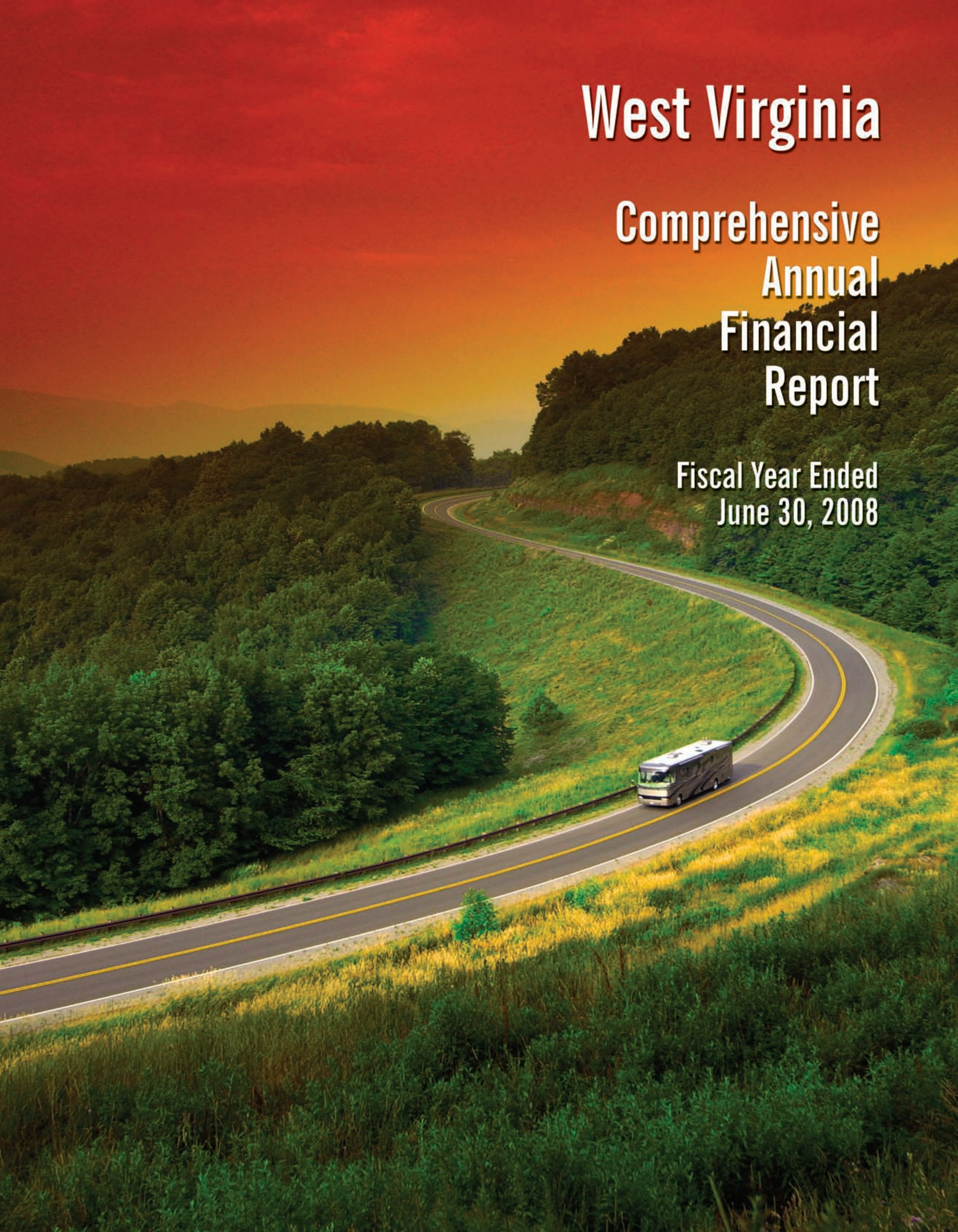
West Virginia

Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2008



West Virginia

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2008

Joe Manchin III
Governor

Robert W. Ferguson, Jr.
Cabinet Secretary
Department of Administration

Ross Taylor
State Comptroller
Department of Administration

Prepared by the
Financial Accounting
and Reporting Section

Governor Joe Manchin III

State of West Virginia

Joe Manchin III

Governor

Office of the Governor
State Capitol
1900 Kanawha Boulevard, East
Charleston, WV 25305

Telephone: (304) 558-2000
Toll Free: 1-888-438-2731
FAX: (304) 342-7025
www.wvgov.org

To the Honorable Members of the West Virginia Legislature
And the Citizens of West Virginia

I am pleased to provide you with the State of West Virginia Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2008. An independent certified public accounting firm has audited the basic financial statements contained in this report.

The CAFR demonstrates West Virginia's commitment to financial accountability and national standards. This document provides the Legislature and the citizens of West Virginia with the state's financial data. It can be accessed on the internet at www.wvfinance.state.wv.us.

This report was compiled with the help of individuals throughout state government. Each state agency provided clear, concise information to ensure the highest level of financial accountability.

With warmest regards,

Joe Manchin III
Governor

ACKNOWLEDGMENTS

Report Prepared By:

West Virginia Department of Administration
Finance Division
Financial Accounting and Reporting Section
2101 Washington Street, East
Building 17, 3rd Floor
Charleston, West Virginia 25305
(304) 558-4083

Financial Reporting Team:

Connie Byrne, CPA
D. Shawn Carper, MBA
Susannah Carpenter, CPA
Angela Leshon, CPA
Jeff Perkins
Robert Seabolt
Christine Sforza, CPA
Jane Shinn
Sheila Straley

A Special Thanks To:

Becky Hayes, CPA

Special appreciation is given to all personnel throughout the State whose extra effort to contribute accurate, timely financial data for their agencies made this report possible. The technical support of Information Services and Communications has been invaluable. Thanks to the Division of Tourism for their pictorial and technical assistance.

We invite you to visit our web site: www.wvfinance.state.wv.us

STATE OF WEST VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

INTRODUCTORY SECTION

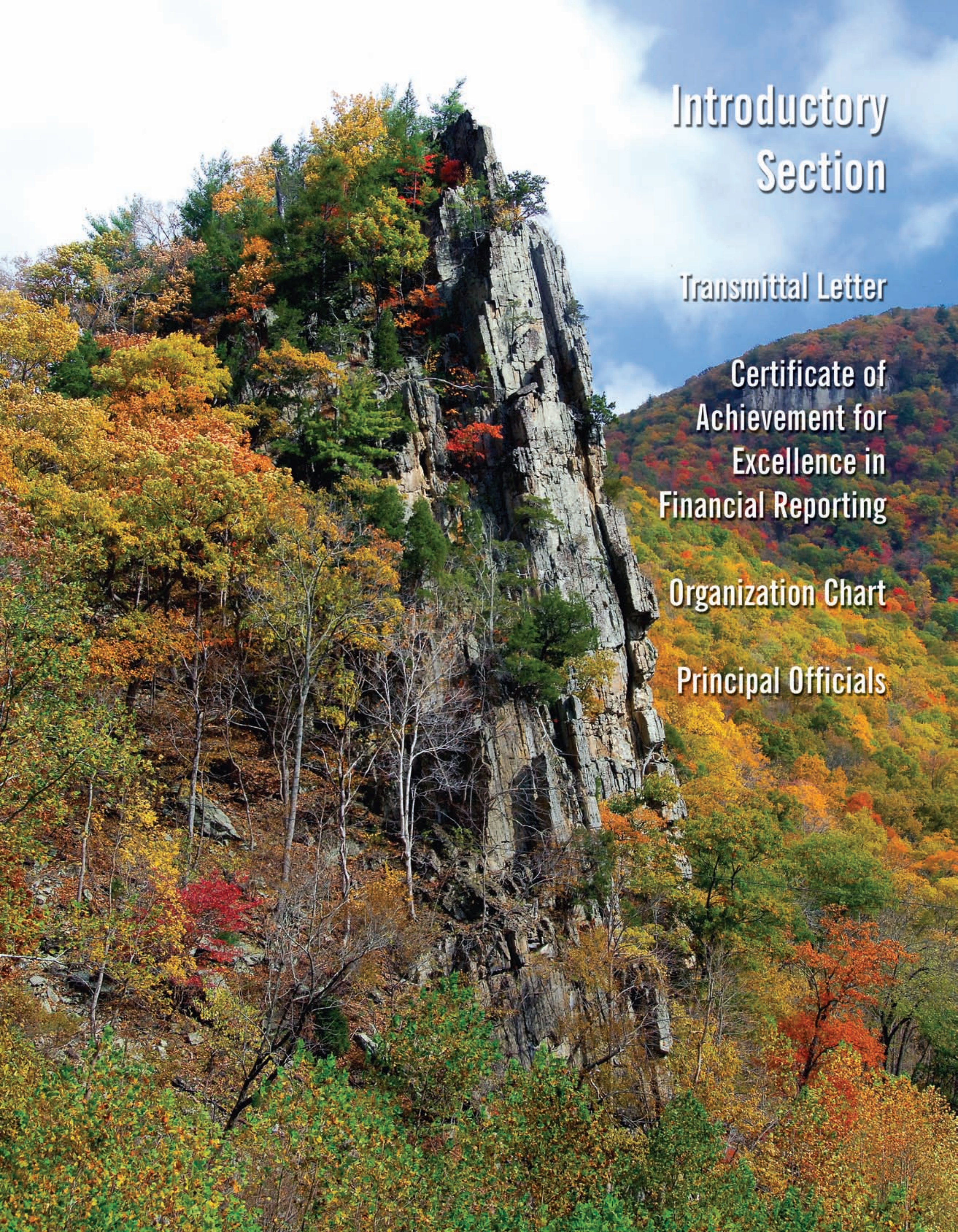
Page

FINANCIAL SECTION

FINANCIAL SECTION (Continued)

FINANCIAL SECTION (Continued)

STATISTICAL SECTION



Introductory Section

Transmittal Letter

Certificate of Achievement for Excellence in Financial Reporting

Organization Chart

Principal Officials

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
DIVISION OF FINANCE

JOE MANCHIN III
GOVERNOR

ROBERT W. FERGUSON, JR.
CABINET SECRETARY

March 30, 2009

The Honorable Joe Manchin III, Governor
The Honorable Members of the West Virginia Legislature
The Citizens of West Virginia

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of West Virginia for the fiscal year ended June 30, 2008. This report has been prepared by the Financial Accounting and Reporting Section within the Division of Finance of the Department of Administration.

The CAFR has been prepared in conformity with the reporting model outlined by the Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35, and other related statements. This reporting model's objective is to provide a clear picture of the government as a single, unified entity as well as to provide traditional fund-based financial statements. The State of West Virginia's financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with generally accepted accounting principles in the United States (GAAP).

The independent audit of the financial statements of the State of West Virginia is part of a broader, federally mandated "Single Audit" designed to meet the requirements of federal grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the basic financial statements, but also on the audited government's internal controls and compliance with requirements applicable to major programs. These reports are available in the State of West Virginia's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the report of the independent auditors.

2101 WASHINGTON STREET, EAST, PO Box 5012I, CHARLESTON, WV 25305-012I
PHONE (304) 558-618I - FAX (304) 558-1950
WWW.WVFINANCE.STATE.WV.US

The CAFR consists of management's representations concerning the financial information of the State of West Virginia. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the State has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with U.S. generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The State of West Virginia's financial statements have been audited by Ernst & Young LLP. The independent auditors concluded, based upon their audit and the reports of other auditors, that there was a reasonable basis for rendering an unqualified opinion.

Profile of the Government

The State of West Virginia provides a full range of services including: education, social and health services, transportation, public safety, conservation of natural resources, and economic development. In addition to general government activities, this report includes various discretely presented component units which are financially accountable to the State, or for which the nature and significance of their relationship with the State are such that their exclusion would cause this report to be misleading or incomplete. The criteria used to determine financial accountability of a particular entity are the appointment by a state official of a voting majority of the entity's governing body and (1) the ability of the State to impose its will on that entity or (2) the potential for the entity to provide specific financial benefits to or impose specific financial burdens on the State. See Note 1 (Summary of Significant Accounting Policies) for a comprehensive discussion of the criteria used in determining the State's financial reporting entity.

Budgetary control is maintained through legislative appropriations and the Executive Branch quarterly allotment process. Agencies submit budgetary requests to the State Budget Office. The State Budget Office compiles the Executive Budget on behalf of the Governor, who submits it to the Legislature. After the approval of the budget, the State Budget Office maintains control over the spending patterns of the State at the activity level and by use of the quarterly allotments. The State Auditor exercises control over spending at the annual appropriation level. All appropriations, except funds which are reappropriated, expire 31 days after fiscal year-end.

Economic Conditions and Outlook

During these challenging financial times, West Virginia has maintained a sound fiscal foundation by creating jobs and increasing economic growth under the continued leadership of Gov. Joe Manchin III and the State Legislature. According to a recent Rockefeller Institute study, West Virginia led the nation in economic growth (22 percent) from May to August of 2008. West Virginia was ranked fourth in the nation in economic growth from August 2007 to August 2008, at 2.6 percent. This forward progression symbolizes the dedication and implementation of innovative ideas to keep West Virginia a thriving environment to attract business, tourism, and future citizens. The State ranks 8th among all 50 states for business recruitment and attraction, according to a 2007 study by *Expansion Management* magazine and the National Policy Research Council.

Part of this economic growth may be attributed to the rapid increase in exports. For the first half of 2008, West Virginia exports grew 43 percent, outpacing the national rate of 18 percent. West Virginia products with the most significant increase in exports were coal, machinery, automobiles and automobile parts, plastics and aluminum. West Virginia businesses exported $3.97 billion in goods to foreign countries in 2007, an increase of $732 million from 2006. Exports are expected to reach about $5 billion in 2008.

Since 2005, West Virginia employment has seen a net increase of 22,800 jobs. The State's average unemployment rate in 2007 was 4.6 percent, the lowest unemployment average in the State's history. This record has been sustained, with West Virginia's unemployment rate ranking 7th, well below the national average in August of 2008.

Long-term Financial Planning and Relevant Financial Policies

Working more efficiently while maintaining the level of customer expectation for State government services has allowed the administration to reduce the size of State government employment two consecutive years. Additionally, initiatives for more efficient practices, which were recommended by an independent consulting firm, have saved more than $77 million in the first year and is projected to save $350 million over five years.

Financial steadiness is the key to successful sustainability of our nation's economy. Governor Manchin was named as one of only three governors to earn an "A" by the Cato Institute in October of 2008 in its review of fiscal policies in all 50 states. Several tax initiatives have proved promising, with future benefits to be realized:

- In January of 2007, Corporate Net Income Tax dropped to 8.75 percent from 9.00 percent and is expected to be reduced to 6.5 percent by 2014.

- The Business Franchise Tax dropped to 0.55 percent from 0.70 percent and will be eliminated by 2015.

