

COMMITMENT TO SERVE

**The Department of Environmental Protection
West Virginia Water Pollution Control
Revolving Fund**

Clean Water State Revolving Fund (CWSRF)

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West Virginia Water Pollution Control
Revolving Fund**

Clean Water State Revolving Fund (CWSRF)

Auditing Services

Response to Request for Quotation DEP14100

**Suttle & Stalnaker, PLLC
The Virginia Center, Suite 100
1411 Virginia Street East
Charleston, West Virginia 25301
(304) 343-4126**

Contact Person:



Chris Dewese, CPA, Member

June 27, 2007

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TRANSMITTAL LETTER



June 27, 2007

The Department of Environmental Protection
West Virginia Water Pollution Control Revolving Fund
Clean Water State Revolving Fund (CWSRF)
601 57th Street SE
Charleston, West Virginia 25304

Suttle & Stalnaker, PLLC welcomes this opportunity to submit our proposal to serve as independent Certified Public Accountants to perform the annual audit of the financial statements of the Department of Environmental Protection West Virginia Water Pollution Control Revolving Fund Clean Water State Revolving Fund (CWSRF) for the year ended June 30, 2007. We are particularly well suited to serve you since we have extensive experience serving the State of West Virginia and proprietary fund component units of the State including the West Virginia Workers' Compensation Division, the West Virginia State Rail Authority and previous audits of the CWSRF.

We understand your interest in competent and efficient audit services. We have assigned as your client service team a dedicated group of professionals who have effectively audited numerous State agencies and have developed effective client service plans for various businesses, governmental entities and not-for-profit organizations. From our experiences with auditing various units of State government, we know many of the issues that are important to your management team and what is critical to keeping our clients pleased with our service delivery.

Your engagement member will be Chris Deweese. He has served as engagement member for the WORKFORCE West Virginia, the five West Virginia Colleges and Universities, the West Virginia State Rail Authority, and previous audits of the CWSRF.

The CWSRF will be a highly valued client and will benefit from many aspects of our program. We believe it is our professional understanding of West Virginia State government and the CWSRF needs, the client service team that we have assembled to serve you and the cost effective total client service plan we have developed that distinguishes Suttle & Stalnaker, PLLC from the competition.

We will serve the CWSRF in a dedicated manner and you will be a top priority of our office. We would appreciate the opportunity to meet personally with you to further discuss this written proposal. We possess all of the technical and professional qualifications to serve you in the most effective manner. Please feel free to contact Chris Deweese or Horace Emery in respect to any questions you may have concerning this proposal. This proposal is a firm and irrevocable offer for ninety (90) days.

Very truly yours,

Scott L. Stalman, PLLC

SERVICES TO BE PROVIDED

SERVICES TO BE PROVIDED

We understand that the CWSRF requires an audit of its financial statements including supplemental schedules required by the West Virginia Department of Administration, Financial and Reporting Section (FARS) and the Government Accounting Standards Board (GASB), if applicable.

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America and *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 rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error, fraudulent financial reporting, or misappropriation of assets. Accordingly, a material misstatement, whether caused by error, fraudulent financial reporting, or misappropriation of assets, may remain undetected. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. As a result, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit will provide a reasonable basis for our report.

The CWSRF's financial report will include the following:

Statement of Net Assets

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Statement of Cash Flows

Notes to the Financial Statements

In addition to our report on the CWSRF's financial statements, we will also issue the following reports or types of reports:

Report on compliance with requirements applicable to the Capitalization Grants for Clean Water State Revolving Fund and on internal control over compliance in accordance with the program-specific audit option and OMB Circular A-133

An audit of financial statements also includes obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing and extent of audit procedures to be performed. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to management and the audit committee any significant deficiencies or material weaknesses that become known to us during the course of the audit.

If circumstances arise relating to the conditions of your records, the availability of sufficient, competent evidential matter, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, misappropriation of assets, or noncompliance which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

As you know, management is responsible for 1) the preparation of CWSRF's financial statements, 2) establishing and maintaining effective internal control over financial reporting and safeguarding assets and internal control over compliance, including monitoring ongoing activities, and for informing us of all significant deficiencies in the design or operation of such controls of which it has knowledge, 3) properly recording transactions in the records, 4) identifying and ensuring that CWSRF complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations, 5) the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control and others where the fraud could have a material effect on the financial statements, 6) informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, regulators, or others, 7) making all financial records and related information available to us, and 8) for adjusting the financial statements to correct material misstatements. At the conclusion of our audit, we will request certain written representations from management about the financial statements and matters related thereto. We will also require that management affirm to us that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the opinion units of the financial statements.

The audit committee or its equivalent is responsible for informing us of its views about the risks of fraud within the entity, and its knowledge of any fraud or suspected fraud affecting the entity. We will also determine that certain matters related to the conduct of the audit are communicated to the audit committee or its equivalent including 1) fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, 2) illegal acts that come to our attention (unless they are clearly inconsequential), 3) disagreements with management and other serious difficulties encountered in performing the audit, and 4) various matters related to the entity's accounting policies and financial statements.

CWSRF hereby indemnifies Suttle & Stalnaker, PLLC and its partners, principals, and employees and holds them harmless from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of CWSRF's management, regardless of whether such person was acting in CWSRF's interest. This indemnification will survive termination of this letter.

The two overarching principles of the independence standards of the *Government Auditing Standards* issued by the Comptroller General of the United States provide that management is responsible for the substantive outcomes of the works, and therefore, has a responsibility and is able to make any informed judgment on the results of the services described above. Accordingly, the CWSRF agrees to the following:

The CWSRF will be accountable and responsible for overseeing the financial statement preparation and will approve all proposed adjustments.

The CWSRF will establish and monitor the performance of the preparation of financial statements and approval of the adjustments to ensure that they meet management's objectives.

The CWSRF will make any decisions that involve management functions related to the preparation of the financial statements and approval of the adjustments and accepts full responsibility for such decisions.

The CWSRF will evaluate the adequacy of services performed and any findings that result.

During the course of our engagement, we may accumulate records containing data which should be reflected in your books and records. You will determine that all such data, if necessary, will be so reflected. Accordingly, you will not expect us to maintain copies of such records in our possession.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

The assistance to be supplied by organization personnel, including the preparation of schedules and analyses of accounts, will be discussed and coordinated with management. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

Our professional standards require that we perform certain additional procedures, on current and previous years engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client. Accordingly, CWSRF agrees it will compensate Suttle & Stalnaker, PLLC for any additional costs incurred as a result of the employment of a partner or professional employee of Suttle & Stalnaker, PLLC.

In the event we are requested or authorized by CWSRF or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for CWSRF, CWSRF will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

Professional standards and our Firm policies require that we perform certain additional procedures whenever our reports are included, or we are named as accountants, auditors, or "experts" in a document used in a public offering of debt securities. Our report on the financial statements is not to be included in an official statement or other document involved with the sale of debt instruments without our prior consent. Additionally, if you intend to publish or otherwise reproduce the financial statements and/or make reference to us or our audit, you agree to provide us with printer's proofs or master for our review and consent before reproduction and/or release occurs. You also agree to provide us with a copy of the final reproduced material for our consent before it is distributed or released. Our fees for any additional services that may be required under our quality assurance system as a result of the above will be established with you at the time such services are determined to be necessary. In the event our auditor/client relationship has been terminated when the Company seeks such consent, we will be under no obligation to grant such consent or approval.

Any claim arising out of services rendered pursuant to this agreement shall be resolved in accordance with the laws of West Virginia. It is agreed by CWSRF and Suttle & Stalnaker, PLLC or any successors in interest that no claim arising out of services rendered pursuant to this agreement by or on behalf of CWSRF shall be asserted more than two years after the date of the last audit report issued by Suttle & Stalnaker, PLLC.

Our acceptance of this engagement is subject to our satisfactorily completing communication with and review of the working papers of your previous auditors (accountants). We will notify you promptly if we become aware of anything during that communication or review which results in our not being able to continue this engagement.

This proposal constitutes the complete and exclusive statement of agreement between Suttle & Stalnaker, PLLC and the CWSRF, superseding all proposals oral or written and all other communication, with respect to the terms of the engagement between the parties.

In addition, we will respond to reasonable inquiries by the CWSRF or its successor auditors and allow its successor auditors to review working papers relating to the matters of continuing account significance.

Audit Workpapers

The workpapers for this engagement are the property of Suttle & Stalnaker, PLLC and constitute confidential information. However, we may be requested to make certain workpapers available to other agencies pursuant to authority given to them by law or regulation. If requested, access to such workpapers will be provided under the supervision of Suttle & Stalnaker, PLLC personnel. Furthermore, upon request, we may provide photocopies of selected workpapers to such agencies, which may intend, or decide, to distribute the photocopies or information contained therein to others, including other governmental agencies.

All working papers and reports will be retained, for a minimum of five (5) years, unless the firm is notified in writing by the CWSRF of the need to extend the retention period. We will make working papers available, upon reasonable request, to the CWSRF, or Department of Administration, including the Financial Accounting and Reporting Section under the supervision of Suttle & Stalnaker, PLLC personnel.

In addition, we will respond to reasonable inquiries by the CWSRF or its successor auditors and allow its successor auditors to review working papers relating to the matters of continuing account significance.

Reporting

Following the completion of the audit of the fiscal year's financial statements, we will issue our report on the fair presentation of the financial statements in conformity with generally accepted accounting principles. In addition, we will provide an "in-relation-to" report on the supplemental schedules to be submitted to the West Virginia Department of Administration, Financial and Reporting Section based on the auditing procedures applied during the audit of the general purpose financial statements.

We will also communicate in a letter to management any reportable conditions, irregularities, and illegal acts found during the audit. Reportable conditions involve matters coming to our attention that involve significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. We will also immediately provide a written report of irregularities and illegal acts of which we become aware to the Acting State Comptroller and the Financial and Reporting Section of the Department of Administration.

We will also report at a minimum, to the CWSRF Finance Committee the following:

1. The auditor's responsibility under auditing standards generally accepted in the United States of America
2. Significant accounting policies
3. Management judgments and accounting estimates
4. Significant audit adjustments
5. Other information in documents containing audited financial statements
6. Disagreements with management
7. Management consultation with other accountants
8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit

We will be available to meet in person with the CWSRF Finance Committee as well as the full Commission to present and discuss the results of our audit.

Other Considerations

We understand that the financial statements of the CWSRF are to be included as a component unit of the financial statements of the State of West Virginia. We will also help prepare the reconciliation forms required by the West Virginia Department of Administration, Financial and Reporting Section.

SUTTLE & STALNAKER, PLLC

SUTTLE & STALNAKER, PLLC

INDEPENDENCE AND CONFLICTS OF INTEREST

All professional personnel must be familiar with and adhere to the independence rules, regulations, interpretations, and rulings of the AICPA, the State of West Virginia Board of Accountancy, the West Virginia Society of CPAs, the United States General Accounting Office, State statutes, and regulatory agencies under which we practice. In this regard, any transaction, event, or circumstance that would impair the Firm's independence on compilation, review, audit, forecast, projection, or attestation engagements is prohibited.

Suttle & Stalnaker, PLLC is independent of the CWSRF, the State of West Virginia, and any other component units of the State of West Virginia as defined by auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, United States General Accounting Office.

LICENSE TO PRACTICE IN WEST VIRGINIA

Suttle & Stalnaker, PLLC and all key professional staff are properly licensed to practice in West Virginia. In addition, most of the Suttle & Stalnaker, PLLC personnel assigned to this engagement have already passed the CWSRF security checks.

