AUDIT REPORT OF
OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

AUDIT REPORT OF
OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

This audit has been conducted pursuant to the authority and duty of the State Auditor as Chief Inspector and Supervisor of Public Offices to conduct an annual inspection of all political subdivisions of the State of West Virginia and any agency created by these subdivisions. This power is granted by West Virginia Code §6-9-1 et seq.

OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
SCHEDULE OF FUNDS INCLUDED IN REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

PROPRIETARY FUND TYPE

ENTERPRISE FUND

Ohio County Development Authority

OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
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FOR THE FISCAL YEAR ENDED JUNE 30, 2016

INTRODUCTORY SECTION

OHIO COUNTY DEVELOPMENT AUTHORITY
OFFICIALS AND MEMBERS
For the Fiscal Year Ended June 30, 2016

OFFICE	NAME	TERM
President:	Randy Wharton	07-20-2015 / 07-20-2018
Vice President:	Nancy Weeks	08-26-2013 / 07-20-2016
Secretary/Treasurer:	Gregory Stewart	08-26-2013 / 07-20-2016
Authority Members:	Tom Cerra	07-20-2013 / 07-20-2016
	John Lucas	07-20-2013 / 07-20-2016
	Larry Williams	08-26-2013 / 07-20-2016
	Andy McKenzie	07-20-2013 / 07-20-2016
	Orphy Klempa	07-20-2014 / 07-20-2017
	Randy Russell	07-20-2014 / 07-20-2017
	Jim Murray	07-20-2014 / 07-20-2017
	Raymond Helbling	07-20-2015 / 07-20-2018
	Tim McCormick	07-20-2015 / 07-20-2018

Counsel:	Don Tennant	Solicitor Ohio County Commission
	Christopher Riley	Bowles Rice, LLP
	Donald Nickerson	Bowles Rice, LLP
	Samme Gee	Jackson Kelly, PLLC
	Taunja Miller	Jackson Kelly, PLLC

FINANCIAL SECTION

State of West Virginia
John B. McCuskey
State Auditor and
Chief Inspector

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Chief Inspector Division
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INDEPENDENT AUDITOR'S REPORT

Honorable Members of the
Ohio County Development Authority
Wheeling, West Virginia 26003

Report on the Financial Statements

We have audited the accompanying financial statements of the Ohio County Development Authority (the Authority), a component unit of the Ohio County Commission as of and for the year ended June 30, 2016, and the related notes to the financial statements which comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ohio County Development Authority, as of June 30, 2016, and the changes in financial position and the cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12 and the Schedule of the Authority's Proportionate Share of the Net Pension Liability and the Schedule of Authority Contributions on pages 38-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Ohio County Development Authority's basic financial statements. The Schedule of Rate Covenant Compliance and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

John B. McCuskey

John B. McCuskey
West Virginia State Auditor
Charleston, West Virginia

March 14, 2017

OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

I. MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of our financial condition provides an overview of the Authority's financial activities for this fiscal year. It should be read in conjunction with the Authority's financial statements that follow.

Financial Highlights

→ Asset numbers reflect an increase of $1.50 million due to the increased construction on site net of the decreases in notes receivable and current assets.

→ Liability figures reflect a decrease of $2.43 million from payments toward capital loans.

The Highlands project continues to be a tremendous boost to the local economy and has aided in decreasing local unemployment rates as well as improving the County's total economic outlook. Seventy businesses have opened at The Highlands to date increasing the site's employment to approximately 3,425 new jobs on a site that was previously vacant land. With each new tenant transaction the authority realizes new property dollars as well as additional TIF dollars. The jobs total is anticipated to reach 4,500 over the next five years.

Economic Development must remain a top priority. Census figures continue to show a decline in population for the entire Ohio Valley. If this trend continues, the level and size of county government services will have to decrease. The focus of economic development and job creation has been centered on attracting destination retail, tourism and distribution. This diversification combined with the longevity of the remaining businesses will determine Ohio County's economic future.

Overview of the financial statements

Our annual report consists of two parts – (1) The Introductory Section, which includes the officials and the members of the Authority. (2) The Basic Financial Statements Section. The *management discussion and analysis* (this section); The Statement of Net Assets; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows to report the Authority's position on the accrual basis of accounting. It also includes the notes to the financial statement.

II. Financial Analysis Of The County As A Whole

Net Position. Net Position is the differences between the Authority's assets and it's liabilities. The Statement of Net Position presents the Authority's net assets in three categories. The first category, *Invested in Capital Assets*, are capital assets less accumulated depreciation and any outstanding debt on these assets. The second category, *restricted* represents amounts legally obligated for certain expenses. The final category is *unrestricted,* which are those that are not legally obligated to another entity. Although these funds are not legally restricted, they have been allocated to pay for future encumbrances and are vital to the Authority's budget.

The Authority's *combined* net position totaled $92.85 million at June 30, 2016. Most of the net position were comprised of investments in capital assets, $78.8 million (buildings, land, equipment and other major improvements net of outstanding debt). *Unrestricted* net assets were $11.9 million at June 30, 2016 which is primarily made up of lease receivables less accounts payable. As previously stated, even though these assets were not legally restricted to a specific purpose, they have been allocated to pay for future encumbrances.

Ohio County Development Authority's Net Assets

	Business-type activities	
	06/30/16	06/30/15
Assets:		
Current & other assets	$ 4,474,734	$ 5,826,419
Capital assets	143,364,192	140,742,091
Other Debits	13,798,465	13,590,277
Total assets	$ 161,637,391	$ 160,158,787
Deferred outflows of resources	$465,251	$328,794
Liabilities:		
Current & other liabilities	$ 38,504,699	$ 4,312,668
Long-term liabilities	30,562,306	67,192,343
Total liabilities	$ 69,067,005	$ 71,505,011
Deferred inflows of resources	$184,696	$171,045
Net Position :		
Net investment in capital assets	$ 78,854,800	$ 70,009,899
Restricted	2,087,235	687,213
Unrestricted	11,908,906	18,114,413
Total net position	$ 92,850,941	$ 88,811,525

Changes in net position. Changes in net position consist of the difference between current revenues and expenses and are shown in the Authority's Statement of Revenues, Expenses and Changes in Net Position. In government-wide financial accounting, these differences note changes to the Authority's total net position, either investments in capital assets or unrestricted net position, not equity. An example of this would be capital purchases. They are excluded from expenses in the Statement of Revenues, Expenses and Changes in Net Position because they are recorded as capital assets. This creates a larger difference between revenues and expenses resulting in a positive change in investments in capital assets.

Ohio County Development Authority's Change in Net Assets

	Business-type activities	
	06/30/16	06/30/15
Revenues:		
Program revenues:		
Rental / service fees	$ 8,931,532	$ 9,361,421
Capital grants and contributions	5,148,109	1,740,462
Gain (loss) from sale of capital assets	(519,637)	416,906
Gain on construction settlement	-	60,000
Capital assets to contributions to other governmental entities	(978,818)	-
Royalty income	153,281	356,248
Interest income	606,665	534,164
Other	91,943	71,411
Total revenues	$ 13,433,075	$ 12,540,612
Expenses:		
Economic development	$ 3,043,700	$ 3,040,689
Taxes and fees	919,456	973,589
Interest - long term debt	2,734,971	2,884,052
Depreciation	2,695,532	2,724,436
Total expenses	$ 9,393,659	$ 9,622,766
Increases in net position	4,039,416	2,917,846
Net position - beginning	88,811,526	85,893,680
Net position - ending	$ 92,850,942	$ 88,811,526

Business-type activities

The Authority's total revenues were $13.43 million. 8.93 million of the Authority's revenues came from operating lease proceeds while 5.15 million were derived from capital grants and contributions. These are comprised of proceeds of revenue bonds and local contributions. The remaining revenue consists of a implied interest on a capital lease agreement, proceeds from the sale of assets, and royalty income. The Authority constructed .98 million in utilities that were transferred to another government entity.