- Approximately $46.5 million of business tax burden was removed in fiscal year 2008, and $100 million total will have been removed through laws passed during the past three years.

- On July 1, 2008, the food tax was cut in half since 2005, a tax break of $50 million through fiscal year 2008 and a $75 million total reduction will be realized through these changes.

Prudent decision-making and good business sense have resulted in record State revenue collections in fiscal years 2007 and 2008 and a budget surplus of $106.7 million in 2007 and $35.3 million in 2008. As an added incentive to public employees, more than $1.8 billion has been placed toward reducing unfunded pensions and the State's debt. The total estimated savings because of extra commitments to unfunded liabilities in retirements is more than $2.5 billion.

Major Initiatives

Education is another strong focus within State government. The 21st Century Jobs Cabinet of West Virginia allowed for the creation of a seamless education system that connects every level of education, from early childhood to graduate school, encompassing job training and lifelong learning. During the 2008 Regular Session of the State Legislature, legislation was passed for the creation of the "Bucks for Jobs" program, which allows for a $50 million research endowment ("Bucks for Brains") to be split between Marshall University and West Virginia University to stimulate world-class research and development in order to attract venture capital. This program is expected to eventually lead to jobs in emerging high-tech, high-wage industries.

Equally important are improvements to infrastructure. Since 2005, more than $66 million has been awarded in Small Cities Block Grants, leveraging more than $117 million in additional funds since 2005. A record amount of more than $50 million was provided for 2007 summer and fall paving projects. The refinancing of the State's road bonds resulted in direct savings of $19 million and federal matching money of $76 million for State highway projects. Currently, 80 percent of West Virginia households now have access to broadband internet, up from 58 percent in 2004.

To assist the senior citizens of West Virginia, more than $16 million was dedicated in the 2008 Executive Budget for Aged and Disabled Waivers, Alzheimer's Respite Care, the West Virginia Elder Watch program, and for in-home services and nutrition.

With strong government leadership within the State, tough decisions have and will continue to be made to ensure that the State's financial stability and positive quality of life remain as priorities. With a focus toward the future on improved health care, economic development, enhanced infrastructure, and technology, West Virginia will continue its tireless efforts to meet the challenges which lie ahead for our State and nation.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of West Virginia for its CAFR for the fiscal years ended June 30, 1995 through 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA. Other State entities that have been awarded the Certificate of Achievement include the Board of Risk and Insurance Management, the Public Employees' Insurance Agency, the Department of Transportation, the Housing Development Fund, the Parkways, Economic Development and Tourism Authority, the West Virginia Lottery, and the West Virginia Prepaid College Plan.

Acknowledgments

The annual budget document, prepared by the State Budget Office, provides additional information related to budget priorities and goals, including acknowledgment of significant accomplishments of various agency programs. The budget document has received the GFOA's Award for Distinguished Budget Presentation Program for the fiscal years 1997 through 2009 budgets.

The CAFR is an example of the Governor's unwavering belief in, and commitment to, the State's financial accountability. Acknowledgment is given to the Legislature and its leadership for their commitment to sound budgeting and to meeting the financial obligations of the State. This report would not be possible without the support of all West Virginia state agencies. The State's continued success directly depends upon their cooperation and support.

Sincerely,

Robert W. Ferguson, Jr.

Robert W. Ferguson, Jr.
Cabinet Secretary

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of West Virginia

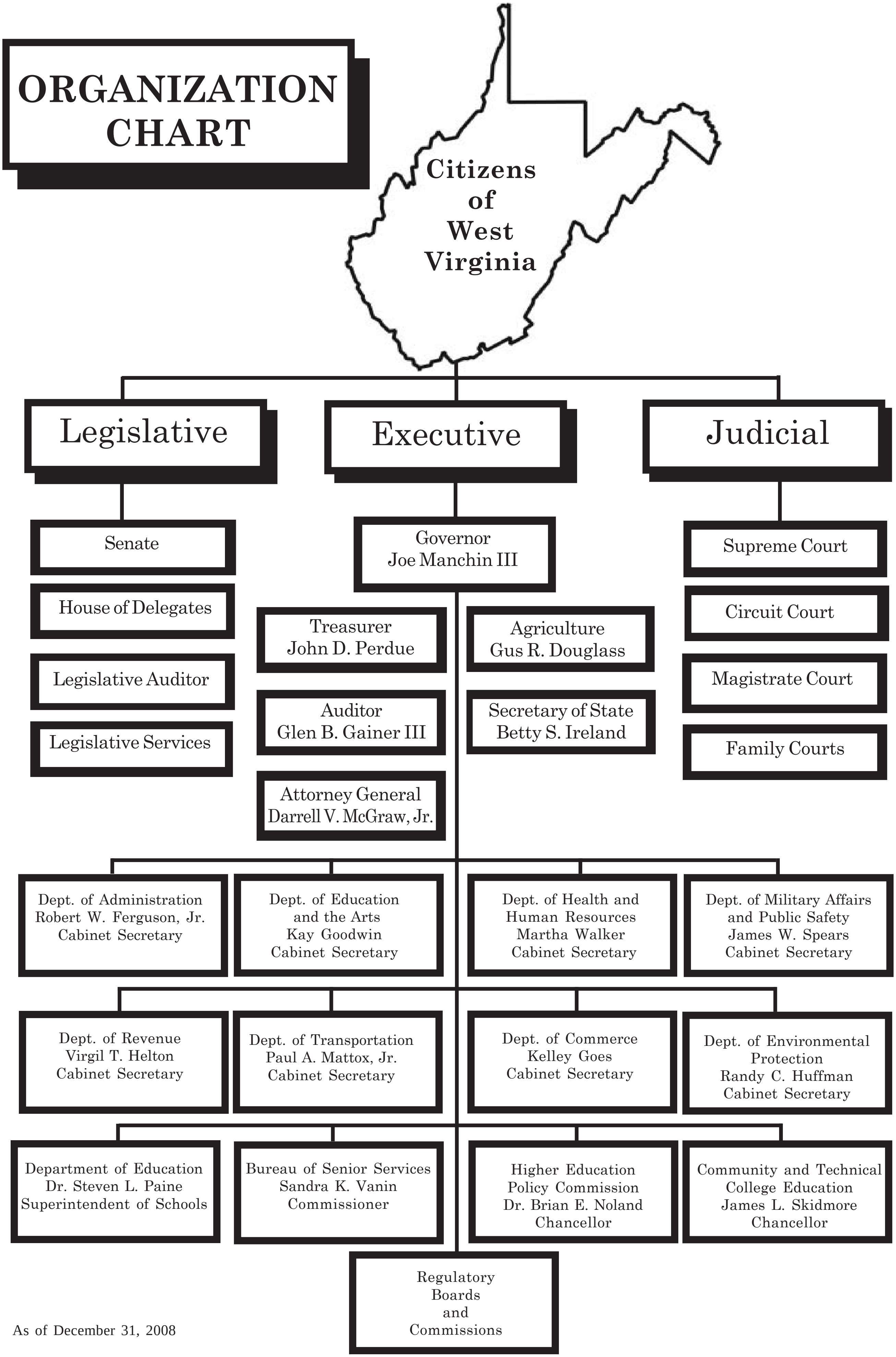
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

ORGANIZATION CHART



As of December 31, 2008

State of
WEST VIRGINIA

Principal Officials

Executive Branch

Governor
Joe Manchin III

Agriculture Commissioner
Gus Douglass

Attorney General
Darrell V. McGraw, Jr.

State Auditor
Glen B. Gainer III

Secretary of State
Betty Ireland

State Treasurer
John Perdue

Legislative Branch

President of the Senate
Earl Ray Tomblin

Speaker of the House
Richard Thompson

Chairman
Senate Finance
Walt Helmick

Chairman
House Finance
Harry Keith White

Judicial Branch

Supreme Court
Chief Justice
Elliott E. Maynard

Supreme Court Justice
Larry V. Starcher

Supreme Court Justice
Robin Jean Davis

Supreme Court Justice
Joseph P. Albright

Supreme Court Justice
Brent D. Benjamin

As of December 31, 2008


STATE OF WEST VIRGINIA.
JUNE 20 1863
MONTANI SEMPER LIBERI.

Financial Section

Report of Independent Auditors

Management's Discussion and Analysis

Ernst & Young LLP
900 United Center
500 Virginia Street East
Charleston, West Virginia 25301

Tel: 304 343 8971
Fax: 304 357 5994
www.ey.com

Report of Independent Auditors

The Honorable Joe Manchin III, Governor
of the State of West Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of West Virginia (the State) as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain entities within the governmental activities, the business-type activities, the aggregate discretely presented component units, certain major funds, and the aggregate remaining fund information, which represent 64 percent of total assets, 79 percent of net assets, and 27 percent of total revenues for the governmental activities; 82 percent of total assets, 91 percent of net assets, and 83 percent of total revenues for the business-type activities; 100 percent of total assets, 100 percent of net assets, and 100 percent of total revenues for the aggregate discretely presented component units; 100 percent of total assets, 100 percent of total net assets, and 100 percent of total revenues of the following major funds—Transportation, West Virginia Infrastructure and Jobs Development Council, Tobacco Settlement Finance Authority, West Virginia Lottery, Water Pollution Control, Workers' Compensation, and Unemployment Compensation; and 93 percent of total assets, 93 percent of net assets/fund balance, and 67 percent of the total revenues/additions for the aggregate remaining fund information, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain entities within the governmental activities, business-type activities, aggregate discretely presented component units, certain major funds, and certain entities within the aggregate remaining fund information, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 of material misstatement. The financial statements of the West Virginia Investment Management Board were audited by other auditors in accordance with auditing standards generally accepted in the United States but were not audited in accordance with *Government Auditing Standards.* We were not engaged to perform an audit of the State's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of West Virginia as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

As more fully described in Notes 2 and 13 to the financial statements, in fiscal year 2008, the State adopted Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which changed the accounting and reporting for postemployment benefits. Also, as more fully described in Note 2 to the financial statements, in fiscal year 2008, the State reevaluated the financial statement presentation of the School Building Authority and determined that it should be presented as a discretely presented component unit. This change in presentation required a restatement of the beginning of the year fund balance of the governmental funds and net assets of the discretely presented component units.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2008, on our consideration of the State'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 19, the budgetary comparison information on pages 166 through 173, and pension plans schedule of funding progress on pages 174 through 175 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements and schedules on pages 179 through 221, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Ernst & Young LLP

March 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State of West Virginia's Comprehensive Annual Financial Report presents management's discussion and analysis of the State's financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and the State's financial statements, which follow this section.

The State implemented one new Governmental Accounting Standards Board (GASB) standard in 2008, Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans" (OPEB). The details relating to this statement are included in Note 13. The Public Employees' Insurance Agency, a major proprietary fund, early adopted GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," in conjunction with the implementation of a new computer software system.

FINANCIAL HIGHLIGHTS

Government-wide:

The assets of the primary government exceeded its liabilities at the close of the fiscal year by $9.3 billion (reported as "net assets"). Governmental activities reported $9.6 billion in net assets (a $917 million increase, up 10.6% from last year), while the business-type activities reported a deficit of $243 million, a $431 million decrease in the deficit. The State's net assets improvements are primarily due to a stable economy, more revenue from certain taxes, strong lottery profits, and reduced spending.

The School Building Authority (SBA) has been historically reported in the other governmental funds; Special Revenue, Capital Projects, and Debt Service funds. During the current year management challenged the financial statement presentation and determined that the SBA should be presented as a discretely presented component unit. Accordingly, beginning of the year fund balance and net asset balances have been restated for the other governmental funds as well as the component units. Additional information about the restatement is contained in Note 2. The fiscal year 2007 balances included in the Management's Discussion and Analysis have not been updated because this information is not readily available.

Fund Level:

At year-end, the governmental funds reported a combined ending fund balance of $3.46 billion, a decrease of $18.6 million, or .5% lower than the prior year. The unreserved fund balance for the general fund was $823 million, or 11%, of total general fund expenditures. General Revenue surpluses allowed $17.6 million to be transferred to the Revenue Shortfall Reserve Fund (Rainy Day Fund), down from the previous year by $36 million.

Long-Term Obligations:

There was a net decrease in the State's long-term obligations of $938 million. The decrease includes payments on bonds, capital leases, and notes payable of $101 million and the removal of the SBA bonds in the amount of $346 million. See Notes 10 and 11 for more information about bonds, capital leases and notes payable.

Significant changes in other long-term obligations included a decrease of $181 million in Compensated Absences due to the implementation of GASB 45 requiring the reporting of Other Postemployment Benefits. See Note 13 for a more detailed explanation. The Insurance and Compensation Benefits went down $430 million primarily due to the privatization of the workers' compensation fund and the stable sources of revenue to satisfy the declining liability for claims incurred on or before June 30, 2005. See Note 14 for a more detailed explanation about the privatization and funding plan.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of West Virginia's basic financial statements. The basic financial statements include: the government-wide financial statements, fund financial statements, and notes to the financial statements.

The basic financial statements include two kinds of statements that present different views of the State. The statement of net assets and the related statement of activities are *government-wide financial statements* that provide both long-term and short-term information about the State's overall financial status. The remaining statements are *fund financial statements* that focus on individual parts of the State's government, reporting the State's operations in more detail than the government-wide statements. The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that presents budgetary comparisons and pension plans schedule of funding progress as required by the Governmental Accounting Standards Board. In addition to these required elements, we have included a *combining financial statements and schedules* section that provides details about our nonmajor governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor discretely presented component units, each of which are added together and presented in single columns in the basic financial statements.

Government-wide Statements (Reporting the State as a Whole)

The statement of net assets and the statement of activities together comprise the government-wide statements, which report information about the State as a whole using the full accrual basis of accounting similar to those used by private-sector companies. This means all revenues and expenses are recognized regardless of whether cash has been received or paid, and all assets and liabilities, including capital assets and long-term debt, are reported at the entity level.

The government-wide statements report the State's *net assets* – the difference between total assets and total liabilities – and how they have changed from the prior year. In evaluating the State's overall condition, additional nonfinancial factors should be considered, such as the State's economic outlook, changes in its demographics, and the condition of its capital assets, including infrastructure.

The activities on the government-wide financial statements are divided into three categories:

- *Governmental activities* – Most of the State's basic services are included under these activities, such as education, health and human resources, military affairs and public safety, judicial, and administration. Personal income taxes and consumer sales taxes finance most of these activities.

- *Business-type activities* – The State charges fees to customers to help it cover all or a significant portion of the costs of certain services it provides. Public Employees' Insurance Agency and the Board of Risk and Insurance Management, among other funds, are examples of these activities.

- *Component units* – The State includes several other entities in its report, for which it is financially accountable – such as West Virginia Housing Development, Parkways, Economic Development and Tourism Authority, and Higher Education. Separately issued financial statements are also available for these component units.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's *major funds*, not the State as a whole. Funds are accounting devices that the State uses to track specific sources of funding and spending for particular purposes. Certain funds are required by the West Virginia Constitution and others are required by bond covenants. The State Legislature establishes other funds to control and manage money for particular purposes or to show that certain taxes and grants are used properly.

