




West Virginia Purchasing Division

2019 Washington Street, East
Charleston, WV 25305
Telephone: 304-558-2306
General Fax: 304-558-6026
Bid Fax: 304-558-3970

The following documentation is an electronically-submitted vendor response to an advertised solicitation from the *West Virginia Purchasing Bulletin* within the Vendor Self-Service portal at ***wvOASIS.gov***. As part of the State of West Virginia's procurement process, and to maintain the transparency of the bid-opening process, this documentation submitted online is publicly posted by the West Virginia Purchasing Division at ***WVPurchasing.gov*** with any other vendor responses to this solicitation submitted to the Purchasing Division in hard copy format.

Header

 List View

General Information

Contact

Default Values

Discount

Document Information

Procurement Folder: 97405

Procurement Type: Central Purchase Order

Vendor ID: 000000173172 

Legal Name: BALESTRA HARR & SCHERER CPAS INC

Alias/DBA:

Total Bid: \$7,200.00

Response Date: 09/08/2015 

Response Time: 11:35

SO Doc Code: CRFQ

SO Dept: 0313

SO Doc ID: DEP1600000005

Published Date: 8/25/15

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Close Time: 13:30

Status: Closed

Solicitation Description: Addendum 02 Auditing of the WV
Water Pollution Control 


Total of Header Attachments: 0

Total of All Attachments: 0



Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

**State of West Virginia
 Solicitation Response**

Proc Folder : 97405

Solicitation Description : Addendum 02 Auditing of the WV Water Pollution Control

Proc Type : Central Purchase Order

Date issued	Solicitation Closes	Solicitation No	Version
	2015-09-08 13:30:00	SR 0313 ESR09081500000000924	1

VENDOR

000000173172
 BALESTRA HARR & SCHERER CPAS INC

FOR INFORMATION CONTACT THE BUYER

Beth Collins
 (304) 558-2157
 beth.a.collins@wv.gov

Signature X FEIN # DATE

All offers subject to all terms and conditions contained in this solicitation

Line	Comm Ln Desc	Qty	Unit Issue	Unit Price	Ln Total Or Contract Amount
1	Audit services	1.00000	JOB	\$7,200.000000	\$7,200.00

Comm Code	Manufacturer	Specification	Model #
84111600			

Extended Description : West Virginia Water Pollution Control Revolving Fund audit for the fiscal year ending June 30, 2015.

SOLICITATION NUMBER: CRFQ DEP1600000005

Addendum Number: 02

The purpose of this addendum is to modify the solicitation identified as ("Solicitation") to reflect the change(s) identified and described below.

Applicable Addendum Category:

- Modify bid opening date and time
- Modify specifications of product or service being sought
- Attachment of vendor questions and responses
- Attachment of pre-bid sign-in sheet
- Correction of error
- Other

Description of Modification to Solicitation:

This addendum is issued to modify the solicitation per the attached documentation and the following:

1. To provide answers to vendor submitted secondary questions.
2. To modify the bid opening date and time to September 8, 2015 at 1:30PM, EST.

No other changes.

Additional Documentation: Documentation related to this Addendum (if any) has been included herewith as Attachment A and is specifically incorporated herein by reference.

Terms and Conditions:

1. All provisions of the Solicitation and other addenda not modified herein shall remain in full force and effect.
2. Vendor should acknowledge receipt of all addenda issued for this Solicitation by completing an Addendum Acknowledgment, a copy of which is included herewith. Failure to acknowledge addenda may result in bid disqualification. The addendum acknowledgement should be submitted with the bid to expedite document processing.

ATTACHMENT A

CRFQ DEP16*5
Questions and Answers

1. Question: Can we be provided a copy of the prior audit report of the WV Water Pollution Control Revolving Fund for June 30, 2014?

Answer: This report is not available at this time. However, the similar 2013 audit report is attached.

2. Question: What was the prior vendor's audit cost and hours for the audit for June 30, 2014?

Answer: This report is not available at this time. However, the similar 2013 audit cost is detailed in the attached bid from Teed & Associates, PLLC.

3. Question: With a proposal submission date of August 20, 2015, section 3.1.1.4.2 of the "Request for Quotation" makes reference to the fact that audit fieldwork and draft financial statements must be "completed" by September 7, 2015. Is that a correct expectation of the winning bidder or do those timelines need to be adjusted for the late August notification of a winning bid?

Answer: We can move to the 15th of September.

4. Question: What was the complete fee for the June 30, 2014 audit?

Answer: As we have discussed, the FY14 audit was an anomaly and should not be used. We do not know the final cost for the FY 2014 work that was included in the CAFR. FY 2013 information that has already been provided should be used.

5. Question: Can you provide copies of prior year deliverables, including the final required audit, management letter or other communication provided by the previous auditor?

Answer: Attached is the management letter, the bid and the report for FY 2013.

CRFQ DEP16*5
Questions and Answers

6. Question: Will the "Assistance" provided to the auditor as described in section 3.1.1.5 of the "Request for Quotation" include the development of all calculations specific of the Fund's participation in PERS, financial statement disclosure, and the development of all Required Supplementary information necessary to implement GASB 68 and GASB 71 or will additional assistance be anticipated from the auditor for implementation?

Answer: We may need assistance if what we have produced is less than adequate for reporting purposes.

7. Question: Does the Scope of this audit include the preparation of a Data Collection Form, or is that the responsibility of the State Wide Single Auditor?

Answer: The Data Collection Form is the responsibility of the State Wide Single Auditor.

Teed & Associates, PLLC

Certified Public Accountants

Established 1992

Member, American Institute of Certified Public Accountants
Member, West Virginia Society of Certified Public Accountants
Member, Tennessee Society of Certified Public Accountants

James L. Teed, CPA

james_teed2000@yahoo.com

Roy A. Smith, CPA

roy@teedandassociates.com

Tad Hudkins, CPA

tad@teedandassociates.com

April 8, 2013

Carol Leffew
WV Department of Environmental Protection
Office of Administration
601-57th Street SE
Charleston, West Virginia 25304

Dear Ms. Leffew:

Thank you for the request from the WV Department of Environmental Protection (DEP) to audit the West Virginia Water Pollution Control Revolving Fund, also known as the Clean Water State Revolving Fund (CWSRF), for the fiscal year ended June 30, 2013.

Scope of Work to be Performed:

We understand the DEP is requesting the auditor to express an opinion on the fair presentation of the CWSRF's financial statements in conformity with Generally Accepted Accounting Principles and render a report on the internal controls and compliance with Title VI of the Clean Water Act.

Auditing Standards to be Followed:

Our approach to do the Financial and Compliance Audit will be guided by the professional standards, including:

- Generally Accepted Accounting Principles
- Generally Accepted Auditing Principles as set forth by the American Institute of Certified Public Accountants
- Government Auditing Standards issued by the Comptroller General of the United States
- The Title VI of the Clean Water Act
- Practitioners Publishing Company Guide to Audits

We will review background information on the CWSRF, which was established under Article 2, Chapter 22C of the West Virginia Code to fill the void left by the demise of the Construction Grants Program. In addition, we will acquaint ourselves with the officials and administration.

We will review reporting requirements and consider general audit procedures to properly plan the audit.

If Applicable We Will Ask the CWSRF to Assemble:

- Organization charts
- List of officials and members of administration
- Minutes and other agreements for approval of actions of CWSRF
- Chart of accounts and accounting policies and procedures
- Main accounting journals. e.g., general ledger, cash receipts, disbursements, payroll and general journals
- Personnel files and employee time records
- Prior and interim financial statements
- Correspondence
- Contracts and grants documentation
- West Virginia Infrastructure and Jobs and Development Council Matching Funds
- Debt agreements
- Name, address, and account numbers of all bank accounts
- Bank reconcilements and related bank statements and canceled checks
- Paid bills file
- Trial balance of loans, principals, interest accruals, interest income, terms
- Bid packages and loan closing documents
- Correspondence with Water Development Authority to ensure the bonds payable by the locality to the CWSRF are properly issued
- Water Development Authority reports on monitoring bonds transactions are in agreement with the bond covenants
- The Municipal Bond Commission reports
- Audit reports and work papers for the years 2011 and 2012
- CWSRF's investment portfolio reports and the Investment Management Board of the State of West Virginia annual audited financial statements

Assistance:

We will expect to work with the Fiscal Services Office Staff and Responsible Management Personnel to assist us by providing information, documentation and explanations. We will prepare the audit confirmations.

We also expect the Controller and Accounting and Financial Reporting Manager will provide draft copies of the financial statements, notes to the financial statements, relevant supporting work papers, and will be available to coordinate requests for additional information.

Report and Meetings:

We will prepare twenty (20) bound, signed copies and an electric copy of the audited financial statements.

We will report to the appropriate officials each of the following, if applicable:

- The auditor's responsibilities under Generally Accepted Accounting Principles
- Significant accounting policies
- Other information in documents containing the audited financial statements
- Disagreements with management
- Difficulties encountered in performing the audit

An exit conference will be held with the Controller, the Program Manger, and the Accounting and Financial Reporting Manager. The purpose of the meeting will be to summarize the results of the audit.

We will include a reasonable period of time for meeting with the United States Environmental Protection Agency.

Engagement Letter:

Appropriate officials will be required to provide a letter of representation to Teed & Associates, PLLC.

Work Paper Retention and Access to Working Papers:

All working papers and reports will be retained at our expense, for a period of five years, unless we are notified in writing by the Department of the need to extend the retention period. In addition, we will make working papers available, upon request, to appropriate parties including successor audit firms and federal grantors.

Experience:

Our firm has audited the following West Virginia entities for the period 2009 through 2011:

<u>County</u>	<u>Years</u>
Barbour County Commission (A-133)	2010
Kanawha County Commission (A-133)	2009
Lincoln County Commission (2010, A-133)	2009 and 2010
Logan County Commission (All, A-133s)	2010 and 2011
McDowell County Commission	2009
Morgan County Commission	2009 and 2011

Nicholas County Commission	2009 and 2010
Raleigh County Commission (All, A-133s)	2009, 2010 and 2011
Tucker County Commission	2009 and 2010

Municipalities (Class III and IV)

Ansted	2009
Belmont	2009, 2010 and 2011
Benwood	2009, 2010 and 2011
Brandonville (2009 and 2010, Reviews)	2009, 2010 and 2011
Cairo (Reviews)	2009 and 2010
Cameron	2009, 2010 and 2011
Charles Town	2010 and 2011
Chesapeake	2009, 2010 and 2011
Davy (2009, A-133)	2009 and 2010
Dunbar	2009, 2010 and 2011
Fairview	2011
Farmington	2009, 2010 and 2011
Flemington	2009, 2010 and 2011
Grantsville (2010 and 2011, A-133s)	2009, 2010 and 2011
Harpers Ferry	2009 and 2011
Harrisville (2009 and 2010, A-133s)	2009, 2010 and 2011
Hundred	2009, 2010 and 2011
Hurricane	2009 and 2011
Lewisburg	2009
Man	2009, 2010 and 2011
Mabscott	2009 and 2010
Mannington	2009 and 2010
Matewan (2011, A-133)	2009, 2010 and 2011
McMechen	2009, 2010 and 2011
Mitchell Heights	2009, 2010 and 2011
Monongah (2011, A-133)	2009, 2010 and 2011
Montgomery (2010 and 2011, A-133s)	2009, 2010 and 2011
Mount Hope (All, A-133s)	2009 and 2011
New Martinsville	2009, 2010 and 2011
Oak Hill	2009
Pineville (2010, A-133)	2009 and 2010
Rainelle	2009, 2010 and 2011
Ravenswood	2009, 2010 and 2011
St. Marys (All, A-133s)	2009, 2010 and 2011
Sistersville (2011, A-133)	2009, 2010 and 2011
Spencer (2010 and 2011, A-133s)	2009, 2010 and 2011
Star City	2009, 2010 and 2011
Thomas	2009, 2010 and 2011
Triadelphia	2010

Union	2009, 2010 and 2011
Village of Bethlehem	2010
War (2009 and 2011, A-133s)	2009, 2010 and 2011
Wardensville (2010 and 2011, A-133s)	2009, 2010 and 2011
Wayne	2009, 2010 and 2011
Weirton (All, A-133s)	2009, 2010 and 2011
West Hamlin	2009, 2010 and 2011
West Union	2011
Williamstown (2011, A-133)	2009, 2010 and 2011
Worthington (2010 and 2011, A-133s)	2009, 2010 and 2011

Boards of Health

Cabell-Huntington Board of Health	2009
Harrison-Clarksburg Board of Health	2009, 2010 and 2011
Kanawha-Charleston Board of Health	2009
Mineral County Board of Health	2010
Monongalia County Board of Health (All, A-133s)	2009, 2010 and 2011
Monroe County Health Center (All, A-133s)	2009, 2010 and 2011
Wheeling-Ohio County Health Department (A-133)	2011

Boards of Education

Berkeley County Board of Education (All, A-133s)	2009 and 2010
Gilmer County Board of Education (A-133)	2011
Greenbrier County Board of Education (All, A-133s)	2010 and 2011
Kanawha County Board of Education (All, A-133s)	2009, 2010 and 2011
Mason County Board of Education (All, A-133s)	2010 and 2011
Monroe County Board of Education (All, A-133s)	2009, 2010 and 2011
Morgan County Board of Education (All, A-133s)	2010 and 2011
Upshur County Board of Education (All, A-133s)	2009 and 2010
Wayne County Board of Education (A-133)	2011

Public Service Districts

Armstrong	2009, 2010 and 2011
Central Hampshire (All, A-133s)	2010 and 2011
Grantsville	2009
Lincoln (2011, A-133)	2009, 2010 and 2011
McDowell County (All, A-133s)	2010 and 2011
Nettie-Leivasy	2009
Tomlinson	2009
Union	2009

Other Agencies, Authorities, Boards, Centers and Libraries

4C Economic Development Authority (All, A-133s)	2009 and 2010
Barbour County Development Authority	2009, 2010 and 2011
Benedum Airport Authority (A-133)	2011
Berkeley County Development Authority	2010 and 2011
Berkeley County Emergency Ambulance Authority	2009, 2010 and 2011
Braxton County Development Authority	2009, 2010 and 2011
Charles Town Utility Board (All, A-133s)	2010 and 2011
Clay County Public Library	2009, 2010 and 2011
Eastern Panhandle Transit Authority	2009
Elkins-Randolph County Airport Authority	2009, 2010 and 2011
Fairmont-Marion County Transit Authority (All, A-133s)	2009, 2010 and 2011
Fayette County Farmland Protection Board	2011
Fayette County Urban Renewal Authority	2009, 2010 and 2011
Fred W. Eberle Technical Center	2009 and 2010
Greenbrier Valley Airport Authority (All, A-133s)	2009, 2010 and 2011
Hampshire County Economic Development Authority	2009, 2010 and 2011
Hughes River Water Board	2009, 2010 and 2011
Jackson County Airport Authority	2009, 2010 and 2011
Jackson County Development Authority	2009, 2010 and 2011
Jackson County Solid Waste Authority	2011
James Rumsey Technical Center (2010, A-133)	2009 and 2010
Jefferson County Farmland Protection Board	2011
Kanawha County Parks and Recreation Commission	2009 and 2010
Kanawha County Solid Waste Authority	2009, 2010 and 2011
Lincoln County Economic Development Authority	2009 and 2010
McDowell County Economic Development Authority	2009, 2010 and 2011
McDowell County Redevelopment Authority	2009
Mercer County Airport Authority (All, A-133s)	2009, 2010 and 2011
Mercer County Fire Service Board	2009
Mineral County Development Authority	2009 and 2010
Mingo County Airport Authority (All, A-133s)	2009, 2010 and 2011
Mingo County Redevelopment Authority (2010 and 2011, A-133s)	2009, 2010 and 2011
Morgantown Monongalia Metropolitan Planning Organization	2010 and 2011
Mountain Transit Authority	2011

Parkersburg-Wood County Area Development Authority	2009, 2010 and 2011
Pleasants County Economic Development Authority	2009
Pocahontas County Solid Waste Authority	2009, 2010 and 2011
Preston County Economic Development Authority	2010
Raleigh County Emergency Services Authority (A-133)	2010
Raleigh County Memorial Airport Authority (All, A-133s)	2009, 2010 and 2011
Randolph County Development Authority (2011, A-133)	2009, 2010 and 2011
Randolph County Emergency Authority	2009, 2010 and 2011
Regional Education Service Agency III (All, A-133s)	2009, 2010 and 2011
Regional Education Service Agency VIII (All, A-133s)	2009 and 2010
Roane County Economic Development Authority	2011
Tri-State Airport Authority (All, A-133s)	2009, 2010 and 2011
Tucker County Parks and Recreation Board	2009
Tyler County Development Authority	2011
Upshur County Development Authority (A-133)	2011
Webster County Economic Development Authority (2010 and 2011, A-133s)	2009, 2010 and 2011
West Virginia Affordable Housing Trust Fund	2012
West Virginia Department of Environmental Protection	2010 and 2011
Wood County Development Authority	2009, 2010 and 2011
Wood County Solid Waste Authority	2009, 2010 and 2011

Not-For-Profit Organizations and HUD

All Care Home and Community Services, Inc.	2009, 2010 and 2011
Christian Help, Inc. of Mingo County	2011
Council on Aging, Inc.	2009, 2010 and 2011
Girls Incorporated of Bristol	2009, 2010 and 2011
Home Base, Inc.	2009, 2010 and 2011
Mid-Ohio Valley Area Development Corporation (All, A-133s)	2009, 2010 and 2011
Mid-Ohio Valley Regional Planning Council (All, A-133s)	2009, 2010 and 2011
Mid-Ohio Valley Workforce Investment Corporation (2009, A-133)	2009, 2010 and 2011
Mountaineer Development Corporation	2010, 2011 and 2012
North Central West Virginia Community Action Association, Inc. (All, A-133s)	2009, 2010 and 2011
Parkersburg-Wood County Area Development Corp.	2009 and 2010

PATCH 21 st Century Community Learning Center (All, A-133s)	2010 and 2011
Roane County Emergency Squad, Inc.	2009, 2010 and 2011
South Western West Virginia Region 2 Workforce Investment Board, Inc. (All, A-133s)	2009, 2010 and 2011
STOP the Hurt, Inc.	2010
Tech Foundation, Inc.	2009 and 2010
The STOP Coalition	2010 and 2011
The Council of the Southern Mountains (All, A-133s)	2009 and 2010
White Sulphur Springs Emergency Medical Services, Inc.	2011

During the period 2009 through 2011, our staff has performed 117 A-133 audits.