FIRM QUALIFICATIONS AND EXPERIENCE

Suttle & Stalnaker, PLLC, Certified Public Accountants, has offices located at 1411 Virginia Street East, The Virginia Center, Suite 100, Charleston, West Virginia 25301 and at Towne Square, PO Box 149, Parkersburg, West Virginia 26102. The Firm currently consists of the following personnel: members/partners - 11, managers, seniors and staff accountants - 29, support staff - 9. Currently there are approximately 12 individuals in our governmental audit staff. The work performed will be coordinated by our Charleston office. We anticipate 3 to 4 full-time personnel assigned to the engagement. Various members and employees of the Firm are members of the American Institute of Certified Public Accountants, the West Virginia Society of Certified Public Accountants, Government Finance Officers' Association, and other professional organizations.

We are experienced in and perform a full range of activities. Our professionals are organized according to their functional discipline: accounting and auditing, tax and tax consulting, and management consulting. We consider ourselves business advisors who not only solve problems but also prevent them.

PKF NORTH AMERICAN NETWORK

Suttle & Stalnaker, PLLC is a member of PKF North American Network, (PKF). PKF is a national and international association of independent certified public accounting firms, which provides its members with continuing professional education, quality control, technical support and marketing services.

Membership in PKF allows us to significantly broaden our Firm's representation and provides the technical support that is so critical in our ever-changing and expanding profession. With over 200 member firms throughout the United States, Canada, Mexico, Puerto Rico, the United Kingdom, Europe and the Far East, PKF offers a network of experience and expertise covering a wide range of industries and client services on a regional, national and international basis.

PKF North American Network (PKF) is an association of CPA firms dedicated to high standards of practice, and admission is by invitation only. Member firms must comply with a number of rigorous membership requirements, including a periodic "peer review" in which other CPAs inspect a sample of the Firm's working papers and evaluate its quality controls. The Association provides a national and international network from which the firms can draw upon for additional experience, consultation and personnel. PKF strengthens the practices of its member firms in a variety of ways:

- increased representation throughout the world
- access to specialized knowledge and expertise throughout the PKF North American Network of firms
- superior professional education
- marketing and practice development support
- a library of high-quality technical materials
- a network of international public accounting firms, through affiliation with PKF International, to meet their international needs

PKF North American Network and PKF International *As of October 27, 2006*

	<u>PKF North American Network</u>	<u>PKF International</u>	<u>Combined</u>
Number of Firms	90	127	217
Gross Fees (in millions, U.S.)	\$631	\$750	\$1,381
Number of Partners	822	851	1,673
Number of Staff	4,816	8,360	13,176
Number of Countries	3	117	120

PKF North American Network Membership as of October 27, 2006

Number of Firms with One Office:	50
Number of Firms with Multiple Offices:	40
Largest Firm Revenue:	\$26,828,000
Smallest Firm Revenue:	\$653,900
Average Firm Revenue:	\$7,014,000
Locations:	158
Number of States:	38
Number of Canadian Provinces:	6
Number of Mexican Provinces:	27

PKF North American Network is an association of independently owned accounting and consulting firms with offices throughout the world. Organized around regional networks, the purpose of the association is to improve the profitability of its member firms while helping them maintain local ownership.

OUR GOVERNMENT AND NONPROFIT PRACTICE

Suttle & Stalnaker, PLLC has specialized in governmental and nonprofit agency auditing and accounting for over 30 years. This segment currently makes up the largest industry concentration of our audit practice, with our professional staff spending well over 12,000 hours per year on audits of governmental and nonprofit entities and programs. Every member of our audit staff has both training and experience in governmental and nonprofit accounting and auditing.

The State of West Virginia and its departments, divisions, and component units are the cornerstone of our government practice. Through a joint venture, we participate in the audit of the State of West Virginia's financial statements, and perform extensive work related to the requirements of the Single Audit Act and Office of Management and Budget's Circular A-133. As part of the joint venture, we were also heavily involved in special work for the Board of Investments with regard to the consolidated investment fund. In addition, Suttle & Stalnaker, PLLC personnel provided assistance with the State's GAAP conversion project and initial Comprehensive Annual Financial Report. Our Firm has served numerous other governmentally and nonprofit funded clients and similar entities requiring audits in accordance with *Government Auditing Standards*, developing a strong reputation for providing quality services in the West Virginia market. This preeminence in governmental and nonprofit services is not the result of casual experience acquired through an on-going accounting practice. Rather, it results from the commitment of our Firm to the highest standards of service in the governmental and nonprofit sector.

RELATED EXPERIENCE

We are particularly well suited to serve you since we have extensive experience serving the State of West Virginia and proprietary fund component units of the State including The West Virginia Lottery, and The West Virginia Workers' Compensation Division the West Virginia State Rail Authority and previous audits of the CWSRF. In conjunction with the West Virginia Lottery engagement, we assisted the Lottery with its submissions of its Certificate of Achievement for Excellence in Financial Reporting award winning Comprehensive Annual Financial Reports to the Government Finance Officers Association. In addition we assisted the Lottery with its preparation of the reconciliation forms submitted to the West Virginia Department of Administration, Financial and Reporting Section for the preparation of the State's CAFR.

EXTERNAL REVIEWS OF FIRM WORK

Our Firm's most recent peer review of our system of quality control performed by an independent CPA Firm in accordance with standards established by the American Institute of Certified Public Accountants was completed in 2005, and we received an unqualified opinion with no letter of comments. In accordance with peer review standards, the peer review included a review of selected specific governmental engagements. A copy of that report is included in this proposal.

DESK AND FIELD REVIEWS

Engagements performed by Suttle & Stalnaker, PLLC have been subjected to several federal desk and field reviews over the past three years. No significant issues were raised as a result of any of these reviews.

LITIGATION AND LIABILITY INSURANCE

The Firm has never had any litigation against it, and there is no pending litigation involving the Firm with any state regulatory bodies or professional organizations. The firm currently has two million dollars of liability insurance. The firm evaluates its insurance levels at least annually and obtains the level of coverage determined to be appropriate.

ACCOUNTING AND AUDITING

We have a strong reputation as auditors and business consultants to small and middle market companies, assisting in the analysis of business opportunities and threats, operations improvement, profit management, and design and installation of computer accounting and statistical systems. We are especially well known and respected for our experience and expertise in governmental and nonprofit entities, programs and activities, including Federal financial assistance programs, and cost allocation plans.

Our professionals are skilled in the unique financial reporting, accounting and auditing, and tax concerns of our clients as well as assisting them in such specialized projects as business financing, and operational analysis and improvement.

QUALITY CONTROL

The Firm is a member in good standing of the PKF International and the Private Companies Practice Section of the American Institute of Certified Public Accountants and as such is required to provide a minimum of 40 hours of continuing professional education for each professional on staff, have a complete quality control system in place which encompasses all five of the quality control elements established by the AICPA, and have a peer review at least every three years. The following is a brief summary of our policies as they relate to each quality control element.

Independence, Integrity and Objectivity - All personnel must maintain independence in all required circumstances, perform all professional responsibilities with integrity, and maintain objectivity in discharging professional responsibilities. All professional personnel must be familiar with and adhere to the independence rules, regulations, interpretations, and rulings of the AICPA, the State of West Virginia Board of Accountancy, the West Virginia Society of CPAs, the United States General Accounting Office, State statutes, and regulatory agencies under which we practice. In this regard, any transaction, event, or circumstance that would impair the Firm's independence on compilation, review, audit, forecast, projection, or attestation engagements is prohibited.

Personnel Management - Personnel Management encompasses hiring, assigning personnel to engagements, professional development, and advancement activities. Accordingly, policies and procedures have been established to provide the firm with reasonable assurance that-

- Those hired possess the appropriate characteristics to enable them to perform competently. Professional staff must normally have an accounting degree and a grade point average of at least 3.0 on a 4.0 scale.
- Work is assigned to personnel having the degree of technical training and proficiency required in the circumstances.

- Personnel participate in general and industry-specific continuing professional education and other professional development activities that enable them to fulfill responsibilities assigned. All professional personnel must comply with the continuing professional education requirements of the AICPA, the West Virginia State Board of Accountancy, and the U.S. General Accounting Office. Specifically, all professionals must obtain a minimum of 40 hours of continuing professional education per year. For persons involved in governmental auditing, at least 24 hours in any two-year period must be directly related to governmental accounting and auditing. All professional staff must maintain an adequate awareness and understanding of current developments in technical literature, and all professional staff must assist in the training and development of staff members under their supervision.
- Personnel selected for advancement must have the qualifications necessary for fulfillment of the responsibilities they will be called on to assume. These determinations are made based on periodic, objective evaluations of individual performances.

Engagement Performance - Engagement Performance encompasses all phases of the design and execution of the engagement. Our policies and procedures cover planning, performing, supervising, reviewing, documenting, and communicating the results of each engagement. Our Firm recognizes the need for a constant exchange of ideas and opinions about technical issues on all professional engagements, and it is our policy that all professional personnel seek consultation whenever they are uncertain about the answer to a technical question, the application of a professional procedure or standard, the application of a rule, regulation or procedure of a tax or other regulating agency, or the application of a Firm policy.

Acceptance and Continuance of Clients and Engagements - It is the policy of our Firm that on all compilation, review, audit, forecast, projection, and attestation engagements, the acceptability of the client be evaluated to assess the Firm's abilities to perform the services and the risks associated with providing the services before the Firm agrees to provide professional services.

Monitoring - It is the policy of our Firm that our quality control system be monitored on an ongoing basis to determine whether the Firm complies with its stated quality control policies and procedures.

The specific procedures utilized to ensure compliance with the above policies are enumerated in our formal Quality Control Document, which is available for your inspection upon request.

A review of the Firm's system of quality control was performed in 2005, in accordance with the AICPA's peer review program. An unqualified opinion with no letter of comments was received as a result of this review. A copy of that report is on the following pages.



Riney, Hancock & Co., PSC
Certified Public Accountants & Financial Advisors

2900 Veach Road, Suite 2
Owensboro, Kentucky 42303

270-926-4540
888-926-4540
Fax 270-926-1494
www.rineyhancock.com
E-mail: info@rineyhancock.com

To the Members
Suttle & Stalnaker, PLLC

We have reviewed the system of quality control for the accounting and auditing practice of Suttle & Stalnaker, PLLC (the firm) in effect for the year ended May 31, 2005. A system of quality control encompasses the firm's organizational structure, the policies adopted and procedures established to provide it with reasonable assurance of conforming with professional standards. The elements of quality control are described in the Statement on Quality Control Standards issued by the American Institute of Certified Public Accountants (AICPA). The firm is responsible for designing a system of quality control and complying with it to provide the firm reasonable assurance of conforming with 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 with the system of quality control based on our review.

Our review was conducted in accordance with standards established by the Peer Review Board of the AICPA. During our review, we read required representations from the firm, interviewed firm personnel and obtained an understanding of the nature of the firm's accounting and auditing practice, and the design of the firm's system of quality control sufficient to assess the risks implicit in its practice. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the firm's system of quality control. The engagements selected represented a reasonable cross-section of the firm's accounting and auditing practice with emphasis on higher-risk engagements. The engagements selected included, among others, audits of Employee Benefit Plans and engagements performed under *Government Auditing Standards*. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with firm management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the firm's accounting and auditing practice. In addition, we tested compliance with the firm's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the firm's policies and procedures on selected engagements. Our review was based on selected tests; therefore it would not necessarily disclose all weaknesses in the system of quality control or all instances of lack of compliance with it. There are inherent limitations in the effectiveness of any system of quality control and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control of future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Suttle & Stalnaker, PLLC
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In our opinion, the system of quality control for the accounting and auditing practice of Suttle & Stalnaker, PLLC in effect for the year ended May 31, 2005, has been designed to meet the requirements of the quality control standards for an accounting and auditing practice established by the AICPA and was complied with during the year then ended to provide the firm with reasonable assurance of conforming with professional standards.

