

**Audited Financial Statements**

**Tobacco Settlement Finance Authority  
of West Virginia**

**Year Ended June 30, 2013**

TOBACCO SETTLEMENT FINANCE AUTHORITY  
OF WEST VIRGINIA

Year Ended June 30, 2013

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the  
Tobacco Settlement Finance Authority of West Virginia  
Charleston, West Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of the Tobacco Settlement Finance Authority of West Virginia (the Authority), a component unit of the State of West Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Tobacco Settlement Finance Authority of West Virginia as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Charleston, West Virginia  
November 12, 2013

*Tobacco Settlement Finance Authority*

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**Governmental Fund Balance Sheet/  
Statement of Net Position  
June 30, 2013  
(Expressed in Thousands)**

	<b>Tobacco Settlement Finance Authority</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
Assets:			
Cash Equivalents	\$ 30,255	\$ —	\$ 30,255
Investments	71,181	—	71,181
Receivables, Net	<u>34,070</u>	<u>—</u>	<u>34,070</u>
Total Assets	<u>\$135,506</u>	<u>—</u>	<u>\$135,506</u>
Deferred Outflows of Resources:			
Deferred Charge	<u>\$627,798</u>	<u>—</u>	<u>\$627,798</u>
Liabilities:			
Noncurrent:			
Revenue Bonds Payable	\$ —	<u>\$ 859,596</u>	<u>\$859,596</u>
Total Liabilities	<u>—</u>	<u>859,596</u>	<u>859,596</u>
Deferred Inflows of Resources:			
Deferred Revenue	<u>\$ 34,068</u>	<u>(34,068)</u>	<u>—</u>
Fund Balances:			
Nonspendable	627,800	(627,800)	
Restricted for Debt Service	<u>101,436</u>	<u>(101,436)</u>	
Total Fund Balances	<u>\$729,236</u>	<u>\$(729,236)</u>	
Net Position:			
Restricted for Debt Service		101,436	101,436
Unrestricted		<u>(197,728)</u>	<u>(197,728)</u>
		<u>\$ (96,292)</u>	<u>\$ (96,292)</u>

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

*Tobacco Settlement Finance Authority*

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**Reconciliation of Governmental Fund  
Balance Sheet to the Statement of Net Position  
June 30, 2013  
(Expressed in Thousands)**

Total Fund Balance - Governmental Fund	\$ 729,236
Amounts reported in the statement of net position differ from the governmental fund balance sheet because of the following:	
Long-term debt obligations are not due and payable in the current period and therefore are not reported in the governmental fund balance sheet.	(859,596)
Intergovernmental revenues associated with the master settlement agreement are earned but not available and therefore are deferred in the fund.	<u>34,068</u>
Net Position of Governmental Activities	\$ <u>(96,292)</u>

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

*Tobacco Settlement Finance Authority*

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**Statement of Governmental Fund Revenues,  
Expenditures, and Changes in Fund Balance -  
Governmental Fund/Statement of Activities  
For the Year Ended June 30, 2013  
(Expressed in Thousands)**

	<u>Tobacco Settlement Finance Authority</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
Investment Earnings	\$ 3,927	\$ —	\$ 3,927
Intergovernmental	<u>89,962</u>	<u>(1,635)</u>	<u>88,327</u>
Total Revenues	<u>93,889</u>	<u>(1,635)</u>	<u>92,254</u>
Expenditures/Expenses:			
Current:			
General and Administrative	24	—	24
Interest Expense	—	67,388	67,388
Amortization of Deferred Charge	17,501	—	17,501
Debt Service:			
Principal	36,360	(36,360)	—
Interest	<u>58,790</u>	<u>(58,790)</u>	<u>—</u>
Total Expenditures/Expenses	<u>112,675</u>	<u>(27,762)</u>	<u>84,913</u>
Excess (deficiency) of Revenues Over (Under) Expenditures	<u>(18,786)</u>	<u>18,786</u>	<u>—</u>
Change in Net Position		7,341	7,341
Fund Balance/Net Position, Beginning of Year, as restated	<u>748,022</u>	<u>(851,655)</u>	<u>(103,633)</u>
Fund Balance/Net Position, End of Year	<u>\$729,236</u>	<u>\$(825,528)</u>	<u>\$(96,292)</u>