The State has three kinds of funds:

- *Governmental funds* – Most of the State's basic services are included in governmental funds, which focus on (1) *cash and other financial assets* that may readily be converted to cash flow in and out and (2) the balances left at year-end available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view to help determine whether there are more or fewer financial resources that may be spent in the near future to finance the State's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the pages immediately following each statement, explaining the relationship (or differences) between them and the government-wide statements.

- *Proprietary funds* – Proprietary funds include enterprise funds and internal service funds. They account for state activities that are operated in a manner similar to private-sector businesses. Like the government-wide statements, proprietary fund statements are presented using the accrual basis of accounting and provide both long- and short-term financial information. Services for which the State charges external customers a fee are generally reported in enterprise funds. Activities where customers are mostly other State agencies are accounted for in internal service funds. The internal service funds are consolidated with the governmental activities on the government-wide statements because they predominantly benefit the governmental rather than business-type activities.

- *Fiduciary funds* – Fiduciary funds account for assets held for the benefit of parties outside of state government. The State is the trustee, or *fiduciary*, for its employees' pension plans and other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the State's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets, where applicable. These funds are excluded from the State's government-wide financial statements because the State cannot use these assets to finance its operations.

Reconciliation Between Government-wide and Fund Statements

The financial statements contain schedules that reconcile the differences between the government-wide financial statements (long-term focus, accrual accounting) and the fund financial statements (short-term focus, modified accrual accounting). The following summarizes the primary differences between modified accrual to accrual accounting:

- Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements.

- Capital outlay spending results in expenditures on the governmental fund statements; however, on the statement of activities, the cost of capital assets is allocated over their useful lives as depreciation expense. The excess of capital outlay over depreciation expense is included on the government-wide statement of activities.

- Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces the long-term liabilities on the government-wide statement of net assets.

- Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, liabilities, and net revenue of the internal service funds are reported with governmental activities on the government-wide statements.

- Certain tax revenues that are earned, but not available, are reported as revenue on the government-wide statements, but are deferred revenue on the governmental fund statements.

- Some revenues and expenses reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues and expenditures in the funds.

Notes to the Financial Statements

The notes provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide financial statements and the fund financial statements.

Required Supplementary Information

Following the Basic Financial Statements is the required supplementary information related to budgetary comparison schedules for the governmental funds with legally adopted annual budgets and a schedule of funding progress for pension plans along with notes with explanatory information.

Combining Financial Statements and Schedules

The combining financial statements and schedules include combining statements for the State's nonmajor governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor discretely presented component units.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The State's combined net assets (governmental and business-type) increased $1.3 billion over the course of this fiscal year's operations. The net assets of the governmental activities increased $917 million, or 10.6%, and business-type activities had an increase of $431 million, or 63.9%. The overall increase in the State's net assets is due primarily to the improvement of the Workers' Compensation fund deficit (see Note 14 for more information) and the reclassifying of the SBA as a discretely presented component unit. Steady Lottery sales and good management of expenses also contributed to the increase.

Net Assets as of June 30
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Current and Other Assets	$5,648,443	$ 5,427,880	$ 2,775,709	$ 2,741,694	$ 8,424,152	$ 8,169,574
Capital Assets	8,110,901	7,865,311	12,330	4,049	8,123,231	7,869,360
Total Assets	13,759,344	13,293,191	2,788,039	2,745,743	16,547,383	16,038,934
Current and Other Liabilities	1,193,104	1,084,823	549,107	488,015	1,742,211	1,572,838
Long-Term Liabilities	3,006,403	3,565,334	2,482,039	2,931,363	5,488,442	6,496,697
Total Liabilities	4,199,507	4,650,157	3,031,146	3,419,378	7,230,653	8,069,535
Net Assets:						
Invested in Capital Assets, Net of Related Debt	7,230,626	6,934,539	12,330	4,049	7,242,956	6,938,588
Restricted	926,541	861,508	1,074,139	1,026,973	2,000,680	1,888,481
Unrestricted (Deficit)	1,402,670	846,987	(1,329,576)	(1,704,657)	73,094	(857,670)
Total Net Assets (Deficit)	$9,559,837	$ 8,643,034	$ (243,107)	$ (673,635)	$ 9,316,730	$ 7,969,399

Net Assets

The largest component of the State's net assets is the amount invested in capital assets (e.g., land, buildings, equipment, infrastructure, and others), less any related debt outstanding needed to acquire or construct the assets. Capital assets are used to provide services to citizens; therefore, they are not available for future spending or to pay off their related liabilities. Capital assets increased $254 million primarily due to the acquisition of rights of way and the construction of roads and bridges. The reclassification of the SBA removed $346 million in long-term liabilities, which contributed to the increase of the unrestricted net assets of the governmental activities by $556 million. In addition, the improvement of the Workers' Compensation Fund deficit by $444 million (see Note 14 for more information) has changed the unrestricted net assets from a $858 million deficit position to $73 million in assets.

Restricted net assets comprise 22% of total net assets and are subject to constitutional, legal, or external constraints on how they can be used. Net assets that are restricted include funds for construction projects, debt service, lending activities, insurance activities, conservation, and economic development and tourism programs of the State.

Changes in Net Assets

The chart below represents financial information derived from the Government-wide Statement of Activities and reflects the State's total revenues, expenses, and changes in net assets for the years ended June 30, 2008 and 2007 (expressed in thousands):

	Governmental Activities		Business-type Activities		Total Primary Government	
Revenues	2008	2007	2008	2007	2008	2007
Program Revenues:						
Charges for Services	$ 418,004	$ 419,670	$2,223,968	$ 2,506,719	$ 2,641,972	$2,926,389
Operating Grants and Contributions	3,082,708	2,989,980	—	—	3,082,708	2,989,980
Capital Grants and Contributions	425,649	420,124	20,788	12,627	446,437	432,751
General Revenues:						
Personal Income Tax	1,557,957	1,372,646	—	—	1,557,957	1,372,646
Consumer Sales Tax	990,051	1,020,128	—	—	990,051	1,020,128
Business Taxes	1,040,604	906,022	—	—	1,040,604	906,022
Transportation Taxes	564,736	535,979	—	—	564,736	535,979
Other Taxes	556,694	556,092	—	—	556,694	556,092
Other Revenues	291,600	264,888	70,463	230,851	362,063	495,739
Total Revenues	8,928,003	8,485,529	2,315,219	2,750,197	11,243,222	11,235,726
Program Expenses:						
Legislative	28,027	26,154	—	—	28,027	26,154
Judicial	102,738	88,209	—	—	102,738	88,209
Executive	128,261	114,547	—	—	128,261	114,547
Administration	213,546	153,677	—	—	213,546	153,677
Commerce	204,448	218,610	—	—	204,448	218,610
Environmental Protection	74,827	225,458	—	—	74,827	225,458
Employment Programs	56,122	53,617	—	—	56,122	53,617
Education	2,646,434	2,454,835	—	—	2,646,434	2,454,835
Health and Human Resources	3,451,206	3,254,172	—	—	3,451,206	3,254,172
Military Affairs and Public Safety	381,104	360,443	—	—	381,104	360,443
Revenue	51,242	70,148	—	—	51,242	70,148
Transportation	876,073	778,817	—	—	876,073	778,817
Senior Services	43,701	32,195	—	—	43,701	32,195
Regulatory Board and Commissions	35,168	34,212	—	—	35,168	34,212
Interest on Long-term Debt	140,208	94,475	—	—	140,208	94,475
West Virginia Lottery	—	—	1,087,321	1,081,336	1,087,321	1,081,336
Workers' Compensation Fund	—	—	(161,079)	81,459	(161,079)	81,459
Unemployment Compensation	—	—	175,107	153,663	175,107	153,663
Water Pollution Control Revolving Fund	—	—	1,651	1,630	1,651	1,630
Public Employees' Insurance Agency	—	—	444,380	379,742	444,380	379,742
Board of Risk and Insurance Management	—	—	47,229	39,441	47,229	39,441
Other Nonmajor Business-type	—	—	77,329	76,785	77,329	76,785
Total Expenses	8,433,105	7,959,569	1,671,938	1,814,056	10,105,043	9,773,625
Increase in Net Assets Before Transfers	494,898	525,960	643,281	936,141	1,138,179	1,462,101
Transfers	214,864	539,205	(214,864)	(539,205)	—	—
Special Transfer for OPEB	(108,168)	—	—	—	(108,168)	—
Increase in Net Assets	601,594	1,065,165	428,417	396,936	1,030,011	1,462,101
Net Assets (Deficit), Beginning of Year	8,643,034	7,577,869	(673,635)	(1,070,571)	7,969,399	6,507,298
Change in Accounting Principle for other Postemployment Benefits and Restatement of School Building Authority Presentation	315,209	—	2,111	—	317,320	—
Net Assets, Beginning of Year, as Restated	8,958,243	—	(671,524)	—	8,286,719	—
Net Assets (Deficit), End of Year	$9,559,837	$8,643,034	$ (243,107)	$ (673,635)	$ 9,316,730	$7,969,399

Governmental Activities

The State's net assets before transfers decreased by $31 million for governmental activities. Revenues were up $442 million, while expenses were also up $474 million.

The revenue increase was due in part to higher energy prices, which translate to an increase in tax revenue. The spot price of West Virginia coal in June 2008, was roughly three times higher than the spot price in June 2007, according to the Energy Information Administration. The price gains that contributed to coal severance tax revenue growth were in excess of 40% during this period of time. The average wellhead price of natural gas in the U.S. was nearly 60% higher in June 2008, compared with prices in June 2007. Higher prices also stimulated some additional production of both coal and natural gas. These conditions also increased personal income tax ($90 million) and business taxes ($11 million) during the year. Also certain taxes ($95 million personal income and $124 million severance) that had been recorded in the business-type activities in previous years were reclassified as general revenues in the governmental funds and transfers to the business-type activities. Operating grants and contributions were up $93 million primarily due to increased Medicaid grants offset by lower investment earnings.

Program expenses were up approximately $60 million in Administration due to additional bond principle payments and building maintenance and renovations; expenses were down $151 million in Environmental Protection primarily due to revised estimates for the long-term environmental liabilities, particularly the mine reclamation and oil and gas liabilities; Education's expenses are back in their normal range in FY 2008, during FY 2007, $807 million was appropriated to the Teachers Retirement System, this appropriation toward the unfunded liability caused the Net Pension Obligation of $194 million to become a Net Pension Asset of $958 million (see note 12 for more information on pension obligations and assets); DHHR expenses were up $197 million primarily due to rising costs of health care and additional food stamps issued; Transportation expenses were up $97 million, although there were no significant new programs and road maintenance and repair were increased; and payments of Interest on Long-term Debt were up $46 million since this was the first year for interest payments on new bonds issued last year.

The following charts depict revenues and expenses, respectively, of the governmental activities for the fiscal year. Approximately 47% of the total revenues came from personal income, consumer sales, business taxes, and transportation taxes, while 39% was in the form of grants and contributions (see Chart A). The State's governmental activities expenses include 42% for health and human resources and 32% for education (see Chart B).

Chart A

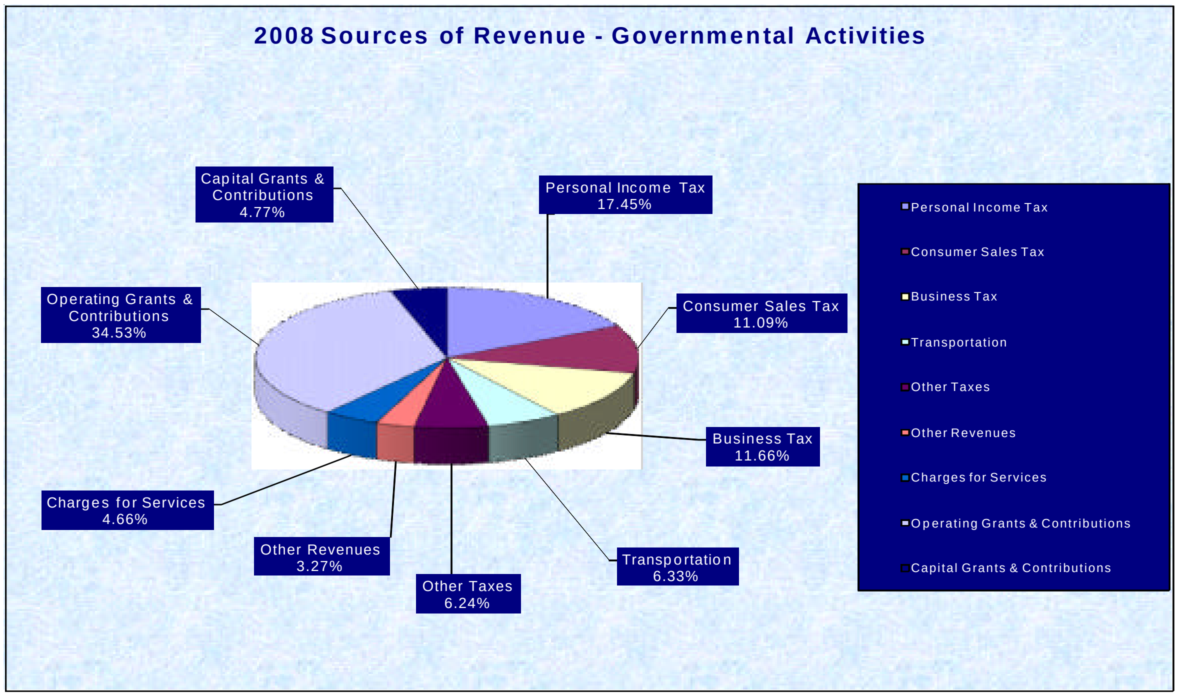
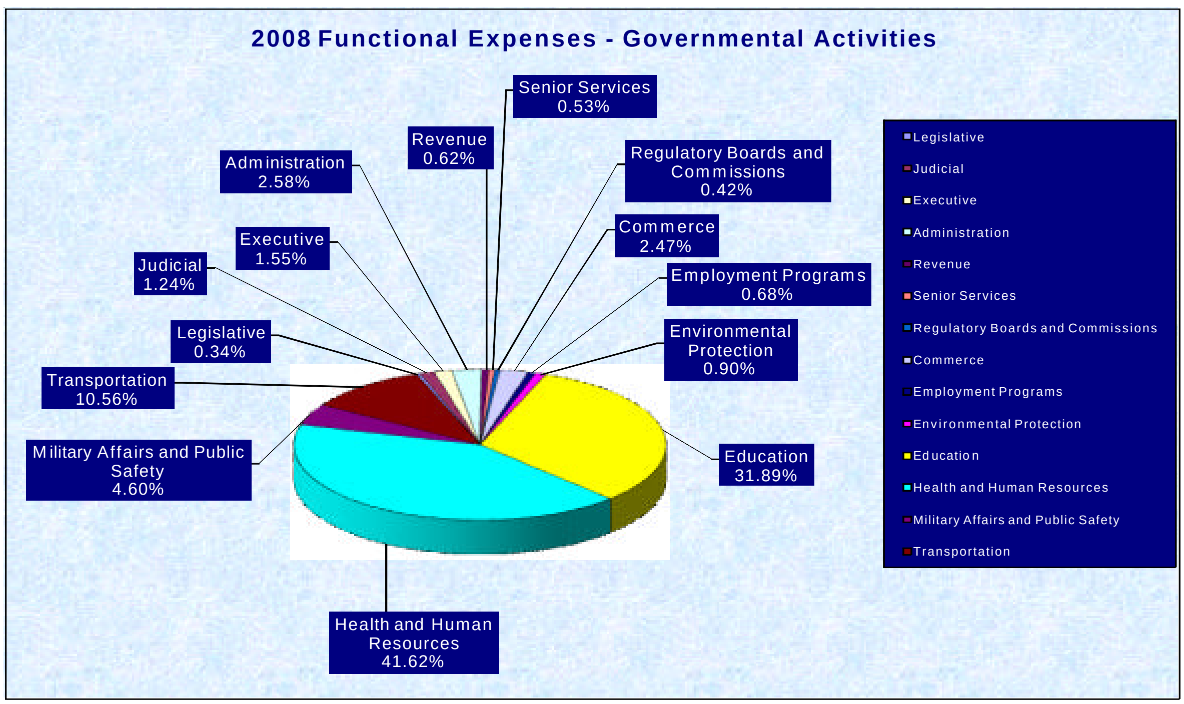


Chart B



Business-type Activities

Business-type activities increased the State's net assets by $643 million before transfers of $215 million to governmental activities. Significant contributors to this change were:

- The West Virginia Lottery gaming receipts exceeded expenses by approximately $668 million, a decrease of approximately $16 million. The Lottery's revenues are transferred out to other funds, with the exception of $250,000 operating funds and $64 million allocated for a new building.