System of Quality Controls of Teed & Associates, PLLC:

The system of quality control of Teed & Associates, PLLC, for the accounting and auditing practice has been reviewed by an independent Certified Public Accountant (CPA) whose review was conducted in accordance with standards established by the Peer Review Board of the American Institute of Certified Public Accountants (AICPA). The independent CPA firm has expressed the opinion that the system of quality control for our accounting and auditing practice has been designed to meet the requirements of the quality control standards for an auditing practice established by AICPA. Also, we are a member of the AICPA Governmental Audit Quality Center. We have enclosed our latest Peer Review for your information.

Timetable for Completion of Audit:

Conference	Within Two Weeks of Notice to Proceed
Field work completed and draft of financial statements	September 10, 2013
Exit conference and draft audit report	September 13, 2013
Final audit report	October 11, 2013

Cost Proposal of Audit for the Year Ended June 30, 2013:

The cost proposal contains all pricing information relative to performing the engagement as described in the Request for Quotation. The total all-inclusive maximum price to be bid contains all direct and indirect costs including all out-of-pocket expenses.

Carol Leffew
April 8, 2013
Page 9

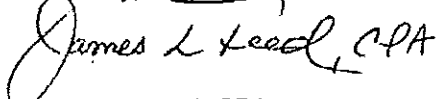
Rates by Member (Partner), Manager and Staff Level Time Hours Anticipated for Each:

<u>Staff Position</u>	<u>Estimated Hours</u>	<u>Hourly Rate</u>	<u>Total</u>
Member James L. Teed, CPA	14	\$ 175.00	\$ 2,450
Manager Roy A Smith, CPA	25	\$ 100.00	2,500
Staff Accountant (To be assigned)	25	\$ 40.00	1,000
Staff Accountant (To be assigned)	25	\$ 40.00	<u>1,000</u>
Grand Total	75 Hours		<u>\$ 6,950</u>

In Conclusion:

We welcome the opportunity to once again be the Auditor for the CWSRF. We look forward to working with you.

Sincerely,



James L. Teed, CPA

Enclosures



west virginia department of environmental protection

Office of Administration - Fiscal Services
601 57th Street SE
Charleston, WV 25304
Phone: (304) 926-0480
Fax: (304) 926-0481

Earl Ray Tomblin, Governor
Randy C. Huffman, Cabinet Secretary
dep.wv.gov

September 30, 2013

Teed & Associates, PLLC
3624 MacCorkle Avenue SE
P. O. Box 4576
Charleston, West Virginia 25364

This representation letter is provided in connection with your audit of the financial statements of West Virginia Water Pollution Control Revolving Fund as of June 30, 2013, and the respective changes in financial position and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of September 20, 2013, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated August 19, 2013, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates are reasonable.

Promoting a healthy environment.

- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements [or in the schedule of findings and questioned costs].
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

Information Provided

- 10) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements [and the schedule of expenditures of federal awards].
- 12) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 13) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 14) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 15) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 16) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.


Government—specific

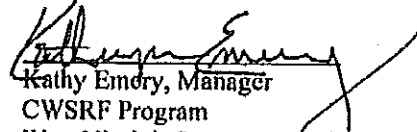
- 17) We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.


- 19) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 20) The West Virginia Water Pollution Control Revolving Fund has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 22) There are no violations or possible violations of budget ordinances, laws and regulations, provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 23) As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 24) The West Virginia Water Pollution Control Revolving Fund has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 25) The West Virginia Water Pollution Control Revolving Fund has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 26) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 27) The financial statements properly classify all funds and activities.
- 28) All funds that meet the quantitative criteria in GASB nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 29) Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- 30) Provisions for uncollectible receivables have been properly identified and recorded.
- 31) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 32) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 33) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 34) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

- 35) We have appropriately disclosed the West Virginia Water Pollution Control Revolving Fund's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 36) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 37) With respect to the individual fund activity and other financial information:
- a) We acknowledge our responsibility for presenting the schedules of individual fund activity and other financial information in accordance with accounting principles generally accepted in the United States of America, and we believe the information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- 38) With respect to federal award programs:
- a) We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
 - b) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
 - c) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal program and related activities.
 - d) We have complied with the direct and material compliance requirements, including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.
 - e) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
 - f) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.

- g) We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- h) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- i) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- j) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.
- k) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- l) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- m) We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133. We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and have ensured that subrecipients have taken the appropriate and timely corrective action on findings. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records. We have charged costs to federal awards in accordance with applicable cost principles.
- n) We are responsible for preparing and implementing a corrective action plan for each audit finding.

Signed: 
Melinda Campbell, Chief of
Administration
West Virginia Department of
Environmental Protection

Signed: 
Kathy Emory, Manager
CWSRF Program
West Virginia Department of
Environmental Protection

Signed: 
Jean Sheppard, Chief Financial Officer
West Virginia Department of
Environmental Protection

Audited Financial Statements

The West Virginia Water Pollution
Control Revolving Fund

Years Ended June 30, 2013 and 2012

Teed & Associates, PLLC
Certified Public Accountants

Audited Financial Statements
THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND
Years Ended June 30, 2013 and 2012

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Certified Public Accountants

Established 1992

Member, American Institute of Certified Public Accountants
Member, West Virginia Society of Certified Public Accountants
Member, Tennessee Society of Certified Public Accountants

James L. Teed, CPA
james.teed2000@yahoo.com

Roy A. Smith, CPA
roy@teedandassociates.com

Thomas F. Ward, CPA
tom@teedandassociates.com

INDEPENDENT AUDITORS' REPORT

West Virginia Water Pollution Control Revolving Fund
601 - 57th Street SE
Charleston, West Virginia 25304

Report on the Financial Statements

We have audited the accompanying financial statements of net position of the West Virginia Water Pollution Control Revolving Fund (the Fund), a major fund of the State of West Virginia, as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended. The financial statements of the West Virginia Water Pollution Control Revolving Fund as of June 30, 2012, were audited by other auditors whose report dated September 27, 2012, expressed an unqualified opinion on those statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

West Virginia Water Pollution
Control Revolving Fund

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the West Virginia Water Pollution Control Revolving Fund as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the years 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 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Virginia Water Pollution Control Revolving Fund's basic financial statements. The accompany schedules of individual fund activity on pages 35 through 37 and the other financial information on pages 40 through 43 are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits*

West Virginia Water Pollution
Control Revolving Fund

of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

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

Teed & Associates, PLLC

Teed & Associates, PLLC
September 20, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

-UNAUDITED-

Our discussion and analysis of the West Virginia Department of Environmental Protection's (WVDEP) West Virginia Water Pollution Control Revolving Fund (the Fund) will provide an overview of the Fund's financial activities for the fiscal year ended June 30, 2013. The Fund operates as the State's Clean Water State Revolving Fund (CWSRF) under the federal Clean Water Act (CWA). Please read this in conjunction with the financial statements that begin on page 9.

Financial Highlights

The Water Pollution Control Revolving Fund's increase in net position was approximately 4.88% or \$29.5 million. The increase in net position was due mainly to a \$48.9 million increase in loans receivable.

During the 2013 fiscal year the Fund had operating expenses that exceeded operating revenue by \$5.6 million. This is due to the fact that American Recovery and Reinvestment Act disbursements were reported as a \$1.4 million increase, and Principal Forgiveness disbursements were reported as a \$7.1 million increase in expenses. ARRA and Principal Forgiveness disbursements did not increase receivables. Federal funding for ARRA disbursements was reported as a \$1.4 million increase in Capital Grants and Contributions from the U.S. Environmental Protection Agency. The federal portion of the Principal Forgiveness disbursements was reported as a \$3.8 million increase in Capital Grants and Contributions from the U.S. Environmental Protection Agency. The remaining \$3.3 million of Principal Forgiveness disbursements were paid from the Fund.

The Fund's operating revenue of \$5.0 million was an 8.2% increase over fiscal year 2012. This increase is a result of the increases in administrative fees and interest income on loans. This is viewed as favorable since the operating revenue base has consistently increased over the past nine years.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position, the Changes in Fund Net Position and Statement of Cash Flows on pages 9 to 13 provide information about the activities of the Fund and present a long-term view of the Fund's finances. Financial information for the Revolving Loan Fund and the Administrative Fund are shown separately on pages 35 to 37.

We have determined by reviewing the financial statements that the Fund continues to be financially sound and stable. All of the current fiscal year's revenues and expenses are taken into account regardless of when cash is received or paid. The Fund's net position, the

MANAGEMENT'S DISCUSSION AND ANALYSIS

-UNAUDITED-

difference between assets and deferred outflows, and liabilities and deferred inflows, is one way to measure the Fund's financial health. The continued increase in net

position is one indicator of improving financial position. The Fund consists only of business-type activities. Governmental activities and other operations of the WVDEP are not a part of the Fund and are not shown as a part of these financial statements.

The West Virginia Water Pollution Control Revolving Fund

The West Virginia Water Pollution Control Revolving Fund is comprised of two separate funds. The funds are established by the United States Environmental Protection Agency (USEPA) and by State of West Virginia statute. Both funds are proprietary funds and use full accrual accounting. A Statement of Cash Flows accompanies the Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position.

The 1987 amendments to the CWA phased out the EPA Construction Grants Program that began in 1972 and replaced it with the CWSRF, a new low interest loan program. The CWSRF program provides funding to address water quality problems through wastewater facility construction, upgrades, or expansions as well as implementation of Non Point Source (NPS) best management practices (BMPs).

In 1989, the West Virginia State Legislature passed the CWSRF enabling law (Chapter 22C, Article 2 of the State Code). The legislation designated DEP as the State's CWSRF management agency. DEP provides general oversight, fiscal management, and administrative compliance review of local governmental entities that receive funds. In 1990, DEP promulgated program rules and awarded its first CWSRF loan in November 1991.

In 1994, the Legislature created the West Virginia Infrastructure and Jobs Development Council (IJDC) to coordinate State and Federal funding on all water and sewer projects. Before a community can receive a commitment of CWSRF funding, the project must first receive a positive recommendation from the IJDC as required by State law. In addition, the IJDC oversees the disbursement of state general obligation bond and revenue bond proceeds for water, sewer, and economic development projects. DEP participates in the IJDC process to the fullest extent to promote environmentally sound and affordable wastewater projects. Additional coordination with offices of the State Treasurer and the State Auditor ensure inter- and intra-agency coordination, management, oversight, and integrity of the program.

The CWSRF currently has three financial assistance programs:

- Low Interest Loan Program (for municipal wastewater treatment works);
- Agriculture Water Quality Loan Program; and
- Onsite Systems Loan Program.

MANAGEMENT'S DISCUSSION AND ANALYSIS

-UNAUDITED-

The West Virginia Water Pollution Control Revolving Fund as a Whole

Table 1
Net Position
(in thousands)

	2013	2012
Current assets	\$ 128,387	\$ 145,999
Non current assets	510,945	463,767
Total assets	639,332	609,766
Current liabilities	(133)	(129)
Other liabilities	(641)	(358)
Total liabilities	(774)	(487)
Unearned Revenue	(4,162)	(4,406)
Total Deferred Inflows of Resources	(4,162)	(4,406)
Net position:		
Total restricted net position	\$ 634,396	\$ 604,873

The net position increased by \$29.5 million or around 4.88% during the fiscal year ended June 30, 2013. Fiscal year 2013 included the receipt of the 24th Clean Water State Revolving Fund Capitalization Grant. These funds were committed to finance loans for municipal wastewater pollution control projects for the control of municipal pollution from point source discharges. This capitalization grant will continue the debt forgiveness started by the American Recovery and Reinvestment Act (ARRA) funds. "Second round funds" are those dollars available within the CWSRF from repayments of prior loans and investment earnings. They are used for nonpoint source pollution control project loans and waste water facility funding. Effective October 1, 2002, the program began using the 2000 census as a basis for determining the interest rate and loan term based on median household income. As stated in the 2014 IUP, the program will begin using 2010 data from the U.S. Census Bureau American Fact Finder by either April 1, 2014 or the effective date of the legislation approving the IJDC Legislative Rule amendment. Only projects that have filed for a Certificate of Convenience and Necessity with the Public Service Commission (PSC) by these time frames and have received a valid binding commitment letter for their project will proceed to closing with the 2000 Census data.

MANAGEMENT'S DISCUSSION AND ANALYSIS

-UNAUDITED-

Table 2
Statement of Revenues, Expenses and Changes in Fund Net Position
(in thousands)

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Interest income on loans	\$ 2,568	\$ 2,363
Administration fees on loans	2,443	2,268
	<u>5,011</u>	<u>4,631</u>
Operating expenses	<u>10,645</u>	<u>5,740</u>
Total operating income	(5,634)	(1,109)
Non-operating revenue:		
Investment income	<u>145</u>	<u>103</u>
Income before capital grants and contributions	(5,489)	(1,006)
Capital grants and contributions	<u>35,012</u>	<u>52,785</u>
Change in net position	<u>\$ 29,523</u>	<u>\$ 51,779</u>

Capital Asset and Debt Administration

The Fund does not own any land, buildings, equipment or infrastructure. The fund has no long term debt.

Significant Facts, Decisions or Conditions

Our grant award for FY 2013 of \$22,031,000 was awarded on September 12, 2012. A required state match of \$4,406,200 was provided by the West Virginia Infrastructure and Jobs Development Council which was deposited in the CWSRF account.

In FY2013, the CWSRF program closed eighteen loans to Section 212 point source projects totaling \$53,470,473, \$7,311,956 of which will be principal forgiveness and not a receivable. Nonpoint source loans issued by the DEP approved intermediary lenders totaled \$447,961 in the Agriculture Water Quality Loan Program, and \$209,067 in the Onsite Systems Loan Program.

MANAGEMENT'S DISCUSSION AND ANALYSIS

-UNAUDITED-

The one default that had been mentioned in previous audit reports has been cured. There are no municipal entities in monetary default as of June 30, 2013. However there are several entities that continue to have deficiencies in their reserve fund accounts on a monthly basis that are being watched very closely.

In the Onsite Systems Loan Program, there appears to be a growing trend of some homeowners getting behind in their loan payments. These situations are also being closely monitored. There have been three uncollectible defaults due to the filing of bankruptcies, one of which occurred in fiscal year 2013.

Contacting the Fund's Financial Management

The financial reports are designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Fund's finances and to show the Fund's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Fiscal Office of the WVDEP or the State Revolving Fund, both located at 601 57th Street S.E., Charleston, WV 25304, 304-926-0440.