The total cost of all programs and services was $9.4 million. The majority of the expenditures can be attributed to the interest on long term debt and depreciation. The remaining expenditures are costs incurred from continuing the economic development services for Ohio County.

- As stated earlier, the amount that taxpayers paid for these activities through County taxes was minimal. The majority was paid by:
  - Those who directly benefited from the project.
  - Capital grants from bond proceeds.
  - Other governments and organizations that subsidized certain programs with grants and contributions.
  - Other fees from services.
  - Proceeds from lending institutions.
  - Lease revenues from tenants.
  - Proceeds from sale of assets.

III. FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

As the Authority completed the year, its funds reported combined net position of $92.85 million, $4.04 million more than last year. The increase can be largely attributed to capital contributions.

In addition, these other changes in fund balances should be noted:

- An increase in tenants at the Highlands will allow even more property development, which increases property taxes, sales tax revenues and rental income.

- The impact of tenants who choose to purchase rather than lease will be immediate. Monies from sales will be used for additional projects and / or debt reduction.

- The impact of the ongoing economic uncertainty will have both negative and positive effects. Tenants and tenant activity may see continued moderate growth. However, the lack of work for contractors should create more competitive bidding for continued work at the Highlands.

IV. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Through the years, the Authority has made investments in land and buildings for purposes of economic development. At June 30, 2016, the total investments for assets and improvements currently owned by the Authority totaled $143.3 million net of depreciation. These assets consist of land, infrastructure, buildings land improvements and equipment.

Ohio County Development Authority's Capital Assets

	Business-type activities	
	06/30/16	06/30/15
Land	$ 53,054,286	$ 54,420,770
Infrastructure	2,200,022	1,470,204
Buildings	66,812,351	68,296,553
Land improvements	9,249,556	9,874,983
Machinery & equipment	690,931	560,134
Construction in progress	10,961,290	5,725,673
Pledged utilities in progress	395,756	393,774
Total capital assets *	$ 143,364,192	$ 140,742,092

* Infrastructure, Buildings, Land Improvements and Equipment are net of depreciation. Land and Construction in Progress are non-depreciable assets.

Long-term Debt

At year-end the Authority had a long term debt of $30.5 million in notes, leases and advances from the County's General Fund. This represents a 40 million decrease from last year. The decrease is due to 29.7 million in BB&T's Notes being classified short term as of June 30, 2016 and principal payments made during the year. The Authority plans to replace the BB&T Notes with other long term obligations.

Ohio County Development Authority's Outstanding Long-term Debt

	Business-type activities	
	06/30/16	06/30/15
Notes	27,887,272	67,947,519
Revenue bonds payable	1,318,428	1,448,256
Leases payable	73,106	-
Net pension liability	286,500	161,696
Advances from primary government	997,000	1,060,000
Total outstanding long-term debt	$ 30,562,306	$ 70,617,471

Economic Factors and Next Year's Budget

With each new tenant transaction the authority realizes new property dollars as well as additional TIF dollars. The following list is the current development tenant status sheet and when projected development is to occur. For confidentiality reasons all tenant names may not be disclosed at this time.

Owner or Tenant	Category of Tenant	Status	Opening Date	Sq. Ft.	Lease or Purchase
Property Opened or Under Construction:					
Cabela's Distribution Center I	Distribution	Opened	July 1, 2004	587,000	Lease
Cabela's Destination Center	Big Box	Opened	August 12, 2004	174,000	Purchase
Applebee's	Restaurant	Opened	December 8, 2005	5,389	Purchase
Bob Evans	Restaurant	Opened	March 1, 2006	5,000	Lease
Cabela's Distribution Center II	Distribution	Opened	July 1, 2006	578,000	Lease
Target	Big Box Retail	Opened	October 4, 2006	127,603	Purchase
Super Wal-Mart	Big Box Retail	Opened	November 8, 2006	206,500	Purchase
Regis	Big Box Retail	Opened	November 8, 2006		
Subway	Big Box Retail	Opened	November 8, 2006		
DaVi Nails	Big Box Retail	Opened	November 8, 2006		
Optical Center	Big Box Retail	Opened	November 8, 2006		
Wendy's	Restaurant	Opened	December 4, 2006	3,023	Lease
McDonalds	Restaurant	Opened	December 7, 2006	3,000	Lease
Eat n' Park	Restaurant	Opened	January 17, 2007	6,425	Lease
Cold Stone Creamery	Specialty	Opened	May 24, 2007	1,500	Lease
Russell Stover	Specialty	Opened	July 16, 2007	5,040	Purchase
Cheddars	Restaurant	Opened	August 13, 2007	8,000	Purchase
WesBanco	Office	Opened	September 28, 2007	3,391	Lease
Bed Bath & Beyond	Retail	Opened	October 3, 2007	23,400	Lease
Books A Million	Retail	Opened	August 23, 2007	16,000	Lease
JC Penney	Big Box Retail	Opened	October 27, 2007	104,175	Lease
Life Touch	Big Box Retail	Opened	October 27, 2007		Lease
Optical Center	Big Box Retail	Opened	October 27, 2007		Lease
Kohls	Retail	Opened	October 3, 2007	68,639	Lease
Lane Bryant	Retail	Opened	September 1, 2007	5,000	Lease
Olive Garden	Restaurant	Opened	December 17, 2007	7,400	Purchase
Panera Bread	Restaurant	Opened	February 19, 2008	5,400	Lease
Petco	Retail	Opened	September 3, 2007	16,000	Lease
Shoe Show	Retail	Opened	October 12, 2007	8,400	Lease
TJ Maxx	Retail	Opened	September 9, 2007	26,250	Lease
Verizon Phone Store	Retail	Opened	November 16, 2007	4,000	Lease
Bath & Body Works	Retail	Opened	March 31, 2008	3,000	Lease
Old Navy	Retail	Opened	April 16, 2008	15,000	Lease
RUE 21	Retail	Opened	June 26, 2008	5,000	Lease
Justice For Girls	Retail	Opened	July 8, 2008	4,500	Lease
Dress Barn	Retail	Opened	August 15, 2008	7,500	Lease
Marquee Cinema	Specialty Retail	Opened	August 8, 2008	53,000	Lease
AT&T Network Operations	Office	Opened	October 1, 2008	45,000	Lease
Sleep Outfitters	Retail	Opened	October 10, 2008	4,100	Lease
Best Buy	Retail	Opened	October 24, 2008	30,000	Lease
Robinson GM Dealership	Automotive	Opened	January 1, 2009	30,000	Purchase
Robinson Ford	Automotive	Opened	June 1, 2009	15,000	Purchase

OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Owner or Tenant	Category of Tenant	Status	Opening Date	Sq. Ft.	Lease or Purchase
Robinson Toyota	Automotive	Opened	June 1, 2009	15,000	Purchase
Quaker Steak and Lube	Restaurant	Opened	August 26, 2009	7,500	Lease
Sheetz	Gas / Convenience	Opened	August 26, 2029	5,500	Purchase
Smoker Friendly	Specialty Retail	Opened	October 31, 2009	2,000	Lease
El Paso Mexican Restaurant	Restaurant	Opened	November 15, 2009	2,500	Lease
H & R Block	Office	Opened	January 1, 2010	1,563	Lease
Tony's Nails	Specialty Retail	Opened	September 1, 2010	1,700	Lease
Howards Diamonds	Retail	Opened	October 1, 2010	2,400	Lease
Lauttamus Communication	Retail	Opened	October 17, 2010	1,050	Lease
GameStop	Games	Opened	January 1, 2012	1,947	Lease
Straub Dealership - Honda	Automotive	Opened	September 1, 2010	30,000	Purchase
Straub Dealership - Hyundai	Automotive	Opened	September 1, 2010	10,000	Purchase
Straub Dealership - Nissan	Automotive	Opened	December 31, 2011	10,000	Purchase
Sokolin	Specialty Retail	Opened	March 1, 2012	3,000	Lease
Silgan Plastics	Industrial	Opened	August 1, 2012	120,000	Lease
TSG Computers	Office	Opened	August 1, 2012	5,100	Lease
Logan's Steakhouse	Restaurant	Opened	August 1, 2012	6,500	Lease
Microtel Inn Hotel	Tourism	Opened	July 5, 2012	38,000	Purchase
Holiday Inn	Tourism	Opened	December 15, 2015	40,000	Purchase
Highmark	Office	Opened	January 1, 2013	19,434	Lease
Hampton Inn	Tourism	Opened	April 4, 2013	50,000	Purchase
Circulatory Centers of Amer.	Office	Opened	July 1, 2013	1,924	Lease
Suburban Hotel	Tourism	Opened	July 1, 2013	42,000	Purchase
Ohio Valley Dermatology	Office	Opened	October 16, 2013	6,058	Lease
Yensen Landscaping	Retail	Opened	July 1, 2013	1,500	Lease
Mon Valley Bank	Office	Opened	April 1, 2014	2,573	Lease
Mooey's	Retail	Opened	August 1, 2014	1,140	Lease
Primanti Brothers	Restaurant	Opened	November 14, 2014	5,794	Purchase
Mattress Firm	Retail	Opened	October 1, 2015	4,500	Purchase
Sprint	Retail	Opened	October 1, 2015	1,500	Purchase
GNC	Retail	Opened	October 1, 2015	1,500	Purchase
Sally Beauty	Retail	Opened	October 1, 2015	1,500	Purchase
Great Clips	Retail	Opened	October 1, 2015	1,500	Purchase
Kay Jewelers	Retail	Opened	October 1, 2015	2,300	Purchase
Five Guys	Retail	Opened	October 1, 2015	2,400	Purchase
Hawthorn Suites Hotel	Tourism	Opened	December 1, 2015	50,000	Purchase
Texas Roadhouse	Restaurant	Opened	January 1, 2016	7,500	Purchase
Bubba's Gourmet Burgers	Restaurant	Opened	July 1, 2016	6,000	Lease
Fairfield Inn & suites	Tourism	Opened	July 1, 2016	70,000	Purchase
Blue Racer	Office	Opened	September 1, 2016	8,269	Lease
OVMC	Medical Office	Opened	September 15, 2016	8,782	Lease
Kalkreuth Roofing	Retail	Opened	October 1, 2016	4,100	Lease
Cricket	Retail	Opened	December 8, 2016	1,500	Lease
Stat Oil	Office	Opened	February 1, 2017	1,793	Lease
East Coast Metals	Light Industrial	Opened	March 1, 2017	57,550	Lease
Menards Home Improvement	Retail	Under Construction	May 1, 2019	175,000	Purchase
Bower	Retail	Under Construction			
Kalkreuth Warehouse	Light Industrial	Under Construction		35,000	Lease
Subtotal				**3,085,512**	

Property with Executed LOI, Leased or Sold:					
Confidential	Retail	Executed LOI	4th Quarter 2017	2,000	Purchase
Subtotal				**2,000**	

Property in Discussion:					
Confidential	Retail	In Discussion	4th Quarter 2017	10,000	Lease
Confidential	Retail	In Discussion	4th Quarter 2017	7,500	Lease
Confidential	Retail	In Discussion	4th Quarter 2017	50,000	Lease
Subtotal				**67,500**	

Owner or Tenant	Category of Tenant	Status	Opening Date	Sq. Ft.	Lease or Purchase
Other Commercial	Commercial	N/A	4th Quarter 2020	586,501	Lease
Subtotal				**586,501**	
Total Projected Development				**3,741,513**	

VI. CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Ohio County Development Authority Office, 1500 Chapline Street, Wheeling, WV 26003.

OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2016

		Business-type Activities - Enterprise Fund Ohio County Development Authority
ASSETS		
Current:		
Cash and cash equivalents	$	1,290,907
Receivables:		
Rent		66,432
CAM fees		921,759
Other		31,005
Prepaid expenses		323,616
Net investment in sales-type lease receivable - current		418,357
Restricted assets:		
Construction account investments		1,299,608
Debt service		123,050
Total current assets		4,474,734
Noncurrent assets:		
Restricted assets:		
Debt service		664,577
Total restricted assets		664,577
Capital assets (net of accumulated depreciation):		
Nondepreciable:		
Land		53,054,286
Construction in progress		10,961,290
Construction in progress - pledged utilities		395,756
Depreciable:		
Buildings		66,812,351
System infrastructure		2,200,022
Machinery and equipment		690,931
Land improvements		9,249,556
Total capital assets (net of accumulated depreciation)		143,364,192
Other debits:		
Investment in sales-type lease receivable - net of current portion		13,133,888
Total other debits		13,133,888
Total noncurrent assets		157,162,657
Total assets		161,637,391
DEFERRED OUTFLOWS		
Net difference between projected and actual investment earnings on pension plan investments		87,411
Changes in proportion and differences between employer contributions and proportionate share of contributions		203,332
Differences between expected and actual experience		58,596
Employer contributions subsequent to measurement period		115,912
Total deferred outflows of resources		465,251

OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2016

		Business-type Activities - Enterprise Fund Ohio County Development Authority
LIABILITIES		
Current liabilities payable from current assets:		
Accounts payable	$	97,328
Construction related payables		1,279,060
Accrued wages and benefits payable		159,430
Unearned charges for services		246,499
Accrued interest payable		90,310
Bond payable (current portion due in the upcoming year)		65,884
Note payable (current portion due in the upcoming year)		35,916,913
Leases payable (current portion due in the upcoming year)		21,099
Due to:		
Primary government		17,174
Total current liabilities payable from current assets		37,893,697
Noncurrent liabilities:		
Bonds payable		1,318,428
Notes payable		28,498,274
Leases payable		73,106
Advances from primary government		997,000
Net pension liability		286,500
Total noncurrent liabilities		31,173,308
Total liabilities		69,067,005
DEFERRED INFLOWS		
Changes in assumptions		34,461
Net difference between projected and actual investment earnings on pension plan investments		150,235
Total deferred inflows of resources		184,696
NET POSITION		
Net investment in capital assets		78,854,800
Restricted for debt service		787,627
Restricted for construction		1,299,608
Unrestricted		11,908,906
Total net position	$	92,850,941

The notes to the financial statements are an integral part of this statement.

OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2016

		Business-type Activities - Enterprise Funds Ohio County Development Authority
Operating revenues:		
Sales and services to customers	$	2,154,949
Rental fees		6,776,583
Interest revenue		606,665
Total revenues		9,538,197
Operating expenses:		
Advertising		339,669
Administrative and general		943,717
Taxes and fees		919,456
Miscellaneous		198,581
Insurance		211,913
Materials and supplies		165,387
Utilities		260,802
Depreciation		2,695,532
Maintenance		923,631
Total operating expenses		6,658,688
Operating income (loss)		2,879,509
Nonoperating revenues (expenses):		
Gain (loss) on sale of capital assets		(519,637)
Capital asset contribution to other government agencies		(978,818)
Interest and fiscal charges		(2,734,971)
Gas royalty revenue		153,281
Miscellaneous		91,943
Total nonoperating revenues (expenses)		(3,988,202)
Income (loss) before operating transfers and transfers		(1,108,693)
Capital contributions		5,148,109
Change in net position		4,039,416
Net position at beginning of year		88,811,525
Net position at end of year	$	92,850,941

The notes to the financial statements are an integral part of this statement.

OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2016

		Business-type Activities - Enterprise Funds Ohio County Development Authority
Cash flows from operating activities:		
Cash received from customers	$	9,619,761
Cash paid for goods and services		(3,903,095)
Net cash provided (used) by operating activities		5,716,666
Cash flows from noncapital financing activities:		
Gas royalty revenue		145,680
Miscellaneous		91,943
Net cash provided (used) by noncapital financing activities		237,623
Cash flows from capital and related financing activities:		
Proceeds from capital lease		109,620
Capital contributions		5,148,109
Purchases of capital assets		(1,398,688)
Acquisition and construction of capital assets		(6,359,533)
Principal paid on capital debt		(3,532,354)
Principal paid on bonds		(63,944)
Principal paid on capital lease		(15,415)
Advances repaid to the primary government		(63,000)
Proceeds from the sales of capital assets		2,151,796
Interest paid on capital debt		(2,734,971)
Net cash provided (used) by capital and related financing activities		(6,758,380)
Net increase (decrease) in cash and cash equivalents		(804,091)
Cash and cash equivalents, June 30, 2015 (including $687,213 in restricted accounts)		4,182,233
Cash and cash equivalents, June 30, 2016 (including $2,087,235 in restricted accounts)	$	3,378,142

OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2016

		Business-type Activities - Enterprise Funds Ohio County Development Authority
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	$	2,879,509
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		2,695,532
Decrease (increase) in other receivable		12,500
Decrease (increase) in rent receivable		(14,575)
Decrease (increase) in CAM receivable		(345,013)
Decrease (increase) in sales-type lease receivable		476,868
Decrease (increase) in prepaid expenses		12,227
Increase (decrease) in accounts payable		23,032
Increase (decrease) in unearned revenue		(48,216)
Increase (decrease) in accrued wages and benefits payable		7,628
Increase (decrease) in due to primary government		17,174
Net cash provided by operations	$	5,716,666

The notes to the financial statements are an integral part of this statement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Ohio County Development Authority (the Authority) conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of significant accounting policies:

A. Reporting Entity

The Authority, a component unit of the Ohio County Commission, is governed by a twelve member board which is appointed by the County Commission. Each Municipality within the County shall submit three candidates from which the Commission shall appoint. The Commission may at any time remove any member of the Authority. The Authority is a legally separate organization for which elected officials of the primary government are financially accountable. The Authority is a discretely presented component unit of the primary government based upon the criteria stipulated in the Governmental Accounting Standards Board Statement No. 14 as amended by GASB Statement No. 39 and GASB Statement No. 61.

B. Fund Financial Statements

The financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the Authority. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Authority are charges associated with operating and capital leases received from businesses located within the development district (*The Highlands*). Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of less than three months from the date of acquisition. For purposes of the Statement of Cash Flows, restricted assets may be considered cash equivalents based on liquidity.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* the Authority reports its investments at fair value, except for non-participating investment contracts (certificates of deposit and repurchase agreements) which are reported at cost, which approximates fair value. All investment income, including changes in fair value of investments, are recognized as revenue in the operating statement. Fair value is determined by quoted market prices.

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of underlying securities. Cash deposits are reported at carrying amount, which reasonably estimates fair value. The Authority has no long-term investments.

2. Receivables and Payables

Common Area Maintenance (CAM)/Rent Fees Receivable

All Common Area Maintenance (CAM) and Rent Fees Receivables are shown at their net value after an allowance for uncollectable accounts.

Lease Receivable/Payable

The Authority records lease activity in accordance with Government Accounting Standards Board Statement No. 62.

Accounts Payable/Construction Related Payable

Accounts due for goods and services, including those related to construction, are recognized when the liability is incurred.

3. Restricted Assets

The use of certain assets of the Authority is restricted by specific provisions of debt agreements. Assets so designated are identified as restricted assets on the Statement of Net Position. For capital asset acquisition; when both restricted and unrestricted resources are available for use, the Authority's Policy is to use restricted resources first, then unrestricted resources as they are needed. For service of debt when both restricted and unrestricted resources are available for use, the Authority's policy is to use the unrestricted resources first, then restricted resources if they are needed since the debt agreement requires minimum reserves be established and maintained by the Authority. Restricted assets are classified as noncurrent if they are not expected to be liquidated in the upcoming fiscal year.

4. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the Statement of Net Position. Capital assets are defined by the Authority as assets with an initial, individual cost of $5,000 or more and estimated to have a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds during the same period.

The Authority's capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years	Salvage Percentage
Buildings	40	20%
Infrastructure:		
Utilities	25	20%
Roads	10	5%
Land Improvements:		
Parking Lots	20	5%
Vehicles:		
Light Trucks	5	5%
Lawn Equipment	15	5%
Attachments	15	5%
Office and Computer Equipment	5	0%

5. Capitalization of Interest

As required by Governmental Accounting Standards Board Statement No. 62, the Authority capitalizes net interest cost on funds borrowed to finance construction of capital assets. During the fiscal year ended June 30, 2016, there was no interest which required capitalization.

6. Real Estate Sales Transactions

In accordance with Governmental Accounting Standards Board Statement No. 62, real estate sales transactions are recorded using the criteria outlined for nonretail real estate sales. Acceptable approaches include the full accrual method and the deposit method. The application of a particular method is contingent on various factors such as the consummation of the sale.

7. Unearned Revenue Liability

In instances where assets have been received by the Authority for services to be rendered in future periods, asset balances have been offset by an unearned revenue liability account in the financial statements. Unearned revenue of the Authority primarily include amounts paid by tenants for rent and common area maintenance fees (CAM) applicable to future periods.

8. Long-term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. The portion of debt due in the next fiscal year is reported as a current liability.

9. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

10. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the financial statement date and the reported amount of revenues and expenses during the reporting period. Actual amounts could differ for those estimates.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

At year end, the Authority had the following investments:

		Credit Risk Rating	
	Fair Value	Standard & Poor's and Fitch	Moody's Investment Services
Federated U.S. Treasury Cash Reserves	$ 1,299,608	AAAm	Aaa-mf
WV Government Money Market Pool (MBC)	72,572	AAAm	Not Rated
Total	$ 1,372,180		

The Authority's investments include funds held at the Municipal Bond Commission for the Water Bonds revenue bond issuance. The West Virginia Legislature created this Commission to act as the fiscal agent/trustee for bond issuances of the State and its political subdivisions. The oversight of the Commission is the State Treasurer's Office, the State Auditor's Office, and other financial professionals not associated with the Authority. For over eighty years, the Legislature has made a blanket appropriation annually to cover possible deficiencies that could arise in sinking fund accounts. Standard and Poor has recognized this annual Legislative appropriation and the Commission's management as a Credit Enhancement Program. The Authority's fair value in the pool is the same as the value of the pool shares.