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

***Tobacco Settlement Finance Authority***

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**Reconciliation of the Governmental Fund  
Statement of Revenues, Expenditures, and Changes in  
Fund Balance to the Statement of Activities  
For the Fiscal Year Ended June 30, 2013  
(Expressed in Thousands)**

Net Change in Fund Balance - Governmental Fund	\$(18,786)
Amounts reported in the statement of activities differ from the statement of governmental fund revenues, expenditures, and changes in fund balances because of the following:	
Amortization of other assets associated with long-term debt obligations do not affect current financial resources and are not reported in the governmental fund.	(8,598)
Repayment of long-term debt is reported as an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	36,360
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the fund. Unearned revenues decreased by this amount this year.	<u>(1,635)</u>
Change in Net Position of Governmental Activities	<u>\$ 7,341</u>

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

## **NOTE 1**

### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **The Reporting Entity**

The Tobacco Settlement Finance Authority (TSFA) is a blended component unit of the State of West Virginia (the State) and is governed by a five-member board, including the Secretary of Administration, the Treasurer of the State, and three persons appointed by the Governor. The TSFA was created under the provisions of Chapter 4, Article 11A, Section 6 of the Code of West Virginia, 1931, as amended, to issue bonds related to the State's portion of the tobacco settlement revenue (TSR) from the Master Settlement Agreement (MSA) between tobacco manufacturers and the covered states. The TSFA is blended in the special revenue funds of the State, since its activities only benefit the State.

#### **Basis of Presentation**

The accompanying basic financial statements of the Tobacco Settlement Finance Authority conform to the United States generally accepted accounting principles (GAAP) for governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Adjustments to estimates are recorded, as appropriate, in periods in which they are determined.

#### **Government-wide and Fund Financial Statements**

The TSFA's financial statements present the government-wide financial statements (statement of net position and the statement of activities) and the fund financial statements (balance sheet and statement of revenues, expenditures, and changes in fund balance) in a combined format, which presents the fund financial statements with required adjustments as a separate column and the government-wide financial statements on the same set of statements.

In the government-wide column of the financial statements, the statement of net position presents the TSFA's assets plus deferred outflows and liabilities plus deferred inflows, with the difference reported as net position. Net position is reported in two categories:

1) Restricted net position results when constraints are placed on net position use by external creditors, grantors, contributions, etc. or imposed by law through constitutional provisions or enabling legislation; and, 2) Unrestricted net position consists of net position which does not meet the definition of the preceding category.

The statement of activities demonstrates the degree to which the direct expenses of the program are offset by program revenues.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Available" means expected to be collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, revenues are primarily considered available if received in the first 60 days of the new fiscal year. The TSFA has implemented GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues". This statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. A receivable for the revenues is recognized based upon the annual estimated payment under the Master Settlement Agreement. At June 30, 2013, \$34.1 million of receivables has been recognized. Expenditures generally are recorded when the related liability is incurred, as under accrual accounting.

Actual revenues in the past five years have been approximately 86.2 percent of revenues projected by the Master Settlement Agreement. Deferred revenues and charges will be amortized until 2039, by applying the ratio of the bond proceeds (\$807 million) to the total estimated TSRs sold (\$2.372 billion). Therefore, deferred balances will be reduced by amounts that represent 34.02 percent of TSRs recognized.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes.

Cash Equivalents – Cash equivalents are short-term investments with original maturities of three months or less and are stated at fair value as determined by quoted market sources.

Deferred Outflows of Resources – Deferred outflows of resources represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense) until then. Deferred charges, in the government-wide financial statements and on the governmental fund statements, are recognized as revenue over the duration of the sale agreement.

Long-term Liabilities – In the government-wide financial statements, long-term obligations are reported as liabilities. Bond discounts, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective-interest method. Bonds payable are reported net of the applicable bond discount.

In the government-wide financial statements and the fund financial statements, issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources – A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period.

Net Position/Fund Balance – The difference between fund assets and deferred outflows of resource less liabilities and deferred inflows is “Net Position” on the government-wide financial column and “Fund Balance” on the governmental fund column.