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

STATEMENT OF NET POSITION

June 30, 2013 and 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 98,962,300	\$ 118,371,750
Receivables:		
Due from WV Department of Environmental Protection	3,186	6,730
Interest on loans	223,939	193,981
Administrative fees on loans	207,838	188,997
Current maturities of loans receivable	<u>28,990,340</u>	<u>27,238,249</u>
Total current assets	128,387,603	145,999,707
Loans receivable, net of current maturities	<u>510,944,788</u>	<u>463,766,731</u>
Total assets	<u>639,332,391</u>	<u>609,766,438</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	57,350	44,571
Current Compensated Absences	<u>75,845</u>	<u>85,092</u>
Total current liabilities	133,195	129,663
Compensated absences, not of current portion	49,256	21,550
Other post-employment benefits	<u>592,089</u>	<u>336,262</u>
Total liabilities	<u>774,540</u>	<u>487,475</u>

(Continued)

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

STATEMENT OF NET POSITION

June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Unearned Revenue	<u>4,162,000</u>	<u>4,406,200</u>
Total deferred inflows of resources	<u>4,162,000</u>	<u>4,406,200</u>
 <u>NET POSITION</u>		
Net Position, restricted	<u>634,395,851</u>	<u>604,872,763</u>
Total net position	<u>\$ 634,395,851</u>	<u>\$ 604,872,763</u>

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

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Interest on loans	\$ 2,568,412	\$ 2,362,729
Administrative fees	2,442,650	2,267,722
	<u>5,011,062</u>	<u>4,630,451</u>
Operating expenses:		
Personnel costs	1,567,824	1,314,112
Principal forgiveness/ARRA	8,530,502	3,868,850
Other administrative costs	547,122	556,833
	<u>10,645,448</u>	<u>5,739,796</u>
Total operating income	(5,634,386)	(1,109,345)
Non-operating revenues:		
Investment income	<u>145,576</u>	<u>102,890</u>
Income before capital grants and contributions	<u>(5,488,810)</u>	<u>(1,006,455)</u>
Capital grants and contributions:		
U.S. Environmental Protection Agency	30,605,698	48,182,138
State of West Virginia	4,406,200	4,603,800
	<u>35,011,898</u>	<u>52,785,938</u>
Change in net position	<u>29,523,088</u>	<u>51,779,483</u>
Net position, beginning of year	<u>604,872,763</u>	<u>553,093,280</u>
Net position, end of year	<u>\$ 634,395,851</u>	<u>\$ 604,872,763</u>

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

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

STATEMENT OF CASH FLOWS

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating activities:		
Cash payments for:		
Loans originated	\$(76,291,622)	\$(58,952,887)
Principal Forgiveness/ARRA	(8,530,502)	(3,868,580)
Personnel expenses	(1,285,947)	(1,281,434)
Administrative expenses	(523,443)	(711,307)
Cash receipts for:		
Principal repayments	27,346,219	25,809,600
Interest on loans revenue	2,538,454	2,374,693
Administrative fee revenue	2,424,117	2,251,976
Net cash used in operating activities	<u>(54,322,724)</u>	<u>(34,377,939)</u>
Capital and related financing activities:		
Increase (decrease) in unearned revenue	(244,200)	4,406,200
Capital grants and contributions from the U.S. Environmental Protection Agency	30,605,698	48,182,138
Capital grants and contributions from the State of West Virginia	<u>4,406,200</u>	<u>4,603,800</u>
Net cash provided by capital and related financing activities	<u>34,767,698</u>	<u>57,192,138</u>
Investing activities:		
Investment income	<u>145,576</u>	<u>102,890</u>
Net increase (decrease) in cash	(19,409,450)	22,917,089
Cash and cash equivalents balance, beginning of year	<u>118,371,750</u>	<u>95,454,661</u>
Cash and cash equivalents, end of year	<u>\$98,962,300</u>	<u>\$ 118,371,750</u>

(Continued)

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

STATEMENT OF CASH FLOWS
(Continued)

Years Ended June 30, 2013 and 2012

Reconciliation of operating income to cash used in operating activities:

	<u>2013</u>	<u>2012</u>
Operating income	\$ (5,634,387)	\$ (1,109,345)
Adjustments to reconcile net income to cash provided by operating activities:		
Increase in loans receivable, net	(48,930,148)	(33,143,287)
(Increase) decrease in other receivables	(45,254)	(2,224)
Increase (decrease) in due to WV Department of Environmental Protection	-	-
Increase (decrease) in compensated absences	18,459	(12,697)
Increase (decrease) in OPEB	255,827	46,846
Increase (decrease) in accounts payable	<u>12,779</u>	<u>(157,232)</u>
	<u>\$ (54,322,724)</u>	<u>\$ (34,377,939)</u>

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

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF THE FUND

The West Virginia Water Pollution Control Revolving Fund (the Fund) was established pursuant to Title VI of the Clean Water Act and by the West Virginia Legislature under Chapter 22C, Article 2 of the West Virginia Code, as a component unit of the State of West Virginia. The purpose of the act was to establish and implement a State operated revolving loan fund to provide low interest loans to communities that require sewer service either by upgrading the existing wastewater system or establishing a new utility, clean up the State's water supply, and remain in perpetuity by recirculating the principal and interest earned from the loans. The Fund's loan programs are designed to provide financial assistance to local governmental entities (such as municipalities and public service districts) in West Virginia to assist in complying with the Clean Water Act. Such loan programs provide long-term financing to cover the cost of construction for qualifying projects for pollution control, including non-point source projects and developing estuary conservation and management plans.

The Fund was capitalized by the U.S. Environmental Protection Agency (EPA) through a series of grants starting in 1990. States are required to provide an additional twenty percent of the Federal award as matching funds in order to receive continued funding. As of June 30, 2013, Congress authorized the EPA to award \$553,605,586 in capital grants and contributions to the Fund. The State of West Virginia is required to contribute \$98,526,327 in matching funds.

The State of West Virginia charges the Fund for time spent on activities by employees, and the Fund reimburses the State of West Virginia for such costs. The charges include the salaries and benefits of the employees, as well as indirect costs allocated to the Fund based on direct salary costs. Employees charging time to the Fund are covered by the benefits provided to all employees of the State of West Virginia.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Fund is accounted for as a proprietary fund special purpose government engaged in business type activities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," and accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting, using the flow of economic resources measurement focus. Under this basis of

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

accounting, revenues are recognized when earned and expenses are recognized when incurred. As permitted by GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, the Fund has elected not to adopt Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB statements or interpretations.

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of interest-earning deposits with the West Virginia Board of Treasury Investments (BTI), which are carried at market value, which approximates cost. These deposits are not separately identifiable as to specific types of securities. Such funds are available to the Fund with overnight notice.

Use of Estimates

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

Loans Receivable

The State of West Virginia operates the Fund as a revolving direct loan program, whereby loans made to recipients are funded by the Federal capital grants and contributions

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable (Continued)

and the corresponding state matching amount. Loan funds are disbursed to the local recipient agencies as they incur costs on the approved project. Interest, if applicable, is calculated from the date that recipients begin repayment, and the payment schedule is adjusted for actual amounts disbursed and interest accrued. The loans are secured by a lien on the revenues of the recipients' system project and by debt service reserve funds held by the West Virginia Municipal Bond Commission. No provision for uncollectible accounts has been made since management believes that all loans will be repaid.

Administrative Fees

Administrative fees are composed of a percentage of the outstanding loan balance and are recognized as income when fees are earned over the life of the loan. Administrative fees are collected concurrently with principal reduction payments by individual borrowers at terms set forth in the applicable loan agreements over the life of the loan.

Compensated Absences

Employees fully vest in all earned but unused annual leave, and the Fund accrues for obligations that may arise in connection with compensated absences for annual leave at the current rate of employee pay. The estimated obligation for such benefits, as they relate to employees of the Fund, is recorded as a liability in the accompanying financial statements.

Capital Grants and Contributions

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

Net Position

Management has adopted Governmental Accounting Standards Board ("GASB") Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement also amends net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The Fund will report unearned

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

revenue as a deferred inflow of resources. The effect of the statement on the Fund's financial reporting is to rename net assets as net position and report unearned revenue as a deferred inflow rather than a liability.

Net position is the difference between assets and deferred outflows, and liabilities and deferred inflows. Net position is presented as restricted. Restrictions on net position are externally imposed constraints by the grantor agency on the residual portion of capital grants and contributions available for lending purposes.

The GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. Although the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012, management has chosen to implement it early for fiscal year 2013. This Statement will affect the Fund's financial statements. Unearned revenue that was received in fiscal year 2012 is reclassified as a deferred inflow rather than a liability. This caused a decrease in current and total liabilities and creates a deferred inflow balance.

Operating Revenues and Expenses

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

Reclassification

Principal Forgiveness and ARRA disbursements are expensed due to the fact that these funds will not be repaid. In prior years these expenses rolled into the Administration Expenses in the Statement of Cash Flows and Other administrative costs in the Statement of Revenues, Expenses and Changes in Fund Net Position. Starting in fiscal year 2013 these expenses are classified as Principal Forgiveness/ARRA and are no longer included in Administration Expenses. The Principal Forgiveness and ARRA disbursements for fiscal year 2012 were reclassified in the Statement of Cash Flows and Statement of Revenues, Expenses and Changes in Net Position.

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Unearned revenue was previously classified as an Operating Activity. It is now classified as an increase or decrease in Financing Activities. Unearned revenue in fiscal year 2012 has been reclassified as an increase in Financing Activities.

3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of deposits with the State Treasurer's Office and the West Virginia Board of Treasury Investments (BTI).

At June 30, 2013 and 2012, the balances with each were as follows:

	2013	2012
State Treasurer's Office	\$ 213	\$ -
BTI	98,962,087	118,371,750
Total	<u>\$ 98,962,300</u>	<u>\$118,371,750</u>

The State Treasurer's Office has statutory responsibility for the daily cash management activities of the State's agencies, departments, boards, and commissions. The State Treasurer's Office determines which funds to transfer to the BTI for investment in accordance with the West Virginia Code, policies set by the BTI, and provisions of bond indentures and trust agreements when applicable. The Fund's cash balances are invested with the BTI in investment pools.

Deposits with BTI at June 30, 2013 and 2012 were invested in two investment pools as follows:

	2013	2012
WV Money Market Pool	\$92,678,869	\$112,708,002
WV Government Money Market Pool	6,283,218	5,663,748
Total investments	<u>\$98,962,087</u>	<u>\$118,371,750</u>

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NOTES TO FINANCIAL STATEMENTS

3 - CASH AND CASH EQUIVALENTS (Continued)

The following information addresses risks associated with deposited investments with the BTI as of June 30, 2013:

WV Money Market Pool

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues.

The following table provides information on the credit ratings of the WV Money Market Pool's investments:

Security Type	Moody's	S&P	Carrying Value	Percent of Assets
Commercial paper	P1	A-1+	\$ 243,538,000	9.76%
	P1	A-1	\$ 726,857,000	29.12
Corporate bonds and notes	Aa3	AA-	10,000,000	0.40
U.S. agency bonds	Aaa	AA+	66,603,000	2.67
U.S. Treasury notes *	Aaa	AA+	279,755,000	11.21
U.S. Treasury bills *	P-1	A-1+	34,993,000	1.40
Negotiable certificates of deposit	Aa1	AA-	10,000,000	0.40
	Aa2	A+	9,000,000	0.36
	Aa3	AA-	15,000,000	0.60
	P-1	A-1+	50,000,000	2.00
	P-1	A-1	160,000,000	6.41
	P-2	A-1	15,000,000	0.60
U.S agency discount notes	P-1	A-1+	445,784,000	17.86
Money market funds	Aaa	AAAm	200,012,000	8.02
Repurchase agreements (underlying securities):				
U.S. Treasury notes*	Aaa	AA+	188,826,000	7.57
U.S. agency notes	Aaa	AA+	40,500,000	1.62
			<u>\$ 2,495,868,000</u>	<u>100.00%</u>

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

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NOTES TO FINANCIAL STATEMENTS

3 - CASH AND CASH EQUIVALENTS (Continued)

WV Money Market Pool (Continued)

Concentration of credit risk

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

Custodial credit risk

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

Interest rate risk

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

The overall weighted average maturity of the investment of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days.

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NOTES TO FINANCIAL STATEMENTS

3 - CASH AND CASH EQUIVALENTS (Continued)

WV Money Market Pool (Continued)

Interest rate risk (Continued)

The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool.

Security Type	Carrying Value	WAM (days)
Repurchase agreements	\$ 229,326,000	3
U. S. Treasury notes	279,755,000	132
U. S. Treasury bills	34,993,000	77
Commercial paper	970,395,000	43
Certificates of deposit	259,000,000	66
U.S. agency discount notes	445,784,000	47
Corporate bonds and notes	10,000,000	60
U.S. agency bonds/notes	66,603,000	139
Money market funds	200,012,000	1
	<u>\$ 2,495,868,000</u>	<u>52</u>

Foreign currency risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The WV Money Market Pool holds no interests in foreign currency or interests valued in foreign currency.

WV Government Money Market Pool

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues.

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NOTES TO FINANCIAL STATEMENTS

3 - CASH AND CASH EQUIVALENTS (Continued)

WV Government Money Market Pool (Continued)

Credit risk (Continued)

The following table provides information on the credit ratings of the WV Government Money Market Pool's investments:

Security Type	Moody's	S&P	Carrying Value	Percent of Assets
U.S. agency bonds	Aaa	AA+	\$ 5,000,000	1.74%
U.S. Treasury notes*	Aaa	AA+	50,112,000	17.45
U. S. Treasury bills*	Aaa	AA+	4,999,000	1.74
U.S. agency discount notes	P-1	A-1+	125,474,000	43.69
Money market funds	Aaa	AAAm	99,000	0.04
Repurchase agreements (underlying securities):				
U.S. agency notes	Aaa	AA+	101,500,000	35.34
			<u>\$ 287,184,000</u>	<u>100.00%</u>

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

Concentration of credit risk

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

Custodial credit risk

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

THE WEST VIRGINIA WATER POLLUTION
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NOTES TO FINANCIAL STATEMENTS

3 - CASH AND CASH EQUIVALENTS (Continued)

WV Government Money Market Pool (Continued)

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All Consolidated Fund Pools and accounts are subject to interest rate risk.

The overall weighted average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days.

The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

Security Type	Carrying Value	WAM (days)
Repurchase agreements	\$ 101,500,000	3
U. S. Treasury notes	50,112,000	103
U. S. Treasury bills	4,999,000	76
U.S. agency discount notes	125,474,000	67
U.S. agency bonds	5,000,000	34
Money market funds	99,000	1
	<u>\$ 287,184,000</u>	<u>50</u>

Foreign currency risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The WV Government Money Market Pool holds no interests in foreign currency or interests valued in foreign currency.

Securities lending

In April 2013, the BTI received \$3,123,000 in settlement of a class action lawsuit filed in 2008 against BNY Mellon, N.A., as a result of losses incurred in certain BNY Mellon securities lending cash collateral reinvestment pools that held certain securities issued by Sigma Finance Inc. or Sigma Finance Corp on October 1, 2008. The proceeds of the settlement were deposited in the Reserve Pool and will be distributed to the WV Money

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NOTES TO FINANCIAL STATEMENTS

3 - CASH AND CASH EQUIVALENTS (Continued)

WV Government Money Market Pool (Continued)

Securities lending (Continued)

Market Pool, WV Government Money Market Pool and WV Short Term Bond Pool over a period of two years starting July 1, 2013 based upon their pro-rata share of losses incurred in the BTI's securities lending program in October 2008.

4 - LOANS RECEIVABLE

As of June 30, 2013 and 2012, loans receivable consisted of loans to municipalities and public service districts for the construction of sewer facilities to comply with the Clean Water Act. In addition, during the fiscal years ended June 30, 2013 and 2012, loans were issued to financial institutions for the non-point source program used to provide matching low interest loans for eligible recipients. Loans for municipalities and public service districts carry interest rates ranging from 0% to 3% and administrative fees ranging from 0% to 1%, not to exceed an aggregate of 3%. Loans for the non-point source program carry interest rates from 0% to 2%, which are retained by the financial institution. Loans for municipalities and public service districts are generally amortized over a period not to exceed forty years starting one year after the project is completed, and loans from the non-point source program are generally amortized over a period not to exceed ten years.

Loans with municipalities and public service districts are secured by the net revenues of the respective system, and the municipalities and public service districts are required to maintain a reserve account with the West Virginia Municipal Bond Commission. Loans to recipients who issue bonds for repayment of the loan are required to deposit in the reserve account an amount equal to not less than one-twelfth of one-tenth of the reserve requirement or, if funded, an amount necessary to maintain the reserve account at the reserve requirement.

The reserve requirement is generally equal to one year's principal and interest payments and is required to be fully funded within ten years from issuance of the debt. Loans for the non-point source program are made to the approved financial institutions that in turn make loans to eligible recipients based on approved projects. The financial institutions assume credit risk for the loans to the eligible recipients.

THE WEST VIRGINIA WATER POLLUTION
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NOTES TO FINANCIAL STATEMENTS

4 - LOANS RECEIVABLE (Continued)

As of June 30, 2013, forty-five loans outstanding have cumulative deficiencies in reserve fund balances of \$274,978.

Total cumulative loans authorized as of June 30, 2013 and 2012 were as follows:

	2013		2012	
	Loans Authorized	Remaining Commitment	Loans Authorized	Remaining Commitment
Completed projects	\$ 700,878,236	\$ -	\$ 623,348,066	\$ -
Projects in progress	149,636,952	46,788,750	173,365,637	69,278,887
	<u>\$ 850,515,188</u>	<u>\$ 46,788,750</u>	<u>\$ 796,713,703</u>	<u>\$ 69,278,887</u>

Loans mature at various intervals through June 1, 2053. Payment schedules are calculated based on the authorized loan amount. If a loan recipient does not utilize the entire authorized amount, the payment schedule is recalculated to reflect the reduced amount. The \$46.8 million difference in the scheduled principal payments shown below and loans receivable in the Statement of Net Position represents the amount of authorized loans not utilized at June 30, 2013.

The fiscal year 2013 Clean Water Act Title VI funding allocation for West Virginia requires a minimum amount be set aside for providing additional loan subsidization in the form of grants or principal forgiveness to qualifying communities. In accordance with the CWSRF state statute, which says in part, "...moneys in the fund shall be used to make grants for projects to the extent allowed or authorized by federal law", the DEP will be setting aside the maximum amount which will be used for providing additional loan subsidies for disadvantaged communities. Principal forgiveness of all or part of a loan will be the mechanism that will be used to supply the additional subsidization. In fiscal year 2013 the program also expended the remainder of the American Recovery and Reinvestment Act (ARRA) grant.