Riney, Hancock & Co., PSC

Riney, Hancock & Co., PSC
Owensboro, Kentucky 42303
November 7, 2005

**ENGAGEMENT TEAM QUALIFICATION AND EXPERIENCE,
INCLUDING RESUMES**

ENGAGEMENT TEAM QUALIFICATIONS AND EXPERIENCE

We firmly believe that the true quality of service can be linked directly to competent people dedicated to excellence. The audit professionals selected to serve the Commission all have extensive governmental experience and prior State of West Virginia proprietary fund experience. We will provide for an organizational structure that ensures ongoing and knowledgeable supervision by management already familiar with numerous Commission issues to ensure maximum efficiency.

The following individuals will have responsibility to ensure that our services to the Commission meet your requirements. Their resumes are included on the following pages. Continuing education records will be made available if awarded this contract.

Horace Emery, CPA

Horace Emery will serve as Independent Member. He will be responsible for providing technical assistance and consulting on the engagement as needed. He will also perform the Independent Member review of the deliverables.

Chris Deweese, CPA

Chris Deweese, Member, has served as the engagement member and will be responsible for direct supervision of the engagement, including ensuring that all professional standard are met. He will be responsible for planning and immediate supervision of senior and staff accountants, as well as the detail review of workpapers and financial statement preparation.

Other

Additional staff will be assigned as necessary. Any professional staff will have at least a college degree from an accredited four-year college and be a true employee. Suttle & Stalnaker, PLLC continually strives to hire the best personnel available to serve our clients. We are committed to this effort in order to provide our clients with the high quality service they deserve.

HORACE W. EMERY, CPA

Member

Firm Responsibilities

Horace Emery is an audit partner whose responsibilities include providing technical assistance on all accounting and audit engagements, serving on the firm administration committee, and managing the Firm's continuing professional education program.

Experience

He has had over 28 years of diversified experience in public accounting with the firms of Suttle & Stalnaker, PLLC and Peat, Marwick, Main & Co. His extensive experience includes audits of nonprofit, governmental and healthcare entities as well as audits of retail wholesale, and manufacturing companies; reviews of accounting systems; and reviews of internal controls.

He has served as the engagement partner or independent partner during the past several years for numerous clients, including the following:

- West Virginia Bureau of Employment Programs
- West Virginia Workers' Compensation Division
- West Virginia PEIA - Financial and Compliance Audit
- West Virginia PEIA - Plan Document Compliance Review
- West Virginia Division of Highways
- West Virginia Department of Transportation
- West Virginia Lottery
- Minnesota Lottery
- West Virginia Water Pollution Control Revolving Fund - Enterprise Fund
- State of West Virginia - Single Audit
- West Virginia Department of Education - Agreed-upon Procedures
- State of West Virginia - Internal control project for the State Treasurer's Office
- Boone County Board of Education - Single Audit
- Putnam County Board of Education - Single Audit
- Kanawha County Board of Education - Single Audit
- Pendleton County Board of Education - Single Audit
- Tyler County Board of Education - Single Audit
- Gilmer County Board of Education - Single Audit
- Doddridge County Board of Education - Single Audit
- Roane County Board of Education - Single Audit
- BCKP Regional Intergovernmental Council

HORACE W. EMERY (Continued)

Education

Horace graduated from West Virginia University with a master's of business administration degree with an emphasis in accounting, and from Oberlin College with a Bachelor of Arts degree. He is a certified public accountant having received certificate number 1144 from the State of West Virginia.

Professional Activities

He is a member of the American Institute of Certified Public Accountants, West Virginia Society of Certified Public Accountants, and the Government Finance Officers Association. He currently serves on the Peer Review Committee of the West Virginia Society of Certified Public Accountants. He has planned local office professional development training programs for several years and has instructed several technical seminars. Horace also currently serves or has served as board member for the Charleston Light Opera Guild, Fund for the Arts, and The Clay Center for the Arts and Sciences - West Virginia.

CHRIS DEWEESE, CPA

Member

Firm Responsibilities

Chris is a member, and is responsible for helping develop and carryout the engagement plans for specific clients. These responsibilities include, but are not limited to, the development of the audit plan and audit program, communication with client during the course of the fieldwork, direct supervision of the audit staff and completion of the final audit report.

Experience

Chris has over 11 years of experience in public accounting during which time he has specialized in serving governmental entities. He has served as an auditor for the following clients:

- West Virginia Bureau of Employment Programs
- Bluefield State College
- Concord University
- Southern West Virginia Community & Technical College
- West Virginia School of Osteopathic Medicine
- New River Community & Technical College
- BCKP, Regional Intergovernmental Council
- West Virginia Department of Transportation
- West Virginia Division of Highways
- West Virginia Public Employees' Insurance Agency
- Sixteen Public Defender Corporation, Authority
- State of West Virginia, Single Audit, including the following:
 - West Virginia Bureau of Employment Programs
 - West Virginia Department of Education
 - West Virginia Department of Environmental Protection
 - West Virginia Department of Health and Human Resources
 - West Virginia Development Office
 - West Virginia Division of Rehabilitative Services
 - West Virginia University
 - Marshall University
- West Virginia Department of Health and Human Resources, Office of Audits, Research, and Analysis - Agreed Upon Procedures
- Thirteen County Boards of Education - Single Audits

CHRIS DEWEESE, (Continued)

Education

Chris graduated with a Bachelor's degree with a major in accounting from the University of Charleston. He is a certified public accountant having received certificate number 3961 from the State of West Virginia.

Professional Activities

Chris is a member of the American Institute of Certified Public Accountants, West Virginia Society of Certified Public Accountants, the Government Finance Officers Association, the Association of School Business Officials, and the Charleston Chapter of the West Virginia Society of Certified Public Accountants. He currently serves on the Government Interest Committee of the West Virginia Society of Certified Public Accountants and is the Past President of the Board of Directors of the Charleston Chapter of the West Virginia Society of Certified Public Accountants. In addition, he currently serves on the Accounting Procedures Committee of the Association of School Business Officials, the Special Review Committee of the Government Finance Officers Association for the GFOA Certificate of Excellence in Financial Reporting and is an associate member of the Association of Certified Fraud Examiners. Chris was the 2004 recipient of the Young CPA of the Year Award from the West Virginia Society of Certified Public Accountants.

PROFESSIONAL FEES

PROFESSIONAL FEES

We generally base our fees on the time required at our regular rates for the services and personnel assigned plus out-of-pocket costs and relevant computer charges. Our charges also include other appropriate factors, including the difficulty of the assignment, the degree of skill required, time limitations imposed on us by others, the experience and ability of the personnel assigned, and the value of the services to the client. We attempt to minimize our fees consistent with quality work. The extent to which we can do this depends on your personnel offering us clerical and other assistance to prepare schedules, perform analyses, and provide source documents.

We will attempt to minimize our fees consistent with quality work. The extent to which we can do this will depend on your personnel offering us clerical and other assistance to prepare schedules, perform analyses, and provide source documents. If we encounter circumstances not contemplated in preparing this estimate or management determines that additional procedures and/or testwork is needed, we will discuss them with you and arrive at a new fee arrangement.

We will be available throughout the year for additional consultation services on as needed basis and will bill for these services separately outside of this engagement. For consulting engagements requiring significant time, we will provide an estimate of the cost of the engagement for your approval prior to proceeding with the engagement. Our current hourly rates for these additional services are as follows:

If we encounter circumstances not contemplated in preparing this estimate, we will discuss them with you and arrive at a new fee arrangement. Fees for special projects, accounting assistance, significant assistance regarding new accounting and reporting requirements, consulting services, etc. will be charged separately. Assuming adequate records, internal controls, and assistance of your personnel, we estimate that our fees exclusive of out-of-pocket expenses are as follows:

Total	Hours	Rate	Fee
Partners/Members	15	\$245	\$ 3,675
Managers	15	\$155	2,325
Supervisory Staff	40	\$100	4,000
Audit Seniors	70	\$95	6,650
Staff Accountants	75	\$90	<u>6,750</u>
			<u>\$ 23,400</u>

This contract may be renewed for future years beyond June 30, 2007, upon mutual consent of both parties.

REQUEST FOR QUOTATION



State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Request for Quotation

RFQ NUMBER:
 DEP14100

PAGE:
 1

ADDRESS CORRESPONDENCE TO ATTENTION OF:
 CHUCK BOWMAN
 304-558-2157

VENDOR

*709043333 304-343-4126
 SUTTLE & STALNAKER PLLC
 THE VIRGINIA CENTER SUITE 100
 1411 VIRGINIA STREET EAST
 CHARLESTON WV 25301

SHIP TO

ENVIRONMENTAL PROTECTION
 DEPARTMENT OF
 OFFICE OF ADMINISTRATION
 601 57TH STREET SE
 CHARLESTON, WV
 25304 304-926-0499

DATE PRINTED	TERMS OF SALE	SHIP VIA	FOB	FREIGHT TERMS
06/06/2007				

BID OPENING DATE: **06/21/2007** BID OPENING TIME: **01:30PM**

LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
001	1	LS		946-20		
<p>AUDITING SERVICES</p> <p>THE WEST VIRGINIA PURCHASING DIVISION, FOR THE AGENCY, THE WEST VIRGINIA DEPARTMENT OF ENVIRONMENTAL PROTECTION, IS SOLICITING BIDS FROM QUALIFIED CPA FIRMS FOR A CONTRACT TO PROVIDE AUDITING SERVICES OF THE WEST VIRGINIA WATER POLLUTION CONTROL REVOLVING FUND, PER THE FOLLOWING SPECIFICATIONS, SCOPE OF WORK, BID REQUIRMENTS, AND TERMS & CONDITIONS.</p> <p>EXHIBIT 3</p> <p>LIFE OF CONTRACT: THIS CONTRACT BECOMES EFFECTIVE ON JULY 1, 2007 AND EXTENDS FOR A PERIOD OF ONE (1) YEAR OR UNTIL SUCH "REASONABLE TIME" THEREAFTER AS IS NECESSARY TO OBTAIN A NEW CONTRACT OR RENEW THE ORIGINAL CONTRACT. THE "REASONABLE TIME" PERIOD SHALL NOT EXCEED TWELVE (12) MONTHS. DURING THIS "REASONABLE TIME" THE VENDOR MAY TERMINATE THIS CONTRACT FOR ANY REASON UPON GIVING THE DIRECTOR OF PURCHASING 30 DAYS WRITTEN NOTICE.</p> <p>UNLESS SPECIFIC PROVISIONS ARE STIPULATED ELSEWHERE IN THIS CONTRACT DOCUMENT, THE TERMS, CONDITIONS AND PRICING SET HEREIN ARE FIRM FOR THE LIFE OF THE CONTRACT.</p> <p>RENEWAL: THIS CONTRACT MAY BE RENEWED UPON THE MUTUAL WRITTEN CONSENT OF THE SPENDING UNIT AND VENDOR, SUBMITTED TO THE DIRECTOR OF PURCHASING THIRTY (30)</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

NATURE: *Suttle & Stalaker, PLLC by CTD* TELEPHONE: *304.343.4126* DATE: *6/27/2007*

TITLE: *Member* FEIN: *55-05381103* ADDRESS CHANGES TO BE NOTED ABOVE

**GENERAL TERMS & CONDITIONS
REQUEST FOR QUOTATION (RFQ) AND REQUEST FOR PROPOSAL (RFP)**

1. Awards will be made in the best interest of the State of West Virginia.
2. The State may accept or reject in part, or in whole, any bid.
3. All quotations are governed by the *West Virginia Code* and the *Legislative Rules* of the Purchasing Division.
4. Prior to any award, the apparent successful vendor must be properly registered with the Purchasing Division and have paid the required \$125.00 registration fee.
5. All services performed or goods delivered under State Purchase Orders/Contracts are to be continued for the term of the Purchase Order/Contract, contingent upon funds being appropriated by the Legislature or otherwise being made available. In the event funds are not appropriated or otherwise available for these services or goods, this Purchase Order/Contract becomes void and of no effect after June 30.
6. Payment may only be made after the delivery and acceptance of goods or services.
7. Interest may be paid for late payment in accordance with the *West Virginia Code*.
8. Vendor preference will be granted upon written request in accordance with the *West Virginia Code*.
9. The State of West Virginia is exempt from federal and state taxes and will not pay or reimburse such taxes.
10. The Director of Purchasing may cancel any Purchase Order/Contract upon 30 days written notice to the seller.
11. The laws of the State of West Virginia and the *Legislative Rules* of the Purchasing Division shall govern all rights and duties under the Contract, including without limitation the validity of this Purchase Order/Contract.
12. Any reference to automatic renewal is hereby deleted. The Contract may be renewed only upon mutual written agreement of the parties.
13. **BANKRUPTCY:** In the event the vendor/contractor files for bankruptcy protection, this contract is automatically null and void, and is terminated without further order.
14. **HIPAA Business Associate Addendum** - The West Virginia State Government HIPAA Business Associate Addendum (BAA), approved by the Attorney General, and available online at the Purchasing Division's web site (<http://www.state.wv.us/admin/purchase/vrc/hipaa.htm>) is hereby made part of the agreement. Provided that, the Agency meets the definition of a Covered Entity (45 CFR §160.103) and will be disclosing Protected Health Information (45 CFR §160.103) to the vendor.

