENSES):			
Interest and investment revenue	$ 20,774	$ 104,329	$ 37,098
Interest expense	(598,586)	(3,848,962)	(816,763)
Transfers (net)	169,255	3,084,566	(1,724,498)
Change in net position	210,635	1,473,126	(2,053,688)
Beginning net position	5,787,833	14,279,151	3,956,855
Ending net position	$ 5,998,468	$ 15,752,277	$ 1,903,167
Net cash provided by (used in):			
Operating activites	$ 2,100,862	$ 9,105,333	$ (782,056)
Capital and related financing activities	-	-	-
Noncapital financing activities	(2,109,775)	(9,173,476)	(1,498,406)
Investing activities	23,632	115,280	36,418
Beginning cash and cash equivalents	1,143,173	6,473,760	5,080,082
Ending cash and cash equivalents	$ 1,157,892	$ 6,520,897	$ 2,836,038

(Continued)

Note 17. Segement Information (Continued)

	Loan Program IV	Supplemental	Total
ASSETS			
Current - unrestricted	$ 25,871	$ 27,499,785	$ 39,900,841
Noncurrent - unrestricted	-	10,405,119	10,405,119
Restricted - current and noncurrent	40,601,692	4,241,910	187,979,790
Capital assets - net	-	4,559,902	4,559,902
Total assets	$ 40,627,563	$ 46,706,716	$ 242,845,652
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pension and OPEB	$ -	$ 94,697	$ 94,697
Deferred loss on bond refundings	-	-	7,974,054
Total deferred outflows	$ -	$ 94,697	$ 8,068,751
LIABILITIES			
Current	$ 1,903,721	$ 10,143	$ 11,096,791
Long-term	40,386,363	372,804	171,407,755
Total liabilities	$ 42,290,084	$ 382,947	$ 182,504,546
DEFERRED INFLOWS			
Deferred inflows of resources related to pension and OPEB	$ -	$ 152,257	$ 152,257
Deferred gain on refunding	596,143	-	596,143
	$ 596,143	$ 152,257	$ 748,400
NET POSITION			
Restricted	$ (380,814)	$ 3,811,546	$ 23,892,386
Unrestricted	(1,877,850)	37,894,761	39,209,169
Investment in capital assets	-	4,559,902	4,559,902
Total net position	$ (2,258,664)	$ 46,266,209	$ 67,661,457
OPERATING REVENUE			
Charges for services and miscellaneous revenue	$ 2,130,822	$ 594,042	$ 12,034,465
OPERATING EXPENSES			
Depreciation and amortization	$ 6,752	$ 990,791	$ 997,543
General and administrative	-	1,398,842	1,398,842
Bond issuance cost	416,841	-	416,841
Allocation of general and administrative	1,854,278	(7,961,019)	-
OPERATING INCOME	$ (147,049)	$ 6,165,428	$ 9,221,239
NONOPERATING REVENUES (EXPENSES):			
Interest and investment revenue	$ 6,484	$ 421,765	$ 590,450
Interest expense	(1,970,883)	-	(7,235,194)
Transfers (net)	294,619	(1,823,942)	-
Change in net position	(1,816,829)	4,763,251	2,576,495
Beginning net position	(441,835)	41,502,958	65,084,962
Ending net position	$ (2,258,664)	$ 46,266,209	$ 67,661,457
Net cash provided by (used in):			
Operating activites	$ 1,742,326	$ 5,994,164	$ 18,160,629
Capital and related financing activities	-	(139,269)	(139,269)
Noncapital financing activities	(1,746,544)	-	(14,528,201)
Investing activities	6,644	360,243	542,217
Beginning cash and cash equivalents	54,592	21,952,955	34,704,562
Ending cash and cash equivalents	$ 57,018	$ 28,168,093	$ 38,739,938

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,			
	2018	2017	2016	2015
Authority's proportion (percentage) of the net pension liability	0.038057%	0.039702%	0.043182%	0.040945%
Authority's proportionate share of the net pension liability	$ 164,270	$ 364,905	$ 241,080	$ 151,290
Authority's covered payroll	$ 530,764	$ 553,481	$ 587,420	$ 507,753
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	30.950%	65.929%	41.040%	29.796%
Plan fiduciary net position as a percentage of the total pension liability	93.67%	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,					
	2018	2017	2016	2015	2014	2013
Statutorily required contribution	$ 57,366	$ 63,388	$ 74,720	$ 81,986	$ 72,599	$ 62,525
Contributions in relation to the statutorily required contribution	$ (57,366)	$ (63,388)	$ (74,720)	$ (81,986)	$ (72,599)	$ (62,525)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Authority's covered payroll	$ 530,152	$ 530,764	$ 553,481	$ 587,420	$ 507,753	$ 463,946
Contributions as a percentage of covered payroll	11.00%	12.00%	13.50%	14.00%	14.30%	13.48%