	2013	2012
Principal Forgiveness	\$ 7,140,767	\$ 1,791,182
ARRA	1,389,735	2,077,398
Total	<u>\$ 8,530,502</u>	<u>\$ 3,868,850</u>

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS

4 – LOANS RECEIVABLE (Continued)

The scheduled principal payments on all loans maturing in subsequent years are as follows at June 30, 2013:

2014		\$ 28,990,340
2015		31,456,111
2016		31,271,463
2017		30,304,453
2018		30,191,015
Thereafter		434,510,496
		586,723,878
Less current maturities		28,990,340
		557,733,538
Less authorized, but not disbursed		46,788,750
		\$ 510,944,788

Major Loans to Local Agencies

As of June 30, 2013, the Fund has authorized loans to thirty-two separate entities that exceed \$7 million. The outstanding balances of these loans represent approximately 74% and 71% of the total loans receivable as of June 30, 2013 and 2012, respectively, as follows:

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NOTES TO FINANCIAL STATEMENTS

4 - LOANS RECEIVABLE (Continued)

Local Agency	Authorized Loan Amount	June 30, 2013 Balance	June 30, 2012 Balance
Beckley	\$ 21,754,099	\$12,043,971	\$ 13,095,821
Berkeley County PSD	80,778,117	46,124,934	49,125,591
Bluefield	10,727,569	1,744,450	2,027,151
Charleston	68,241,189	43,629,775	28,524,186
Charles Town	22,590,551	15,706,870	6,321,359
Clarksburg	7,484,243	2,721,044	3,123,374
Claywood Park PSD	8,327,500	7,416,016	7,549,716
Crab Orchard McArthur PSD	13,576,451	10,466,935	9,587,407
Dunbar	16,152,148	8,541,995	9,163,231
Elk Valley	18,061,117	16,857,037	17,459,077
Elkins	9,759,411	7,706,965	8,133,638
Flatwoods Canoe Run	11,329,000	8,328,459	6,577,891
Follansbee	8,616,372	2,908,008	3,338,827
Hancock	11,349,771	7,345,385	7,673,631
Huntington	13,600,844	8,458,018	8,386,603
Kingwood	16,671,739	10,619,601	605,952
Logan	10,174,993	8,247,595	8,425,823
Lubeck PSD	8,666,272	3,781,035	3,638,790
Moorefield	17,900,000	16,339,751	1,553,458
Morgantown	43,133,895	24,306,173	32,758,074
Nitro	9,453,080	4,688,220	5,139,928
North Beckley PSD	17,942,963	10,927,630	11,660,578
Parkersburg	23,233,747	18,597,015	14,744,247
Pea Ridge	15,200,321	10,137,602	10,691,249
Princeton	9,100,000	8,779,573	7,083,530
Saint Albans	16,281,000	8,133,044	8,949,840
Salt Rock PSD	13,938,062	10,701,964	11,044,230
Scotts Run PSD	9,800,207	8,068,549	8,092,507
Shady Spring PSD	13,233,510	8,109,221	8,618,238
Shepherdstown	9,172,697	8,866,937	8,561,582
Union Williams	16,008,291	11,814,425	12,348,033
Wheeling	22,856,000	18,084,526	17,458,549
	<u>\$ 595,115,159</u>	<u>\$390,202,723</u>	<u>\$ 351,462,111</u>

The authorized loan amount includes both completed projects and projects in progress.

THE WEST VIRGINIA WATER POLLUTION
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NOTES TO FINANCIAL STATEMENTS

5 - DUE TO OTHER AGENCIES

The Fund reimburses the West Virginia Department of Environmental Protection (the Department) for the direct and indirect costs incurred by the Fund, but paid by the Department. In addition, the Fund has an operating agreement with the West Virginia Water Development Authority for project analysis and administrative services. At June 30, 2013 and 2012, the Fund owed \$ -0- and \$-0-, respectively to the Department, and \$27,561 and \$18,120, respectively, to the West Virginia Water Development Authority.

THE WEST VIRGINIA WATER POLLUTION
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NOTES TO FINANCIAL STATEMENTS

6 - CAPITAL GRANTS AND CONTRIBUTIONS

The Fund is perpetuated by other net revenues, grants, and contributions from the EPA under the Clean Water Act and matching funds from the State of West Virginia. All funds drawn are recorded as capital grants and contributions from the EPA and the State of West Virginia. As of June 30, 2013, the cumulative amounts awarded to the Fund from the EPA and required matching funds from the State of West Virginia were as follows:

Federal Fiscal Year	EPA Grant Amounts	State Match Amounts
1990	\$ 20,889,974	\$ 4,177,994
1991	31,353,287	6,270,657
1992	9,661,835	1,932,367
1993	30,288,852	6,057,770
1994	29,962,449	5,992,490
1995	37,792,161	7,558,432
1996	No Award	No Award
1997	41,165,207	8,233,041
1998	20,991,267	4,198,253
1999	20,993,049	4,198,610
2000	20,921,868	4,184,373
2001	20,735,946	4,147,189
2002	No Award	No Award
2003	20,859,280	4,171,893
2004	20,821,900	4,174,379
2005	37,435,400	7,500,678
2006	13,650,912	2,730,182
2007	16,684,470	3,336,894
2008	10,607,850	2,121,570
2009	48,873,680	-
2010	22,826,270	2,121,570
2011	32,039,929	6,407,985
2012	23,019,000	4,603,800
2013	22,031,000	4,406,200
Total	<u>\$ 553,605,586</u>	<u>\$ 98,526,327</u>

THE WEST VIRGINIA WATER POLLUTION
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NOTES TO FINANCIAL STATEMENTS

6 - CAPITAL GRANTS AND CONTRIBUTIONS (Continued)

Subsequent to June 30, 2013 the Fund had applied for additional funding from the EPA under the Clean Water Act in the amount of \$20,813,000. The respective matching funds from the State of West Virginia of \$4,162,000 were received in fiscal year 2013.

The following represents the amounts of the EPA grants and contributions received and receivable and the applicable State amounts contributed to the fund as of June 30, 2013.

June 30	Federal Capital	State Capital	Total Capital Grants and Contributions
1992	\$ 258,894	\$ 4,100,000	\$ 4,358,894
1993	11,435,030	-	11,435,030
1994	6,550,679	3,873,001	10,423,680
1995	11,427,541	10,465,787	21,893,328
1996	22,336,689	5,992,490	28,329,179
1997	13,347,837	7,558,432	20,906,269
1998	22,507,123	-	22,507,123
1999	34,283,138	8,233,041	42,516,179
2000	47,718,753	8,396,863	56,115,616
2001	54,843,161	4,184,373	59,027,534
2002	22,842,295	4,147,189	26,989,484
2003	28,135,192	4,156,416	32,291,608
2004	32,799,962	-	32,799,962
2005	31,477,847	8,307,321	39,785,168
2006	20,241,737	3,367,686	23,609,423
2007	12,627,016	2,730,182	15,357,198
2008	20,788,189	3,336,894	24,125,083
2009	11,384,297	2,121,570	13,505,867
2010	34,164,564	2,121,570	36,286,134
2011	35,698,873	6,407,985	42,106,858
2012	48,182,138	9,010,000	57,192,138
2013	30,605,698	4,162,000	34,767,698
Total	<u>\$ 553,656,653</u>	<u>\$ 102,672,800</u>	<u>\$ 656,329,453</u>

THE WEST VIRGINIA WATER POLLUTION
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7 - RISK MANAGEMENT

The Fund 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 Fund has obtained coverage for job-related injuries of employees and health coverage for its employees through its participation in the former West Virginia Workers' Compensation Commission and effective January 1, 2006, Brickstreet Mutual Insurance Company (Brickstreet) and the West Virginia Public Employees Insurance Agency (PEIA). On October 1, 2011 Brickstreet was replaced by Zurich American Insurance Company (Zurich North America). In exchange for the payment of premiums to PEIA and Zurich, the Fund has transferred its risk related to health coverage for employees and job-related injuries of employees.

The Fund participates in the West Virginia Board of Risk and Insurance Management to obtain coverage for general liability, personal injury liability, professional liability, stopgap liability, wrongful act liability, and comprehensive auto liability. Such coverage is offered in exchange for an annual premium.

8 - PENSION PLAN

All full-time Fund employees are eligible to participate in the State of West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit public employee retirement system. The PERS is one of several plans administered by the West Virginia Consolidated Public Retirement Board (CPRB) under the direction of its Board of Trustees, which consists of the Governor, State Auditor, State Treasurer, Secretary of the Department of Administration, and nine members appointed by the Governor. CPRB prepares separately issued financial statements for each retirement system it administers, which can be obtained from Consolidated Public Retirement Board, 4101 MacCorkle Ave S.E., Charleston, West Virginia 25304-1636.

Employees who retire at or after age sixty with five or more years of contributory service or who retire at or after age fifty-five and have completed twenty-five years of credited service are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the

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NOTES TO FINANCIAL STATEMENTS

8 – PENSION PLAN (Continued)

employee's final average salary, multiplied by the number of years of the employee's credited service at the time of retirement.

Covered employees are required to contribute 4.5% of their salary to the PERS, and the Fund is required to contribute 14.0% of covered employees' salaries to the PERS. The required employee contribution percentage has been established and changed from time to time by action of the State Legislature. The employer contribution percentage has been established by PERS. The required contributions are not actuarially determined; however, actuarial valuations are performed to assist the Legislature in determining appropriate values. The Fund and employee contributions, which equal the required contributions, for the three years ended June 2013, 2012, and 2011 are as follows:

	2013	2012	2011
Fund contributions (14.0%/14.5%/12.5%)	\$128,959	\$ 136,121	\$ 113,380
Employee contributions (4.5%)	43,073	43,843	47,943
Total contributions	\$172,032	\$ 179,964	\$ 161,323

9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The GASB has issued Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", and Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (OPEB). The GASB statements are based on the premise that the "costs" of employee services should be reported during the periods when the services are rendered. Beginning with fiscal year ending June 30, 2008, the State will implement accounting and financial reporting requirements as an employer under GASB Statement No. 45. The financial statements will report OPEB funded status and funding progress and any "premium subsidy" resulting from the pooling of retiree participants with active employees in the health benefit plans. For "employer" OPEB reporting the State will report "expense" on an accrual basis in the amount of the "annual required contribution" and a "liability" for the amount of the "annual required contribution" that was not actually paid.

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9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funds have not been set aside to pay future costs of retirees, but the Legislature in response to the GASB statements, has made statutory changes to create the West Virginia Retiree Health Benefit Trust Fund (RHBT), an irrevocable trust fund, in which employer contributions for future retiree health costs may be accumulated and invested, and which is expected to facilitate the separate financial reporting of OPEB. The legislation requires the RHBT to determine through an actuarial study, as prescribed by GASB Statement No. 43, the Annual Required Contribution (the ARC) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The ARC shall be allocated to respective employers including the Fund who are required by law to remit at least the minimum annual premium component of the ARC. Revenues collected by RHBT shall be used to fund current OPEB healthcare claims and administrative expenses with residual funds held in trust for future OPEB costs.

Plan Description

The Fund participates in the West Virginia Other Postemployment Benefit Plan (OPEB Plan) of the West Virginia Retiree Health Benefit Trust Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employee Insurance Agency (WVPEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia 1931, as amended (the Code), assigns the authority to establish and amend benefit plans to the WVPEIA Board of Trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to Public Employees Insurance Agency, 601 57th St., S.E., Suite 2, Charleston, West Virginia, 25304, or by calling 1-888-680-7342.

Funding Policy

The Code requires the OPEB Plan to bill the participating employers 100% of the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. State of West Virginia plan employers are billed per active health policy per month.

The ARC rate for years ended June 30, 2013 and 2012 was \$79 and \$794 per employee per month, respectively. Through June 30, 2013 and 2012, the Fund paid premiums of \$0 and \$0, and the State of West Virginia, on the Fund's behalf, paid \$0 and \$0 towards the

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS

9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

annual Required Contribution, respectively. As of June 30, 2013, 2012 and 2011, the Fund has recorded a liability of \$592,029, \$336,262 and \$289,416, respectively.

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

SCHEDULES OF INDIVIDUAL FUND ACTIVITY

SCHEDULE OF NET POSITION

JUNE 30, 2013

Assets:	<u>Administrative Fee Fund</u>	<u>Loan Fund</u>	<u>Combined Fund Totals</u>
Cash equivalents	\$ 6,283,431	\$ 92,678,869	\$ 98,962,300
Receivables:			
Due from West Virginia Department of Environmental Protection	3,186	-	3,186
Interest on loans	-	223,939	223,939
Administrative fees on loans	207,838	-	207,838
Loans receivable	-	539,935,128	539,935,128
Total assets	<u>6,494,455</u>	<u>632,837,936</u>	<u>639,332,391</u>
Liabilities:			
Accounts payable:	57,350	-	57,350
Compensated absences	125,101	-	125,101
Other Post-Employment Benefits	592,089	-	592,089
Total liabilities	<u>774,540</u>	<u>-</u>	<u>774,540</u>
Deferred Inflows of Resources:			
Unearned Revenue	-	4,162,000	4,162,000
Total deferred inflows of resources	<u>-</u>	<u>4,162,000</u>	<u>4,162,000</u>
Restricted net position	<u>\$ 5,719,915</u>	<u>\$628,675,936</u>	<u>\$634,395,851</u>

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

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

SCHEDULES OF INDIVIDUAL FUND ACTIVITY

STATEMENT OF REVENUES, EXPENSES AND
CHANGE IN NET POSITION

Year Ended June 30, 2013

	Administrative Fee Fund	Loan Fund	Combined Fund Totals
Operating revenues:			
Interest income on loans	\$ -	\$ 2,568,412	\$ 2,568,412
Administration fees on loans	2,442,650	-	2,442,650
Total revenues	<u>2,442,650</u>	<u>2,568,412</u>	<u>5,011,062</u>
Operating expenses:			
Personnel costs	1,567,824	-	1,567,824
Other administrative costs	547,122	8,530,502	9,077,624
Total expenses	<u>2,114,946</u>	<u>8,530,502</u>	<u>10,645,448</u>
Operating income	327,704	(5,962,090)	(5,634,386)
Non-operating revenue:			
Investment income	4,956	140,620	145,576
Non-operating revenue	-	-	-
Capital grants and contributions	-	35,011,898	35,011,898
Net position, beginning of year	5,117,271	599,755,492	604,872,763
Net position, end of year	<u>\$ 5,449,931</u>	<u>\$ 628,945,920</u>	<u>\$ 634,395,851</u>

SCHEDULE OF CASH FLOWS

Year Ended June 30, 2013

	Administrative Fee Fund	Loan Fund	Combined Fund Totals
Operating activities:			
Cash payments for:			
Loans originated	\$ -	\$ (76,291,622)	\$(76,291,622)
Principal Forgiveness/ARRA	-	(8,530,502)	(8,530,502)
Personnel expenses	(1,285,947)	-	(1,285,947)
Administrative expenses	(523,443)	-	(523,443)
Cash receipts for:			
Principal repayment	-	27,346,219	27,346,219
Interest on loans revenue	-	2,538,454	2,538,454
Administrative fee revenue	2,424,117	-	2,424,117
Net cash provided by (used in) operating activities	<u>\$ 614,727</u>	<u>\$ (54,937,451)</u>	<u>\$(54,322,724)</u>

	Administrative Fee Fund	Loan Fund	Combined Fund Totals
Capital and related financing activities:			
Capital grants and contributions	\$ -	\$ 34,767,698	\$ 34,767,698
Investing activities:			
Investing income	4,955	140,621	145,576
Net increase in cash	619,682	(20,029,132)	(19,409,450)
Cash equivalents, beginning of year	5,673,769	112,697,981	118,371,750
Cash equivalents, end of year	\$ 6,293,451	\$ 92,668,849	\$ 98,962,300
Reconciliation of operating income to cash used in operating activities:			
Operating income	344,997	(5,979,384)	(5,634,387)
Increase in loans receivable	-	(48,930,148)	(48,930,148)
Increase (decrease) in other receivables	(43,216)	(2,038)	(45,254)
Increase (decrease) in compensated absences	18,459	-	18,459
Increase in other post employment benefits	255,827	-	255,827
Increase (decrease) in accounts payable	12,779	-	12,779
	\$ 588,846	\$(54,911,570)	\$(54,322,724)

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

Certified Public Accountants

Established 1992

Member, American Institute of Certified Public Accountants
Member, West Virginia Society of Certified Public Accountants
Member, Tennessee Society of Certified Public Accountants

James L. Teed, CPA
james_teed2000@yahoo.com

Roy A. Smith, CPA
roy@teedandassociates.com

Thomas F. Ward, CPA
tom@teedandassociates.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE CAPITALIZATION GRANT FOR CLEAN WATER STATE REVOLVING FUND AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

West Virginia Water Pollution Control Revolving Fund
601 - 57th Street SE
Charleston, West Virginia 25304

Report on Compliance for Federal Program

We have audited City West Virginia Water Pollution Control Revolving Fund's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on West Virginia Water Pollution Control Revolving Fund's *Capitalization Grant for Clean Water State Revolving Fund* for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for West Virginia Water Pollution Control Revolving Fund's of its major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Virginia Water Pollution Control Revolving Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of West Virginia Water Pollution Control Revolving Fund's compliance.

Opinion on Federal Program

In our opinion, West Virginia Water Pollution Control Revolving Fund, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its *Capitalization Grant for Clean Water State Revolving Fund* for the year ended June 30, 2013.