INSTRUCTIONS TO BIDDERS

1. Use the quotation forms provided by the Purchasing Division.
2. **SPECIFICATIONS:** Items offered must be in compliance with the specifications. Any deviation from the specifications must be clearly indicated by the bidder. Alternates offered by the bidder as **EQUAL** to the specifications must be clearly defined. A bidder offering an alternate should attach complete specifications and literature to the bid. The Purchasing Division may waive minor deviations to specifications.
3. Complete all sections of the quotation form.
4. Unit prices shall prevail in cases of discrepancy.
5. All quotations are considered F.O.B. destination unless alternate shipping terms are clearly identified in the quotation.
6. **BID SUBMISSION:** All quotations must be delivered by the bidder to the office listed below prior to the date and time of the bid opening. Failure of the bidder to deliver the quotations on time will result in bid disqualifications.

SIGNED BID TO:

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



State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Request for Quotation

RFQ NUMBER
DEP14100

PAGE
2

ADDRESS CORRESPONDENCE TO ATTENTION OF
CHUCK BOWMAN 304-558-2157

S U B J E C T

*709043333 304-343-4126
 SUTTLE & STALNAKER PLLC
 THE VIRGINIA CENTER SUITE 100
 1411 VIRGINIA STREET EAST
 CHARLESTON WV 25301

S H I P T O

ENVIRONMENTAL PROTECTION
 DEPARTMENT OF
 OFFICE OF ADMINISTRATION
 601 57TH STREET SE
 CHARLESTON, WV
 25304 304-926-0499

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
06/06/2007				

BID OPENING DATE: **06/21/2007** BID OPENING TIME **01:30PM**

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
<p>DAYS PRIOR TO THE EXPIRATION DATE. SUCH RENEWAL SHALL BE IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THE ORIGINAL CONTRACT AND SHALL BE LIMITED TO TWO (2) ONE (1) YEAR PERIODS.</p> <p>CANCELLATION: THE DIRECTOR OF PURCHASING RESERVES THE RIGHT TO CANCEL THIS CONTRACT IMMEDIATELY UPON WRITTEN NOTICE TO THE VENDOR IF THE COMMODITIES AND/OR SERVICES SUPPLIED ARE OF AN INFERIOR QUALITY OR DO NOT CONFORM TO THE SPECIFICATIONS OF THE BID AND CONTRACT HEREIN.</p> <p>OPEN MARKET CLAUSE: THE DIRECTOR OF PURCHASING MAY AUTHORIZE A SPENDING UNIT TO PURCHASE ON THE OPEN MARKET, WITHOUT THE FILING OF A REQUISITION OR COST ESTIMATE, ITEMS SPECIFIED ON THIS CONTRACT FOR IMMEDIATE DELIVERY IN EMERGENCIES DUE TO UNFORESEEN CAUSES (INCLUDING BUT NOT LIMITED TO DELAYS IN TRANSPORTATION OR AN UNANTICIPATED INCREASE IN THE VOLUME OF WORK.)</p> <p>QUANTITIES: QUANTITIES LISTED IN THE REQUISITION ARE APPROXIMATIONS ONLY, BASED ON ESTIMATES SUPPLIED BY THE STATE SPENDING UNIT. 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.</p> <p>BANKRUPTCY: IN THE EVENT THE VENDOR/CONTRACTOR FILES FOR BANKRUPTCY PROTECTION, THIS CONTRACT IS AUTOMATICALLY NULL AND VOID, AND IS TERMINATED WITHOUT FURTHER ORDER.</p> <p>THE TERMS AND CONDITIONS CONTAINED IN THIS CONTRACT SHALL SUPERSEDE ANY AND ALL SUBSEQUENT TERMS AND CONDITIONS WHICH MAY APPEAR ON ANY ATTACHED PRINTED DOCUMENTS SUCH AS PRICE LISTS, ORDER FORMS, SALES</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

NATURE	TELEPHONE	DATE
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TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE
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State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Request for Quotation

RFO NUMBER
DEP14100

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ADDRESS CORRESPONDENCE TO ATTENTION OF
**CHUCK BOWMAN
 304-558-2157**

VENDOR

*709043333 304-343-4126
 SUTTLE & STALNAKER PLLC
 THE VIRGINIA CENTER SUITE 100
 1411 VIRGINIA STREET EAST
 CHARLESTON WV 25301

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DATE PRINTED 06/06/2007	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
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BID OPENING DATE: **06/21/2007** BID OPENING TIME **01:30PM**

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
				AGREEMENTS OR MAINTENANCE AGREEMENTS, INCLUDING ANY ELECTRONIC MEDIUM SUCH AS CD-ROM. REV. 04/11/2001		
				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).		
				A. APPLICATION IS MADE FOR 2.5% 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		
				(X) BIDDER IS A PARTNERSHIP, ASSOCIATION OR CORPORATION RESIDENT VENDOR AND HAS MAINTAINED ITS HEAD-QUARTERS 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 CORPORATION 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		

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

TITLE	FEIN	TELEPHONE	DATE
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ADDRESS CHANGES TO BE NOTED ABOVE



State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Request for Quotation

RFQ NUMBER
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VENDOR

*709043333 304-343-4126
 SUTTLE & STALNAKER PLLC
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 1411 VIRGINIA STREET EAST
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LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
<p>BUSINESS WITHIN WEST VIRGINIA CONTINUOUSLY FOR THE FOUR (4) YEARS IMMEDIATELY PRECEDING THE DATE OF THIS CERTIFICATION.</p> <p>B. APPLICATION IS MADE FOR 2.5% PREFERENCE FOR THE REASON CHECKED:</p> <p><input checked="" type="checkbox"/> 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;</p> <p>OR</p> <p><input type="checkbox"/> 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 BIDDERS' 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.</p> <p>BIDDER UNDERSTANDS IF THE SECRETARY OF TAX & 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) RESCIND THE CONTRACT OR PURCHASE ORDER ISSUED; 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.</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

NATURE	TELEPHONE	DATE
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TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE
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State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Request for Quotation

RFQ NUMBER
DEP14100

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ADDRESS CORRESPONDENCE TO ATTENTION OF
CHUCK BOWMAN 304-558-2157

RODNEY VANDER

*709043333 304-343-4126
 SUTTLE & STALNAKER PLLC
 THE VIRGINIA CENTER SUITE 100
 1411 VIRGINIA STREET EAST
 CHARLESTON WV 25301

SHIP TO

ENVIRONMENTAL PROTECTION
 DEPARTMENT OF
 OFFICE OF ADMINISTRATION
 601 57TH STREET SE
 CHARLESTON, WV
 25304 304-926-0499

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
06/06/2007				

BID OPENING DATE: **06/21/2007** BID OPENING TIME: **01:30PM**

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
<p>BY SUBMISSION OF THIS CERTIFICATE, BIDDER AGREES TO DISCLOSE ANY REASONABLY REQUESTED INFORMATION TO THE PURCHASING DIVISION AND AUTHORIZES THE DEPARTMENT OF TAX AND 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.</p> <p>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.</p> <p>BIDDER: <u>Suttle + Stalaker, PLLC</u></p> <p>DATE: <u>6/27/2007</u></p> <p>SIGNED: <u>Suttle & Stalaker, PLLC</u></p> <p>TITLE: <u>Member</u></p> <p>* CHECK ANY COMBINATION OF PREFERENCE CONSIDERATION(S) IN EITHER "A" OR "B", OR BOTH "A" AND "B" WHICH YOU ARE ENTITLED TO RECEIVE. YOU MAY REQUEST UP TO THE MAXIMUM 5% PREFERENCE FOR BOTH "A" AND "B". (REV. 12/00)</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS		
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ADDRESS CORRESPONDENCE TO ATTENTION OF
 CHUCK BOWMAN
 304-558-2157

S U P P L I E R

*709043333 304-343-4126
 SUTTLE & STALNAKER PLLC
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 CHARLESTON WV 25301

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LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
<p>NOTICE</p> <p>A SIGNED BID MUST BE SUBMITTED TO:</p> <p>DEPARTMENT OF ADMINISTRATION PURCHASING DIVISION BUILDING 15 2019 WASHINGTON STREET, EAST CHARLESTON, WV 25305-0130</p> <p>THE BID SHOULD CONTAIN THIS INFORMATION ON THE FACE OF THE ENVELOPE OR THE BID MAY NOT BE CONSIDERED:</p> <p>SEALED BID</p> <p>BUYER: CB-23</p> <p>RFQ. NO.: DEP14100</p> <p>BID OPENING DATE: 06/21/2007</p> <p>BID OPENING TIME: 1:30 PM</p> <p>PLEASE PROVIDE A FAX NUMBER IN CASE IT IS NECESSARY TO CONTACT YOU REGARDING YOUR BID:</p> <p style="text-align: center;">----- 304-343-8008 -----</p> <p>CONTACT PERSON (PLEASE PRINT CLEARLY):</p>						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS			
NATURE	TELEPHONE	DATE	
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State of West Virginia
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Request for Quotation

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ADDRESS CORRESPONDENCE TO ATTENTION OF:
CHUCK BOWMAN
304-558-2157

VENDOR

*709043333 304-343-4126
SUTTLE & STALNAKER PLLC.
THE VIRGINIA CENTER SUITE 100
1411 VIRGINIA STREET EAST
CHARLESTON WV 25301

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25304 **304-926-0499**

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
06/06/2007				

BID OPENING DATE: **06/21/2007** **BID OPENING TIME 01:30PM**

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
----- Chris Deweese, CPA -----						
***** THIS IS THE END OF RFQ DEP14100 ***** TOTAL:						_____

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE _____ TELEPHONE _____ DATE _____

TITLE _____ FEIN _____ ADDRESS CHANGES TO BE NOTED ABOVE

**STATE OF WEST VIRGINIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION**

**REQUEST FOR QUOTATIONS
FOR
PROFESSIONAL AUDITING SERVICES**

**OF THE
WEST VIRGINIA WATER POLLUTION CONTROL
REVOLVING FUND**

I. NATURE OF SERVICES REQUESTED

A. General

The Department of Environmental Protection (Department) is soliciting the service of qualified firms of Certified Public Accountants to audit the West Virginia Water Pollution Control Revolving Fund, also known as the Clean Water State Revolving Fund (CWSRF) for the fiscal year ending June 30, 2007.

B. Scope of Work to be Performed

The Department requires 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.

C. Auditing Standards to be Followed

To meet the requirements of this Request for Quotations, the audit shall be performed in accordance with Generally Accepted Auditing Standards as set forth by the American Institute of Certified Public Accountants and Government Auditing Standards issued by the Comptroller General of the United States.