- The Workers' Compensation Fund's revenue stream remained stable while the expenses only relate to the run-off of claims incurred prior to July 1, 2005. A significant reduction in the reserve estimate of $173,360 also contributed to the deficit decrease of $444 million. The surplus note from BrickStreet Mutual Insurance Company was reduced by a total of $22 million. This included a principal payment of $40 million and an $18 million increase in the valuation of the surplus note based on the carrying value of the claims liabilities assumed by BrickStreet.

- The Board of Risk and Insurance Management (BRIM) had billed premiums in excess of incurred claims, in the amount of $23.6 million. BRIM had increased costs of $7.8 million in the excess coverage for the Boards of Education and a further decrease in the premiums billed for malpractice coverage at the medical schools based on the projected reduction in the estimated losses. Operating revenues decreased by $7.5 million due to the implementation of the revised medical malpractice claims deductible program and an overall reduction in premium rates to State and SB3 entities.

- Public Employees' Insurance Agency (PEIA) had a $71 million decrease in net assets. Net premium revenues decreased by $46.2 million, while investment income also decreased $14.2 million due to lower average investable balances and the economic downturn which negatively impacted the rate of return on investments. Claims expense increased approximately $60 million due primarily to the recording of a $43 million premium deficiency reserve and adverse claims development.

- Unemployment Compensation recorded a loss before transfers of approximately ($15) million, primarily due to the increased cost of unemployment payments.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements.

At the end of the current fiscal year, the State's governmental funds reported an ending fund balance of $3.46 billion, a decrease of $19 million in comparison with the prior year. The removal of the SBA capital projects funds ($156 million) from the governmental funds was the major contributing factor to the decline in fund balance. Revenues were up again for the fiscal year and expenses were down. West Virginia's energy prices had not felt the major impact of the economic downturn in fiscal year 2008 contributing to positive tax revenue growth.

Governmental Fund Balances at June 30, 2008
(Expressed in Thousands)

	General Fund	Transportation	West Virginia Infrastructure and Jobs Development Council	Tobacco Settlement Finance Authority
Reserved	$ 346,377	$ 34,063	$423,368	$102,722
Unreserved, Designated	626,096	—	151,427	—
Unreserved	196,483	337,595	97,270	772,012
Total	$1,168,956	$371,658	$672,065	$874,734

The nonmajor governmental funds decreased $224 million in the capital projects funds and $51 million in the debt service funds due primarily to eliminating the SBA from the government funds and presenting it as a discretely presented component unit. Approximately 61% of the total fund balance is unreserved and available for spending in the coming year. The remainder of the fund balance is reserved, indicating it is not available for spending because it has been committed to pay debt service ($81 million); to fund capital projects ($41 million); or held in permanent funds for education ($1.7 million).

The general fund is the chief operating fund of the State. At the end of the current fiscal year, the unreserved fund balance of the general fund was $196 million, and the unreserved, designated fund balance was $626 million, while total fund balance reached $1.2 billion. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 11% of total general expenditures, while total fund balance represents 16% of the same amount.

Cash and investments in the general fund were up $344 million due to increases in personal income and severance taxes and intergovernmental revenue. Investment earnings were down $80 million due to the slowing National economy and the impact on investment returns. Accrued and other liabilities are up $128 million, primarily due to an increase in tax refunds payable ($76 million) and Medicaid claims of $34 million primarily due to the rising cost of health care. The revenue shortfall reserve is up $66 million due primarily to surplus funds from the prior year of $53 million.

Expenses for the education function are down $823 million in 2008. In 2007, bonds were issued by the Tobacco Settlement Finance Authority that allowed approximately $800 million to be contributed to the Teachers Retirement System unfunded liability. DHHR expenses were up $221 million due to increased health care costs, food stamps, and increased services for existing programs.

Transportation had an unreserved fund balance of $338 million, up 17% from the prior year. The reserved fund balance of $34 million is inventory. Transportation revenues were up $37 million primarily due to the increase in gasoline and motor carrier fuel taxes. Road maintenance and general and administrative expenses were the primary reason for the increased expenditures of $82 million.

The West Virginia Infrastructure and Jobs Development Council's fund balance increased $29 million, from interest and principal repayments of loans. The increase in loans receivable is the combined effect of disbursements of new and prior loan funds to projects less repayments of principal on loans. The reserved fund balance, $423 million (up $15 million), is money committed but not distributed to entities for loans/grants and loans receivable, which are not available for appropriation.

The Tobacco Settlement Finance Authority was a new fund in 2007. Bonds were issued, proceeds were received, and issue costs paid during the year. In 2008, cash changed to investments, bond principal ($12 million) and interest ($59 million) were paid, and amortization begun.

Proprietary Funds

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds are comprised of enterprise and internal service funds. Enterprise funds are used when services the State provides are charged to external customers. Internal service funds are used when services are provided to other state agencies. The six major enterprise funds include the West Virginia Lottery, Water Pollution Control Revolving Fund, Workers' Compensation Funds, Unemployment Compensation, Public Employees' Insurance Agency, and the Board of Risk and Insurance Management.

Other factors concerning the finances of the major enterprise funds have already been addressed in the discussion of business-type activities.

GENERAL REVENUE FUND BUDGETARY HIGHLIGHTS

The revenues of the final amended budget increased by approximately $95 million. Personal income, severance, and corporate income/business franchise taxes increased by $65 million, $10 million, and $20 million, respectively. In each case, the rise in collections was tied to rapidly rising energy prices, especially during the second half of the fiscal year. The mining industry added significant employment, royalty payments increased, severance gross receipts rose, net profits rose and corporate income rose. The added estimates to the final budget captured only a portion of the final increase in collections, which also allowed for a positive variance between the final budgeted revenues and actual results of $14 million.

The increased revenues of the final amended budget allowed the budgeted expenditures to increase approximately $137 million. The following departments received the majority of the increases: Administration received approximately $24 million to pay off installment purchase agreements and bonds, $25 million to assist with the Teachers' pension merger, and $6 million for additional Public Defender counsel fees. Education received $6 million additional State Aid to public schools (K-12) and $8 million for capital outlay at various Higher Education Institutions. The Revenue Department was appropriated $40 million for the Motor Fuel Excise Tax Shortfall Reserve Fund. In the Department of Commerce, the Division of Natural Resources received $5 million for a land purchase and the Development Office received $3 million for additional economic development projects. Military Affairs and Public Safety received an additional $7 million for the housing of residents at Federal prisons and county jails.

The positive variance of the excess of revenues over expenditures was approximately $220.4 million which resulted from increased revenues and cautious spending. After expenditures from prior year appropriations, $17.6 million was deposited into the State's Rainy Day Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the State had invested $8.1 billion, net of accumulated depreciation, in a broad range of capital assets shown below. Depreciation expense for the year totaled $327 million.

Capital Assets at Year-End (Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Land and Improvements	$ 985,603	$ 944,488	$ 611	$ 611	$ 986,214	$ 945,099
Building and Improvements	586,294	574,360	1,113	1,242	587,407	575,602
Equipment	101,527	100,657	10,321	1,753	111,848	102,410
Library Holdings	134	178	—	—	134	178
Construction in Progress	1,397,223	1,328,732	285	443	1,397,508	1,329,175
Infrastructure	5,040,120	4,916,896	—	—	5,040,120	4,916,896
Totals	$8,110,901	$7,865,311	$12,330	$4,049	$8,123,231	$7,869,360

The total increase, net of disposals and accumulated depreciation, in the State's investment in capital assets for the current fiscal year approximated $254 million. The most significant increases in capital assets during the year were $123 million of infrastructure and $68 million in construction in progress. These increases are primarily related to the acquisition of right of way and construction of roads and bridges under the Transportation function. The increase in the business-type activities is primarily related to the purchase of equipment by the Lottery Commission and new computer software at the Public Employees' Insurance Agency. Additional information concerning the State's capital assets can be found in Note 9 of this report and under the capital assets heading in Note 1.

Long-Term Debt

At year-end the State had $6.7 billion in bonds, capital leases, notes payable, claims and judgments, compensated absences, pension obligations, and other long-term obligations outstanding, as shown in the table below. The State's general obligation bonds are rated AA- by Standard and Poor's Corporation and Fitch Investors Service. The Moody's Investors Service rating is Aa3.

Several bond insurance companies that provide guarantees on certain bonds of the State have been downgraded by Fitch and Moody's ratings agencies, due to the subprime crisis. The Financial Security Assurance Inc. downgrade in January 2009 caused three of the State's Department of Transportation (DOT) bond issues to be downgraded also, from Aaa to Aa3 and a material event filing was made. The State is unable to determine the total impact this will have on its operations.

More detailed information related to the State's overall debt position is presented in Note 10 to the financial statements.

The State's general obligation debt must be authorized by constitutional amendment. A proposed amendment must be approved by two-thirds of both the Senate and the House of Delegates before it can be ratified or rejected by the voters. Once the amendment has voter approval, the Legislature must pass specific legislation authorizing the issuance of the general obligation debt. Revenue bonds are issued pursuant to specific statutory provisions enacted by the Legislature primarily for the purpose of financing capital construction. Neither the West Virginia Constitution nor its statutes establish a general limit on any type of debt, although certain agencies have debt limits in their specific Code sections.

Outstanding Debt at June 30
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	$ 705,955	$ 744,790	$ —	$ —	$ 705,955	$ 744,790
Revenue Bonds	1,362,022	1,742,647	—	—	1,362,022	1,742,647
Capital Leases	326,247	333,815	—	—	326,247	333,815
Notes Payable	12,356	9,998	—	—	12,356	9,998
Accrued and Other Liabilities	1,188,240	1,099,735	117,539	116,157	1,305,779	1,215,892
Insurance and Compensation Benefits	—	—	2,782,891	3,213,042	2,782,891	3,213,042
Compensated Absences	94,462	268,937	889	3,117	95,351	272,054
Pension Obligations	69,263	65,847	—	—	69,263	65,847
Totals	$ 3,758,545	$4,265,769	$2,901,319	$3,332,316	$6,659,864	$7,598,085

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Looking forward to FY 2009, the anticipated General Revenue forecast indicates revenue growth of less than 1% due to the economic slowdown associated with the housing industry, the subprime mortgage crisis, the emergence of a declining trend in corporate income tax revenues, and the emergence of video gaming competition from surrounding states.

Policymakers are dedicating most of the temporary revenue enhancement associated with higher energy prices and strong gaming revenues toward unfunded pension debts, necessary one-time improvements, and reserve funds set aside in the event of future budgetary shortfalls. In addition, careful budgetary planning and responsible government initiatives provided the capacity for recent General Revenue Fund tax reductions totaling more than $150 million.

The main cost drivers are providing health care through Medicaid and Public Employees Insurance Agency (PEIA) programs, the increasing costs of maintaining adequate correctional facilities for juveniles and adults, and Other Postemployment Benefits (OPEB). To restrain the future growth of the Medicaid, PEIA, and program costs, focus will continue on managing the programs. The programs' costs cannot be controlled through budget restrictions and appropriation caps without changes to the eligibility criteria, the types of services covered, or the rates paid for services.