Interest Rate Risk

The Authority could be exposed to interest rate risk within debt securities due to fluctuations in the market and the length of the weighted average to maturity. The Authority does not have a policy for interest rate risk. All of the Authority's investment was in the Federated U.S. Treasury Cash Reserves and the WV Government Money Market Pool. Interest rate risk is minimized by the exclusive investment in short term U.S. Treasury securities and investments.

Credit Risk

The Authority does not have a policy for credit risk in addition to state regulations. As of June 30, 2016, both of the Authority's investments were rated using Standard & Poor's and Fitch, with a rating of AAAm, and the Federated U.S. Treasury Cash Reserves had a Moody's Investment Services, with a rating of Aaa-mf. (The WV Government Money Market Pool was not rated by Moody's Investment Services.) The funds do not invest in repurchase agreements.

Concentration of Credit Risk

The Authority does not have a policy for concentration of credit risk. GASB Statement No. 40, *Deposit and Investment Risk Disclosures,* says in part that, "Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement."

Custodial Credit Risk

For deposits, the Authority could be exposed to risk in the event of a bank failure where the Authority's deposits may not be returned. The Authority's policy for custodial credit risk is to comply with statutory provisions for depository bond coverage, which provides that no public money should be deposited until the banking institution designated executes a bond with good and sufficient sureties which may not be less than the maximum sum that is deposited in the depository at any one time.

At year end, the Authority's bank balances were $2,822,322. The bank balance was collateralized by federal depository insurance or with securities held by the pledging financial institution's trust department or agent in the Authority's name.

For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities in the possession of an outside party. The Authority's investments are in the Federated U.S. Treasury Cash Reserves, a money market mutual fund, and the WV Government Money Market Pool. Per GASB 40, money market funds are a type of open-ended mutual fund that is not subject to custodial credit risk disclosures.

A reconciliation of cash and investments as shown on the Statement of Net Position is as follows:

Cash and cash equivalents	$ 2,005,962
Investments	1,372,180
Total	$ 3,378,142
Cash and cash equivalents	$ 1,290,907
Cash and cash equivalents-restricted	715,055
Investments-restricted	1,372,180
Total	$ 3,378,142

B. Receivables

Net Investment in Sales-type Lease

The Authority (lessor) has entered into a long-term sales-type lease agreement with the commercial entity (lessee) for land, building and equipment. An implied interest rate of 4% is utilized to discount the lease. A schedule of future lease amounts due to the Authority is as follows:

Year Ended	Sales-Type Lease Amounts Due
2017	$ 916,666
2018	1,000,000
2019	1,000,000
2020	1,000,000
2021	1,000,000
2022-2026	5,000,000
2027-2031	5,000,000
2032-2036	5,000,000
Total Minimum Amount Due	$ 19,916,666
Less: Amount Representing Interest	(6,364,421)
Present Value of Minimum Lease Amount Due	$ 13,552,245

Rent/CAM Receivable/Other Receivable

The Authority also records receivables for rent, common area maintenance (CAM), and other receivables. The receivables balances as of June 30, 2016 were $66,432, $921,759, and $31,005 respectively. These amounts are shown net of an allowance for doubtful accounts for rent and CAM fees of $71,876 and $19,393, respectively.

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 54,420,770	$ 1,100,000	($ 2,466,484)	$ 53,054,286
Construction in progress	5,725,673	6,383,447	(1,147,830)	10,961,290
Construction in progress- pledged utilities	393,774	980,800	(978,818)	395,756
Total capital assets not being depreciated	60,540,217	8,464,247	(4,593,132)	64,411,332
Capital assets being depreciated:				
Buildings	77,955,936	75,219	- -	78,031,155
Land improvements	14,629,326	78,453	- -	14,707,779
Infrastructure	3,798,857	994,159	- -	4,793,016
Machinery and equipment	827,981	298,687	- -	1,126,668
Less: accumulated depreciation	(17,010,226)	(2,695,532)	- -	(19,705,758)
Total capital assets being depreciated, net	80,201,874	(1,249,014)	- -	78,952,860
Business-type activities capital assets, net	$ 140,742,091	$ 7,215,233	($ 4,593,132)	$ 143,364,192

Depreciation expense was charged as follows:

Business-type activities:	
Ohio County Development Authority	$ 2,695,532
Total depreciation expense-business-type activities	$ 2,695,532

Construction in Progress

The Authority has active construction projects as of June 30, 2016. The projects include the development of property for commercial use in the area known as *The Highlands.* These projects were funded by contributions from the primary government and loan proceeds. At year end the amounts for business-type activities spent-to-date are as follows:

Projects	Spent-to-Date	Additional Committed
Access Roads	$ 2,921,145	$ 97,500
Building - Lifestyle Center	5,575,042	- -
Site Work	2,465,103	1,827,000
Net total	$ 10,961,290	$ 1,924,500

The Authority has a utility construction project as of June 30, 2016. The project includes water and sewer line construction at the development known as *The Highlands.* The project was funded through loan proceeds and the assets will be transferred to the Ohio County Public Service District upon completion.

Project	Spent-to-Date	Additional Committed
Pledged Utilities	$ 395,756	$ - -
Net total	$ 395,756	$ - -

D. Unearned Revenue

A portion of the rent and CAM collected is unearned since the payment is applicable to the subsequent time period. The amount of rent and CAM unearned at June 30, 2016 is $246,499.

E. Long-term Debt

Notes Payable

The Authority entered into a loan agreement with local banks and governmental agencies to finance various economic development activities. A description of this loan activity is as follows:

Purpose	Maturity Dates	Interest Rates	Issued	Retired	Balance June 30, 2016
Business-type activities:					
Wesbanco Bank - DC	10/8/2033	Variable	$ 10,000,000	$ 1,752,643	$ 8,247,357
Wesbanco Bank - Consolidated	10/3/2022	Variable	3,400,000	1,625,367	1,774,633
Wesbanco Bank - New Front Lots	10/30/2018	Variable	15,350,000	1,494,126	13,855,874
Wesbanco Bank - Silgan Warehouse	7/30/2016	Variable	5,000,000	642,536	4,357,464
BB&T - JC Penney	6/15/2017	Variable	1,464,000	403,112	1,060,888
BB&T - OCDA III	6/15/2017	Variable	2,632,000	726,582	1,905,418
BB&T - Power Center A	6/15/2017	Variable	17,261,431	4,341,481	12,919,950
BB&T - Power Center B	6/15/2017	Variable	3,472,000	2,065,564	1,406,436
BB&T - Town Center I	6/15/2017	Variable	16,690,012	7,847,562	8,842,450
BB&T - Marquee Cinema	6/15/2017	Variable	5,980,675	2,385,162	3,595,513
Progressive - OCDA II	11/3/2033	Variable	3,890,120	795,198	3,094,922
Progressive - Land	11/14/2016	Fixed 5.50%	1,199,900	1,989	1,197,911
Everbank - Computer Software	6/15/2018	Fixed 7.71%	34,635	19,169	15,466
WV Infrastructure Council	6/1/2029	Fixed 3.00%	3,000,000	859,095	2,140,905
Total notes payable			$ 89,374,773	$ 24,959,586	$ 64,415,187

A description of the terms of the agreements are as follows:

Wesbanco Bank - Distribution Center

The loan is secured by 59.94 acres of property held by the Authority in the development area which includes a distribution center. The variable interest rate is equal to the five year swap rate plus 3.50% and is adjusted every five years over the 20 year term of the note.