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

THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Public Employees Retirement Insurance Plan

	Year Ended June 30, 2018
Authority's proportion (percentage) of the net OPEB liability	0.0064466%
Authority's proportionate share of the net OPEB liability	$ 158,520
State's proportionate share of the net OPEB liability associated with the Authority	32,560
Total proportionate share of the net OPEB liability associated with the Authority	$ 191,080
Authority's covered payroll	$ 214,103
Authority's proportionate share of the net OPEB liability as a percentage of its covered payroll	74.040%
Plan fiduciary net position as a percentage of the total OPEB liability	25.10%

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

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

THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

SCHEDULE OF CONTRIBUTIONS TO OPEB

	Year Ended June 30,		
	2018	2017	2016
Statutorily required contribution	$ 17,523	$ 8,604	$ 19,152
Contributions in relation to the statutorily required contribution	$ (17,523)	$ (8,604)	$ (19,152)
Contribution deficiency (excess)	$ -	$ -	$ -
Authority's covered payroll	$ 111,957	$ 214,103	$ 247,855
Contributions as a percentage of covered payroll	15.65%	4.02%	7.73%

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

Note 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.

Note 2. OPEB Changes in Assumptions

Below are changes in the assumptions between the 2016 and 2015 valuations:

Certain economic and behavioral assumptions are unique to healthcare benefits. These assumptions include the healthcare trend, per capita claims costs, the likelihood that a member selects healthcare coverage and the likelihood that a retiree selects one-person, two person or family coverage. These assumptions were updated based on a recent experience study performed by the RHBT actuaries using five-year experience data through June 30, 2015. The updated per capita claims costs were also based on recent claims, enrollment and premium information as of the valuation date.

For the June 30, 2016 valuation, the retiree healthcare participation assumption for each retirement plan is slightly higher than the previous assumption used in the June 30, 2015 OPEB valuation. More members who were covered as actives will be assumed to participate as retirees.

The 2016 and 2015 valuations include consideration of the $30 million annual appropriations under Senate Bill 419, through July 1, 2037, or if earlier, the year the benefit obligation is fully funded. Additionally, the presentation of covered payroll was changed for the June 30, 2015, actuarial valuation. Participating employees hired before July 1, 2010, pay retiree premiums that are subsidized based on years of service at retirement. Participating employees hired on or after July 1, 2010, are required to fully fund premium contributions upon retirement. Consequently, beginning June 30, 2015, actuarial valuation covered payroll represents only the payroll for those OPEB eligible participating employees that were hired before July 1, 2010, allowing a better representation of the UAAL as a percentage of covered payroll, whereas, for the prior years, covered payroll is in total for all participating employees.

Note 3. Pension Plan Amendments

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. A member may retire with the pension reduced actuarially if the member is at least age 55 and has at least 10 years of contributory service, or at any age with 30 years of contributory service. For employees hired July 1, 2015 and later, qualification for normal retirement is 62 with 10 years of service. A member hired after July 1, 2015 may retire with the pension reduced actuarially if the member is between ages 60 and 62 with at least ten years of contributory service, between ages 57 and 62 with at least twenty years of contributory service, or between ages 55 and 62 with at least thirty years of contributory service.

(Continued)

Note 3. Pension Plan Amendments

- 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 with at least ten years of contributory service, or age 63 with at least twenty years of contributory service.

- 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.

Note 4. Pension Plan 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:

	2015-2017	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	Active-RP- 2000 Non-Annuitant tables, Scale AA fully generational Healthy males - 110% of RP-2000 Non-Annuitant, Scale AA fully generational 2000 Non-Annuitant, Scale AA Healthy females - 101% of RP-2000 Non-Annuitant, Scale AA fully generational Disabled males – 96% of RP-2000 Disabled Annuitant, Scale AA fully generational Disabled females -107% of RP-2000 Disabled Annuitant, Scale AA fully generational	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%

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, 2018, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 9, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
October 9, 2018