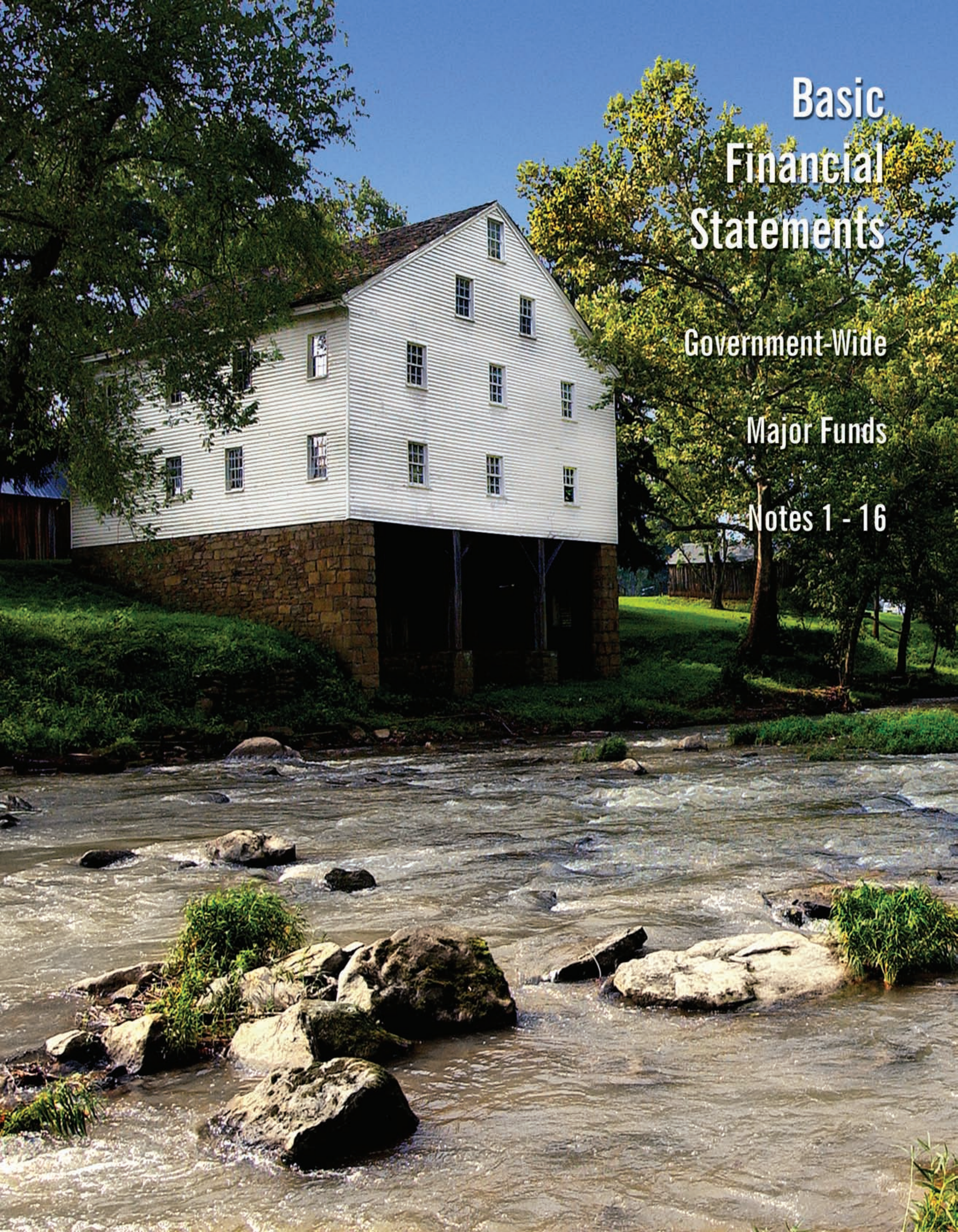
The FY 2009 budget also includes salary increases for some employees and additional money dedicated to retention of qualified inspectors and related personnel at the Offices of Mine Health, Safety, and Training, and retention of employees at correctional facilities. Several one-time expenditures include additional payments to partially fund unfunded liabilities, capital improvements, a new statewide accounting and personnel system, and funding for academic research.

The FY 2009 budget includes a six-year plan showing the projected revenues and expenditures from FY 2008 through FY 2013. The goal of the six-year plan is to provide the West Virginia Legislature and citizens a clear understanding of not only the FY 2009 budget, but also the larger implications of today's decisions on the State's future.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Financial Accounting and Reporting Section, 2101 Washington St. East, Building 17, 3rd Floor, Charleston, WV 25305.


STATE OF WEST VIRGINIA.
JUNE
20
1863
MONTANI SEMPER LIBERI.



Basic Financial Statements

Government-Wide

Major Funds

Notes 1 - 16

Statement of Net Assets
June 30, 2008
(Expressed in Thousands)

	Primary Government			
Assets:	Governmental Activities	Business-type Activities	Total	Component Units
Current Assets:				
Cash and Cash Equivalents	$ 1,957,664	$1,621,402	$ 3,579,066	$ 592,275
Investments	859,783	—	859,783	226,865
Receivables, Net	1,103,197	137,833	1,241,030	130,656
Due from Other Governments	279,404	1,599	281,003	298
Due from Primary Government	—	—	—	26,219
Due from Fiduciary Funds	93	7,180	7,273	—
Due from Component Units	1,227	389	1,616	16
Internal Balances	164,754	(164,754)	—	—
Inventories	44,624	319	44,943	9,190
Other Assets	4,821	3,186	8,007	9,159
Restricted Assets:				
Cash and Cash Equivalents	2,726	11,285	14,011	85,249
Investments	—	10	10	—
Receivables, Net	—	372	372	—
Other Restricted Assets	—	158,436	158,436	312
Total Current Assets	4,418,293	1,777,257	6,195,550	1,080,239
Noncurrent Assets:				
Cash and Cash Equivalents	—	7,739	7,739	103,013
Investments	—	301,755	301,755	304,953
Receivables, Net	4,587	606,871	611,458	277,268
Other Assets	5,839	—	5,839	50,665
Advance to Component Units	125,294	—	125,294	—
Net Pension Asset	1,004,463	—	1,004,463	—
Restricted Assets:				
Cash and Cash Equivalents	89,967	58,487	148,454	25,368
Investments	—	23,600	23,600	154,089
Receivables, Net	—	—	—	1,174,628
Other Restricted Assets	—	—	—	8,065
Land and Other Capital Assets Not Being Depreciated	2,374,744	896	2,375,640	358,358
Capital Assets, Being Depreciated (Net of Accumulated Depreciation)	5,736,157	11,434	5,747,591	2,195,062
Total Noncurrent Assets	9,341,051	1,010,782	10,351,833	4,651,469
Total Assets	13,759,344	2,788,039	16,547,383	5,731,708
Liabilities:				
Current Liabilities:				
Accounts Payable	248,032	25,882	273,914	79,687
Interest Payable	6,203	—	6,203	13,480
Accrued Tuition Contract Benefits	—	11,120	11,120	—
Accrued and Other Liabilities	573,306	43,978	617,284	69,350
Due to Other Governments	134,099	7,014	141,113	—
Due to Primary Government	—	—	—	1,616
Due to Fiduciary Funds	20,454	810	21,264	13,771
Due to Component Units	25,440	779	26,219	16
Unearned Revenue	6,244	8,062	14,306	75,911
Premium Deficiency	—	43,302	43,302	—
Insurance and Compensation Benefits Obligations	—	407,917	407,917	—
Liabilities Payable from Restricted Assets	—	129	129	—
General Obligation Debt	45,362	—	45,362	—
Revenue Bonds Payable	60,476	—	60,476	81,391
Capital Leases and Other Debt	20,205	—	20,205	5,852
Compensated Absences	53,283	114	53,397	37,007
Total Current Liabilities	1,193,104	549,107	1,742,211	378,081

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

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Noncurrent Liabilities:				
Accrued Tuition Contract Benefits	—	106,290	106,290	—
Accrued and Other Liabilities	614,934	—	614,934	93,323
Due to Other Governments	490	—	490	—
Unearned Revenue	—	—	—	4,553
Insurance and Compensation Benefits Obligations	—	2,374,974	2,374,974	—
Advances from Primary Government	—	—	—	125,294
Liabilities Payable from Restricted Assets	—	—	—	92,888
General Obligation Debt	660,593	—	660,593	—
Revenue Bonds Payable	1,301,546	—	1,301,546	2,200,478
Capital Leases and Other Debt	318,398	—	318,398	94,635
Net Pension Obligation	69,263	—	69,263	—
Compensated Absences	41,179	775	41,954	7,640
Total Noncurrent Liabilities	3,006,403	2,482,039	5,488,442	2,618,811
Total Liabilities	4,199,507	3,031,146	7,230,653	2,996,892
Net Assets:				
Invested in Capital Assets, Net of Related Debt	7,230,626	12,330	7,242,956	1,583,475
Restricted for:				
Capital Projects	116,797	58,487	175,284	69,954
Debt Service	212,404	—	212,404	54,320
Program Administration	7,331	9,588	16,919	—
Permanent Funds:				
Nonexpendable	1,000	—	1,000	147,756
Expendable	671	—	671	—
Lending Activities	—	576,810	576,810	314,537
Insurance Activities	—	429,254	429,254	—
Economic Development and Tourism	22,898	—	22,898	—
Education	10,250	—	10,250	—
Wildlife Management and Conservation	14,898	—	14,898	—
Specific Fund/Component Unit Purposes	540,292	—	540,292	249,318
Unrestricted (Deficit)	1,402,670	(1,329,576)	73,094	315,456
Total Net Assets (Deficit)	$9,559,837	$ (243,107)	$ 9,316,730	$2,734,816

Statement of Activities
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

		Program Revenues		
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental Activities:				
Legislative	$ 28,027	$ 1,654	$ 255	$ —
Judicial	102,738	1,014	813	—
Executive	128,261	15,248	35,615	41
Administration	213,546	29,115	36,670	28
Commerce	204,448	45,684	38,138	—
Environmental Protection	74,827	44,720	50,090	—
Employment Programs	56,122	—	55,839	—
Education	2,646,434	1,698	380,708	1,027
Health and Human Resources	3,451,206	74,960	2,365,068	—
Military Affairs and Public Safety	381,104	11,097	95,331	4,743
Revenue	51,242	62,352	—	—
Transportation	876,073	102,561	—	419,810
Senior Services	43,701	4	21,244	—
Regulatory Boards and Commissions	35,168	27,897	2,937	—
Interest on Long-Term Debt	140,208	—	—	—
Total Governmental Activities	8,433,105	418,004	3,082,708	425,649
Business-type Activities:				
West Virginia Lottery	1,087,321	1,523,457	—	—
Water Pollution Control Revolving Fund	1,651	3,819	—	20,788
Workers' Compensation Fund	(161,079)	44,073	—	—
Unemployment Compensation	175,107	141,921	—	—
Public Employees' Insurance Agency	444,380	360,564	—	—
Board of Risk and Insurance Management	47,229	66,592	—	—
Other Activities	77,329	83,542	—	—
Total Business-type Activities	1,671,938	2,223,968	—	20,788
Total Primary Government	$10,105,043	$2,641,972	$3,082,708	$446,437
Component Units:				
Economic Development Authority	$ 11,635	$ 9,580	$ —	$ —
Housing Development Authority	108,868	64,043	53,020	—
Parkways, Economic Development, and Tourism Authority	78,670	64,022	—	—
Water Development Authority	14,272	15,882	—	—
Higher Education	1,481,979	637,935	363,548	79,888
Regional Jail Authority	79,861	80,145	—	—
School Building Authority	118,527	—	—	—
Other Component Units	38,974	11,823	1,337	—
Total Component Units	$ 1,932,786	$ 883,430	$ 417,905	$ 79,888

General Revenues:
Taxes:
Personal Income
Consumer Sales
Business
Medicaid
Transportation
Other
Grants and Contributions not Restricted to Specific Programs
Unrestricted Investment Earnings
Tobacco Settlement Revenue
Payments from State of West Virginia
Miscellaneous
Transfers
Excess Revenue Transfer to RHBT (See Note 13)
Total General Revenues and Transfers

Change in Net Assets
Net Assets (Deficit), Beginning of Year, as Restated (See Note 2)

Net Assets (Deficit), End of Year

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (26,118)		$ (26,118)	
(100,911)		(100,911)	
(77,357)		(77,357)	
(147,733)		(147,733)	
(120,626)		(120,626)	
19,983		19,983	
(283)		(283)	
(2,263,001)		(2,263,001)	
(1,011,178)		(1,011,178)	
(269,933)		(269,933)	
11,110		11,110	
(353,702)		(353,702)	
(22,453)		(22,453)	
(4,334)		(4,334)	
(140,208)		(140,208)	
(4,506,744)		(4,506,744)	
—	436,136	436,136	
—	22,956	22,956	
—	205,152	205,152	
—	(33,186)	(33,186)	
—	(83,816)	(83,816)	
—	19,363	19,363	
—	6,213	6,213	
—	572,818	572,818	
(4,506,744)	572,818	(3,933,926)	
—	—	—	$ (2,055)
—	—	—	8,195
—	—	—	(14,648)
—	—	—	1,610
—	—	—	(400,608)
—	—	—	284
—	—	—	(118,527)
—	—	—	(25,814)
—	—	—	(551,563)
1,557,957	—	1,557,957	—
990,051	—	990,051	—
1,040,604	—	1,040,604	—
161,896	—	161,896	—
564,736	—	564,736	—
394,798	—	394,798	—
—	—	—	775
89,581	38,441	128,022	45,201
73,079	—	73,079	—
—	—	—	661,432
128,940	32,022	160,962	43,576
214,864	(214,864)	—	—
(108,168)	—	(108,168)	—
5,108,338	(144,401)	4,963,937	750,984
601,594	428,417	1,030,011	199,421
8,958,243	(671,524)	8,286,719	2,535,395
$ 9,559,837	$ (243,107)	$ 9,316,730	$2,734,816

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major Funds

General This fund is used as the State's operating fund. It accounts for the financial resources and transactions that are not accounted for in other funds. The revenues are from taxes and other general revenues.

Transportation The governmental fund types of the Department of Transportation (the Department) are included in this Fund. The Division of Highways has statutory responsibility for the construction, maintenance, and improvement of all state roads. Transportation expenditures funded by registration fees, license fees, and automobile privilege taxes (fees and taxes) are recorded in the State Road Fund within the Division of Highways. These fees and taxes, among other revenue sources, are collected by the Division of Motor Vehicles, which is also in the Department. The Department also includes the Division of Public Transit, which administers all federal and state programs that develop public transportation facilities, services, equipment, and methods; the West Virginia Aeronautics Commission, which has general supervision and controls commercial, state, and municipal airports; and the West Virginia Public Port Authority.

West Virginia Infrastructure and Jobs Development Council The Council coordinates the review and funding of water, wastewater, and economic development projects in the State.

The Tobacco Settlement Finance Authority The Authority was created to issue revenue bonds related to the State's portion of the tobacco receipts from the Master Settlement Agreement between tobacco manufacturers and the covered states. The revenue bonds were sold June 26, 2007. See Note 10 for more information.

Nonmajor governmental funds are presented, by fund type, beginning on page 179.