West Virginia Water Pollution
Control Revolving Fund

Opinion on Federal Program

In our opinion, West Virginia Water Pollution Control Revolving Fund, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its *Capitalization Grant for Clean Water State Revolving Funds* for the year ended June 30, 2013

Report on Internal Control Over Compliance

Management of West Virginia Water Pollution Control Revolving Fund is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered West Virginia Water Pollution Control Revolving Fund's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of West Virginia Water Pollution Control Revolving Fund's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Teed & Associates, PLLC

Teed & Associates, PLLC
September 20, 2013

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION- FINANCE DIVISION
FINANCIAL ACCOUNTING AND REPORTING SECTION

DUE DATES (Forms 1-16):
Draft Sept. 16, 2013 Final Oct. 15, 2013

GAAP TRANSMITTAL FORM

Audited Agency WV Water Pollution Control Revolving Fu

THE FOLLOWING GAAP REPORTING FORMS ARE ATTACHED.

FORMS	DATE COMPLETED	N/A
WV FIMS OPENING BALANCE REPORTS Verify the WV FIMS balance sheet, revenues, and expenditures (expenses) reports.	Due 8/30	Mandatory 8/11/2013
AUDIT NOTIFICATION FORM	Due 8/30	Mandatory 4/22/2013
UNBUDGETED LIABILITIES	Due 8/30	Mandatory N/A
FINANCIAL STATEMENTS		
FORM 1- BALANCE SHEET		Optional * x **
FORM 1A- STATEMENT OF NET POSITION		Optional * x **
FORM 2- STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES		Optional * x **
FORM 2A- STATEMENT OF ACTIVITIES		Optional * x **
FORM 3- STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		Optional * x **
FORM 4- STATEMENT OF CASH FLOWS		Optional * x **
NET ASSETS		
FORM 5- NET POSITION RESTATEMENTS		Optional * x **
FORM 6- RESTRICTED NET POSITION/RESERVED FUND EQUITY		Optional * x **
DEPOSITS & INVESTMENTS		
FORM 7- DEPOSITS DISCLOSURE		Mandatory 8/11/2013
TRANS TREASURER - OUTSIDE BANK ACCOUNTS		Mandatory
FORM 8- INVESTMENTS DISCLOSURE		Mandatory 8/11/2013
FORM 8A- DEPOSITS AND INVESTMENTS RECONCILIATION		Mandatory 8/11/2013
RECEIVABLES & PAYABLES		
FORM 9- RECEIVABLES		Optional * x
FORM 10- DUE FROM OTHER FUNDS- PG		Optional * x
FORM 10A- DUE TO OTHER FUNDS- PG		Optional * x
AGENCY LISTING		Informational x
FORM 11- DUE FROM/TO OTHER FUNDS-CU		Optional * x
CAPITAL ASSETS		
FORM 12- CAPITAL ASSETS		Optional * x
LONG-TERM DEBT		
FORM 13- CHANGES IN LONG-TERM OBLIGATIONS		Optional * x
FORM 14- DEBT PAYMENT		Optional * x **
OPERATING TRANSFERS		
FORM 15- TRANSFERS IN/OUT		Mandatory x
SINGLE AUDIT		
FORM 16- PRIOR YEAR AUDIT FINDINGS		Mandatory x
DUE FROM/TO OTHER GOVERNMENTS		
FEDERAL GRANT SOFTWARE	Due 7/31	Mandatory x
FORM 17 FEDERAL GRANT/SEFA SOFTWARE CHECK LIST	Due 7/31	Mandatory x **
FORM 17 A FEDERAL GRANT/AWARD ACCOUNTS PAYABLE	Due 7/31	Mandatory x
FORM 17 B FEDERAL TRANSFERS REPORTING (REC'D FROM)	Due 7/31	Mandatory x **
FORM 17 C FEDERAL TRANSFERS REPORTING (DISTRIBUTED TO)	Due 7/31	Mandatory x **
FORM 17 D CAPITAL GRANTS/CONTRIBUTIONS	Due 7/31	Mandatory x

PREPARED BY Kimberly Henderson
 EMAIL ADDRESS Kimberly.A.Henderson@stacy.gov
 304 826 0433 ext. 1740
 AGENCY TELEPHONE NUMBER
 8/11/2013
 DATE

Please send completed transmittal form and completed forms to:
 2101 Washington Street East
 Building 17, 3rd Floor
 Charleston, WV 25305
 Telephone Number: 304-558-4083
 Fax Number: 304-558-4084

** Form changed from prior year

STATE OF WEST VIRGINIA
 DEPARTMENT OF ADMINISTRATION - FINANCE DIVISION
 FINANCIAL ACCOUNTING AND REPORTING SECTION
 GAAP REPORTING FORM - DEPOSIT DISCLOSURE

FORM 7

Agency WV Water Pollution Control Revolving Fund

Per GASB Statement #40 the Agency must disclose its deposit policy. The deposit policy must be formally adopted through legal or contractual provisions. Disclosure of any statutory policies are also required. Please provide in the space below the Agency's deposit policy.

See Note Three in the Audited Financial Statements

Carrying Amount	Restricted Carrying Amount	Total Carrying Amount	Bank Balance	FDIC Insured Amount	Collateralized Amount	7	3A	3B	2C	Foreign Currency Risk		
						Amount Collateralized with securities held by the pledging financial institution's trust department or agent in the government's name	Amount Uninsured and Uncollateralized	Collateralized with securities held by the pledging financial institution but not in the name of the depositor	Collateralized with securities held by the pledging financial institution trust department or agency but not in the name of the depositor	Currency Type	Maturity	Fair Value
DEPOSIT AS OF 12/31/17												
Cash with Treasurer												
Per WV/FYAS Opening Balance Report	213	213										
Cash with Municipal Bond Commission		0										
Cash on Hand		0										
Cash in Transit to WV/FYAS		0										
Cash with Board of Trustees		0										
Cash in Outside Bank Accounts		0										
Cash in Escrow		0										
Certificates of Deposits (Non-Negotiable)		0										
Other		0										
Total	213	0	213	0	0	0	0	0	0			0

PLEASE SEND COMPLETED FORMS TO:
 State of West Virginia
 Financial Accounting and Reporting Section
 310 Washington Street East
 Building 17, 2nd Floor
 Charleston, WV 25303
 Telephone Number: (204) 225-4202
 Fax Number: (204) 337-4214

STATE OF MICHIGAN
DEPARTMENT OF ADMINISTRATION - FINANCE DIVISION
FINANCIAL REPORTS AND INFORMATION SECTION
CAPITAL BUDGETING - INVESTMENT REPORT

TABLE 1

Agency: Michigan Economic Control Revolving Fund

For each investment of the Agency must disclose its investment policy. The investment policy must be primarily adapted through legal and contractual provisions. Disclosure of any standing orders are also required. Please provide on the form below the Agency's investment policy.

Investment Description	Required Amount	Actual Amount	Contractual Description			Type	Credit Rating			Maturity Dates - Repurchase Date (Quarterly)				Foreign Currency (USD)			
			Contract #	Contract P	Contract Y		AAA	BBB	BBB-	Other	None	1-3	3-12	Over 12	Country	Value	% of Total
Investment in U.S. Treasury Obligations																	
Investment in U.S. Government Agencies																	
Investment in Other Government Bonds																	
Investment in Corporate Bonds																	
Investment in Corporate Stocks																	
Investment in Money Market Funds																	
Investment in Bond Funds																	
Investment in Money Market Funds																	
Investment in Commercial Paper																	
Investment in Bank Investment Certificates																	
Investment in Government Insurance Companies																	
Investment in Repurchase Agreements																	
Investment in Structured Cash Instruments																	
Investment in Certificates of Deposit (negotiable)																	
Investment in Other Instruments																	
Total																	

MUST COMPLETE THE FOLLOWING INFORMATION IF REPURCHASE AGREEMENTS WERE IDENTIFIED ABOVE:

Contract Description	Face Value of Contract	Carrying Amount	SEP

NOTE: THE REPORTED AMOUNTS SHOULD BE IDENTIFIED AS EITHER AMORTIZED COST (A) OR FAIR VALUE (F)

PLEASE PRINT COMPLETE ADDRESS TO:
State of Michigan
General Accounting and Reporting Section
2125 Washington Street East
Bldg 119, 1st Floor
East Lansing, MI 48824
Telephone Number: (517) 376-2300
Fax Number: (517) 376-2300

STATE OF WEST VIRGINIA
 DEPARTMENT OF ADMINISTRATION - FINANCE DIVISION
 FINANCIAL ACCOUNTING AND REPORTING SECTION

FORM 8A

GAAP REPORTING FORM - DEPOSITS AND INVESTMENTS RECONCILIATION

Audited Agency WV Water Pollution Control Revolving Fund

Reconciliation of cash, cash equivalents and investments as reported in the financial statements
 to the amounts disclosed in the footnote:

Deposits:	
Cash and cash equivalents as reported on balance sheet	\$ 98,962,300
Less: cash equivalents disclosed as investments	<u>(88,962,087)</u>
Add: restricted cash and cash equivalents disclosed as deposits	_____
Other (describe) _____	_____
_____	_____
_____	_____
Carrying amount of deposits as disclosed on Form 7	<u>\$ 213</u>
Investments:	
Investments as reported on balance sheet	\$ _____
Add: restricted investments disclosed as investments	_____
Add: cash equivalents disclosed as investments	<u>98,962,300</u>
Other (describe) _____	_____
_____	_____
_____	_____
Reported amount of investments as disclosed on Form 8	<u>\$ 98,962,300</u>

PLEASE SEND COMPLETED FORMS TO:

State of West Virginia
 Financial Accounting and Reporting Section
 2101 Washington Street East
 Building 17, 3rd Floor
 Charleston, WV 26305

Telephone Number: 304-558-4083
 Fax Number: 304-558-4084

ADDENDUM ACKNOWLEDGEMENT FORM
SOLICITATION NO.: CRFQ 0303 DEP1600000005

Instructions: Please acknowledge receipt of all addenda issued with this solicitation by completing this addendum acknowledgment form. Check the box next to each addendum received and sign below. Failure to acknowledge addenda may result in bid disqualification.

Acknowledgment: I hereby acknowledge receipt of the following addenda and have made the necessary revisions to my proposal, plans and/or specification, etc.

Addendum Numbers Received:

(Check the box next to each addendum received)

- | | |
|--|--|
| <input checked="" type="checkbox"/> Addendum No. 1 | <input type="checkbox"/> Addendum No. 6 |
| <input checked="" type="checkbox"/> Addendum No. 2 | <input type="checkbox"/> Addendum No. 7 |
| <input type="checkbox"/> Addendum No. 3 | <input type="checkbox"/> Addendum No. 8 |
| <input type="checkbox"/> Addendum No. 4 | <input type="checkbox"/> Addendum No. 9 |
| <input type="checkbox"/> Addendum No. 5 | <input type="checkbox"/> Addendum No. 10 |

I understand that failure to confirm the receipt of addenda may be cause for rejection of this bid. I further understand that any verbal representation made or assumed to be made during any oral discussion held between Vendor's representatives and any state personnel is not binding. Only the information issued in writing and added to the specifications by an official addendum is binding.

Balestra, Harr & Scherer, CPAs, Inc .

Company

Authorized Signature

September 8, 2015

Date

NOTE: This addendum acknowledgment should be submitted with the bid to expedite document processing.

Revised 6/8/2012



Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

State of West Virginia
 Request for Quotation

Proc Folder: 97405

Doc Description: Addendum 01 Auditing of the WV Water Pollution Control

Proc Type: Central Purchase Order

Date Issued	Solicitation Closes	Solicitation No	Version
2015-08-20	2015-09-03 13:30:00	CRFQ 0313 DEP1600000005	2

BID RECEIVING LOCATION

BID CLERK
 DEPARTMENT OF ADMINISTRATION
 PURCHASING DIVISION
 2019 WASHINGTON ST E
 CHARLESTON WV 25305
 US

VENDOR

Vendor Name, Address and Telephone Number:
 Balestra, Harr & Scherer, CPAs, Inc.
 PO Box 687
 Piketon, Ohio 45661
 740-289-4131

FOR INFORMATION CONTACT THE BUYER

Beth Collins
 (304) 558-2157
 beth.a.collins@wv.gov

Signature X

FEIN # 31-1413363

DATE September 9, 2015

All offers subject to all terms and conditions contained in this solicitation

INVOICE TO		SHIP TO	
ENVIRONMENTAL PROTECTION OFFICE OF ADMINISTRATION 601 57TH ST SE CHARLESTON WV25304 US		ENVIRONMENTAL PROTECTION OFFICE OF ADMINISTRATION 601 57TH ST SE CHARLESTON WV 25304 US	

Line	Comm Ln Desc	Qty	Unit Issue	Unit Price	Total Price
1	Audit services	1.00000	JOB		\$7,200

Comm Code	Manufacturer	Specification	Model #
84111600			

Extended Description :

West Virginia Water Pollution Control Revolving Fund audit for the fiscal year ending June 30, 2015.

DEP160000005	Document Phase Final	Document Description Addendum 01 Auditing of the WV Water Pollution Control	Page 3 of 3
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ADDITIONAL TERMS AND CONDITIONS

See attached document(s) for additional Terms and Conditions



Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

State of West Virginia
 Request for Quotation

Proc Folder: 97405

Doc Description: Addendum 02 Auditing of the WV Water Pollution Control

Proc Type: Central Purchase Order

Date Issued	Solicitation Closes	Solicitation No	Version
2015-08-25	2015-09-08 13:30:00	CRFQ 0313 DEP1600000005	3

BID RECEIVING LOCATION

BID CLERK
 DEPARTMENT OF ADMINISTRATION
 PURCHASING DIVISION
 2019 WASHINGTON ST E
 CHARLESTON WV 25305
 US

VENDOR

Vendor Name, Address and Telephone Number:

Balestra, Harr & Scherer, CPAs, Inc.
 PO Box 687
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FOR INFORMATION CONTACT THE BUYER

Beth Collins
 (304) 558-2157
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Signature X

FEIN # 31-1413363

DATE September 9, 2015

All offers subject to all terms and conditions contained in this solicitation

INVOICE TO		SHIP TO	
ENVIRONMENTAL PROTECTION OFFICE OF ADMINISTRATION 601 57TH ST SE CHARLESTON WV25304 US		ENVIRONMENTAL PROTECTION OFFICE OF ADMINISTRATION 601 57TH ST SE CHARLESTON WV 25304 US	

Line	Comm Ln Desc	Qty	Unit Issue	Unit Price	Total Price
1	Audit services	1.00000	JOB		\$7,200

Comm Code	Manufacturer	Specification	Model #
84111600			

Extended Description :

West Virginia Water Pollution Control Revolving Fund audit for the fiscal year ending June 30, 2015.

DEP1600000005	Document Phase Final	Document Description Addendum 02 Auditing of the WV Water Pollution Control	Page 3 of 3
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ADDITIONAL TERMS AND CONDITIONS

See attached document(s) for additional Terms and Conditions

REQUEST FOR QUOTATION
WV WATER POLLUTION CONTROL REVOLVING FUND AUDIT
CRFQ 0303 BP1600000005

	HOURS	HOURLY RATE	TOTAL
Partners	16	\$175	\$2,800
Managers	24	\$100	\$2,400
Staff Auditor	24	\$ 50	\$1,200
Staff Auditor	16	\$ 50	\$ 800
TOTAL	80		\$7,200

Note: The award will be based on an all-inclusive final bid.

Balestra, Harr & Scherer, CPA, Inc.

FIRM NAME: _____

SIGNATURE: _____ DATE: September 8, 2015

STATE OF WEST VIRGINIA
Purchasing Division

PURCHASING AFFIDAVIT

MANDATE: Under W. Va. Code §5A-3-10a, no contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and: (1) the debt owed is an amount greater than one thousand dollars in the aggregate; or (2) the debtor is in employer default.

EXCEPTION: The prohibition listed above does not apply where a vendor has contested any tax administered pursuant to chapter eleven of the W. Va. Code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

DEFINITIONS:

"Debt" means any assessment, premium, penalty, fine, tax or other amount of money owed to the state or any of its political subdivisions because of a judgment, fine, permit violation, license assessment, defaulted workers' compensation premium, penalty or other assessment presently delinquent or due and required to be paid to the state or any of its political subdivisions, including any interest or additional penalties accrued thereon.

"Employer default" means having an outstanding balance or liability to the old fund or to the uninsured employers' fund or being in policy default, as defined in W. Va. Code § 23-2c-2, failure to maintain mandatory workers' compensation coverage, or failure to fully meet its obligations as a workers' compensation self-insured employer. An employer is not in employer default if it has entered into a repayment agreement with the Insurance Commissioner and remains in compliance with the obligations under the repayment agreement.

"Related party" means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceeds five percent of the total contract amount.

AFFIRMATION: By signing this form, the vendor's authorized signer affirms and acknowledges under penalty of law for false swearing (W. Va. Code §61-5-3) that neither vendor nor any related party owe a debt as defined above and that neither vendor nor any related party are in employer default as defined above, unless the debt or employer default is permitted under the exception above.

WITNESS THE FOLLOWING SIGNATURE:

Vendor's Name: Balestra, Harr & Scherer, CPAs, Inc

Authorized Signature: *Michael A. Balestra* Date: 9-8-15

State of Ohio

County of Pike, to-wit:

Taken, subscribed, and sworn to before me this 8 day of September, 2015.

My Commission expires 12-24, 2015.