D. Reports to be Issued

Following the completion of the audit of the financial statements, the auditor shall issue a report on their fair presentation in conformity with Generally Accepted Accounting Principles; a report on the internal controls and a report on compliance with Title VI of the Clean Water Act.

Irregularities and illegal acts.

Auditors shall be required to make an immediate, written report of all irregularities and illegal acts of which they become aware to the Comptroller of the Financial Accounting and Reporting Section (FARS) under the authority of Section 5A-2-33 of the State Code, as well as to the Secretary of the Department, the Division Director of the Division of Water and Waste Management (DWWM) and the Department's Controller.

Reporting to the Department's Secretary.

The auditors shall assure themselves that the Department is informed of each of the following:

1. The auditor's responsibility under Generally Accepted Accounting Principles.
2. Significant accounting policies.
3. Other information in documents containing audited financial statements.
4. Disagreements with management.
5. Difficulties encountered in performing the audit.

E. Special Considerations

The audit of the CWSRF is funded by the United States Environmental Protection Agency (USEPA).

Federal and State audit requirements.

1. The auditor will include a reasonable period of time for meetings with USEPA in the bid.
2. The per hour rate will be spelled out in the bid so that only hours actually spent with USEPA will be charged at the rate.
3. Any anticipated travel must be incorporated into the vendor's fee. No travel will be reimbursed by the State and is the sole responsibility of the vendor.

F. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a period of five (5) years, unless the firm is notified in writing by the Department of the need to extend the retention period. The auditor will be required to make working papers available, upon request, to the following parties or their designees:

Controller
 Department of Environmental Protection
 State of West Virginia

Financial Accounting and Reporting Section
 Department of Administration
 State of West Virginia

United States Environmental Protection Agency
 1650 Arch Street
 Philadelphia, PA 19103-2029

In addition, the firm shall respond to the reasonable inquiries of successor audit firms and federal grantors and allow the review of working papers relating to matters of continuing accounting significance.

II. DESCRIPTION OF THE WATER POLLUTION CONTROL REVOLVING FUND

A. Names and Telephone Number of Contact Persons and Location of Offices

The auditor's principal contact with the Division will be the Controller or a designated representative who will coordinate the assistance to be provided by the Department to the auditors.

LIST OF KEY POSITIONS, OFFICE LOCATIONS AND TELEPHONE NUMBERS

Mike Johnson
Program Manager
601 57th Street, S.E.
Charleston, WV 25304
Telephone: 926-0499 ext. 1611

Ramona S. Dickson, CPA
Controller
601 57th Street, S.E.
Charleston, WV 25304
Telephone: 926-0499 ext. 1551

Jennifer R. Paxton, CPA
Accounting & Financial Reporting Manager
601 57th Street, S.E.
Charleston, WV 25304
Telephone: 926-0499 ext.1565

B. Background Information

The Water Pollution Control Revolving Fund (CWSRF) 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. The purpose of this fund is to:

- 1) Provide low interest loans to communities that require sewer service either by upgrading the existing wastewater system or establishing a new utility.
- 2) "Clean" up the State's water supply, and
- 3) Exist in perpetuity by administering the principal, administrative fees and interest earned from the repayment of loans.

The WVDEP Division of Water and Waste Management maintains responsibility for the operation and general management of this fund. The fund has been in operation since November 1, 1991.

The source of revenue for the CWSRF includes principal repayments, interest earnings both on the loans made and from the subsequent investments of these payments with the

Investment Management Board, administrative fees, Federal Grants and the 20% state match funds provided by the West Virginia Infrastructure and Jobs and Development Council.

Once the project has met all pre-construction technical and administrative requirements, the loan recipients are allowed to go to bid. A bid package is submitted for review and authorization before loan closing is set. The Water Development Authority (WDA) is the Program's bank. The WDA bond counsel takes the necessary steps to insure the bonds payable by the locality to the CWSRF are properly issued. The WDA also monitors the loans to ensure that the repayment schedules are being met.

The loan recipients make the principal, interest and administrative fee repayments directly to the Municipal Bond Commission (MBC). The MBC calculates the interest due on each repayment and maintains the repayment schedules. The MBC transfers the funds collected to the CWSRF on a quarterly basis. The funds, if not currently required, are then invested with the Investment Management Board.

C. Department Structure/Method of Reporting

The Water Pollution Control Revolving Fund is administered by the Division of Water and Waste Management, with oversight by the Office of Administration, Fiscal Services.

The CWSRF operates as a special revenue fund of the Department. The fund is accounted for and reported as an enterprise business-type fund in West Virginia's Comprehensive Annual Financial Report and in separately reported financial statements.

D. Maintenance and Tracking of Financial Operations

The financial operations of the Department are maintained as follows:

Hardware:

- Cisco (routers, fast Ethernet switches, firewall services, vpn solution, etc.)
- IBM xSeries 342 Type: 8669 servers (file/print services, data storage, web hosting, data processing, etc.)
- IBM Storage Area Network (SAN) solution
- Silicon Graphics servers

Network Operating Systems:

- Novell Netware (user data/file/print services proxy services email)
- Microsoft Server (web server applications, Internet/Intranet content)
- IRIX (GIS data and applications)
- Linux (Oracle database functionality)

Personal Computer Operating Systems and Applications:

- Microsoft Windows 2000
- Microsoft Windows XP

- Microsoft Office Suite (Word, Excel, Access, Powerpoint)
- Group Wise email
- Passport 3270 emulation software (telnet/mainframe access software)
- WordPerfect
- GIS Applications (ArcView, ArcInfo, etc.)
- Crystal Reporting
- Internet Explorer
- ERIS (Environmental Resource Information System)

Outside Systems Utilized:

- State Mainframe (FIMS, EPICS, Inventory, etc.)
- AVS (Office of Surface Mining Violator System)

CWSRF financial statements are currently maintained using Microsoft Excel. However, the CWSRF Project Manager is being implemented. Project Manager is a Microsoft Access-based software application designed to help states manage the financial and technical aspect of their projects.

E. Availability of Audit Reports and Work Papers

Reports and work papers for the Fund's fiscal years 2005 and 2006 will be made available upon request from the WVDEP Controller.

F. Audit of Investments

The CWSRF's investment portfolio is managed by and in the custody of the Investment Management Board (IMB) of the State of West Virginia. The IMB is audited annually by independent Certified Public Accountants. The auditor will be required by the Department to rely on this audit work to the fullest extent.

III. TIME REQUIREMENTS

A. Terms of Engagement

The contract is to audit the trial balance and the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and the Statement of Cash Flows for the fiscal year ending June 30, 2007.

B. Timetable for Completion of Audit

Conference	Within 2 weeks of Notice to Proceed.
Field work completed and draft financial statements	August 31, 2007
Exit conference and draft audit report	September 24, 2007
Final audit report	October 5, 2007

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

Thirty signed copies of the Independent Auditor's Report on the firm's letterhead will be delivered to the Controller.

IV. ASSISTANCE TO BE PROVIDED TO THE AUDITOR AND REPORT PREPARATION

A. Fiscal Services Office and Clerical Assistance

Fiscal Services office staff and responsible management personnel will be available during the audit to assist the firm by providing information documentation and explanations. The preparation of confirmations, including copies for Fiscal Services, will be the responsibility of the auditor.

B. Fiscal Services Staff Assistance

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

C. Report Preparation

Report preparation, editing, and printing shall be the responsibility of the auditor.

V. TOTAL ALL-INCLUSIVE MAXIMUM PRICE

Cost Proposal

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

Rates by Partner, Specialist, Supervisory and Staff Level Time Hours Anticipated for Each

	HOURS	HOURLY RATE	TOTAL
Partners		\$	\$
Managers		\$	\$
Supervisory Staff		\$	\$
Audit Seniors		\$	\$
Other (Specify)		\$	\$
TOTAL			\$

Please see page 30 of our submission.

STATE OF WEST VIRGINIA
Purchasing Division

016

PURCHASING AFFIDAVIT

West Virginia Code §5A-3-10a states: 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 the debt owned is an amount greater than one thousand dollars in the aggregate

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.

"Debtor" means any individual, corporation, partnership, association, limited liability company or any other form or business association owing a debt to the state or any of its political subdivisions. "Political subdivision" means any county commission; municipality; county board of education; any instrumentality established by a county or municipality; any separate corporation or instrumentality established by one or more counties or municipalities, as permitted by law; or any public body charged by law with the performance of a government function or whose jurisdiction is coextensive with one or more counties or municipalities. "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.

EXCEPTION: The prohibition of this section does not apply where a vendor has contested any tax administered pursuant to chapter eleven of this 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.

LICENSING: Vendors 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 agencies or political subdivision. Furthermore, the vendor must provide all necessary releases to obtain information to enable the Director or spending unit to verify that the vendor is licensed and in good standing with the above entities.

CONFIDENTIALITY: The vendor agrees that he or she 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. Vendors should visit www.state.wv.us/admin/purchase/privacy for the Notice of Agency Confidentiality Policies.

Under penalty of law for false swearing (West Virginia Code, §61-5-3), it is hereby certified that the vendor acknowledges the information in this said affidavit and are in compliance with the requirements as stated.

Vendor's Name: Suttle + Stalnaker, PLLC

Authorized Signature: Suttle + Stalnaker, PLLC by [Signature] Date: 6/27/2007



State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Request for Quotation

RFQ NUMBER
DEP14100

PAGE
1

ADDRESS CORRESPONDENCE TO ATTENTION OF
CHUCK BOWMAN
304-558-2157

VENDOR

*709043333 304-343-4126
 SUTTLE & STALNAKER PLLC
 THE VIRGINIA CENTER SUITE 100
 1411 VIRGINIA STREET EAST
 CHARLESTON WV 25301

SHIP TO

ENVIRONMENTAL PROTECTION
 DEPARTMENT OF
 OFFICE OF ADMINISTRATION
 601 57TH STREET SE
 CHARLESTON, WV
 25304 304-926-0499

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
06/14/2007				

BID OPENING DATE: **06/27/2007** BID OPENING TIME **01:30PM**

LINE	QUANTITY	UOP	CAT NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
***** ADDENDUM NO. 1 *****						
ADDENDUM ISSUED FOR THE AUDITING SERVICES CONTRACT TO ADD THE REPORTS AND PAPERS FOR THE FUND'S FISCAL YEARS 2005 & 2006, PER VENDOR REQUEST AS ALLOWED IN THE SPECIFICATIONS SECTION II.E. ON PAGE 13 OF THE RFQ.						
BID DATE AND OPENING HAVE BEEN EXTENDED TO: 06/27/2007 AT 1:30 PM.						
***** NO OTHER CHANGES *****						
001	1	LS		946-20		
AUDITING SERVICES						

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

NATURE	TELEPHONE	DATE
--------	-----------	------

TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE
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Audited Financial Statements
with Other Financial Information

The West Virginia Water Pollution
Control Revolving Fund

Years Ended June 30, 2006 and 2005

Audited Financial Statements
with Other Financial Information

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

Years Ended June 30, 2006 and 2005

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INDEPENDENT AUDITORS' REPORT

West Virginia Water Pollution
Control Revolving Fund
Charleston, West Virginia

We have audited the accompanying statement of net assets of the West Virginia Water Pollution Control Revolving Fund (the Fund), a component unit of the State of West Virginia, as of June 30, 2006 and 2005, and the related statements of revenues, expenses and changes in fund net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fund as of June 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 to 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of individual fund activity on pages 29 to 31 and the other financial information on pages 36 to 40 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Johnson & Kawasch

September 15, 2006

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, 2006. The Fund operates as the State's Clean Water State Revolving Fund 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 assets was approximately 6.6% or \$28.3 million. The increase in net assets was due mainly to an increase in loans receivable.

Operating expenses of the Water Pollution Control Revolving Fund program were 3.8% less than FY2005.

During the fiscal year the Fund had operating revenue that exceeded operating expenses by \$1,664,974. This is a 42.6% increase over last fiscal year and is due to increases in revenue from administrative fees and interest income on loans plus decreases in central support allocation of overhead expense and contractual expense.