Balance Sheet
Governmental Funds
June 30, 2008
(Expressed in Thousands)

	General	Transportation	West Virginia Infrastructure and Jobs Development Council	Tobacco Settlement Finance Authority	Other Governmental Funds	Total
Assets:						
Cash and Cash Equivalents	$1,150,275	$248,640	$178,456	$ 31,503	$333,599	$1,942,473
Investments	616,756	—	117,243	71,181	54,603	859,783
Receivables, Net	483,687	182,260	376,592	35,059	15,103	1,092,701
Due from Other Governments	278,443	—	—	—	961	279,404
Due from Other Funds	167,181	845	—	772,012	1,108	941,146
Due from Component Units	542	412	—	—	2	956
Advances to Component Units	125,294	—	—	—	—	125,294
Inventories	10,076	34,063	—	—	57	44,196
Other Assets	2,390	252	—	—	45	2,687
Restricted Assets:						
Cash and Cash Equivalents	—	—	—	—	569	569
Total Assets	$2,834,644	$466,472	$672,291	$909,755	$406,047	$5,289,209
Liabilities:						
Accounts Payable	$ 158,806	$ 68,390	$ 122	$ 10	$ 6,861	$ 234,189
Accrued and Other Liabilities	544,575	14,144	—	—	7,126	565,845
Deferred Revenue	27,421	502	—	35,011	—	62,934
Due to Other Governments	118,769	2,565	—	—	13,139	134,473
Due to Other Funds	791,032	9,132	—	—	2,921	803,085
Due to Component Units	25,085	81	104	—	60	25,330
Total Liabilities	1,665,688	94,814	226	35,021	30,107	1,825,856
Fund Balances:						
Reserved for:						
Inventories	10,076	34,063	—	—	57	44,196
Capital Projects	—	—	—	—	40,681	40,681
Debt Service	—	—	—	102,722	80,826	183,548
Program Administration	7,318	—	—	—	13	7,331
Specific Fund Purposes	201,104	—	—	—	—	201,104
Lending Activities	—	—	423,368	—	—	423,368
Permanent Funds	—	—	—	—	1,671	1,671
Loans Receivable	127,879	—	—	—	—	127,879
Unreserved, Designated for:						
Revenue Shortfall Reserve	581,077	—	—	—	—	581,077
Income Tax Reserve Fund	45,019	—	—	—	—	45,019
Loans and Grants	—	—	151,427	—	—	151,427
Unreserved:						
Special Revenue Funds	—	337,595	97,270	772,012	252,692	1,459,569
Undesignated	196,483	—	—	—	—	196,483
Total Fund Balances	1,168,956	371,658	672,065	874,734	375,940	3,463,353
Total Liabilities and Fund Balances	$2,834,644	$466,472	$672,291	$909,755	$406,047	$5,289,209

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008
(Expressed in Thousands)

Total Fund Balances - Governmental Funds		$ 3,463,353
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets (excluding Internal Service Funds) consist of:		
Land	$ 966,306	
Construction in Progress	1,395,105	
Infrastructure Assets	8,914,123	
Buildings, Equipment, and Other Depreciable Assets	1,154,078	
Accumulated Depreciation	(4,402,612)	
Total Capital Assets		8,027,000
The Net Pension Asset is not recognized at the fund level.		1,004,463
Certain tax and other revenues are earned but not available and therefore are deferred in the funds.		66,481
Internal service funds are used by management to charge the costs of certain activities, such as building rental and information services, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the statement of net assets.		171,093
Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets.		7,869
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities (excluding Internal Service Funds) consist of:		
General Obligation Bonds	(705,955)	
Revenue Bonds	(1,362,022)	
Capital Leases	(321,998)	
Compensated Absences	(92,933)	
Net Pension Obligations	(69,263)	
Accrued Interest Payable and Other Liabilities	(628,251)	
Total Long-Term Liabilities		(3,180,422)
Net Assets of Governmental Activities		$ 9,559,837

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

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	General	Transportation	West Virginia Infrastructure and Jobs Development Council	Tobacco Settlement Finance Authority	Other Governmental Funds	Total
Revenues:						
Taxes:						
Personal Income	$1,557,352	$ —	$ —	$ —	$ —	$1,557,352
Consumer Sales	989,517	—	—	—	—	989,517
Severance	518,724	—	—	—	—	518,724
Corporate Net Income	373,180	—	—	—	—	373,180
Business and Occupation	147,989	—	—	—	—	147,989
Medicaid	161,896	—	—	—	—	161,896
Gasoline and Motor Carrier	—	395,641	—	—	—	395,641
Automobile Privilege	—	169,095	—	—	—	169,095
Other	388,680	4,092	—	—	4,000	396,772
Intergovernmental	2,658,069	405,065	—	—	120,329	3,183,463
Licenses, Permits, and Fees	91,329	5,954	—	—	117,372	214,655
Motor Vehicle Registration	—	96,592	—	—	—	96,592
Charges for Services	112,570	—	2,689	—	2,101	117,360
Food Stamp Revenue	293,439	—	—	—	—	293,439
Investment Earnings	55,794	7,795	11,477	4,438	11,526	91,030
Other	83,569	42,810	30	73,009	6,402	205,820
Total Revenues	7,432,108	1,127,044	14,196	77,447	261,730	8,912,525
Expenditures:						
Current:						
Legislative	25,147	—	—	—	3,016	28,163
Judicial	108,075	—	—	—	—	108,075
Executive	131,354	—	—	—	50	131,404
Administration	111,828	—	—	25	13	111,866
Commerce	197,716	—	13,915	—	2,471	214,102
Environmental Protection	5,237	—	—	—	64,645	69,882
Employment Programs	—	—	—	—	58,563	58,563
Education	2,688,399	—	—	—	—	2,688,399
Health and Human Resources	3,472,096	—	—	—	12	3,472,108
Military Affairs and Public Safety	378,088	—	—	—	4,284	382,372
Revenue	56,715	—	—	—	29,781	86,496
Transportation	2,817	577,165	—	—	—	579,982
Senior Services	43,719	—	—	—	—	43,719
Regulatory Boards and Commissions	13,862	—	—	—	22,607	36,469
Capital Outlay	—	464,907	—	—	70,631	535,538
Debt Service:						
Principal	—	28,655	—	12,320	51,363	92,338
Interest	—	21,343	—	58,771	49,591	129,705
Total Expenditures	7,235,053	1,092,070	13,915	71,116	357,027	8,769,181
Excess of Revenues Over (Under) Expenditures	197,055	34,974	281	6,331	(95,297)	143,344
Other Financing Sources (Uses):						
Capital Lease Acquisition	3,235	—	—	—	—	3,235
Transfers In	347,708	12,931	40,000	—	97,172	497,811
Transfers Out	(312,195)	—	(10,963)	(18,078)	(6,343)	(347,579)
Excess Revenue Transfer to RHBT (see Note 13)	(108,168)	—	—	—	—	(108,168)
Total Other Financing Sources (Uses)	(69,420)	12,931	29,037	(18,078)	90,829	45,299
Net Change in Fund Balance	127,635	47,905	29,318	(11,747)	(4,468)	188,643
Fund Balances, Beginning of Year, as Restated	1,041,321	323,753	642,747	886,481	380,408	3,274,710
Fund Balances, End of Year	$1,168,956	$ 371,658	$672,065	$874,734	$ 375,940	$3,463,353

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$188,643
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	$ 540,931	
Depreciation Expense	(297,847)	
Excess of Capital Outlay Over Depreciation Expense		243,084
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.		(3,235)
Amortization of other assets and bond discount associated with long-term debt obligations do not effect current financial resources and are not reported in the governmental funds.		(10,048)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. For the current year these amounts consist of:		
Bond Principal Retirement	81,535	
Capital Lease Payments	12,810	
Total Long-Term Debt Repayment		94,345
Internal service funds are used by management to charge the costs of certain activities, such as building and vehicle maintenance and leasing, data processing, and investment and management of State moneys, to individual funds. The net increase in net assets of the internal service funds is reported with governmental activities.		45,193
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Unearned revenues increased by this amount this year.		123
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease of Accrued Interest	(449)	
Increase of Compensated Absences	(1,943)	
Decrease of Accrued and Other Liabilities	8,852	
Increase of Net Pension Asset	34,897	
Amortization of Bond Premiums/Discounts and Issuance Costs	2,132	
Total Change in Expenditures		43,489
Change in Net Assets of Governmental Activities		$601,594

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

PROPRIETARY FUND FINANCIAL STATEMENTS

Major Funds

West Virginia Lottery The West Virginia Lottery's responsibilities include the distribution and sale of lottery tickets and the awarding of prizes. The West Virginia Lottery accounts for lottery ticket revenues, administrative and operating expenses, and distribution of net revenue to the General Fund.

Water Pollution Control Revolving Fund (Water Pollution) Low interest loans are made to communities that need to upgrade an existing waste water system, establishing a new utility or cleaning up the State's water supply. The Fund is to remain in perpetuity by recirculating the principal and interest earned from the loans.

Workers' Compensation Fund On December 31, 2005, the Workers' Compensation Commission (WCC) ceased to exist as a separate State entity. The WCC's regulatory powers transferred to the Offices of the Insurance Commissioner along with the residual assets and liabilities of the former WCC. Disbursements from the State's workers' compensation fund are related to the liabilities and appropriate administrative expenses necessary for the administration of all claims, actual and incurred but not reported, for any claim with a date of injury on or before June 30, 2005.

Unemployment Compensation The Fund is administered by the Bureau of Employment Programs doing business as WORKFORCE West Virginia. The Fund receives contributions from employers and provides for the payment of benefits to eligible unemployed workers under provisions of the Federal Unemployment Tax Act.

Public Employees' Insurance Agency The Agency, a public entity risk pool, is responsible for providing health and life insurance to current and retired state and county employees. The Agency, empowered to set the premium rates charged to its participants, utilizes a third-party administrator to process claims and make payments to doctors and hospitals on a cost reimbursement basis.

Board of Risk and Insurance Management The Board, a public entity risk pool, is responsible for the self-insurance of all State buildings, automobiles, and legal and civil actions, as well as insuring various county and local governments and charitable organizations. The Board is funded from the premiums assessed to the organizations it insures.

Nonmajor proprietary funds are presented beginning on page 198.

Statement of Net Assets
Proprietary Funds
June 30, 2008
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds			
Assets:	West Virginia Lottery	Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation
Current Assets:				
Cash and Cash Equivalents	$180,463	$ 94,741	$ 984,745	$251,830
Receivables, Net	36,846	22,153	24,306	32,412
Due from Other Governments	—	—	—	1,599
Due from Other Funds	—	10	—	180
Due from Component Units	—	—	—	99
Inventories	301	—	—	—
Other Assets	2,595	—	—	—
Restricted Assets:				
Cash and Cash Equivalents	—	—	—	—
Investments	10	—	—	—
Receivables, Net	—	—	—	—
Other Restricted Assets	—	—	—	—
Total Current Assets	220,215	116,904	1,009,051	286,120
Noncurrent Assets:				
Cash and Cash Equivalents	—	—	—	—
Investments	—	—	—	—
Receivables, Net	—	393,267	162,759	—
Restricted Assets:				
Cash and Cash Equivalents	58,487	—	—	—
Investments	126	—	—	—
Capital Assets, Net	5,251	—	—	—
Total Noncurrent Assets	63,864	393,267	162,759	—
Total Assets	284,079	510,171	1,171,810	286,120
Liabilities:				
Current Liabilities:				
Accounts Payable	15,038	11	—	—
Accrued Tuition Contract Benefits	—	—	—	—
Accrued and Other Liabilities	36,457	—	517	852
Premium Deficiency	—	—	—	—
Unearned Revenue	—	—	—	—
Due to Other Governments	—	—	—	7,014
Due to Other Funds	167,599	34	—	175
Due to Component Units	—	19	—	4
Insurance and Compensation Benefits Obligations	—	—	281,904	23,743
Liabilities Payable from Restricted Assets	129	—	—	—
Capital Leases and Other Debt	—	—	—	—
Compensated Absences	—	77	—	—
Total Current Liabilities	219,223	141	282,421	31,788
Noncurrent Liabilities:				
Accrued Tuition Contract Benefits	—	—	—	—
Insurance and Compensation Benefits Obligations	—	—	2,255,700	—
Capital Leases and Other Debt	—	—	—	—
Compensated Absences	371	43	—	—
Total Noncurrent Liabilities	371	43	2,255,700	—
Total Liabilities	219,594	184	2,538,121	31,788
Net Assets:				
Invested in Capital Assets, Net of Related Debt	5,251	—	—	—
Restricted for:				
Capital Projects	58,487	—	—	—
Program Administration	—	—	—	—
Lending Activities	—	509,987	—	—
Insurance Activities	—	—	141,288	254,332
Unrestricted (Deficit)	747	—	(1,507,599)	—
Total Net Assets (Deficit)	$ 64,485	$509,987	$(1,366,311)	$254,332

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

Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
$ 55,808	$ 19,310	$ 34,505	$ 1,621,402	$ 15,191
18,250	593	3,273	137,833	5,298
—	—	—	1,599	—
11,690	474	17	12,371	7,000
290	—	—	389	271
—	—	18	319	428
—	—	591	3,186	104
—	11,285	—	11,285	2,157
—	—	—	10	—
—	372	—	372	—
—	158,436	—	158,436	—
86,038	190,470	38,404	1,947,202	30,449
7,739	—	—	7,739	—
122,361	85,851	93,543	301,755	—
—	—	50,845	606,871	—
—	—	—	58,487	89,967
—	23,474	—	23,600	—
5,154	—	1,925	12,330	83,901
135,254	109,325	146,313	1,010,782	173,868
221,292	299,795	184,717	2,957,984	204,317
6,310	1,613	2,910	25,882	13,843
—	—	11,120	11,120	—
5,407	524	221	43,978	347
43,302	—	—	43,302	—
357	7,705	—	8,062	6
—	—	—	7,014	116
2,839	43	65	170,755	668
756	—	—	779	110
51,277	50,693	300	407,917	—
—	—	—	129	—
—	—	—	—	4,784
—	—	37	114	—
110,248	60,578	14,653	719,052	19,874
—	—	106,290	106,290	—
7,739	111,535	—	2,374,974	—
—	—	—	—	11,821
—	52	309	775	1,529
7,739	111,587	106,599	2,482,039	13,350
117,987	172,165	121,252	3,201,091	33,224
5,154	—	1,925	12,330	67,296
—	—	—	58,487	89,967
—	—	9,588	9,588	—
—	—	66,823	576,810	—
—	33,634	—	429,254	—
98,151	93,996	(14,871)	(1,329,576)	13,830
$103,305	$127,630	$ 63,465	$ (243,107)	$171,093

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds			
	West Virginia Lottery	Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation
Operating Revenues:				
Charges for Services and Sales	$ —	$ —	$ —	$141,909
Lottery Games	1,523,456	—	—	—
Insurance Premiums	—	—	44,073	—
Tuition Contracts	—	—	—	—
Investment Earnings	—	2,154	—	—
Licenses, Permits, and Fees	—	1,665	—	—
Other	11,937	—	7,940	5,833
Total Operating Revenues	1,535,393	3,819	52,013	147,742
Operating Expenses:				
Cost of Sales and Services	714,715	—	—	—
Lottery Prizes	121,169	—	—	—
Insurance Claims and Claims Adjustment Provision	—	—	(173,360)	—
Tuition Contract Benefits and Expenses	—	—	—	—
General and Administration	16,484	1,651	24,594	—
Depreciation and Amortization	732	—	—	—
Other	14,586	—	—	175,107
Total Operating Expenses	867,686	1,651	(148,766)	175,107
Operating Income (Loss)	667,707	2,168	200,779	(27,365)
Nonoperating Revenues (Expenses):				
Gain on Sale of Equipment	—	—	—	—
Interest and Other Investment Income (Loss)	9,572	3,871	—	11,984
Interest Expense	(13)	—	—	—
Other Nonoperating Revenues	472	30	—	—
Other Nonoperating Expenses	(219,640)	—	(5,226)	—
BrickStreet Transactions (see Note 5)	—	—	17,759	—
Total Nonoperating Revenues (Expenses), Net	(209,609)	3,901	12,533	11,984
Income (Loss) Before Contributions and Transfers	458,098	6,069	213,312	(15,381)
Capital Contributions and Transfers:				
Capital Contributions	—	20,788	—	—
Transfers In	—	3,337	230,695	—
Transfers Out	(437,570)	—	—	(1,190)
Total Capital Contributions and Transfers	(437,570)	24,125	230,695	(1,190)
Change in Net Assets	20,528	30,194	444,007	(16,571)
Net Assets (Deficit), Beginning of Year, as Restated	43,957	479,793	(1,810,318)	270,903
Net Assets (Deficit), End of Year	$ 64,485	$509,987	$ (1,366,311)	$254,332