Wesbanco Bank - Consolidation Loan

The loan is secured by the 59.94 acres listed under the Wesbanco Bank - Distribution note and 2 acres known as lot 4D. The variable interest rate is equal to the three year swap rate plus 4.85% and is adjusted every three years over the 10 year term of the note.

Wesbanco Bank - New Front Lots

This loan is secured by 40.585 acres of property held by the Authority in the development area, as well as the assignment of leases in those areas. The interest rate is variable based on the three year swap rate plus 4.10%.

Wesbanco Bank - Silgan Warehouse

The loan is secured by 5 acres of property held by the Authority in the development area known as Phase 6 and the building constructed there. The interest rate is the prime rate reported daily in the Wall Street Journal.

BB&T - JC Penney

The note is secured through the assignment of lease and rentals of the "JC Penny" area which is approximately 6.94 acres of property held by the Authority in the development area. The interest rate is adjusted monthly at the bank's prime rate plus 0% basis points per annum.

BB&T - OCDA III

The loan is secured through the assignment of lease and rentals of the "OCDA Building III" area which is approximately 17,800 square feet of retail outlets. The interest rate is adjusted monthly at the bank's prime rate plus 0% basis points per annum.

BB&T - Power Center A & B

The loan is secured through the assignment of lease and rentals of the "OCDA Building III" area which is approximately 153,225 square feet of retail outlets. The interest rate is adjusted monthly at the bank's prime rate plus 0% basis points per annum.

BB&T - Town Center I

The loan is secured through the assignment of lease and rentals in the "town center" area which is approximately 19 acres housing offices and retail outlets. The collateral is shared first with the WV Infrastructure Council. The interest rate is adjusted monthly at the bank's prime rate plus 0% basis points per

BB&T - Marquee Cinema

The loan is secured through the assignment of lease and rental of the 52,000 square foot cinema and covers approximately 5 acres in the area known as the "town center." The interest rate is adjusted monthly at the bank's prime rate plus 0% basis points per annum.

Progressive - OCDA II

The loan is secured by a lot which comprises 6 acres of property held by the Authority in the development area. The interest rate is currently calculated at the national prime rate plus 1.5 basis points.

Progressive - Land

This loan is secured by 15.3 acres of property held by the Authority in the development area. The loan is interest only for a period of 2 years with a fixed rate of 5.50%.

Everbank - Computer Software

This loan is unsecured. The interest rate is calculated at a fixed rate of 7.71%.

WV Infrastructure Council

The loan is secured through the assignment of lease and rentals in the "town center" area which is approximately 19 acres housing offices and retail outlets. The collateral is shared first with BB&T. The interest rate is set at 3%.

Debt service requirements to maturity are as follows:

Year Ended	Business-type Activities Principal	Business-type Activities Interest
2017	$ 35,916,913	$ 2,422,052
2018	1,915,607	1,371,644
2019	13,545,369	966,134
2020	817,523	676,047
2021	862,536	631,032
2022 - 2026	4,644,419	2,424,852
2027 - 2031	4,489,398	1,275,658
2032 - 2036	2,223,422	167,774
Totals	$ 64,415,187	$ 9,935,193

Revenue Bonds

The Authority issues bonds where the Authority pledges income derived from lease payments to pay debt service.

The proceeds of these bonds are being used to construct additions, betterments and improvements to the water lines, a water storage tank, and pumping station to support the businesses of *The Highlands.* The bonds are secured by the pledge of lease payments, which are required to be in sufficient amount to pay the principal and interest on the bonds when due. Revenue bonds outstanding at year end are as follows:

Purpose	Maturity Dates	Interest Rates	Issued	Retired	Balance June 30, 2016
Business-type activities:					
Series 2011A - Water	12/1/2032	3.00%	$ 1,600,000	$ 215,688	$ 1,384,312
Total revenue bonds			$ 1,600,000	$ 215,688	$ 1,384,312

Revenue bond debt service requirements to maturity are as follows:

Year Ended	Business-type Activities Principal	Business-type Activities Interest
2017	$ 65,884	$ 40,793
2018	67,883	38,794
2019	69,942	36,734
2020	72,064	34,612
2021	74,250	32,426
2022 - 2026	406,440	126,941
2027 - 2031	471,951	61,430
2032 - 2036	155,898	4,118
Totals	$ 1,384,312	$ 375,848

Utility Pledged Revenues

The Authority has pledged future lease revenue, net of specified operating expenses and the debt service requirement for a previously issued note (prior obligation since modified) with an outstanding principal amount of $13,855,874 secured by the same lease revenue, to repay $1,600,000 in water revenue bonds issued in 2011. The note proceeds provided financing for the construction of additions, betterments, and improvements to the water lines, a water storage tank, and pumping station to support the business at *The Highlands.* The bonds are secured through certain lease revenue and are payable through December 1, 2032. Annual principal and interest payments on the bond and associated note are expected to require less than 75% of the assigned rent revenues. The total principal and interest remaining to be paid on the bonds is $1,760,161. The debt service requirements for the bond and note for the current year were $1,537,182 which is comprised of $569,851 principal and $711,134 interest plus an additional $256,197 (20% of the debt service for the bonds and the prior obligations and required per the bond ordinance).

Long-term Advances

The Authority has received advances from the Ohio County Commission to provide interim financing for development at *The Highlands.* These advances are recorded as long-term liabilities. The advance does not bear interest or have scheduled repayments. During the year ended June 30, 2016, the Authority made payments of $63,000. The balance of long-term advances at year end is $997,000.

Changes in Long-Term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	$ 67,947,519	$ - -	($ 3,532,332)	$ 64,415,187	$ 35,916,913
Revenue bonds payable	1,448,256	- -	(63,944)	1,384,312	65,884
Capital leases	- -	109,620	(15,415)	94,205	21,099
Net pension liability	161,696	235,866	(111,062)	286,500	- -
Advances from primary government	1,060,000	- -	(63,000)	997,000	- -
Business-type activities Long-term liabilities	$ 70,617,471	$ 345,486	$ (3,785,753)	$ 67,177,204	$ 36,003,896

F. Restricted Assets

The balances of the restricted asset accounts for the Authority are as follows:

Debt service accounts	$ 787,627
Construction accounts	1,299,608
Total restricted assets	$ 2,087,235

G. Gain (Loss) on Sale of Capital Assets

The Authority has sold assets that were either purchased or constructed at *The Highlands* to different entities, both public and private. For these transactions, the proceeds of the sale are offset by the calculated cost of the asset being sold. The net effect may be an increase or decrease to net position. The following transactions are the net effect of these transactions for the year ended June 30, 2016:

Sale of 15 acres from Phase 3 and 5	$ (541,078)
Miscellaneous sale proceeds	21,441
Net gain (loss) on sale of capital assets	$ (519,637)

H. Capital Grants and Contributions

During the year, the Authority received capital grants and contributions in the amount of $5,148,109 from the primary government and the Wheeling Convention and Visitor's Bureau, Inc.