The Fund's operating revenue of \$3.383 million was a 14.6% increase over FY2005. This increase, again, 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 four years.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows on pages 9 to 12, respectively, 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 29 to 31.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

-UNAUDITED-

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 Assets and Statement of Revenues, Expenses and Changes in Fund Net Assets.

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.

State law also provides that the West Virginia Water Development Authority (WDA) be responsible for monitoring detailed financial transactions of the CWSRF. WDA assists DEP in loan closings, repayments monitoring, and other financial transactions. WDA is a State bond bank that has been in existence for over 25 years.

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
- On-Site Systems Loan Program.

MANAGEMENT'S DISCUSSION AND ANALYSIS

-UNAUDITED-

The West Virginia Water Pollution Control Revolving Fund as a Whole

Table 1
Net Assets
(in thousands)

	<u>2006</u>	<u>2005</u>
Current assets	\$ 100,234	\$ 90,407
Non current assets	357,780	339,309
Total assets	<u>458,014</u>	<u>429,716</u>
Current liabilities	(45)	(88)
Other liabilities	(362)	(329)
Total liabilities	<u>(407)</u>	<u>(417)</u>
Net assets:		
Total restricted net assets	<u>457,607</u>	<u>\$ 429,299</u>

The net assets increased by \$28.3 million or around 6.6% during the fiscal year ended June 30, 2006. Fiscal Year 2006 represented the receipt of the 15th Clean Water State Revolving Fund (CWSRF) 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. "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, our program began using the 2000 census as a basis for determining the interest rate and loan term based on median household income.

MANAGEMENT'S DISCUSSION AND ANALYSIS

-UNAUDITED-

Table 2
Revenues, Expenses, and Changes in Fund Net Assets
(in thousands)

	2006	2005
Operating revenues:		
Interest income on loans	\$ 1,954	\$ 1,744
Administration fees on loans	1,429	1,210
	<u>3,383</u>	<u>2,954</u>
Operating expenses	<u>1,718</u>	<u>1,786</u>
Total operating income	1,665	\$ 1,168
Non-operating revenue:		
Investment income	<u>3,033</u>	<u>\$ 1,344</u>
Income before capital grants and contributions	4,698	2,512
Capital grants and contributions	<u>23,609</u>	<u>39,785</u>
Change in net assets	<u>\$ 28,307</u>	<u>\$ 42,297</u>

Revenue for fiscal year 2006 was positively impacted by a \$1.689 million increase in investment income. This was due to a recovery of the rate of return on investments. The rate at June 30, 2006 and 2005, respectively, was 5% and 3%.

Capital Asset and Debt Administration

The Fund does not own any land, buildings, equipment or infrastructure.

Significant Facts, Decisions or Conditions

Our grant award for FY 2006 was \$16,798,100 with a required state match of \$3,359,620. This latest award was actually an amendment to the FY2005 grant. The state match was provided by the West Virginia Infrastructure and Jobs Development Council and deposited in the CWSRF account.

MANAGEMENT'S DISCUSSION AND ANALYSIS

-UNAUDITED-

The average federal allocation had been \$20 million through FY2004. The 2005 federal allocation dropped to \$16,798,100. The FY2006 capitalization grant award represents an 18% reduction from the previous federal grant received and was awarded on September 27, 2006 for \$13,650,912 to the CWSRF. Finally, the President's proposed budget for FY2007 cuts the federal funding levels once again by 22% for the CWSRF program.

The CWSRF program experienced a decline in FY2006 in terms of loan assistance provided to projects initiating construction. Certainly the effects of the 2005 hurricane season played a major role in affecting pipe availability, prices and ultimately, the bidding of projects. It is hoped that in calendar years 2006 and 2007 the construction industry will return to normal stability so that more projects are able to bid and begin construction. A multi-agency task force initiated by the Contractor's Association meets often to discuss issues of importance to the construction industry.

The number of loans in monetary and technical default decreased during FY2006. The West Virginia Water Development Authority monitors all of these situations and takes appropriate action, when necessary, to cure these deficiencies. A detailed report on each of these entities with loan deficiencies is contained in the CWSRF annual report for FY2006. There is one (1) loan for approximately \$15.5 million in default that equates to a delinquency rate of 3.2%. The major reasons for this lone default is delayed construction hook up of another community that was unable to make payments and contractor problems. All customers were online as of May 2006 and revenues were close to what was anticipated. The Fund does not expect a permanent default and anticipates the loan recipient will continue to reduce the default amount in coming months.

Deficiencies in reserves decreased by \$300,000. Restrictions placed by the Public Service Commission (PSC), decrease in water usage, and population decline are the main causes for loan recipients using their reserves to make loan principal payments. Seven of the sixteen with deficient reserves are requesting or have rate increases before the PSC.

Previously, a policy placed a ceiling of 50% of the current year's available loan funds to any single recipient. The demand for SRF funds has exceeded the availability of funds. In FY2006, the policy restricting maximum allowable funds was lifted. This practice will be reviewed annually.

Beginning in FY2005, we established a plan for multimillion-dollar projects that cannot be scoped down to a reasonable cost. In this plan a specific dollar amount of the SRF participation is committed to a Bond Anticipation Note (BAN). Each year the SRF will commit an amount in repayment funds based on the amount of the BAN. The loan will be closed 6 to 9 months following proposed construction completion. Repayment will begin the first full Municipal Bond Commission quarter following loan closing. During FY2006 one of these multimillion-dollar projects occurred.

MANAGEMENT'S DISCUSSION AND ANALYSIS

-UNAUDITED-

During FY2006 a programmatic change was made in which all future loan commitments made in FY2007 and the remainder of FY2006 were designated as "non-equivalency", meaning no federal requirements would be imposed on these loan recipients. This action will help to reduce the overall project costs on future projects.

Also during FY06, the Division of Water and Waste Management reorganized which affected the CWSRF program. Both the Engineering and the Management Sections were moved back under one Assistant Director of the Division. This has improved program efficiency and effectiveness. Also in May 2006, a new "acting" leader of the Engineering Section was named to replace the previous section leader who moved to a different position within the CWSRF program.

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 WVDEP at 601 57TH Street S.E., Charleston, WV 25304 or the State Revolving Fund at 601 57TH Street S.E., Charleston, WV 25304, 304-926-0440.

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

STATEMENT OF NET ASSETS

June 30, 2006 and 2005

	2006	2005
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 80,505,357	\$ 72,418,411
Receivables:		
Due from U.S. Environmental Protection Agency	58,187	84,534
Due from West Virginia Department of Environmental Protection	23,835	61,367
Interest on loans	171,246	164,778
Administrative fees on loans	123,584	115,336
Current maturities of loans receivable	19,352,073	17,562,557
Total current assets	100,234,282	90,406,983
Loans receivable, net of current maturities	357,779,681	339,309,386
Total assets	\$ 458,013,963	\$ 429,716,369
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	28,947	30,515
Due to WV Department of Environmental Protection	15,921	57,153
Total current liabilities	44,868	87,668
Compensated absences	362,468	329,396
Total liabilities	407,336	417,064
<u>NET ASSETS</u>		
Net assets, restricted	457,606,627	429,299,305
Total net assets	\$ 457,606,627	\$ 429,299,305

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 ASSETS

Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Interest on loans	\$ 1,954,190	\$ 1,743,276
Administrative fees	1,429,254	1,210,160
	<u>3,383,444</u>	<u>2,953,436</u>
Operating expenses:		
Personnel costs	1,276,035	1,238,064
Other administrative costs	442,435	547,851
	<u>1,718,470</u>	<u>1,785,915</u>
Total operating income	1,664,974	1,167,521
Non-operating revenues:		
Investment income	<u>3,032,925</u>	<u>1,344,120</u>
Income before capital grants and contributions	<u>4,697,899</u>	<u>2,511,641</u>
Capital grants and contributions:		
U.S. Environmental Protection Agency	20,241,737	31,477,847
State of West Virginia	3,367,686	8,307,321
	<u>23,609,423</u>	<u>39,785,168</u>
Change in net assets	28,307,322	42,296,809
Net assets, beginning of year	<u>429,299,305</u>	<u>387,002,496</u>
Net assets, end of year	<u>\$ 457,606,627</u>	<u>\$ 429,299,305</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, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating activities:		
Cash payments for:		
Loans originated	\$(37,879,655)	\$(60,671,635)
Personnel expenses	(1,251,295)	(1,262,898)
Administrative expenses	(439,371)	(578,760)
Cash receipts for:		
Principal repayments	17,619,844	15,909,323
Interest on loans revenue	1,947,722	1,720,212
Administrative fee revenue	1,421,006	1,188,416
	<u>(18,581,749)</u>	<u>(43,695,342)</u>
Net cash used in operating activities		
Capital and related financing activities:		
Decrease in escrow for Hinton projects	-	(768,126)
Capital grants and contributions from the U.S. Environmental Protection Agency	20,268,084	34,346,928
Capital grants and contributions from the State of West Virginia	3,367,686	8,307,321
	<u>23,635,770</u>	<u>41,886,123</u>
Net cash provided by capital and related financing activities		
Investing activities:		
Investment income	3,032,925	1,344,120
	<u>8,086,946</u>	<u>(465,099)</u>
Net increase (decrease) in cash		
Cash and cash equivalents balance, beginning of year	72,418,411	72,883,510
	<u>\$ 80,505,357</u>	<u>\$ 72,418,411</u>
Cash and cash equivalents, end of year		

(Continued)

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

STATEMENT OF CASH FLOWS
(Continued)

Years Ended June 30, 2006 and 2005

Reconciliation of operating income to cash used in operating activities:

	<u>2006</u>	<u>2005</u>
Operating income	\$ 1,664,974	\$ 1,167,521
Adjustments to reconcile net income to cash provided by operating activities:		
Increase in loans receivable, net	(20,259,811)	(44,762,312)
(Increase) decrease in other receivables	22,816	(82,568)
Increase (decrease) in due to WV Department of Environmental Protection	(41,232)	35,283
Increase (decrease) in compensated absences	33,072	(28,349)
Decrease in accounts payable	(1,568)	(24,917)
	<u>\$(18,581,749)</u>	<u>\$(43,695,342)</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, 2006, Congress authorized the EPA to award \$363,872,475 in capital grants and contributions to the Fund. The State of West Virginia is required to contribute \$72,798,072 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 a component unit of the State of West Virginia and 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

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

economic resources measurement focus. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when incurred. As permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary 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) as of June 30, 2006 and the West Virginia Investment Management Board (IMB) as of June 30, 2005, 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
(Continued)

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

The Fund's accrued compensated absences totaled \$362,468 and \$329,396 at June 30, 2006 and 2005, respectively, for estimated unfunded obligations that may arise in connection with compensated absences for vacation and sick leave. Employees fully vest in all earned but unused vacation. In accordance with State personnel policies, employees hired prior to July 1, 2001 vest in unused sick leave only upon retirement, at which time such unused leave can be converted into employer paid premiums for postretirement health care coverage or additional periods of credited service for purposes of determining retirement benefits. Employees hired subsequent to June 30, 2001 do not vest in unused sick leave.

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 Assets

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

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of deposits with the State Treasurer's Office, the BTI, and the IMB.

At June 30, 2006 and 2005, the balances with each were as follows:

	2006	2005
State Treasurer's Office	\$ -	\$ 11,783
BTI	80,505,357	-
IMB	-	72,406,628
Total	<u>\$ 80,505,357</u>	<u>\$ 72,418,411</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 as of June 30, 2006 and the IMB as of June 30, 2005 for investment in accordance with the West Virginia Code, policies set by the BTI and IMB, and provisions of bond indentures and trust agreements when applicable. The Fund's cash balances are invested with the BTI and IMB in investment pools.