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

Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
$ —	$ —	$ 80,067	$ 221,976	$ 75,893
—	—	—	1,523,456	—
360,898	66,592	—	471,563	—
—	—	58	58	—
—	—	—	2,154	—
—	—	3,417	5,082	—
4,487	—	1,121	31,318	—
365,385	66,592	84,663	2,255,607	75,893
—	—	58,208	772,923	80,524
—	—	—	121,169	—
419,370	42,982	2,696	291,688	—
—	—	8,674	8,674	—
12,821	4,247	8,105	67,902	8,267
368	—	141	1,241	7,735
11,849	—	—	201,542	—
444,408	47,229	77,824	1,465,139	96,526
(79,023)	19,363	6,839	790,468	(20,633)
—	—	—	—	196
7,935	10,542	(5,463)	38,441	638
—	—	—	(13)	(612)
43	30	129	704	944
—	—	—	(224,866)	—
—	—	—	17,759	—
7,978	10,572	(5,334)	(167,975)	1,166
(71,045)	29,935	1,505	622,493	(19,467)
—	—	—	20,788	28
—	—	5,075	239,107	67,194
—	—	(15,211)	(453,971)	(2,562)
—	—	(10,136)	(194,076)	64,660
(71,045)	29,935	(8,631)	428,417	45,193
174,350	97,695	72,096	(671,524)	125,900
$103,305	$127,630	$ 63,465	$ (243,107)	$171,093

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds			
	West Virginia Lottery	Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation
Cash Flows from Operating Activities:				
Receipts from Customers	$1,531,642	$ 24,013	$ 42,082	$ 146,811
Payments to Suppliers	(11,447)	—	(28,142)	—
Payments to Employees	(7,331)	(1,173)	(124)	—
Payments to Beneficiaries	—	—	—	—
Payments for Loans Originated	—	(48,469)	—	—
Payments to Claimants	—	—	(269,662)	(165,818)
Other Operating Cash Receipts	—	—	—	2,922
Other Operating Cash Payments	(840,186)	(429)	—	—
Net Cash Provided by (Used for) Operating Activities	672,678	(26,058)	(255,846)	(16,085)
Cash Flows from Noncapital Financing Activities:				
Financing Earnings	—	—	—	—
Repayment of Operating Debt	(13)	—	—	—
Transfers In	—	3,337	230,695	—
Transfers Out	(644,366)	—	—	(1,190)
Distributions or Subsidies to Other Organizations	(29,046)	—	—	—
Net Cash Provided by (Used for) Noncapital Financing Activities	(673,425)	3,337	230,695	(1,190)
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Sale of Capital Bonds and Other Debts	—	—	—	—
Repayment of Capital Debt	—	—	—	—
Interest Paid on Capital Debt	—	—	—	—
Acquisition and Construction of Capital Assets	(4,532)	—	—	—
Proceeds from Sale of Capital Assets	—	—	—	—
Capital Contributions	—	20,848	—	—
Net Cash Provided by (Used for) Capital and Related Financing Activities	(4,532)	20,848	—	—
Cash Flows from Investing Activities:				
Purchase of Investments	—	—	—	—
Proceeds from Sale of Investments	181	—	—	—
Investment Earnings	9,559	3,871	(8,010)	11,984
BrickStreet Notes Receivable Payment	—	—	42,783	—
Net Cash Provided by Investing Activities	9,740	3,871	34,773	11,984
Net Increase (Decrease) in Cash and Cash Equivalents	4,461	1,998	9,622	(5,291)
Cash and Cash Equivalents, Beginning of Year	234,489	92,743	975,123	257,121
Cash and Cash Equivalents, End of Year	$ 238,950	$ 94,741	$ 984,745	$ 251,830

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

Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
$ 358,481	$ 66,481	$ 86,075	$2,255,585	$ 74,631
(12,446)	(2,909)	(62,927)	(117,871)	(62,414)
(1,609)	(1,486)	(5,188)	(16,911)	(21,386)
(389,634)	(40,318)	(7,123)	(437,075)	—
—	—	(4,140)	(52,609)	—
—	—	—	(435,480)	—
11,843	—	1,029	15,794	—
—	(42,601)	(1)	(883,217)	—
(33,365)	(20,833)	7,725	328,216	(9,169)
—	30	—	30	—
—	—	—	(13)	—
1,406	—	5,083	240,521	67,194
—	—	(15,211)	(660,767)	(2,562)
(118,969)	—	—	(148,015)	—
(117,563)	30	(10,128)	(568,244)	64,632
—	—	—	—	9,061
—	—	—	—	(4,462)
—	—	—	—	(563)
(4,954)	—	(36)	(9,522)	(9,879)
—	—	—	—	161
—	—	—	20,848	—
(4,954)	—	(36)	11,326	(5,682)
(16,630)	(31,883)	(7,949)	(56,462)	(350)
61,885	35,346	4,900	102,312	350
10,315	14,852	9,005	51,576	596
—	—	—	42,783	—
55,570	18,315	5,956	140,209	596
(100,312)	(2,488)	3,517	(88,493)	50,377
163,859	33,083	30,988	1,787,406	56,938
$ 63,547	$ 30,595	$ 34,505	$1,698,913	$107,315

(Continued)

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)
(Continued)

	Business-type Activities - Enterprise Funds			
	West Virginia Lottery	Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	$667,707	$ 2,168	$ 200,779	$ (27,365)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation and Amortization	732	—	—	—
Changes in Assets and Liabilities:				
Receivables	(3,751)	(28,257)	(9,982)	1,991
Inventories	132	—	—	—
Other Assets	(1,432)	—	—	—
Accounts Payable and Accrued Liabilities	616	48	(443,800)	9,294
Accrued Tuition Contract Benefits and Expenses	—	—	—	—
Unearned Revenue	—	—	—	—
Escrow Deposits	—	—	—	—
Due to/from Other Funds	—	(17)	—	(5)
Unpaid Claims Liabilities	—	—	—	—
Other Liabilities	8,674	—	(2,843)	—
Compensated Absences	—	—	—	—
Net Cash Provided by (Used for) Operating Activities	$672,678	$(26,058)	$(255,846)	$ (16,085)
Schedule of Noncash Capital and Financing Activities:				
Distribution of Capital Assets	$ —	$ —	$ —	$ —
Unrealized Loss on Investments	—	—	—	—
On Behalf OPEB Payments	472	—	—	—
Other	—	—	17,759	—

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

Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
$(79,023)	$ 19,363	$ 6,839	$ 790,468	$(20,633)
368	—	141	1,241	7,735
(2,543)	847	(1,700)	(43,395)	(1,261)
—	—	12	144	105
—	—	—	(1,432)	201
3,650	—	848	(429,344)	3,618
—	—	1,551	1,551	—
(2,836)	(954)	—	(3,790)	—
—	(42,600)	—	(42,600)	—
1,092	—	—	1,070	—
—	2,664	—	2,664	—
45,927	(153)	20	51,625	1,066
—	—	14	14	—
$(33,365)	$(20,833)	$ 7,725	$ 328,216	$ (9,169)
$ —	$ —	$ —	$ —	$ 329
(2,381)	(4,339)	(14,439)	(21,159)	—
43	30	129	674	477
—	—	—	17,759	—

FIDUCIARY FUND FINANCIAL STATEMENTS

Private Purpose Trust Fund This fund type is used to report a trust arrangement under which principal and income benefit individuals.

SMART 529 The West Virginia College Savings Program (the Program) operates under the West Virginia State Code Chapter 18, Article 30, and is administered by the Office of the State Treasurer under the direction of the Program's Board. All funds paid into or invested through the Program will be available for use at any two-year or four-year college or university in the country, with refund and transfer options available. Since the Program is an Internal Revenue Service Section 529 Qualified State Tuition Program, earnings on the funds are federally tax deferred until used for college.

The individual Pension and Other Employee Benefit Trust Funds, Investment Trust Funds, and Agency Funds descriptions and financial statements begin on page 204.

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008
(Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	SMART 529	Agency Funds
Assets:				
Cash and Cash Equivalents	$ 66,681	$251,608	$ —	$65,573
Investments:				
Equity Pooled Investments	8,185,971	—	—	—
Mutual Funds	930,310	—	1,111,427	—
Receivables, Net:				
Contributions	46,083	—	2,426	—
Participant Loans	8,746	—	—	—
Accrued Interest	—	—	—	52
Accounts	1,012	—	—	—
Due from Other Funds	1,933	—	—	—
Due from Component Units	1,479	—	—	—
Total Assets	9,242,215	251,608	1,113,853	$65,625
Liabilities:				
Accounts Payable	—	—	1,494	$ 1,559
Accrued and Other Liabilities	2,362	—	61	—
Due to Other Governments	—	—	—	12,035
Due to Other Funds	7,273	—	—	—
Insurance Claims Payable	7,060	—	—	—
Agency Liabilities	—	—	—	52,031
Total Liabilities	16,695	—	1,555	$65,625
Net Assets:				
Held in Trust for:				
Pension Benefits	8,970,703	—	—	
Other Postemployment Benefits	254,817	—	—	
External Investment Pool Participants	—	251,608	—	
Individuals and Organizations	—	—	1,112,298	
Total Net Assets	$9,225,520	$251,608	$1,112,298	

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

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	SMART 529
Additions:			
Contributions:			
Members	$ 209,648	$ —	$ —
Employer	886,670	—	—
Account Holder Contributions	—	—	264,784
Deposits, Pool Participants	—	629,770	—
Total Contributions	1,096,318	629,770	264,784
Investment Income (Loss):			
Net Appreciation (Depreciation) in Fair Value of Investments	(879,566)	10,641	(159,859)
Interest	292,121	—	87,264
Investment Expense	(38,957)	—	(4,878)
Net Investment Income (Loss)	(626,402)	10,641	(77,473)
Other	11,579	—	—
Total Additions	481,495	640,411	187,311
Deductions:			
Benefits Expense	829,841	—	—
Payments in Accordance with Trust Agreements	—	—	137,408
Refunds of Contributions	31,728	—	—
Withdrawals	—	634,610	—
Administrative Expenses	16,177	—	3,307
Total Deductions	877,746	634,610	140,715
Change in Net Assets Held in Trust For:			
Pension Benefits	(647,901)	—	—
Other Postemployment Benefits	251,650	—	—
External Investment Pool Participants	—	5,801	—
Individuals and Organizations	—	—	46,596
Net Assets, Beginning of Year	9,621,771	245,807	1,065,702
Net Assets, End of Year	$9,225,520	$251,608	$1,112,298

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


STATE OF WEST VIRGINIA.
JUNE 20 1863
MONTANI SEMPER LIBERI.

DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS

Major Component Units

Economic Development Authority The Authority, responsible for developing and advancing the business prosperity and economic welfare of the State, is authorized to make loans and enter into direct financing and operating leases with industrial development agencies for the promotion and retention of new and existing commercial and industrial development. The Authority is empowered to borrow money and issue bonds, notes, commercial paper, and other debt instruments to furnish money for the enhancement of business development projects, and additionally maintains the discretionary ability to set loan terms and interest rates.

Housing Development Fund The Fund is responsible for providing residential housing programs for low and moderate income families, elderly persons, and other eligible persons and families, as well as financing certain nonresidential projects. The Fund is empowered to issue bonds payable from mortgage payments and to issue general obligation bonds payable from other assets. The bonds of the Housing Development Fund do not constitute debt of the State.

Parkways, Economic Development, and Tourism Authority The Authority is responsible for operation and maintenance of the State turnpike and economic development and tourism projects approved by the Department of Transportation. The Authority is empowered to issue Parkway revenue refunding bonds and set rates for crossing the turnpike. The State has discretionary authority to reappropriate any surplus from the Authority.

Water Development Authority The Authority is responsible for assisting in the preservation, protection, improvement, and management of the State's water resources. The Authority oversees a loan pool program which provides low-interest financing to local governments for water and wastewater projects. The Authority issues bonds to fund the loan pool and uses the proceeds to purchase local government revenue bonds. The revenue bonds are payable solely from the revenues of the projects.

West Virginia Higher Education Fund The Fund is responsible for providing the delivery of postsecondary education, which is competitive, affordable, and has the capacity to deliver the programs and services necessary to meet the regional and statewide needs of young people and working-age adults. The focus and collaboration of the Institutions within the Fund are to create a system of higher education that is equipped to increase the competitiveness and to diversify and to expand the State's workforce by increasing the number of college degrees produced. The Fund obtains revenues from state and federal student aid programs; tuition and fees; state and federal appropriations; sales and services of educational activities and auxiliary enterprises; federal, state, local, and nongovernmental grants and contracts; and gifts and contributions.

Regional Jail and Correctional Facility Authority The Authority is responsible for replacing individual county jails with regional jails. Along with the state correctional institutions, the Regional Jail Authority is part of the consolidated penal system of this State. Although the construction of additional jails is ongoing, the operating focus has become the confinement of prisoners and existing jail operations. A majority of the operations, as well as a majority of the debt service, are financed by per diem fees for prisoners and court fees rather than appropriations from the State. No bonds or other obligations may be issued until the Legislature has approved the purpose and amount of each project.

School Building Authority The Authority's responsibilities include providing State funds for the acquisition and construction of elementary and secondary public school facilities in order to satisfy the educational needs of the State's citizens in an efficient and economical manner. The Authority's programs are designed to provide modern, efficient public school facilities throughout the State by promoting the consolidation of elementary and secondary public schools, enabling the State to more efficiently utilize its educational resources.

Nonmajor component units are presented beginning on page 217.