AFFIX SEAL HERE

NOTARY PUBLIC

Charles W. Asher
Purchasing Affidavit (Revised 07/01/2012)





BALESTRA, HARR & SCHERER, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

WEST VIRGINIA WATER POLLUTION CONTROL FUND

Proposal to Serve as
Independent Auditors
CRFQ 0313 DEP1600000005

MEMBER OF THE:



SUBMITTED SEPTEMBER 8, 2015 BY
BALESTRA, HARR & SCHERER, CPAs, INC.
MICHAEL A. BALESTRA, SHAREHOLDER/DIRECTOR
balestra@bhscpas.com



BALESTRA, HARR & SCHERER, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

www.bhscpas.com

September 8, 2015

Bid Clerk
Department of Administration, Purchasing Division
2019 Washington Street East
Charleston, WV 25305

We appreciate the opportunity to submit this proposal for consideration to conduct the West Virginia Water Pollution Control Fund for the year ending June 30, 2015. The information you provided was very helpful in determining the scope of the engagement and our estimated fees. We are familiar with organizations similar to yours, and have worked with many governmental entities and nonprofit organizations, for a number of years. As a result, we believe these engagements would fit well with our firm's niche and client base.

In the remainder of this proposal we will attempt to describe our understanding of the scope of the engagement, highlight our firm's general attributes, as well as specific qualifications, estimate our professional fees and provide you with information on some of our clients and professional staff.

Scope of Work

We understand that the work to be performed includes GAGAS audit for the year ending June 30, 2015. We will perform our audit in accordance with standards generally accepted in the United States of America and generally accepted government auditing standards. We will test material West Virginia Code.

The financial statements for the Department will be prepared and presented in accordance with standards applicable to government entities. The reports will include a report on the fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America and a Report on the Compliance and Internal Controls over Financial Reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards*.

Our approach to the audit will be a risk-based approach. That is, we allocate more of our time to the areas that we perceive to have the most potential for possible misstatement. We start by carefully planning the engagement. During this process we obtain information concerning the organizational structure, document an understanding of the significant transaction processing systems and establish the scope of our testing. We believe this is the most important step in the audit process and have found that this "up-front" investment of time allows us to direct our resources more efficiently.

We will document and testing internal control systems, performing confirmation work, etc. We perform substantive tests to verify the final balances. Some of these procedures include verification of year end balances through third parties, analytical procedures and review of supporting documentation. At the conclusion of the audit, we will prepare all of the required reports in draft form, which will be reviewed with management prior to their issuance.

Firm Profile

Balestra, Harr & Scherer, CPAs, Inc. is a CPA firm licensed in the states of Ohio, Indiana, Kentucky, Michigan and West Virginia. We employ approximately 60 people of which 56 are professional staff, including 18 CPAs. Our firm has 4 office locations in Ohio. The Piketon, OH office will be used for this audit. Our client base includes entities in Ohio, Michigan, Indiana., Kentucky and West Virginia.

Our firm is a member of the American Institute of Certified Public Accountants, the Ohio Society of Certified Public Accountants and Independent Accountants International. We also are members of the AIPCA Government Audit Quality Center which provides us with industry specific training and resources. As members of these organizations, we subject ourselves to a triennial peer review in an effort to ensure that the quality of our work and our staff's education is maintained at the highest levels of our profession. Independent Accountants International provides us with a national and international network of carefully screened CPAs that enables us to perform work in virtually all parts of the world. It also provides a resource to assist in resolving unique tax and accounting problems.

A peer review consists of a review of our quality control system conducted by specially trained CPAs from other firms. Our most recent peer review was performed in November 2014. We received an unqualified report. A copy of the report has been enclosed.

Balestra, Harr & Scherer, CPAs, Inc. offers a full range of services, including, but not limited to, audits, reviews, compilations, tax planning and return preparation, payroll preparation, employee benefit plans and computer consulting. We audit numerous cooperative, governmental and nonprofit entities in the five-state area annually. Our audit staff members are located throughout the state of Ohio (including some in your area) to better serve clients in those areas. Audit, tax and consulting services to the above entities represent approximately 80% of our practice. Our goal is to develop and maintain client relationships for the long-term and make the relationship mutually beneficial.

Professional Fees

Our philosophy is to provide the highest quality professional services at a reasonable, competitive fee. Our clients are entitled to and expect us to perform our work in an efficient and effective manner. We provide all of our audit staff with proper training and equipment, including laptop computers and the necessary software to promote efficiency. Our fees are based upon hourly rates, which vary according to each individual's qualifications and experience. We strive to maintain our costs through low overhead so that we can continue our history of infrequent rate increases.

There are certain nonrecurring costs associated with the start-up of a new engagement. These start-up costs include, but are not limited to, obtaining and documenting policies, procedures and operations, developing tailored audit programs and accumulating the necessary historical information. As an expression of our desire to obtain these engagements, we will absorb these costs.

It is very difficult to estimate hours and fees for engagements with which we are not intimately familiar. However, we have had a great deal of experience with organizations such as yours. As a result, we feel comfortable providing the following estimates of maximum fees for the respective audits:

Based upon our understanding of the West Virginia Water Pollution Control Fund, our fees are as follows:

06/30/2015	<u>\$ 7,200.00</u>	GAGAS Audit
Total cost for June 30, 2015	<u>\$ 7,200.00</u>	

We encourage our clients to call us any time throughout the year with questions, projects or to just talk about current problems or conditions. We like to pride ourselves on our accessibility and staff continuity and believe that we can both benefit from our relationship.

In closing, I would like to express our appreciation for being considered for meeting your auditing requirements. I hope this letter expresses our sincere interest in working with you. If you need any additional information, please call. We would also welcome the opportunity to meet with anyone else you believe appropriate. We look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, reading "Michael A. Balestra". The signature is fluid and cursive, with a large, stylized initial "M" and "B".

Michael A. Balestra, CPA, CFE, CGFM, CISM, CITP, CFF
Balestra, Harr & Scherer, CPAs, Inc.
PO Box 687
Piketon, OH 45661
740-289-4131
EIN# 31-1413363

Balestra, Harr & Scherer, CPAs, Inc.

PROFESSIONAL STAFF

Michael A. Balestra, CPA, CFE, CGFM, CISM, CITP, CFF, graduated from The Ohio University in 1981 with a BBA and a major in accounting. Mike is a partner responsible for the firm's Government Sector and Employee Benefits Plan Sector. He was employed for fifteen years in the audit department with the Auditor of State of Ohio and for the past fifteen years as a partner of Balestra, Harr & Scherer, CPAs, Inc. an accounting firm with special expertise in auditing. He has taught numerous auditing courses for the accounting firm. He has been responsible for directing all phases of client services for many organizations, including financial and compliance audits, agreed-upon procedures and consulting for not-for-profit, hospital/medical and government entities. Mike is a member of the American Institute of Certified Public Accountants, The Ohio, West Virginia and Kentucky Society of Certified Public Accountants, Government Finance Officer Association, the Association of Government Accountants, Institute of Internal Auditors, Association of Certified Fraud Examiners and the Information System Audit and Control Association.

Paul Rennick, CPA, graduated from Wilmington University (BSBA1979) with a major in accounting and finance and has been employed with the firm for 20 years. He is a manager specializing in auditing government and nonprofit clients and employee benefit plans. He is a member of the American Institute of Certified Public Accountants, the Ohio Society of Certified Public Accountants and the Association of Certified Fraud Examiners.

Brett Nelms, CPA, graduated from the Ohio State University (BSBA, 1970) with a major in accounting and has been employed with the firm for 20 years. He has been involved almost exclusively in nonprofit and governmental audit, agreed-upon procedures and consulting engagements. Paul is a member of the American Institute of Certified Public Accountants, the Ohio Society of Certified Public Accountants, and the Association of Government Accountants.

Brenden D. Balestra, CPA, CGAP, CISA, CGEIT, graduated from Liberty University (BSBA, 1997) with a major in accounting and has been employed with the firm for sixteen years. He has been involved almost exclusively in nonprofit and governmental audit, agreed-upon procedures and consulting engagements. He is the firm's specialist for IT Audit Requirements. Brenden is a member of the American Institute of Certified Public Accountants, the Ohio Society of Certified Public Accountants, the Information Systems Audit and Control Association, the Institute of Internal Auditors, and the Association of Government Accountants.

Bill Lemons, CGFM, CFE, graduated from the Ohio State University (BSBA, 1979) with a major in accounting and has been employed with the firm for twenty years. He has been involved almost exclusively in nonprofit and employee benefit plan audit, agreed-upon procedures and consulting engagements. Bill is a member of the Government Finance Officers Association, Association of Government Accountants, and Association of Certified Fraud Examiners.

Note: All the staff noted above met the yellow book requirements for continuing professional education in the past three years. All staff members are independent of the West Virginia Water Pollution Control Fund.

Balestra, Harr & Scherer, CPAs, Inc.
WV Government Clients

WV EDUCATIONAL BROADCASTING AUTHORITY
WV PUBLIC BROADCASTING FOUNDATION, INC.
FRIENDS OF WV BROADCASTING, INC
WV ALCOHOL BUREAU CONTROL ADMINISTRATION
WV BOARD OF EDUCATION
WORKFORCE WEST VIRGINIA
WEST VIRGINIA PUBLIC DEFENDER SERVICES
ALBRIGHT, WV
BURNSVILLE, WV
BURNSVILLE PUBLIC UTILITY BOARD
ELKINS, WV
WAYNE, WV
CEREDO, WV
CHARLES TOWN, WV
GRANTSVILLE, WV
HEDGESVILLE, WV
CLEDENIN, WV
FAYETTEVILLE, WV
FOLLANSBEE, WV
GILBERT, WV
GILBERT CONVENTION AND VISITORS BUREAU
MERCER COUNTY FIRE SERVICES BOARD
THURMOND, WV
KEYSER, WV
CLEARVIEW, WV
MONTGOMERY, WV
MOUNDSVILLE, WV
SUMMERSVILLE, WV
THURMOND, WV
UNION, WV
WEST UNION, WV
WESTOVER, WV
WINDSOR HEIGHTS, WV
CHARLESTON CONVENTION & VISITORS BUREAU
HANCOCK COUNTY SOLID WASTE AUTHORITY
CABELL-HUNINGTON BOARD OF HEALTH
CABELL COUNTY COMMUNITY SERVICES ORGANIZATION
CABELL COUNTY SOLID WASTE AUTHORITY
CCCSO EMPLOYEE 403B SAVINGS PLAN
CHARLESTON SANITARY BOARD
CLARKSBURG BEAUTY ACADEMY
KANAWHA COUNTY SOLID WASTE AUTHORITY
MARSHALL COUNTY PSD #4
MINGO COUNTY REDEVELOPMENT AUTHORITY
BERKELEY COUNTY FARMLAND PROTECTION BOARD
PADEN COMMUNITY DEVELOPMENT AUTHORITY
RITCHIE COUNTY SOLID WASTE AUTHORITY

Balestra, Harr & Scherer, CPAs, Inc.
WV Government Clients

MONROE COUNTY BOARD OF HEALTH
TUCKER COUNTY AMBULANCE BOARD
TUCKER COUNTY PARKS AND RECREATION COMMISSION
MORGANTOWN MONONGALIA MPO
VIENNA PUBLIC LIBRARY
WAR PUBLIC LIBRARY
LOGAN COUNTY COMMISSION
LOGAN COUNTY DEVELOPMENT AUTHORITY
LOGAN COUNTY SOLID WASTE AUTHORITY
McDOWELL COUNTY COMMISSION
McDOWELL COUNTY EMERGENCY AMBULANCE AUTHORITY
JACKSON COUNTY AIRPORT AUTHORITY
JACKSON COUNTY ECONOMIC DEVELOPMENT AUTHORITY
EASTERN PANHANDLE TRANSIT AUTHORITY
LYNN MURRAY MEMORIAL LIBRARY
MARION COUNTY PARKS RECREATION COMMISSION
MERCER COUNTY COMMUNICATION CENTER
MERCER COUNTY FIRE SERVICES BOARD
PLEASANT COUNTY SOLID WASTE AUTHORITY
RITCHIE COUNTY SOLID WASTE AUTHORITY
WIRT COUNTY SOLID WASTE AUTHORITY

Please note that our firm audits 120 other governmental entities in Ohio annually. These references can be made available upon request.



THE OHIO SOCIETY OF CPAs
PEER REVIEW PROGRAM

AICPA® Peer Review Program

Administered in Ohio by The Ohio Society of CPAs

December 19, 2014

Jeffrey A Harr, CPA
Balestra, Harr & Scherer, CPAs, Inc.
129 Pinckney St
Circleville, OH 43113

Dear Mr. Harr:

It is my pleasure to notify you that on December 19, 2014 the Ohio Peer Review Committee accepted the report on the most recent system peer review of your firm. The due date for your next review is November 30, 2017. This is the date by which all review documents should be completed and submitted to the administering entity.

As you know, the report had a peer review rating of pass. The Committee asked me to convey its congratulations to the firm.

Sincerely,

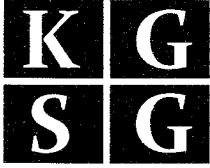
Mark A Malachin, CPA
Peer Review, Committee Chairman
peerreview@ohiocpa.com

cc: Lori F Dearfield; Jeffrey A Harr

Firm Number: 10081709

Review Number 356610

Letter ID: 947028



Kelley **G**alloway
Smith **G**oolsby, PSC

Certified Public Accountants and Advisors

1200 Corporate Court • P. O. Box 990 • Ashland, Kentucky 41102

• Phone (606) 329-1811 (606) 329-1171 • Fax (606) 329-8756 (606) 325-0590

• Web www.kgsgcpa.com Member of **PKF North America**

SYSTEM REVIEW REPORT

November 18, 2014

To the Shareholders of
Balestra, Harr & Scherer, CPAs, Inc.
and the Peer Review Committee of the Ohio Society of CPA's

We have reviewed the system of quality control for the accounting and auditing practice of Balestra, Harr & Scherer, CPAs, Inc. (the firm) in effect for the year ended May 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under the *Government Auditing Standards* and audits of employee benefit plans.

In our opinion, the system of quality control for the accounting and auditing practice of Balestra, Harr & Scherer, CPAs, Inc. in effect for the year ended May 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency (ies)* or *fail*. Balestra, Harr & Scherer, CPAs, Inc. has received a peer review rating of *pass*.

Kelley Galloway Smith Goolsby, PSC

Kelley Galloway Smith Goolsby, PSC

SOLICITATION NUMBER: CRFQ DEP1600000005

Addendum Number: 01

The purpose of this addendum is to modify the solicitation identified as (“Solicitation”) to reflect the change(s) identified and described below.

Applicable Addendum Category:

- Modify bid opening date and time
- Modify specifications of product or service being sought
- Attachment of vendor questions and responses
- Attachment of pre-bid sign-in sheet
- Correction of error
- Other

Description of Modification to Solicitation:

This addendum is issued to modify the solicitation per the attached documentation and the following:

1. To modify the bid opening date to September 3, 2015 at 1:30PM, EST.

No other changes.

Additional Documentation: Documentation related to this Addendum (if any) has been included herewith as Attachment A and is specifically incorporated herein by reference.

Terms and Conditions:

1. All provisions of the Solicitation and other addenda not modified herein shall remain in full force and effect.
2. Vendor should acknowledge receipt of all addenda issued for this Solicitation by completing an Addendum Acknowledgment, a copy of which is included herewith. Failure to acknowledge addenda may result in bid disqualification. The addendum acknowledgement should be submitted with the bid to expedite document processing.

ADDENDUM ACKNOWLEDGEMENT FORM
SOLICITATION NO.: _____

Instructions: Please acknowledge receipt of all addenda issued with this solicitation by completing this addendum acknowledgment form. Check the box next to each addendum received and sign below. Failure to acknowledge addenda may result in bid disqualification.

Acknowledgment: I hereby acknowledge receipt of the following addenda and have made the necessary revisions to my proposal, plans and/or specification, etc.

Addendum Numbers Received:

(Check the box next to each addendum received)

- | | |
|--|--|
| <input checked="" type="checkbox"/> Addendum No. 1 | <input type="checkbox"/> Addendum No. 6 |
| <input checked="" type="checkbox"/> Addendum No. 2 | <input type="checkbox"/> Addendum No. 7 |
| <input type="checkbox"/> Addendum No. 3 | <input type="checkbox"/> Addendum No. 8 |
| <input type="checkbox"/> Addendum No. 4 | <input type="checkbox"/> Addendum No. 9 |
| <input type="checkbox"/> Addendum No. 5 | <input type="checkbox"/> Addendum No. 10 |

I understand that failure to confirm the receipt of addenda may be cause for rejection of this bid. I further understand that any verbal representation made or assumed to be made during any oral discussion held between Vendor's representatives and any state personnel is not binding. Only the information issued in writing and added to the specifications by an official addendum is binding.

Balestra, Harr & Scherer, CPAs, Inc.

Company

Authorized Signature

September 8, 2015

Date

NOTE: This addendum acknowledgment should be submitted with the bid to expedite document processing.
Revised 6/8/2012

GENERAL TERMS AND CONDITIONS:

1. **CONTRACTUAL AGREEMENT:** Issuance of a Award Document signed by the Purchasing Division Director, or his designee, and approved as to form by the Attorney General's office constitutes acceptance of this Contract made by and between the State of West Virginia and the Vendor. Vendor's signature on its bid signifies Vendor's agreement to be bound by and accept the terms and conditions contained in this Contract.