Deposits with BTI and IMB at June 30, 2006 and 2005, were invested in two investment pools as follows:

	2006	2005
Cash liquidity pool	\$ 76,501,707	\$ 69,724,445
Government money market pool	4,003,650	2,682,183
Total investments	<u>\$ 80,505,357</u>	<u>\$ 72,406,628</u>

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - CASH AND CASH EQUIVALENTS (Continued)

The following information addresses risks associated with deposited investments with the BTI as of June 30, 2006:

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

The following table provides information on the credit ratings of the cash liquidity pool's investments:

Security Type	Moody's	S&P	Carrying Value	Percent of Assets
Commercial paper	P1	A-1	\$ 943,057,000	54.14%
U.S. treasury bills	Aaa	AAA	306,279,000	17.58%
Corporate notes	Aaa	AAA	61,992,000	3.56%
Corporate notes	Aa	AA	55,063,000	3.16%
Corporate notes	Aa	A	12,000,000	.69%
Certificates of deposit	P1	A-1	99,000,000	5.68%
U.S. agency bonds	Aaa	AAA	43,663,000	2.51%
U.S. agency discount notes	P1	A-1	93,851,000	5.39%
Money market funds	Aaa	AAA	758,000	0.04%
Total rated investments			\$ 1,615,663,000	92.75%

Unrated securities include certificates of deposit of \$23,800,000 and repurchase agreements of \$102,339,000. Acceptable collateral for the repurchase agreements include U.S. Treasury and government agency securities, all of which carry the highest credit rating.

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - CASH AND CASH EQUIVALENTS (Continued)

Cash Liquidity Pool (Continued)

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single corporate issuer.

West Virginia statutes prohibit the cash liquidity pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2006, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

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.

At June 30, 2006, the cash liquidity pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the BTI. Securities lending collateral that is reported in the BTI's audited Statement of Fiduciary Net Assets is invested in the lending agent's money market fund in the BTI's name.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The overall weighted average maturity of the investment of the Cash Liquidity Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase.

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - CASH AND CASH EQUIVALENTS (Continued)

Cash Liquidity Pool (Continued)

Interest rate risk (Continued)

The following table provides information on the weighted average maturities for the various asset types in the Cash Liquidity Pool.

Security Type	Carrying Value	WAM
Commercial paper	\$ 943,057,000	25
U. S. Treasury bills	306,279,000	32
Corporate notes	129,055,000	77
Certificates of deposit	122,800,000	105
U.S. Agency bonds	43,663,000	208
Repurchase agreements	102,339,000	3
U.S. Agency discount notes	93,851,000	89
Money market funds	758,000	1
Total assets	<u>\$ 1,741,802,000</u>	<u>42</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 cash liquidity pool has no securities that are subject to foreign currency risk.

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 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 15% of its assets in U.S. Treasury issues.

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - CASH AND CASH EQUIVALENTS (Continued)

Government Money Market Pool (Continued)

Credit risk (Continued)

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

Security Type	Moody's	S&P	Carrying Value	Percent of Assets
U.S. Agency bonds	Aaa	AAA	\$ 21,420,000	11.76%
U.S. Treasury bills	Aaa	AAA	28,346,000	15.56%
U.S. Agency discount notes	P1	A-1	112,399,000	61.70%
Money market funds	Aaa	AAA	109,000	0.06%
			<u>\$ 162,274,000</u>	<u>89.08%</u>

Unrated securities include repurchase agreements of \$19,900,000. Acceptable collateral for the repurchase agreements include U.S. Treasury and government agency securities, all of which carry the highest credit rating.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single corporate issuer.

West Virginia statutes prohibit the government money market pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2006, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

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 an investment or collateral securities that are in the possession of an outside party.

At June 30, 2006, the government money market pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the BTI. Securities lending collateral that is reported in the BTI's audited Statement of Fiduciary Net Assets is invested in the lending agent's money market fund in the BTI's name.

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - CASH AND CASH EQUIVALENTS (Continued)

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.

The overall weighted average maturity of the investments of the Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase.

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

Security Type	Carrying Value	WAM (days)
U.S. Agency discount notes	\$ 112,399,000	39
U.S. Agency bonds	21,420,000	152
Repurchase agreements	19,900,000	3
U. S. Treasury bills	28,346,000	42
Money market funds	109,000	1
Total assets	\$ 182,174,000	49

Foreign currency risk

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

Securities lending

At June 30, 2006, the fair value of securities on loan and the collateral held by the pools of the BTI are as follows. The collateral received as cash is invested in the Mellon GSL DBT II Collateral Fund. For securities loaned at June 30, 2006, the BTI has no credit risk exposure to borrowers because the amount the BTI owes the borrowers exceeds the amounts the borrower owe the BTI. There were no losses during the year resulting from borrower default, and there was no significant violations of legal or contractual provision.

THE WEST VIRGINIA WATER POLLUTION CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS (Continued)

3 - CASH AND CASH EQUIVALENTS (Continued)

Government Money Market Pool (Continued)

Securities lending (Continued)

	Fair Value of Securities on Loan	Collateral Held
Cash Liquidity Pool	\$ 292,400,158	\$ 298,223,109
Government Money Market Pool	33,839,603	34,512,885
Total	\$ 326,239,761	\$ 332,735,994

4 - LOANS RECEIVABLE

As of June 30, 2006 and 2005, 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, 2006 and 2005, 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 approved financial institutions who 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
CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - LOANS RECEIVABLE (Continued)

As of June 30, 2006, one loan with an original amount of \$15,596,291 is in default status with a reserve account balance of \$82,827 and a required reserve account balance of \$173,293. Sixteen loans outstanding have cumulative deficiencies in reserve fund balances of \$1,231,527.

Total cumulative loans authorized as of June 30, 2006 and 2005 were as follows:

	2006		2005	
	Loans Authorized	Remaining Commitment	Loans Authorized	Remaining Commitment
Completed projects	\$ 386,145,692	\$ -	\$ 355,545,979	\$ -
Projects in progress	113,163,589	21,426,151	123,559,119	39,101,842
	<u>\$ 499,309,281</u>	<u>\$ 21,426,151</u>	<u>\$ 479,105,098</u>	<u>\$ 39,101,842</u>

Loans mature at various intervals through December 1, 2045. 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 \$21 million difference in the scheduled principal payments shown below and loans receivable in the Statement of Net Assets represents the amount of authorized loans not utilized at June 30, 2006.

The scheduled principal payments on all loans maturing in subsequent years are as follows at June 30, 2006:

2007	\$ 19,352,073
2008	20,119,582
2009	20,635,710
2010	20,697,116
2011	20,624,334
Thereafter	<u>297,129,090</u>
	398,557,905
Less current maturities	<u>19,352,073</u>
	379,205,832
Less authorized, but not disbursed	<u>21,426,151</u>
	<u>\$ 357,779,681</u>

THE WEST VIRGINIA WATER POLLUTION CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS (Continued)

4 - LOANS RECEIVABLE (Continued)

Loans to Major Local Agencies

As of June 30, 2006 and 2005, the Fund has authorized loans to nineteen separate entities, respectively, that exceed \$7 million each. The outstanding balances of these loans represent approximately 66% and 67% of the total loans receivable as of June 30, 2006 and 2005, respectively, as follows:

Table with 4 columns: Local Agency, Authorized Loan Amount, June 30, 2006 Balance, June 30, 2005 Balance. Lists agencies like Beckley, Berkeley County PSSD, Bluefield, etc., with their respective loan amounts and balances.

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

THE WEST VIRGINIA WATER POLLUTION CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS (Continued)

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, 2006 and 2005, the Fund owed \$15,921 and \$57,153, respectively to the Department and \$19,184 and \$16,717, respectively, to the West Virginia Water Development Authority.

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, 2006, the cumulative amounts awarded to the Fund from the EPA and required matching funds from the State of West Virginia were as follows:

Table with 3 columns: Federal Fiscal Year, EPA Grant Amounts, and State Match Amounts. Rows list years from 1990 to 2005 and a Total row.

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - CAPITAL GRANTS AND CONTRIBUTIONS (Continued)

Subsequent to June 30, 2006, the Fund had applied for additional funding from the EPA under the Clean Water Act in the amount of \$13,650,912 and the respective matching funds from the State of West Virginia of \$2,730,182. As of the date of this report, the award notification had not been received.

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, 2006.

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
Total	\$ 360,205,878	\$ 72,782,599	\$ 432,988,477

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 WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS
(Continued)

7 - RISK MANAGEMENT (Continued)

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), a state government mandated private business entity, and the West Virginia Public Employees Insurance Agency (PEIA). In exchange for the payment of premiums to PEIA and the Commission, 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, stop gap liability, wrongful act liability, and comprehensive auto liability. Such coverage is offered in exchange for an annual premium.

8 - RETIREMENT BENEFITS

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, Building 5, Room 1000, State Capitol Complex, Charleston, West Virginia 25305-0720.

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 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 10.5% 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

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

NOTES TO FINANCIAL STATEMENTS
(Continued)

8 - RETIREMENT BENEFITS (Continued)

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 2006, 2005, and 2004 are as follows:

	2006	2005	2004
Fund contributions (10.5%)	\$ 97,967	\$ 98,588	\$ 96,709
Employee contributions (4.5%)	44,497	42,908	42,105
Total contributions	\$ 142,464	\$ 141,496	\$ 138,814

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

SCHEDULES OF INDIVIDUAL FUND ACTIVITY

SCHEDULE OF ASSETS, LIABILITIES, AND NET ASSETS

June 30, 2006

Assets:	Administrative Fee Fund	Loan Fund	Combined Fund Totals
Cash equivalents	\$ 4,003,650	\$ 76,501,707	\$ 80,505,357
Receivables:			
Due from U.S. Environmental Protection Agency	-	58,187	58,187
Due from West Virginia Department of Environmental Protection	20,867	2,968	23,835
Interest on loans	-	171,246	171,246
Administrative fees on loans	123,584	-	123,584
Loans receivable	-	377,131,754	377,131,754
Total assets	<u>\$ 4,148,101</u>	<u>\$ 453,865,862</u>	<u>\$ 458,013,963</u>
Liabilities:			
Accounts payable	28,946	1	28,947
Due to WV Department of Environmental Protection	-	15,921	15,921
Compensated absences	362,468	-	362,468
Total liabilities	<u>391,414</u>	<u>15,922</u>	<u>407,336</u>
Restricted net assets	<u>\$ 3,756,687</u>	<u>\$ 453,849,940</u>	<u>\$ 457,606,627</u>

See Independent Auditors' Report.

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

SCHEDULES OF INDIVIDUAL FUND ACTIVITY

SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS

Year Ended June 30, 2006

	Administrative Fee Fund	Loan Fund	Combined Fund Totals
Operating revenues:			
Interest income on loans	\$ -	\$ 1,954,190	\$ 1,954,190
Administration fees on loans	1,429,254	-	1,429,254
Total revenues	1,429,254	1,954,190	3,383,444
Operating expenses:			
Personnel costs	563,088	712,947	1,276,035
Other administrative costs	82,569	359,866	442,435
Total expenses	645,657	1,072,813	1,718,470
Operating income	783,597	881,377	1,664,974
Non-operating revenue:			
Investment income	135,179	2,897,746	3,032,925
Capital grants and contributions	-	23,609,423	23,609,423
Net assets, beginning of year	2,837,911	426,461,394	429,299,305
Net assets, end of year	\$ 3,756,687	\$ 453,849,940	\$ 457,606,627

SCHEDULE OF CASH FLOWS

Year Ended June 30, 2006

	Administrative Fee Fund	Loan Fund	Combined Fund Totals
Operating activities:			
Cash payments for:			
Loans originated	\$ -	\$(37,879,655)	\$(37,879,655)
Personnel expenses	(526,125)	(725,170)	(1,251,295)
Administrative expenses	(20,234)	(419,137)	(439,371)
Cash receipts for:			
Principal repayment	-	17,619,844	17,619,844
Interest on loans revenue	-	1,947,722	1,947,722
Administrative fee revenue	1,421,006	-	1,421,006
Net cash provided by (used in) operating activities	\$ 874,647	\$ (19,456,396)	\$ (18,581,749)

See Independent Auditors' Report.