Restricted Net Position – Restrictions of net position are the result of constraints placed on the use of net position which have been imposed through debt covenants and by law through enabling legislation. When both general purpose and restricted funds are available for use, it is the policy to use restricted resources first.

Nonspendable Fund Balance – Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – Reported when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

**NOTE 2**

**RESTATEMENT OF NET POSITION**

(Expressed in Thousands)

The TSFA has restated its net position on the government-wide financial statements as of June 30, 2012, to reflect the accounting treatment for bond issuance costs in accordance with the implementation of GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities.”

	<u>Net Position</u>		
	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
Government-wide	\$ (97,752)	\$ (5,881)	\$ (103,633)

### NOTE 3

#### INVESTMENTS

(Expressed in Thousands)

The TSFA’s bond proceeds may be invested in any security or obligation approved by the board and specified in the trust indenture or resolution pursuant to which the bonds must be issued.

#### Interest Rate Risk

As of June 30, 2013, the TSFA had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
Repurchase Agreement	\$ 71,181	\$ —	\$—	\$—	\$71,181
Money Market	<u>30,255</u>	<u>30,255</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>\$101,436</u>	<u>\$30,255</u>	<u>\$—</u>	<u>\$—</u>	<u>\$71,181</u>

#### Concentration of Credit Risk

As of June 30, 2013, the TSFA had investment balances with the following issuers which are greater than or equal to 5 percent of the investment balance:

<u>Security Type</u>	<u>Fair Value</u>	<u>Issuer</u>	<u>Percentage of Concentration</u>
Repurchase Agreement	\$71,181	DEPFA Bank, PLC	70.17%
Money Market	30,255	Wells Fargo Advantage Money Market Service	29.83%

The TSFA’s investment guidelines manage concentration of credit risk by limiting its investment activity to the following: non-callable, direct obligations of the United States, GNMA, FNMA, and FHLMC senior debt obligations rated “AAA” by S&P and “Aaa” by Moody’s all with a maturity of ten years or less. Investments in FNMA and FHLMC mortgage-backed securities and Collateralized Mortgage Obligations and Real Estate Mortgage Conduits and derivative securities are not permitted.

Acceptable collateral for the repurchase agreement is 100% for cash, 106% for U.S. Treasuries, and 108% for U.S. Agencies of the carrying value of the bonds that is held by the Authority’s custodian in the Authority’s name. As of June 30, 2013, the repurchase agreement is fully collateralized.

## Tobacco Settlement Finance Authority

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### **Credit Risk**

The following table provides information on the credit ratings of the TSFA's third-party's trustee investments as of June 30, 2013:

<u>Security Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	
		<u>S&amp;P</u>	<u>Moody's</u>
Repurchase Agreement	\$71,181	AA+	Aaa
Money Market	30,255	AAAm	Aaa

The TSFA's investments in repurchase agreements, at June 30, 2013, includes underlying securities of \$75,751,000 in federal agency obligations backed by the full faith and credit of the United States.

### **Reconciliation to Financial Statements**

The following schedule reconciles the amount disclosed as deposits and investments included in this footnote to cash equivalents and investments in the Statement of Net Position at June 30, 2013:

#### Deposits:

Cash Equivalents as Reported on the Statement of Net Position	\$ 30,255
Less:	
Cash Equivalents Disclosed as Investments	<u>(30,255)</u>
Reported Value of Deposits as Disclosed in this Footnote	<u>\$ —</u>

#### Investments:

Investments as Reported on the Statement of Net Position	\$ 71,181
Add:	
Cash Equivalents Disclosed as Investments	<u>30,255</u>
Reported Value of Investments as Disclosed in this Footnote	<u>\$101,436</u>

**NOTE 4**

**REVENUE BONDS PAYABLE**

(Expressed in thousands)

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Reduction</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Amount</u> <u>Due</u> <u>Within</u> <u>1 Year</u>
2007 Tobacco Settlement Finance Authority Interest Rate, 7.47-8.50, Maturing June 1, 2047	\$ 887,358	\$ 8,598	\$ (36,360)	\$ 859,596	\$ —

The Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007 were issued by the TSFA created by Chapter 4, Article 11A of the Code of West Virginia (the Code) on June 26, 2007. Pursuant to the Code, and a Purchase and Sale Agreement, dated June 1, 2007, by and between the TSFA and the State, the State sold to the TSFA its right, title, and interest in and to all tobacco settlement revenue that is received by the State, under the terms of the MSA entered into by participating tobacco product manufacturers, West Virginia, 45 other states, and six other U.S. jurisdictions in November 1998.

The Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007 are comprised of two series of turbo term bonds, the Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007A, which are current interest bonds in the original amount of \$845,810,000, and the Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007B, which are capital appreciation bonds in the original amount of \$65,331,503. The Series 2007 Bonds are secured by and are payable solely from the right, title, and interest of the TSFA of 100% of the Tobacco Receipts, and investment earnings on the accounts with the trustee under the Indenture.

The tobacco receipts through 2039 are estimated to be approximately \$2.4 billion, using 85% (the percentage actually received 2005-2007) of the amount calculated by the National Governor’s Association. Assuming a 5.2% interest rate, the net present value of the receipts is \$897 million.

Principal repayment of the Series 2007A bonds are required on June 1, 2047. Principal payments as disclosed are projected to be paid, as MSA revenues over required interest payments permit, under the turbo redemption provisions of the bonds.

***Tobacco Settlement Finance Authority***

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Future amounts projected to pay principal payments and required interest payments on the Series 2007A revenue bonds at June 30, 2013, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 22,395	\$ 55,312	\$ 77,707
2015	24,435	53,563	77,998
2016	26,645	51,656	78,301
2017	29,625	49,555	79,180
2018	21,590	47,643	69,233
2019-2023	149,480	208,542	358,022
2024-2028	242,155	136,501	378,656
2029-2032	<u>235,620</u>	<u>29,998</u>	<u>265,618</u>
Total Series 2007A	751,945	<u>\$ 632,770</u>	<u>\$1,384,715</u>

Future amounts required to pay principal and interest payments on the Series 2007B capital appreciation bonds at June 30, 2013, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal Net of Accreted Amounts</u>	<u>Future Accreted Amounts</u>	<u>Total</u>
2014	\$ —	\$ 9,344	\$ 9,344
2015	—	10,155	10,155
2016	—	11,037	11,037
2017	—	11,995	11,995
2018	—	13,036	13,036
2019-2023	—	84,248	84,248
2024-2028	—	127,735	127,735
2029-2033	—	178,059	178,059
2034-2038	—	105,251	105,251
2039-2040	<u>107,651</u>	<u>4,550</u>	<u>112,201</u>
Total Series 2007B	<u>107,651</u>	<u>\$ 555,410</u>	<u>\$ 663,061</u>
Total Series 2007A and B Bonds	<u>\$859,596</u>		

**NOTE 5**

**TRANSACTIONS WITH THE STATE OF WEST VIRGINIA**

During the year ended June 30, 2013, the TSFA reports a deferred charge from the State's General Fund for the deferred revenue related to the sale of the MSA tobacco revenues of \$627,800,000.

During the year ended June 30, 2013 the TSFA entered into an agreement to resolve disputed payments from the tobacco companies. Payments of \$36,877,000 relating to this agreement are included in total TSFA intergovernmental revenues from the State's General Fund for the FY 2013 MSA revenues of \$89,962,000. In accordance with this agreement, the tobacco companies received a credit of \$19,900,000 against the regular FY 2013 MSA payment and will receive an annual credit of \$4,900,000 against each of the following four MSA payments. The amortization of the deferred charge of the future tobacco settlement revenue of the TSFA resulted in a \$17,501,000 reduction in the State's General Fund payable to the TSFA.

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

To the Members of the  
Tobacco Settlement Finance Authority of West Virginia  
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Tobacco Settlement Finance Authority of West Virginia (the Authority) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 12, 2013.

#### **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.

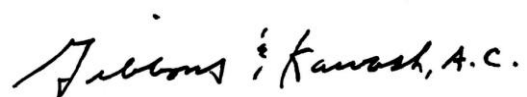
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

#### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Charleston, West Virginia  
November 12, 2013