2. **DEFINITIONS:** As used in this Solicitation/Contract, the following terms shall have the meanings attributed to them below. Additional definitions may be found in the specifications included with this Solicitation/Contract.
 - 2.1. **"Agency" or "Agencies"** means the agency, board, commission, or other entity of the State of West Virginia that is identified on the first page of the Solicitation or any other public entity seeking to procure goods or services under this Contract.
 - 2.2. **"Contract"** means the binding agreement that is entered into between the State and the Vendor to provide the goods or services requested in the Solicitation.
 - 2.3. **"Director"** means the Director of the West Virginia Department of Administration, Purchasing Division.
 - 2.4. **"Purchasing Division"** means the West Virginia Department of Administration, Purchasing Division.
 - 2.5. **"Award Document"** means the document signed by the Agency and the Purchasing Division, and approved as to form by the Attorney General, that identifies the Vendor as the contract holder.
 - 2.6. **"Solicitation"** means the official notice of an opportunity to supply the State with goods or services that is published by the Purchasing Division.
 - 2.7. **"State"** means the State of West Virginia and/or any of its agencies, commissions, boards, etc. as context requires.
 - 2.8. **"Vendor" or "Vendors"** means any entity submitting a bid in response to the Solicitation, the entity that has been selected as the lowest responsible bidder, or the entity that has been awarded the Contract as context requires.

3. **CONTRACT TERM; RENEWAL; EXTENSION:** The term of this Contract shall be determined in accordance with the category that has been identified as applicable to this Contract below:

Term Contract

Initial Contract Term: This Contract becomes effective on _____ and extends for a period of _____ year(s).

Renewal Term: This Contract may be renewed upon the mutual written consent of the Agency, and the Vendor, with approval of the Purchasing Division and the Attorney General's office (Attorney General approval is as to form only). Any request for renewal should be submitted to the Purchasing Division thirty (30) days prior to the expiration date of the initial contract term or appropriate renewal term. A Contract renewal shall be in accordance with the terms and conditions of the original contract. Renewal of this Contract is limited to _____ successive one (1) year periods or multiple renewal periods of less than one year, provided that the multiple renewal periods do not exceed _____ months in total. Automatic renewal of this Contract is prohibited. Notwithstanding the foregoing, Purchasing Division approval is not required on agency delegated or exempt purchases. Attorney General approval may be required for vendor terms and conditions.

Delivery Order Limitations: In the event that this contract permits delivery orders, a delivery order may only be issued during the time this Contract is in effect. Any delivery order issued within one year of the expiration of this Contract shall be effective for one year from the date the delivery order is issued. No delivery order may be extended beyond one year after this Contract has expired.

Fixed Period Contract: This Contract becomes effective upon Vendor's receipt of the notice to proceed and must be completed within _____ days.

Fixed Period Contract with Renewals: This Contract becomes effective upon Vendor's receipt of the notice to proceed and part of the Contract more fully described in the attached specifications must be completed within _____ days. Upon completion, the vendor agrees that maintenance, monitoring, or warranty services will be provided for one year thereafter with an additional _____ successive one year renewal periods or multiple renewal periods of less than one year provided that the multiple renewal periods do not exceed _____ months in total. Automatic renewal of this Contract is prohibited.

One Time Purchase: The term of this Contract shall run from the issuance of the Award Document until all of the goods contracted for have been delivered, but in no event will this Contract extend for more than one fiscal year.

Other: See attached.

4. **NOTICE TO PROCEED:** Vendor shall begin performance of this Contract immediately upon receiving notice to proceed unless otherwise instructed by the Agency. Unless otherwise specified, the fully executed Award Document will be considered notice to proceed.
5. **QUANTITIES:** The quantities required under this Contract shall be determined in accordance with the category that has been identified as applicable to this Contract below.
- Open End Contract:** Quantities listed in this Solicitation are approximations only, based on estimates supplied by the Agency. It is understood and agreed that the Contract shall cover the quantities actually ordered for delivery during the term of the Contract, whether more or less than the quantities shown.
- Service:** The scope of the service to be provided will be more clearly defined in the specifications included herewith.
- Combined Service and Goods:** The scope of the service and deliverable goods to be provided will be more clearly defined in the specifications included herewith.
- One Time Purchase:** This Contract is for the purchase of a set quantity of goods that are identified in the specifications included herewith. Once those items have been delivered, no additional goods may be procured under this Contract without an appropriate change order approved by the Vendor, Agency, Purchasing Division, and Attorney General's office.
6. **PRICING:** The pricing set forth herein is firm for the life of the Contract, unless specified elsewhere within this Solicitation/Contract by the State. A Vendor's inclusion of price adjustment provisions in its bid, without an express authorization from the State in the Solicitation to do so, may result in bid disqualification.
7. **EMERGENCY PURCHASES:** The Purchasing Division Director may authorize the Agency to purchase goods or services in the open market that Vendor would otherwise provide under this Contract if those goods or services are for immediate or expedited delivery in an emergency. Emergencies shall include, but are not limited to, delays in transportation or an unanticipated increase in the volume of work. An emergency purchase in the open market, approved by the Purchasing Division Director, shall not constitute of breach of this Contract and shall not entitle the Vendor to any form of compensation or damages. This provision does not excuse the State from fulfilling its obligations under a One Time Purchase contract.
8. **REQUIRED DOCUMENTS:** All of the items checked below must be provided to the Purchasing Division by the Vendor as specified below.

BID BOND: All Vendors shall furnish a bid bond in the amount of five percent (5%) of the total amount of the bid protecting the State of West Virginia. The bid bond must be submitted with the bid.

PERFORMANCE BOND: The apparent successful Vendor shall provide a performance bond in the amount of _____. The performance bond must be received by the Purchasing Division prior to Contract award. On construction contracts, the performance bond must be 100% of the Contract value.

LABOR/MATERIAL PAYMENT BOND: The apparent successful Vendor shall provide a labor/material payment bond in the amount of 100% of the Contract value. The labor/material payment bond must be delivered to the Purchasing Division prior to Contract award.

In lieu of the Bid Bond, Performance Bond, and Labor/Material Payment Bond, the Vendor may provide certified checks, cashier's checks, or irrevocable letters of credit. Any certified check, cashier's check, or irrevocable letter of credit provided in lieu of a bond must be of the same amount and delivered on the same schedule as the bond it replaces. A letter of credit submitted in lieu of a performance and labor/material payment bond will only be allowed for projects under \$100,000. Personal or business checks are not acceptable.

MAINTENANCE BOND: The apparent successful Vendor shall provide a two (2) year maintenance bond covering the roofing system. The maintenance bond must be issued and delivered to the Purchasing Division prior to Contract award.

INSURANCE: The apparent successful Vendor shall furnish proof of the following insurance prior to Contract award and shall list the state as a certificate holder:

Commercial General Liability Insurance: In the amount of _____ or more.

Builders Risk Insurance: In an amount equal to 100% of the amount of the Contract.

\$1,000,000.00 Professional Liability Insurance

The apparent successful Vendor shall also furnish proof of any additional insurance requirements contained in the specifications prior to Contract award regardless of whether or not that insurance requirement is listed above.

LICENSE(S) / CERTIFICATIONS / PERMITS: In addition to anything required under the Section entitled Licensing, of the General Terms and Conditions, the apparent successful Vendor shall furnish proof of the following licenses, certifications, and/or permits prior to Contract award, in a form acceptable to the Purchasing Division.

The apparent successful Vendor shall also furnish proof of any additional licenses or certifications contained in the specifications prior to Contract award regardless of whether or not that requirement is listed above.

9. WORKERS' COMPENSATION INSURANCE: The apparent successful Vendor shall comply with laws relating to workers compensation, shall maintain workers' compensation insurance when required, and shall furnish proof of workers' compensation insurance upon request.

10. LITIGATION BOND: The Director reserves the right to require any Vendor that files a protest of an award to submit a litigation bond in the amount equal to one percent of the lowest bid submitted or \$5,000, whichever is greater. The entire amount of the bond shall be forfeited if the hearing officer determines that the protest was filed for frivolous or improper purpose, including but not limited to, the purpose of harassing, causing unnecessary delay, or needless expense for the Agency. All litigation bonds shall be made payable to the Purchasing Division. In lieu of a bond, the protester may submit a cashier's check or certified check payable to the Purchasing Division. Cashier's or certified checks will be deposited with and held by the State Treasurer's office. If it is determined that the protest has not been filed for frivolous or improper purpose, the bond or deposit shall be returned in its entirety.

11. LIQUIDATED DAMAGES: Vendor shall pay liquidated damages in the amount of _____ for _____.
This clause shall in no way be considered exclusive and shall not limit the State or Agency's right to pursue any other available remedy.

- 12. ACCEPTANCE/REJECTION:** The State may accept or reject any bid in whole, or in part. Vendor's signature on its bid signifies acceptance of the terms and conditions contained in the Solicitation and Vendor agrees to be bound by the terms of the Contract, as reflected in the Award Document, upon receipt.
- 13. FUNDING:** This Contract shall continue for the term stated herein, contingent upon funds being appropriated by the Legislature or otherwise being made available. In the event funds are not appropriated or otherwise made available, this Contract becomes void and of no effect beginning on July 1 of the fiscal year for which funding has not been appropriated or otherwise made available.
- 14. PAYMENT:** Payment in advance is prohibited under this Contract. Payment may only be made after the delivery and acceptance of goods or services. The Vendor shall submit invoices, in arrears.
- 15. TAXES:** The Vendor shall pay any applicable sales, use, personal property or any other taxes arising out of this Contract and the transactions contemplated thereby. The State of West Virginia is exempt from federal and state taxes and will not pay or reimburse such taxes.
- 16. CANCELLATION:** The Purchasing Division Director reserves the right to cancel this Contract immediately upon written notice to the vendor if the materials or workmanship supplied do not conform to the specifications contained in the Contract. The Purchasing Division Director may also cancel any purchase or Contract upon 30 days written notice to the Vendor in accordance with West Virginia Code of State Rules § 148-1-7.16.2.
- 17. TIME:** Time is of the essence with regard to all matters of time and performance in this Contract.
- 18. APPLICABLE LAW:** This Contract is governed by and interpreted under West Virginia law without giving effect to its choice of law principles. Any information provided in specification manuals, or any other source, verbal or written, which contradicts or violates the West Virginia Constitution, West Virginia Code or West Virginia Code of State Rules is void and of no effect.
- 19. COMPLIANCE:** Vendor shall comply with all applicable federal, state, and local laws, regulations and ordinances. By submitting a bid, Vendor acknowledges that it has reviewed, understands, and will comply with all applicable law.
- 20. PREVAILING WAGE:** On any contract for the construction of a public improvement whose cost at the time the contract is awarded will be paid with public money in an amount greater than \$500,000, Vendor and any subcontractors utilized by Vendor shall pay a rate or rates of wages which shall not be less than the fair minimum rate or rates of wages (prevailing wage), as established under West Virginia Code §§ 21-5A-1 et seq. Vendor shall

be responsible for ensuring compliance with prevailing wage requirements and determining when prevailing wage requirements are applicable.

21. **ARBITRATION:** Any references made to arbitration contained in this Contract, Vendor's bid, or in any American Institute of Architects documents pertaining to this Contract are hereby deleted, void, and of no effect.
22. **MODIFICATIONS:** This writing is the parties' final expression of intent. Notwithstanding anything contained in this Contract to the contrary, no modification of this Contract shall be binding without mutual written consent of the Agency, and the Vendor, with approval of the Purchasing Division and the Attorney General's office (Attorney General approval is as to form only). No Change shall be implemented by the Vendor until such time as the Vendor receives an approved written change order from the Purchasing Division.
23. **WAIVER:** The failure of either party to insist upon a strict performance of any of the terms or provision of this Contract, or to exercise any option, right, or remedy herein contained, shall not be construed as a waiver or a relinquishment for the future of such term, provision, option, right, or remedy, but the same shall continue in full force and effect. Any waiver must be expressly stated in writing and signed by the waiving party.
24. **SUBSEQUENT FORMS:** The terms and conditions contained in this Contract shall supersede any and all subsequent terms and conditions which may appear on any form documents submitted by Vendor to the Agency or Purchasing Division such as price lists, order forms, invoices, sales agreements, or maintenance agreements, and includes internet websites or other electronic documents. Acceptance or use of Vendor's forms does not constitute acceptance of the terms and conditions contained thereon.
25. **ASSIGNMENT:** Neither this Contract nor any monies due, or to become due hereunder, may be assigned by the Vendor without the express written consent of the Agency, the Purchasing Division, the Attorney General's office (as to form only), and any other government agency or office that may be required to approve such assignments. Notwithstanding the foregoing, Purchasing Division approval may or may not be required on certain agency delegated or exempt purchases.
26. **WARRANTY:** The Vendor expressly warrants that the goods and/or services covered by this Contract will: (a) conform to the specifications, drawings, samples, or other description furnished or specified by the Agency; (b) be merchantable and fit for the purpose intended; and (c) be free from defect in material and workmanship.
27. **STATE EMPLOYEES:** State employees are not permitted to utilize this Contract for personal use and the Vendor is prohibited from permitting or facilitating the same.
28. **BANKRUPTCY:** In the event the Vendor files for bankruptcy protection, the State of West Virginia may deem this Contract null and void, and terminate this Contract without notice.

29. CONFIDENTIALITY: The Vendor agrees that it will not disclose to anyone, directly or indirectly, any such personally identifiable information or other confidential information gained from the Agency, unless the individual who is the subject of the information consents to the disclosure in writing or the disclosure is made pursuant to the Agency's policies, procedures, and rules. Vendor further agrees to comply with the Confidentiality Policies and Information Security Accountability Requirements, set forth in <http://www.state.wv.us/admin/purchase/privacy/default.html>.

30. DISCLOSURE: Vendor's response to the Solicitation and the resulting Contract are considered public documents and will be disclosed to the public in accordance with the laws, rules, and policies governing the West Virginia Purchasing Division. Those laws include, but are not limited to, the Freedom of Information Act found in West Virginia Code §§ 29B-1-1 et seq. and the competitive bidding laws found West Virginia Code §§ 5A-3-1 et seq., 5-22-1 et seq., and 5G-1-1 et seq.

If a Vendor considers any part of its bid to be exempt from public disclosure, Vendor must so indicate by specifically identifying the exempt information, identifying the exemption that applies, providing a detailed justification for the exemption, segregating the exempt information from the general bid information, and submitting the exempt information as part of its bid but in a segregated and clearly identifiable format. Failure to comply with the foregoing requirements will result in public disclosure of the Vendor's bid without further notice. A Vendor's act of marking all or nearly all of its bid as exempt is not sufficient to avoid disclosure and WILL NOT BE HONORED. Vendor's act of marking a bid or any part thereof as "confidential" or "proprietary" is not sufficient to avoid disclosure and WILL NOT BE HONORED. A legend or other statement indicating that all or substantially all of the bid is exempt from disclosure is not sufficient to avoid disclosure and WILL NOT BE HONORED. Additionally, pricing or cost information will not be considered exempt from disclosure and requests to withhold publication of pricing or cost information WILL NOT BE HONORED.

Vendor will be required to defend any claimed exemption for nondisclosure in the event of an administrative or judicial challenge to the State's nondisclosure. Vendor must indemnify the State for any costs incurred related to any exemptions claimed by Vendor. Any questions regarding the applicability of the various public records laws should be addressed to your own legal counsel prior to bid submission.

31. LICENSING: In accordance with West Virginia Code of State Rules §148-1-6.1.7, Vendor must be licensed and in good standing in accordance with any and all state and local laws and requirements by any state or local agency of West Virginia, including, but not limited to, the West Virginia Secretary of State's Office, the West Virginia Tax Department, West Virginia Insurance Commission, or any other state agency or political subdivision. Upon request, the Vendor must provide all necessary releases to obtain information to enable the Purchasing Division Director or the Agency to verify that the Vendor is licensed and in good standing with the above entities.

32. ANTITRUST: In submitting a bid to, signing a contract with, or accepting a Award Document from any agency of the State of West Virginia, the Vendor agrees to convey, sell, assign, or transfer to the State of West Virginia all rights, title, and interest in and to all causes of action it may now or hereafter acquire under the antitrust laws of the United States and the State of West Virginia for price fixing and/or unreasonable restraints of trade relating to the particular commodities or services purchased or acquired by the State of West Virginia. Such assignment shall be made and become effective at the time the purchasing agency tenders the initial payment to Vendor.

33. VENDOR CERTIFICATIONS: By signing its bid or entering into this Contract, Vendor certifies (1) that its bid or offer was made without prior understanding, agreement, or connection with any corporation, firm, limited liability company, partnership, person or entity submitting a bid or offer for the same material, supplies, equipment or services; (2) that its bid or offer is in all respects fair and without collusion or fraud; (3) that this Contract is accepted or entered into without any prior understanding, agreement, or connection to any other entity that could be considered a violation of law; and (4) that it has reviewed this Solicitation in its entirety; understands the requirements, terms and conditions, and other information contained herein. Vendor's signature on its bid or offer also affirms that neither it nor its representatives have any interest, nor shall acquire any interest, direct or indirect, which would compromise the performance of its services hereunder. Any such interests shall be promptly presented in detail to the Agency. The individual signing this bid or offer on behalf of Vendor certifies that he or she is authorized by the Vendor to execute this bid or offer or any documents related thereto on Vendor's behalf; that he or she is authorized to bind the Vendor in a contractual relationship; and that, to the best of his or her knowledge, the Vendor has properly registered with any State agency that may require registration.