I. Operating Leases

The Authority has entered into lease agreements for various properties within the district under operating leases. These leases may include land only or both building and land.

The assets that are being leased for operating purposes are as follows:

Asset	Business-type Activities
Depreciable asset:	
Buildings	$ 77,295,181
Land improvements	13,711,277
Less: Accumulated depreciation	(16,508,000)
Total depreciable assets	74,498,458
Non-depreciable assets:	
Land	22,895,744
Total assets under lease	$ 97,394,202

The following is a schedule of future minimum rental payments at June 30, 2016 related to the leased assets:

Year Ended	Operating Leases
2017	$ 6,454,343
2018	5,543,083
2019	4,190,204
2020	3,570,563
2021	3,261,128
2022-2026	10,917,633
2027-2031	3,782,894
2032-2036	109,426
Total	$ 37,829,274

J. Related Party Transactions

The Authority, a discretely presented component unit of the primary government, is involved in transactions with the Ohio County Commission (primary government). While the Authority and County are governed by separate boards, management responsible for day-to-day operations are the same for both the component unit and the primary government. In prior years, the County has issued bonds to finance economic development within the district known as *The Highlands.* The proceeds of these bonds, in large part, were transferred to the Authority and reflected as a capital contribution with corresponding assets recognized by the Authority when purchased and/or constructed. The tax revenue pledged to support these bonds is reflected on the primary government's financial statements along with the applicable debt.

The following transactions between the Authority and the primary government occurred during the fiscal year:

Capital Contributions

The County contributed $5,148,109 to the Authority (includes $180,000 contributed by the County on behalf of the Wheeling Convention and Visitor's Bureau, Inc.).

Long-term Advances from the Primary Government

The Authority has received advances from the Ohio County Commission to provide interim financing for development at *The Highlands.* These advances are recorded as long-term loans. The advance does not bear interest or have scheduled repayments. During the year ended June 30, 2016, the Authority made payments of $63,000. The balance of long-term advances at year end is $997,000.

III. OTHER INFORMATION

A. Risk Management

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries insurance with both the West Virginia Board of Risk and Insurance Management and Cincinnati Insurance Company for both umbrella (general liability) and property insurance for these various risks. However, because of the prohibitive cost, the Authority does not carry insurance for certain types of torts. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. At June 30, 2016, the Authority's claims liability was $0.

In March 2005, the West Virginia State Legislature voted to change the State's Workers' Compensation Insurance. A private mutual company known as BrickStreet was created as the provider of workers' compensation to the businesses in West Virginia. Similar to other workers' compensation policies, premiums are based on types of jobs, wages and previous accident history. In addition to the premium, there is a charge to assist in financing of the WV Workers' Compensation Fund's previous debt.

Liabilities are reported when it is probable a loss has occurred and the amount of the loss can be reasonably estimated.

B. Subsequent Events

On January 31, 2017, the Ohio County Development Authority entered into an agreement with Cabela's Wholesale Inc. to transfer ownership of a Distribution Center that Cabela's is operating under a capital lease with the Authority. The purchase price was $11,579,474 with $9,882,498 of the proceeds being used by the Authority to retire existing note debt associated with the property. At June 30, 2016, the Authority has a lease receivable from Cabela's of $13,552,245 related to the property. The lease present value receivable at January 31, 2017 of approximately $13,325,051 will be retired as part of this agreement. Furthermore, the agreement terms stipulate Cabela's will sell six parcels of land to the Authority totally approximately 10 acres for $1,350,200. At June 30, 2016, $13,133,888 of the lease receivable is shown as long-term due to the terms of the lease agreement and $9,573,647 of the notes which were retired are classified as long-term debt.

On November 2, 2016, the Development Authority executed a $3,054,000 loan with Wesbanco Bank to finance the construction of a sheet metal work manufacturing facility.

On December 28, 2016, the Development Authority executed a $2,800,000 loan with Progressive Bank to finance the construction of an approximately 35,000 square foot manufacturing and warehouse facility.

On December 28, 2016, the Authority refinanced a loan agreement with Progressive Bank where as the prior loan was paid in full, and the new loan extended the term by twelve months. The result of this refinancing reduced the current portion of notes payable due in the upcoming year from $1,197,911 to $586,009. Under the new loan, the Authority shall make payments of interest only at a fixed rate of 5.5% for a period of twelve months with all remaining payments including the principal paid in full on December 28, 2017.

C. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial.

The Authority has been named a defendant in the following lawsuit.

Crystal Mountain, et al. v. The County Commission of Ohio County, et al., Circuit Court of Ohio County, West Virginia, Civil Action No. 16-C-213. On July 8, 2016, Crystal Mountain West Virginia, LLC, and Steve Minard, filed suit against the County Commission of Ohio County, West Virginia, the Ohio County Development Authority, and others, seeking a minimum of $25,000,000 in damages for alleged breach of a 2006 development agreement relating to construction of a theme park at the Development. The complaint also claims fraud, RICO, unjust enrichment, securities fraud, conspiracy, disgorgement and defamation. The defamation causes of action are against the Ohio County Development Authority board members Randy Wharton (President) and Gregory Stewart (Secretary/Treasurer). The Authority believes the complaint is without merit and intends to defend it vigorously, but can make no assurances as to the outcome of the potential litigation. The Ohio County Development Authority strongly believes that Plaintiffs' tangible actual expenditures are minimal. The Ohio County Development Authority has filed a counterclaim against Crystal Mountain sounding in intentional interference with business relationships and breach of contract. During the years involved in Crystal Mountain's allegations, the Ohio County Development Authority was insured by: Cincinnati Insurance 2001 – December 31, 2014 Travelers Insurance – January 1, 2015 – Present.

The Authority is a defendant in various other lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Authority's counsel that resolution of these matters will not have a material effect on the financial condition of the Authority.

D. Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time Authority employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held for the exclusive benefit of the participants and their beneficiaries.

E. Other Postemployment Benefits

Because the Authority's employees participates in the WV Public Employees Retirement System (PERS), certain employees have the option of choosing to participate in the WV Public Employees Insurance Agency (PEIA) upon retirement. Since Ohio County is not a participant in PEIA, a subsidy fee is charged for each of the retirees who choose this option. The retiree's insurance premium and the Authority's subsidy fee are dependent on the number of accredited years under PERS and the type of insurance required. The more accredited years an employee has, the lower the premium for the retiree and the higher the subsidy fee for the Authority.

Although the Authority has less than 100 employees, the calculation for this OPEB obligation was included in an actuarial study completed for the County Commission, the primary government entity. The actuarial valuation determined that the Authority has no OPEB liability.

IV. EMPLOYEE RETIREMENT SYSTEMS AND PLANS

Public Employees Retirement System (PERS)

General Information about the Pension Plans

The Authority participates in a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and State appropriations, as necessary.

The following is a summary of eligibility factors, contribution methods, and benefit provisions:

Public Employees Retirement System (PERS)

Eligibility to participate	All full-time employees, except those covered by other pension plans.	
Authority establishing contribution obligations and benefit provisions	West Virginia State Code §5-10d discusses the Consolidated Public Retirement Board, which administers all public retirement plans in the State of West Virginia.	
	Tier I (hired before 7/1/2015)	Tier II (hired on or after 7/1/2015)
Plan member's contribution rate	4.50%	6.00%
County's contribution rate	13.50%	13.50%
Period required to vest	Five Years	
Benefits and eligibility for distribution	Tier I Normal retirement if member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit.	