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

SCHEDULES OF INDIVIDUAL FUND ACTIVITY

SCHEDULE OF CASH FLOWS
(Continued)

Year Ended June 30, 2006

	Administrative Fee Fund	Loan Fund	Combined Fund Totals
Capital and related financing activities:			
Capital grants and contributions	\$ -	\$ 23,635,770	\$ 23,635,770
Investing activities:			
Investing income	135,179	2,897,746	3,032,925
Net increase in cash	1,009,826	7,077,120	8,086,946
Cash equivalents, beginning of year	2,993,824	69,424,587	72,418,411
Cash equivalents, end of year	4,003,650	76,501,707	\$ 80,505,357
Reconciliation of operating income to cash used in operating activities:			
Operating income	783,597	881,377	\$ 1,664,974
Adjustments to reconcile operating income to net cash provided by operating activities:			
Increase in loans receivable	-	(20,259,811)	(20,259,811)
Increase in other receivables	(8,248)	(6,468)	(14,716)
(Increase) decrease in due from WV Department of Environmental Protection	39,646	(2,114)	37,532
Decrease in due to WV Department of Environmental Protection	-	(41,232)	(41,232)
Increase in compensated absences	33,072	-	33,072
Increase (decrease) in accounts payable	26,580	(28,148)	(1,568)
	<u>874,647</u>	<u>(19,456,396)</u>	<u>(18,581,749)</u>

See Independent Auditors' Report.

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

West Virginia Water Pollution Control Revolving Fund
Charleston, West Virginia

Compliance

We have audited the compliance of West Virginia Water Pollution Control Revolving Fund (the Fund) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to the Fund for the year ended June 30, 2006. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's compliance based on our audit.

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

In our opinion, the Fund complied, in all material respects, with the requirements referred to above that are applicable to the *Capitalization Grant for Clean Water State Revolving Fund* for the year ended June 30, 2006. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with *Government Auditing Standards*, and *OMB Circular A-133* and is described in the accompanying schedule of findings and questioned costs as item 2005-1.

Internal Control Over Compliance

The management of the Fund is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Fund's internal control over compliance with requirements that could have a direct and material effect on its Capitalization Grant for Clean Water State Revolving Fund in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

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

Hibbons & Kawash

September 15, 2006

THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

2006-1 SUBRECIPIENT MONITORING

Criteria

All subrecipients of the Fund with continuing compliance requirements are required to submit an annual audit report. These audit reports must be reviewed by the Fund to provide reasonable assurance that the subrecipients comply with federal requirements, that audits are performed on federal funding supplied, and that corrective action is taken on all findings noted.

Condition

As of the date of our audit report the fund had not received 37 (42%) of 88 subrecipient audit reports that are required to be analyzed and reviewed by management of the Fund to comply with federal requirements. The following summarizes subrecipient audit reports not yet received by year:

June 30, 2005	19 (51%) of 37 subrecipient audit reports were not received by the date of this audit report.
June 30, 2004	10 (40%) of 25 subrecipient audit reports were not received by the date of this audit report.
June 30, 2003	8 (31%) of 26 subrecipient audit reports were not received by the date of this audit report.

Questioned Costs

None

Context

As of the date of our audit report the Fund had disbursed the following amounts to the subrecipients noted above:

June 30, 2005	The 19 subrecipients for the year that have not submitted audit reports represent \$26,417,055 (44%) of total subrecipient disbursements of \$60,431,460.
June 30, 2004	The 10 subrecipients for the year that have not submitted audit reports represent \$13,430,548 (30%) of total subrecipient disbursements of \$44,351,637.

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THE WEST VIRGINIA WATER POLLUTION
CONTROL REVOLVING FUND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2006-1 SUBRECIPIENT MONITORING (Continued)

Context (Continued)

June 30, 2003

The 8 subrecipients for the year that have not submitted audit reports represent \$3,671,378 (12%) of total subrecipient disbursements of \$31,894,951.

Effect

Subrecipient internal control matters or noncompliance may not be reported to the Fund in a timely manner for corrective action, follow-up, and resolution.

Although other monitoring procedures are in place, the Fund is unable to timely determine the existence of material noncompliance or internal control issues with subrecipients that may be identified through the audit process.

Cause

Subrecipient audits by independent certified public accountants and the Chief Inspector's Division of the West Virginia State Auditor's Office are not being performed or issued in a timely manner. Therefore, the Fund is unable to complete desk review audits in a timely manner.

Recommendation

The Fund should continue to monitor the status of subrecipient audit reports and provide technical assistance to ensure that management and the governing body of the subrecipients understand the importance of filing timely audit reports.

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

DUE DATES (Forms 1-16) :
 Draft Sept 15, Final Oct. 16 2006

GAAP TRANSMITTAL FORM

Audited Agency **WV Water Pollution Control Revolving Fund**

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	
AUDIT NOTIFICATION FORM	Mandatory	
UNBUDGETED LIABILITIES	Due 8/30	
FINANCIAL STATEMENTS FORM 1- BALANCE SHEET FORM 1A- STATEMENT OF NET ASSETS FORM 2- STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES FORM 2A- STATEMENT OF ACTIVITIES FORM 3- STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FORM 4- STATEMENT OF CASH FLOWS	Mandatory	9/27/2006
NET ASSETS FORM 5- NET ASSET RESTATEMENTS FORM 6- RESTRICTED NET ASSETS/RESERVED FUND EQUITY	Mandatory	7/31/2006
DEPOSITS & INVESTMENTS FORM 7- DEPOSITS DISCLOSURE TRANS TREASURER - OUTSIDE BANK ACCOUNTS FORM 8- INVESTMENTS DISCLOSURE FORM 8A- DEPOSITS AND INVESTMENTS RECONCILIATION	Optional *	X
	Optional *	X
RECEIVABLES & PAYABLES FORM 9- RECEIVABLES FORM 10- DUE FROM OTHER FUNDS- PG FORM 10A- DUE TO OTHER FUNDS- PG AGENCY LISTING FORM 11- DUE FROM/TO OTHER FUNDS-CU	Optional *	X
	Optional *	X
	Optional *	X
	Informational	X
	Optional *	X
CAPITAL ASSETS FORM 12- CAPITAL ASSETS	Optional *	X
LONG TERM DEBT FORM 13- CHANGES IN LONG-TERM OBLIGATIONS FORM 14- DEBT PAYMENT SCHEDULE	Optional *	X
	Optional *	X
OPERATING TRANSFERS FORM 15- TRANSFERS IN/OUT	Mandatory	X
SINGLE AUDIT FORM 16- PRIOR YEAR AUDIT FINDINGS	Mandatory	

* NOTE: If sufficient information is displayed in the Audited financial statements, the optional forms may be omitted.
 ** Form changed from prior year
 *** New form

Jennifer R. Paxton
 PREPARED BY
 (304) 926-0499 ext. 1565
 TELEPHONE NUMBER

 DATE

PLEASE SEND COMPLETED TRANSMITTAL AND COMPLETED FORMS TO:
 State of West Virginia
 Financial Accounting and Reporting Section
 2101 Washington Street East
 Building 17, 3rd Floor
 Charleston, WV 25305
 Telephone Number (304) 558-4083
 Fax Number (304) 558-4084

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

RECORDED

GASB REPORTING FORM - DEPOSITS AND INVESTMENTS RECONCILIATION

Audited Agency: WV Water Pollution Control Revolving Fund

Per GASB Statement 40 the Institution 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 Institution's deposit policy.

	Carrying Amount	Restricted Carrying Amount	Total Carrying Amount	Bank Balance	Issued Amount	Collateralized Amount	Uncollateralized Amount	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 but not in the name of the depositor	Foreign Currency Risk	
										Denomination	Fair Value
Cash with Treasurer											
Per Opening Balance Report											
Cash with Municipal Bond Commission	0		0								
Cash on Hand			0								
Cash in Transit to WV FIMS			0								
Cash with Board of Trustees			0								
Cash in Outside Bank Accounts			0								
Cash in Escrow			0								
Certificates of Deposits			0								
Other:			0								
Total	0	0	0	0	0	0	0	0	0	0	0

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

GAAP REPORTING FORM - DEPOSITS AND INVESTMENTS RECONCILIATION

Audited Agency

WV Water Pollution Control Revolving Fund

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

See Exhibits 3 to the financial statements.

	Reported Amount Unaudited	Reported Amount Restricted	Outlook Credit Risk			Fair Value	Credit Ratings		Interest Rate Risk - Segmented Time Distribution				Foreign Currency Risk Monthly	Fair Value
			Category 1 (Based on reported amounts)	Category 2	Category 3		Standard & Poor's	Moody's	Less than 1	1-5	6-10	More than 10		
Investments with Investment Mgmt Board (IMB) Per Operating Balance Report As of 6/30/08														
Investments with Board of Treasury Investments (BTI) Per Operating Balance Report As of 6/30/08		80,181,810				80,181,810								
Investments Outside BTI:		323,641				323,641								
U.S. Treasury Obligations														
U.S. Government Agencies														
Other Government Bonds														
Corporate Bonds														
Corporate Stocks														
Mutual Bond Funds														
Mutual Stock Funds														
Mutual Money Market Funds														
Commercial Paper														
Bank Investment Contract														
Overseas Investment Contract														
Repurchase Agreements ***														
State/Local Govt Securities														
Other Investments (describe):														
Total	0	80,505,451	0	0	0	80,505,451								0

*** MUST COMPLETE THE BELOW INFORMATION IF REPURCHASE AGREEMENTS WERE IDENTIFIED ABOVE:

Fair Market Value of Collateral

Collateral Description on the Repurchase Agreements	

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

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



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	\$ 80,505,357
Less: cash equivalents disclosed as investments	<u>80,505,357</u>
Add: restricted assets disclosed as deposits	<u> </u>
Other (describe)	<u> </u>
_____	<u> </u>
_____	<u> </u>
_____	<u> </u>

Carrying amount of deposits as disclosed on Form 7 \$

Investments:

Investments as reported on balance sheet	\$ <u> </u>
Add: restricted assets disclosed as investments	<u> </u>
Add: cash equivalents disclosed as investments	<u>80,505,357</u>
Other (describe)	<u> </u>
_____	<u> </u>
_____	<u> </u>
_____	<u> </u>

Reported amount of investments as disclosed on Form 8 \$ 80,505,357



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

GAAP REPORTING FORM - PRIOR YEAR AUDIT FINDINGS

Audited Agency WV Water Pollution Control Revolving Fund

1) Fiscal Year : 2005

2) Finding Number : 2005-1

Finding Name: Subrecipient Monitorong

3) CFDA Number or Grant/Contract Number: 66.468

4) The finding has been (check one):
 Resolved
 Partially resolved
 Not resolved

Please complete the following information:

Name of contact person: Ramona S. Dickson
Phone number of contact person: (304) 926-0499 ext. 1551
Anticipated completion date: _____
Resolution action taken to date: _____

DEP provides annually a listing of all payments to subrecipients to facilitate audit scheduling. Final ratio review has been expanded and tracking has been implemented to further assess subrecipient financial status and to monitor for trends. Monthly desk reviews have been expanded in fy 2006 to include subrecipient loan agreement compliance. Starting with audits reviewed in fiscal year 2006, that discuss the findings of the desk reviews are being sent to CID, WDA, PSC, the independent auditor, and the WV Water Pollution Control Revolving Fund program files in addition to the grante

Future plans for resolution (include proposed dates): The Department of Environmental Protection will work with other agencies to ensure timely audit reports. Audits will continue to be emphasized at loan closings and during inspections. Desk reviews continue monthly.