34. PURCHASING CARD ACCEPTANCE: The State of West Virginia currently utilizes a Purchasing Card program, administered under contract by a banking institution, to process payment for goods and services. The Vendor must accept the State of West Virginia's Purchasing Card for payment of all orders under this Contract unless the box below is checked.

Vendor is not required to accept the State of West Virginia's Purchasing Card as payment for all goods and services.

35. VENDOR RELATIONSHIP: The relationship of the Vendor to the State shall be that of an independent contractor and no principal-agent relationship or employer-employee relationship is contemplated or created by this Contract. The Vendor as an independent contractor is solely liable for the acts and omissions of its employees and agents. Vendor shall be responsible for selecting, supervising, and compensating any and all individuals employed pursuant to the terms of this Solicitation and resulting contract. Neither the Vendor, nor any employees or subcontractors of the Vendor, shall be deemed to be employees of the State for any purpose whatsoever. Vendor shall be exclusively responsible for payment of employees and contractors for all wages and salaries, taxes, withholding payments, penalties, fees, fringe benefits, professional liability insurance premiums, contributions to insurance and pension, or other deferred compensation plans, including but

not limited to, Workers' Compensation and Social Security obligations, licensing fees, etc. and the filing of all necessary documents, forms, and returns pertinent to all of the foregoing. Vendor shall hold harmless the State, and shall provide the State and Agency with a defense against any and all claims including, but not limited to, the foregoing payments, withholdings, contributions, taxes, Social Security taxes, and employer income tax returns.

- 36. INDEMNIFICATION:** The Vendor agrees to indemnify, defend, and hold harmless the State and the Agency, their officers, and employees from and against: (1) Any claims or losses for services rendered by any subcontractor, person, or firm performing or supplying services, materials, or supplies in connection with the performance of the Contract; (2) Any claims or losses resulting to any person or entity injured or damaged by the Vendor, its officers, employees, or subcontractors by the publication, translation, reproduction, delivery, performance, use, or disposition of any data used under the Contract in a manner not authorized by the Contract, or by Federal or State statutes or regulations; and (3) Any failure of the Vendor, its officers, employees, or subcontractors to observe State and Federal laws including, but not limited to, labor and wage and hour laws.
- 37. PURCHASING AFFIDAVIT:** In accordance with West Virginia Code § 5A-3-10a, all Vendors are required to sign, notarize, and submit the Purchasing Affidavit stating that neither the Vendor nor a related party owe a debt to the State in excess of \$1,000. The affidavit must be submitted prior to award, but should be submitted with the Vendor's bid. A copy of the Purchasing Affidavit is included herewith.
- 38. ADDITIONAL AGENCY AND LOCAL GOVERNMENT USE:** This Contract may be utilized by and extends to other agencies, spending units, and political subdivisions of the State of West Virginia; county, municipal, and other local government bodies; and school districts ("Other Government Entities"). This Contract shall be extended to the aforementioned Other Government Entities on the same prices, terms, and conditions as those offered and agreed to in this Contract. If the Vendor does not wish to extend the prices, terms, and conditions of its bid and subsequent contract to the Other Government Entities, the Vendor must clearly indicate such refusal in its bid. A refusal to extend this Contract to the Other Government Entities shall not impact or influence the award of this Contract in any manner.
- 39. CONFLICT OF INTEREST:** Vendor, its officers or members or employees, shall not presently have or acquire an interest, direct or indirect, which would conflict with or compromise the performance of its obligations hereunder. Vendor shall periodically inquire of its officers, members and employees to ensure that a conflict of interest does not arise. Any conflict of interest discovered shall be promptly presented in detail to the Agency.
- 40. REPORTS:** Vendor shall provide the Agency and/or the Purchasing Division with the following reports identified by a checked box below:
- Such reports as the Agency and/or the Purchasing Division may request. Requested reports may include, but are not limited to, quantities purchased, agencies utilizing the contract, total contract expenditures by agency, etc.

- Quarterly reports detailing the total quantity of purchases in units and dollars, along with a listing of purchases by agency. Quarterly reports should be delivered to the Purchasing Division via email at purchasing.requisitions@wv.gov.

41. BACKGROUND CHECK: In accordance with W. Va. Code § 15-2D-3, the Director of the Division of Protective Services shall require any service provider whose employees are regularly employed on the grounds or in the buildings of the Capitol complex or who have access to sensitive or critical information to submit to a fingerprint-based state and federal background inquiry through the state repository. The service provider is responsible for any costs associated with the fingerprint-based state and federal background inquiry.

After the contract for such services has been approved, but before any such employees are permitted to be on the grounds or in the buildings of the Capitol complex or have access to sensitive or critical information, the service provider shall submit a list of all persons who will be physically present and working at the Capitol complex to the Director of the Division of Protective Services for purposes of verifying compliance with this provision.

The State reserves the right to prohibit a service provider's employees from accessing sensitive or critical information or to be present at the Capitol complex based upon results addressed from a criminal background check.

Service providers should contact the West Virginia Division of Protective Services by phone at (304) 558-9911 for more information.

42. PREFERENCE FOR USE OF DOMESTIC STEEL PRODUCTS: Except when authorized by the Director of the Purchasing Division pursuant to W. Va. Code § 5A-3-56, no contractor may use or supply steel products for a State Contract Project other than those steel products made in the United States. A contractor who uses steel products in violation of this section may be subject to civil penalties pursuant to W. Va. Code § 5A-3-56. As used in this section:

- a. "State Contract Project" means any erection or construction of, or any addition to, alteration of or other improvement to any building or structure, including, but not limited to, roads or highways, or the installation of any heating or cooling or ventilating plants or other equipment, or the supply of and materials for such projects, pursuant to a contract with the State of West Virginia for which bids were solicited on or after June 6, 2001.
- b. "Steel Products" means products rolled, formed, shaped, drawn, extruded, forged, cast, fabricated or otherwise similarly processed, or processed by a combination of two or more or such operations, from steel made by the open heath, basic oxygen, electric furnace, Bessemer or other steel making process. The Purchasing Division Director may, in writing, authorize the use of foreign steel products if:
- c. The cost for each contract item used does not exceed one tenth of one percent (.1%) of the total contract cost or two thousand five hundred dollars (\$2,500.00), whichever is greater.

For the purposes of this section, the cost is the value of the steel product as delivered to the project; or

- d. The Director of the Purchasing Division determines that specified steel materials are not produced in the United States in sufficient quantity or otherwise are not reasonably available to meet contract requirements.

43. PREFERENCE FOR USE OF DOMESTIC ALUMINUM, GLASS, AND STEEL: In Accordance with W. Va. Code § 5-19-1 et seq., and W. Va. CSR § 148-10-1 et seq., for every contract or subcontract, subject to the limitations contained herein, for the construction, reconstruction, alteration, repair, improvement or maintenance of public works or for the purchase of any item of machinery or equipment to be used at sites of public works, only domestic aluminum, glass or steel products shall be supplied unless the spending officer determines, in writing, after the receipt of offers or bids, (1) that the cost of domestic aluminum, glass or steel products is unreasonable or inconsistent with the public interest of the State of West Virginia, (2) that domestic aluminum, glass or steel products are not produced in sufficient quantities to meet the contract requirements, or (3) the available domestic aluminum, glass, or steel do not meet the contract specifications. This provision only applies to public works contracts awarded in an amount more than fifty thousand dollars (\$50,000) or public works contracts that require more than ten thousand pounds of steel products.

The cost of domestic aluminum, glass, or steel products may be unreasonable if the cost is more than twenty percent (20%) of the bid or offered price for foreign made aluminum, glass, or steel products. If the domestic aluminum, glass or steel products to be supplied or produced in a "substantial labor surplus area", as defined by the United States Department of Labor, the cost of domestic aluminum, glass, or steel products may be unreasonable if the cost is more than thirty percent (30%) of the bid or offered price for foreign made aluminum, glass, or steel products.

This preference shall be applied to an item of machinery or equipment, as indicated above, when the item is a single unit of equipment or machinery manufactured primarily of aluminum, glass or steel, is part of a public works contract and has the sole purpose or of being a permanent part of a single public works project. This provision does not apply to equipment or machinery purchased by a spending unit for use by that spending unit and not as part of a single public works project.

All bids and offers including domestic aluminum, glass or steel products that exceed bid or offer prices including foreign aluminum, glass or steel products after application of the preferences provided in this provision may be reduced to a price equal to or lower than the lowest bid or offer price for foreign aluminum, glass or steel products plus the applicable preference. If the reduced bid or offer prices are made in writing and supersede the prior bid or offer prices, all bids or offers, including the reduced bid or offer prices, will be reevaluated in accordance with this rule.

CERTIFICATION AND SIGNATURE PAGE

By signing below, or submitting documentation through wvOASIS, I certify that I have reviewed this Solicitation in its entirety; understand the requirements, terms and conditions, and other information contained herein; that I am submitting this bid, offer or proposal for review and consideration; that I am authorized by the vendor to execute and submit this bid, offer, or proposal, or any documents related thereto on vendor's behalf; that I am authorized to bind the vendor in a contractual relationship; and that to the best of my knowledge, the vendor has properly registered with any State agency that may require registration.

Balestra, Harr & Scherer, CPAs, Inc.

(Company)

Michael A. Balestra, VP-Director

(Authorized Signature) (Representative Name, Title)

740-289-4131 740-289-3639

(Phone Number) (Fax Number) (Date)

State of West Virginia

VENDOR PREFERENCE CERTIFICATE

Certification and application* is hereby made for Preference in accordance with *West Virginia Code*, §5A-3-37. (Does not apply to construction contracts). *West Virginia Code*, §5A-3-37, provides an opportunity for qualifying vendors to request (at the time of bid) preference for their residency status. Such preference is an evaluation method only and will be applied only to the cost bid in accordance with the *West Virginia Code*. This certificate for application is to be used to request such preference. The Purchasing Division will make the determination of the Vendor Preference, if applicable.

1. Application is made for 2.5% vendor preference for the reason checked:

_____ Bidder is an individual resident vendor and has resided continuously in West Virginia for four (4) years immediately preceding the date of this certification; **or**,

_____ Bidder is a partnership, association or corporation resident vendor and has maintained its headquarters or principal place of business continuously in West Virginia for four (4) years immediately preceding the date of this certification; or 80% of the ownership interest of Bidder is held by another individual, partnership, association or corporation resident vendor who has maintained its headquarters or principal place of business continuously in West Virginia for four (4) years immediately preceding the date of this certification; **or**,

_____ Bidder is a nonresident vendor which has an affiliate or subsidiary which employs a minimum of one hundred state residents and which has maintained its headquarters or principal place of business within West Virginia continuously for the four (4) years immediately preceding the date of this certification; **or**,

2. Application is made for 2.5% vendor preference for the reason checked:

_____ Bidder is a resident vendor who certifies that, during the life of the contract, on average at least 75% of the employees working on the project being bid are residents of West Virginia who have resided in the state continuously for the two years immediately preceding submission of this bid; **or**,

3. Application is made for 2.5% vendor preference for the reason checked:

_____ Bidder is a nonresident vendor employing a minimum of one hundred state residents or is a nonresident vendor with an affiliate or subsidiary which maintains its headquarters or principal place of business within West Virginia employing a minimum of one hundred state residents who certifies that, during the life of the contract, on average at least 75% of the employees or Bidder's affiliate's or subsidiary's employees are residents of West Virginia who have resided in the state continuously for the two years immediately preceding submission of this bid; **or**,

4. Application is made for 5% vendor preference for the reason checked:

_____ Bidder meets either the requirement of both subdivisions (1) and (2) or subdivision (1) and (3) as stated above; **or**,

5. Application is made for 3.5% vendor preference who is a veteran for the reason checked:

_____ Bidder is an individual resident vendor who is a veteran of the United States armed forces, the reserves or the National Guard and has resided in West Virginia continuously for the four years immediately preceding the date on which the bid is submitted; **or**,

6. Application is made for 3.5% vendor preference who is a veteran for the reason checked:

_____ Bidder is a resident vendor who is a veteran of the United States armed forces, the reserves or the National Guard, if, for purposes of producing or distributing the commodities or completing the project which is the subject of the vendor's bid and continuously over the entire term of the project, on average at least seventy-five percent of the vendor's employees are residents of West Virginia who have resided in the state continuously for the two immediately preceding years.

7. Application is made for preference as a non-resident small, women- and minority-owned business, in accordance with *West Virginia Code* §5A-3-59 and *West Virginia Code of State Rules*.

_____ Bidder has been or expects to be approved prior to contract award by the Purchasing Division as a certified small, women- and minority-owned business.

Bidder understands if the Secretary of Revenue determines that a Bidder receiving preference has failed to continue to meet the requirements for such preference, the Secretary may order the Director of Purchasing to: (a) reject the bid; or (b) assess a penalty against such Bidder in an amount not to exceed 5% of the bid amount and that such penalty will be paid to the contracting agency or deducted from any unpaid balance on the contract or purchase order.

By submission of this certificate, Bidder agrees to disclose any reasonably requested information to the Purchasing Division and authorizes the Department of Revenue to disclose to the Director of Purchasing appropriate information verifying that Bidder has paid the required business taxes, provided that such information does not contain the amounts of taxes paid nor any other information deemed by the Tax Commissioner to be confidential.

Under penalty of law for false swearing (*West Virginia Code*, §61-5-3), Bidder hereby certifies that this certificate is true and accurate in all respects; and that if a contract is issued to Bidder and if anything contained within this certificate changes during the term of the contract, Bidder will notify the Purchasing Division in writing immediately.

Bidder: _____

Signed: _____

Date: _____

Title: _____

State of West Virginia
VENDOR PREFERENCE CERTIFICATE

Certification and application* is hereby made for Preference in accordance with *West Virginia Code*, §5A-3-37. (Does not apply to construction contracts). *West Virginia Code*, §5A-3-37, provides an opportunity for qualifying vendors to request (at the time of bid) preference for their residency status. Such preference is an evaluation method only and will be applied only to the cost bid in accordance with the *West Virginia Code*. This certificate for application is to be used to request such preference. The Purchasing Division will make the determination of the Vendor Preference, if applicable.

1. Application is made for 2.5% vendor preference for the reason checked:

- _____ Bidder is an individual resident vendor and has resided continuously in West Virginia for four (4) years immediately preceding the date of this certification; **or**,
 _____ Bidder is a partnership, association or corporation resident vendor and has maintained its headquarters or principal place of business continuously in West Virginia for four (4) years immediately preceding the date of this certification; or 80% of the ownership interest of Bidder is held by another individual, partnership, association or corporation resident vendor who has maintained its headquarters or principal place of business continuously in West Virginia for four (4) years immediately preceding the date of this certification; **or**,
 _____ Bidder is a nonresident vendor which has an affiliate or subsidiary which employs a minimum of one hundred state residents and which has maintained its headquarters or principal place of business within West Virginia continuously for the four (4) years immediately preceding the date of this certification; **or**,

2. Application is made for 2.5% vendor preference for the reason checked:

- _____ Bidder is a resident vendor who certifies that, during the life of the contract, on average at least 75% of the employees working on the project being bid are residents of West Virginia who have resided in the state continuously for the two years immediately preceding submission of this bid; **or**,

3. Application is made for 2.5% vendor preference for the reason checked:

- _____ Bidder is a nonresident vendor employing a minimum of one hundred state residents or is a nonresident vendor with an affiliate or subsidiary which maintains its headquarters or principal place of business within West Virginia employing a minimum of one hundred state residents who certifies that, during the life of the contract, on average at least 75% of the employees or Bidder's affiliate's or subsidiary's employees are residents of West Virginia who have resided in the state continuously for the two years immediately preceding submission of this bid; **or**,

4. Application is made for 5% vendor preference for the reason checked:

- _____ Bidder meets either the requirement of both subdivisions (1) and (2) or subdivision (1) and (3) as stated above; **or**,

5. Application is made for 3.5% vendor preference who is a veteran for the reason checked:

- _____ Bidder is an individual resident vendor who is a veteran of the United States armed forces, the reserves or the National Guard and has resided in West Virginia continuously for the four years immediately preceding the date on which the bid is submitted; **or**,

6. Application is made for 3.5% vendor preference who is a veteran for the reason checked:

- _____ Bidder is a resident vendor who is a veteran of the United States armed forces, the reserves or the National Guard, if, for purposes of producing or distributing the commodities or completing the project which is the subject of the vendor's bid and continuously over the entire term of the project, on average at least seventy-five percent of the vendor's employees are residents of West Virginia who have resided in the state continuously for the two immediately preceding years.

7. Application is made for preference as a non-resident small, women- and minority-owned business, in accordance with *West Virginia Code* §5A-3-59 and *West Virginia Code of State Rules*.

- _____ Bidder has been or expects to be approved prior to contract award by the Purchasing Division as a certified small, women- and minority-owned business.

Bidder understands if the Secretary of Revenue determines that a Bidder receiving preference has failed to continue to meet the requirements for such preference, the Secretary may order the Director of Purchasing to: (a) reject the bid; or (b) assess a penalty against such Bidder in an amount not to exceed 5% of the bid amount and that such penalty will be paid to the contracting agency or deducted from any unpaid balance on the contract or purchase order.

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Under penalty of law for false swearing (*West Virginia Code*, §61-5-3), Bidder hereby certifies that this certificate is true and accurate in all respects; and that if a contract is issued to Bidder and if anything contained within this certificate changes during the term of the contract, Bidder will notify the Purchasing Division in writing immediately.

Bidder: _____

Signed: _____

Date: _____

Title: _____