	Tier II
Benefits and eligibility for distribution	Normal retirement if member who has attained age 62 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (five highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of living	No
Death benefits	Yes

Trend Information

	Public Employees Retirement System (PERS)	
Fiscal Year	Annual Pension Cost	Percentage Contributed
2016	$ 115,912	100%
2015	$ 97,410	100%
2014	$ 85,067	100%

PERS issue a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees Retirement System, 4101 MacCorkle Avenue, SE, Charleston, WV 25304.

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

At fiscal year-end, the Authority reported the following liabilities for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liabilities was based on a projection of the Authority's long-term share of contributions to the pension plans relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2015, the Authority's reported the following proportions and increase/decreases from its proportion measured as of June 30, 2014:

	PERS
Amount for proportionate share of net pension liability	$ 286,500
Percentage for proportionate share of net pension liability	0.051307%
Increase/decrease % from prior proportion measured	17.10986%

For the year ended June 30, 2016, the Authority recognized the following pension expenses.

	PERS
Pension expense	$ 117,969

The Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Public Employees Retirement System	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between Authority contributions and proportionate share of contributions	$ 203,322	$ --
Net difference between projected and actual investment earnings on pension plan investments	87,411	(150,235)
Difference between expected and actual experience	58,596	--
Changes in assumptions	--	(34,461)
Authority contributions subsequent to the measurement date	115,912	--
	$ 465,241	$ (184,696)

The amount reported as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	$ 64,812
2018	64,812
2019	13,157
2020	21,852
2021	--
Thereafter	--
Total	$ 164,633

Actuarial assumptions. Net pension liability was determined by actuarial valuations as of June 30, 2014 rolled forward to June 30, 2015, which is the measurement date, using the following actuarial assumptions.

Public Employees Retirement System

Actuarial assumptions	
Inflation rate	3.00%
Salary increases	4.25% - 6.0%
Investment Rate of Return	7.50%

Mortality Rates:

Healthy males - 1983 GAM

Healthy females - 1971 GAM

Disabled males - 1971 GAM

Disabled females - Revenue ruling 96-7

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2004 to June 30, 2009.

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

Investment	Long-term Expected Real Rate of Return	PERS Target Asset Allocation
US Equity	7.0%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	2.7%	7.5%
High Yield Fixed Income	5.5%	7.5%
Real Estate	5.6%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%
Cash	1.5%	0.0%
		100.0%

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent for all defined benefit plans. The projection of cash flows used to determine the discount rates assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the fiduciary net position for each defined benefit pension plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liabilities of each plan.

The following chart presents the sensitivity of the net pension liability to changes in the discount rate, calculated using the discount rates as used in the actuarial evaluation, and what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Authority's proportionate share of PERS's net pension liability	$ 660,745	$ 286,500	$ (29,680)

Pension plans' fiduciary net position. Detailed information about the pension plans' fiduciary net position is available in the separately issued financial report available at the Consolidated Public Retirement Board's website at www.wvretirement.com. That information can also be obtained by writing to the West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue SE, Charleston, WV 25304.

REQUIRED SUPPLEMENTARY INFORMATION

OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2016

Public Employees Retirement System
Last 3 Fiscal Years*

	2016	2015	2014
Authority's proportion of the net pension liability (asset) (percentage)	0.051307%	0.043811%	0.010668%
Authority's proportionate share of the net pension liability (asset)	$ 286,500	$ 161,689	$ 97,249
Authority's covered-employee payroll	695,789	586,668	263,281
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.18%	27.56%	36.94%
Plan fiduciary net position as a percentage of the total pension liability	91.29%	93.98%	84.58%

* - The amounts presented for each fiscal year were determined as of June 30, 2015

OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
SCHEDULE OF AUTHORITY CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2016

Public Employees Retirement System
Last 4 Fiscal Years*

	2016	2015	2014	2013
Contractually required contribution	$ 115,912	$ 97,410	$ 85,067	$ 36,859
Contributions in relation to the contractually required contribution	(115,912)	(97,410)	(85,067)	(36,859)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Authority's covered-employee payroll	$ 858,604	$ 695,789	$ 586,668	$ 263,281
Plan fiduciary net position as a percentage of the total pension liability	13.50%	14.00%	14.50%	14.00%

* The Authority's contribution for PERS was paid by the Ohio County Commission (primary government) and then billed to the Authority through December 31, 2012. Effective January 1, 2013, the Authority began paying payroll and benefits as a separate entity.

Changes of benefit terms. Amounts reported reflect an increase in disability benefits to be equivalent to retirement benefits. Amounts reported in the Authority's proportionate share of the net pension liability reflect a modification to the benefit terms to incorporate a new definition of base compensation.

Changes of assumptions. Amounts reported in the Authority's proportionate share of net pension liability (asset) reflect an adjustment of the expectation of life after disability to more closely reflect actual experience. For amounts reflected in Authority's proportionate share of net pension liability (asset) and later, the expectation of retired life mortality was based on RP-2000 Mortality Tables rather than on the 1983 Group Annuity Mortality Table, which was used to determine amounts reported prior to the Authority's proportionate share of net pension liability (asset). Amounts reported in the Authority's proportionate share of net pension liability (asset) reflect an adjustment of expected retirement ages to more closely reflect actual experience. Amounts reported in the Authority's proportionate share of net pension liability (asset) reflect an adjustment of assumed life expectancies to more closely reflect actual experience.

SUPPLEMENTARY INFORMATION

OHIO COUNTY DEVELOPMENT AUTHORITY
(A COMPONENT UNIT OF THE OHIO COUNTY COMMISSION)
SCHEDULE OF RATE COVENANT COMPLIANCE
For the Fiscal Year Ended June 30, 2016

I. The Ohio County Development Authority is subject to rate covenant compliance associated with the issuance of the Series 2011 A Water Bonds. Specifically, the Authority must meet gross revenue targeted percentage and reserve debt requirements as shown in the bond document as follows:

"The lease payments to be made to the Governmental Agency under the Leases (as that term is defined in the Supplemental and Amendatory Resolution adopted by the Governmental Agency on May 18, 2010) will be sufficient to maintain a debt service coverage of at least 120% of the maximum amount required in any year for the debt service on the Local Bonds and the Prior Obligations."

The following schedule summarizes the provisions for the fiscal year ended June 30, 2016:

Rate Covenant

Annual Lease Revenues	Maximum Amount Annual Debt Service	Percentage	Percentage Required
$ 1,555,592	$ 1,280,985	121%	120%

As of June 30, 2016, the Authority was in compliance with the provisions of the revenue bond covenant which requires lease revenues to be 120% or above the amount of the highest principal payment plus interest due in any given year.

ACCOMPANYING INFORMATION

State of West Virginia
John B. McCuskey
State Auditor and
Chief Inspector

Office of the State Auditor
Chief Inspector Division
1900 Kanawha Boulevard, East
State Capitol, Building 1, Suite W-100
Charleston, West Virginia 25305

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

Independent Auditor's Report

Honorable Members of the
Ohio County Development Authority
Wheeling, West Virginia 26003

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Ohio County Development Authority (the Authority), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 14, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

John B. McCuskey
West Virginia State Auditor
Charleston, West Virginia

March 14, 2017