Combining Statement of Net Assets
Discretely Presented Component Units
June 30, 2008
(Expressed in Thousands)

Assets:	Economic Development Authority	Housing Development Fund	Parkways, Economic Development and Tourism Authority	Water Development Authority
Current Assets:				
Cash and Cash Equivalents	$ 35,314	$ 34,855	$ 11,980	$ 16,722
Investments	—	—	1,174	—
Receivables, Net	17,298	6,410	1,978	10,021
Due from Other Governments	—	—	—	—
Due from Primary Government	—	—	21	123
Due from Component Units	—	—	—	—
Inventories	—	—	2,451	—
Other Assets	40	—	1,029	—
Restricted Assets:				
Cash and Cash Equivalents	289	51,438	—	—
Other Restricted Assets	—	—	—	—
Total Current Assets	52,941	92,703	18,633	26,866
Noncurrent Assets:				
Cash and Cash Equivalents	—	—	—	—
Investments	2,922	5,360	12,651	1,200
Receivables, Net	171,973	43,032	—	8,675
Other Assets	—	1,125	—	—
Restricted Assets:				
Cash and Cash Equivalents	9,103	13,830	—	2,017
Investments	—	123,525	14,938	15,626
Receivables, Net	—	934,864	—	239,764
Other Restricted Assets	—	5,065	—	—
Capital Assets, Net	24,218	438	506,746	765
Total Noncurrent Assets	208,216	1,127,239	534,335	268,047
Total Assets	261,157	1,219,942	552,968	294,913
Liabilities:				
Current Liabilities:				
Accounts Payable	—	—	847	16
Interest Payable	—	6,275	713	2,612
Accrued and Other Liabilities	380	18,639	6,699	—
Unearned Revenue	—	—	—	—
Due to Primary Government	56	—	651	6
Due to Component Units	16	—	—	—
Revenue Bonds Payable	—	24,835	7,330	5,903
Capital Leases and Other Debt	395	—	687	—
Compensated Absences	23	—	—	—
Total Current Liabilities	870	49,749	16,927	8,537
Noncurrent Liabilities:				
Unearned Revenue	4,553	—	—	—
Advances from Primary Government	125,294	—	—	—
Liabilities Payable from Restricted Assets	—	60,844	—	—
Accrued and Other Liabilities	2,512	—	—	156
Revenue Bonds Payable	—	735,093	80,763	231,101
Capital Leases and Other Debt	5,488	249	1,154	—
Compensated Absences	28	508	—	33
Total Noncurrent Liabilities	137,875	796,694	81,917	231,290
Total Liabilities	138,745	846,443	98,844	239,827
Net Assets:				
Investment in Capital Assets, Net of Related Debt	15,195	—	416,812	765
Restricted for:				
Capital Projects	—	—	—	—
Debt Service	—	—	—	—
Nonexpendable	—	—	—	—
Lending Activities	—	288,387	—	26,150
Loans Receivable	8,803	—	—	—
Specific Component Unit Purposes	—	—	32,096	—
Unrestricted	98,414	85,112	5,216	28,171
Total Net Assets	$122,412	$ 373,499	$454,124	$ 55,086

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

Higher Education	Regional Jail Authority	School Building Authority	Other Component Units	Total
$ 400,699	$ 43,536	$ 23,223	$ 25,946	$ 592,275
48,374	1,596	167,664	8,057	226,865
76,218	14,328	522	3,881	130,656
—	—	—	298	298
25,611	—	—	464	26,219
16	—	—	—	16
5,818	874	—	47	9,190
7,405	—	—	685	9,159
—	—	—	33,522	85,249
—	—	—	312	312
564,141	60,334	191,409	73,212	1,080,239
103,013	—	—	—	103,013
282,820	—	—	—	304,953
53,588	—	—	—	277,268
49,540	—	—	—	50,665
—	418	—	—	25,368
—	—	—	—	154,089
—	—	—	—	1,174,628
—	—	—	3,000	8,065
1,837,200	139,636	713	43,704	2,553,420
2,326,161	140,054	713	46,704	4,651,469
2,890,302	200,388	192,122	119,916	5,731,708
60,627	2,432	13,801	1,964	79,687
3,880	—	—	—	13,480
41,925	1,385	—	322	69,350
75,830	—	—	81	75,911
12,067	1,749	12	846	15,387
—	—	—	—	16
23,833	4,550	14,940	—	81,391
4,750	—	—	20	5,852
34,826	1,796	—	362	37,007
257,738	11,912	28,753	3,595	378,081
—	—	—	—	4,553
—	—	—	—	125,294
—	—	—	32,044	92,888
90,455	—	—	200	93,323
769,820	77,095	306,606	—	2,200,478
65,058	—	—	22,686	94,635
6,194	—	85	792	7,640
931,527	77,095	306,691	55,722	2,618,811
1,189,265	89,007	335,444	59,317	2,996,892
1,049,139	57,991	—	43,573	1,583,475
68,358	1,596	—	—	69,954
11,462	1,381	41,477	—	54,320
147,756	—	—	—	147,756
—	—	—	—	314,537
—	—	—	—	8,803
203,828	—	—	4,591	240,515
220,494	50,413	(184,799)	12,435	315,456
$1,701,037	$111,381	$(143,322)	$ 60,599	$2,734,816

Combining Statement of Activities
Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Component Units:					
Economic Development Authority	$ 11,635	$ 9,580	$ —	$ —	$ (2,055)
Housing Development Fund	108,868	64,043	53,020	—	8,195
Parkways, Economic Development, and Tourism Authority	78,670	64,022	—	—	(14,648)
Water Development Authority	14,272	15,882	—	—-	1,610
Higher Education	1,481,979	637,935	363,548	79,888	(400,608)
Regional Jail Authority	79,861	80,145	—	—	284
School Building Authority	118,527	—	—	—	(118,527)
Other Component Units	38,974	11,823	1,337	—	(25,814)
Total Component Units	$1,932,786	$883,430	$417,905	$79,888	$(551,563)

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

General Revenue							
Unrestricted Investment Earnings	Grants and Contributions Not Restricted for Specific Programs	Miscellaneous	Payments from the State of West Virginia	Total General Revenue	Change in Net Assets	Net Assets, Beginning of Year, as Restated	Net Assets, End of Year
$ 2,897	$ —	$ 222	$ —	$ 3,119	$ 1,064	$ 121,348	$ 122,412
12,683	—	—	—	12,683	20,878	352,621	373,499
2,293	—	496	—	2,789	(11,859)	465,983	454,124
1,858	—	8	—	1,866	3,476	51,610	55,086
15,455	—	37,548	536,101	589,104	188,496	1,512,541	1,701,037
1,561	—	3,982	—	5,543	5,827	105,554	111,381
7,871	—	10	102,574	110,455	(8,072)	(135,250)	(143,322)
583	775	1,310	22,757	25,425	(389)	60,988	60,599
$45,201	$775	$43,576	$661,432	$750,984	$199,421	$2,535,395	$2,734,816

STATE OF WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The State of West Virginia is governed by elected officials. In accordance with GASB Statement No. 14, "The Financial Reporting Entity," these financial statements present the State (the primary government) and its component units. The component units discussed below are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

Individual Component Unit Disclosures

United States generally accepted accounting principles (GAAP) define component units as those entities which are legally separate organizations for which the State's elected officials are financially accountable, or other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. GAAP specifies two methods of presentation: blending the financial data of the component units' balances and transactions in a manner similar to the presentation of the State's balances and transactions or discrete presentation of the component units' financial data in columns separate from the State's financial data.

Blended Component Units

The entities below are legally separate from the State and meet the GAAP criteria for component units. These entities are blended with the primary government because they provide services entirely or almost entirely to the State.

Armory Board

The State Armory Board is governed by the Governor, the State Auditor, and the Secretary of State. Its activities are blended in the nonmajor special revenue funds of the State. The State Armory Board serves the State by providing facilities for the activities of the regiment of the National Guard.

Transportation

The Division of Highways, within the Department of Transportation, is governed by a commissioner appointed by the Governor; it does not have a governing board separate from the State Legislature. It is a legally separate entity defined by the State Constitution. Since its operations are to improve the State's roads, Transportation is blended in the special revenue and capital projects funds of the State.

West Virginia Investment Management Board

The West Virginia Investment Management Board (IMB) is governed by a thirteen-member Board of Trustees. The IMB was created as a public corporation by West Virginia Code §12-6-1 to serve as the administrator, investor, and manager of the State's pension, Workers' Compensation, Pneumoconiosis, and other State funds. The Governor, the State Auditor, and the State Treasurer are members of the Board and the other members are appointed by the Governor. Because there is a financial benefit-burden relationship between the State and the IMB, and assets of the State and its component units comprise over 90% of the assets managed by the IMB, it is blended in the internal service funds of the State.

West Virginia Board of Treasury Investments

The West Virginia Board of Treasury Investments (BTI) is governed by a five-member board. The Governor, the State Auditor, and the State Treasurer are members of the Board and the other two members are appointed by the Governor. The BTI was created as a public corporation by West Virginia Code §12-6C-4 to provide prudent fiscal administration, investment and management for the Consolidated Fund and is blended in the internal service funds of the State.

West Virginia Lottery

The West Virginia Lottery is governed by a seven-member board appointed by the Governor. It was formed to assist the State in funding education and other basic governmental activities. This is accomplished by transferring the net profits of the games conducted by the Lottery to other accounts for uses including, but not limited to, debt service, education, and promotion of tourism. Because the Lottery exists to provide funding entirely to the State, it is blended in the enterprise funds of the State.

Tobacco Settlement Finance Authority

The Tobacco Settlement Finance Authority (TSFA) 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 to issue bonds related to the State's portion of the tobacco receipts from the Master Settlement Agreement between tobacco manufacturers and the covered states. The revenue bonds, secured by the tobacco revenues, are not a general obligation of the State. The TSFA is blended in the special revenue funds of the State, since its activities only benefit the State.

Blended Component Unit Financial Statements

Audited financial statements for these blended component units, other than the Armory Board which is not separately audited, can be obtained directly from their respective administrative offices.

Administrative Offices:

Transportation
1900 Kanawha Blvd., East
Building 5, Room A109
Charleston, WV 25305

Board of Treasury Investments
1900 Kanawha Blvd., East
Room E-122
Charleston, WV 25305

Tobacco Settlement Finance Authority
1900 Kanawha Blvd., East
Building 1, Room E-119
Charleston, WV 25305

West Virginia Investment Management Board
500 Virginia St. East, Suite 200
Charleston, WV 25301

West Virginia Lottery
P.O. Box 2967
Charleston, WV 25327

Discretely Presented Component Units

Discretely presented component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. Because of the nature of the services they provide and the State's ability to impose its will on them, the following component units are discretely presented in accordance with GASB Statement No. 14. The State has both governmental (providing services to the government) and proprietary (providing services to external parties) component units. The component units are presented in a single column on the government-wide statements.

The major discretely presented component units are comprised of the following entities:

Economic Development Authority

The Economic Development Authority (EDA) is administered by a nine-member board composed of the Governor, Secretary of Tax and Revenue, and seven other members appointed by the Governor. EDA is responsible for developing and advancing the business prosperity and economic welfare of the State. EDA is authorized to make loans, including direct financing and operating leases to industrial development agencies for the promotion and retention of new and existing commercial and industrial development. EDA is empowered to borrow money and issue bonds (with approval of the State), notes, commercial paper and other debt instruments to furnish money for the enhancement of business development projects, and has the ability to establish loan terms, including interest rates, at its discretion. EDA promotes economic development among private industries, and though its services benefit the State by increasing the tax base, its primary function is to provide jobs.

Housing Development Fund

The Housing Development Fund (HDF) is governed by an eleven-member board consisting of the Governor, the Attorney General, the Commissioner of Agriculture, the State Treasurer, and seven other members appointed by the Governor. The Governor or his designee is the chair of the board of directors. HDF is responsible for providing residential housing programs for low-income and moderate-income families, elderly persons, and other eligible persons and families, as well as financing certain nonresidential projects. It is empowered to issue bonds which are payable from the mortgage payments. The assets and revenues of the bond programs of the HDF are restricted by resolution to repay the outstanding debt. As the State is able to impose its will over the HDF, it is included as a discretely presented component unit.

Parkways, Economic Development and Tourism Authority

The Parkways, Economic Development and Tourism Authority (the Authority) is composed of seven members. The Governor or his designee serves as its chairperson, the Secretary of the Department of Transportation (DOT) is on the board, and five members are appointed by the Governor. Its responsibilities include the operation and maintenance of the West Virginia Turnpike (the Turnpike) as well as economic development and tourism projects approved by the DOT. The Authority sets the rates for using the Turnpike and may issue Parkway revenue refunding bonds payable solely from revenues of the Turnpike. The DOT, as well as the State, is able to impose its will on the Authority.

Water Development Authority

The Water Development Authority (the Authority) is governed by a seven-member board. The Governor, the Secretary of the Department of Environmental Protection, and the Commissioner of the Bureau for Public Health are members ex-officio of the board. Four members are appointed by the Governor. The Governor serves as the chair. The Authority is responsible for assisting in the preservation, protection, improvement, and management of the State's water resources. The Authority oversees a loan pool program which provides low-interest financing to local governments for water and wastewater projects. The Authority issues bonds to fund the loan pool and uses the proceeds to purchase local government revenue bonds. The revenue bonds are payable solely from the revenues of the projects. The Authority also serves as the financial administrator of the West Virginia Infrastructure and Jobs Development Council (a major governmental fund) and the West Virginia Water Pollution Control Revolving Fund (an enterprise fund).

Higher Education Fund

Each college and university in the Higher Education Fund (the Fund) is governed by a Governing Board, which is responsible for the general determination, control, supervision and management of the financial business and educational policies and affairs of the institution(s). The West Virginia Higher Education Policy Commission (the Policy Commission), in accordance with Senate Bill No. 653, is the single accountability point responsible for developing, gaining consensus around and overseeing the implementation and development of a higher education public policy agenda. It is comprised of ten persons, seven appointed by the Governor with the advice and consent of the Senate, and the Secretary of Education and the Arts, the State Superintendent of Schools, and the chairperson of the West Virginia Council for Community and Technical College Education. The Policy Commission is responsible for preparing and submitting a consolidated budget and allocating state appropriations to supplement institutional operating revenues.

Senate Bill 448 created the West Virginia Council for Community and Technical College Education (the Council), which has responsibility for developing, overseeing, and advancing the State's public policy agenda as it relates to community and technical college education. The Council is comprised of twelve persons appointed by the Governor with the advice and consent of the Senate.

The Fund is comprised of the following: Bluefield State College, New River Community and Technical College, Concord University, Eastern West Virginia Community and Technical College, Fairmont State University, Glenville State College, Marshall University (including Marshall University Graduate College), Shepherd University, Blue Ridge Community and Technical College, Southern West Virginia Community and Technical College, West Liberty State College, West Virginia Higher Education Policy Commission (including West Virginia Network for Educational Telecomputing), West Virginia Council for Community and Technical College Education, West Virginia Northern Community College, West Virginia State University, West Virginia School of Osteopathic Medicine, and West Virginia University (including Potomac State College, West Virginia University Institute of Technology, and West Virginia University at Parkersburg regional campuses). These entities are included in the Higher Education Fund financial statements as blended component units: Concord College Research and Development Corporation, Glenville State College Research Corporation, Glenville State College Housing Corporation, Marshall University Research and Development Corporation, West Virginia State University Research and Development Corporation, West Virginia University Research and Development Corporation.

In accordance with GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units," the Fund's component units' financial statements are included in the Fund's component unit column in the Discretely Presented Major Component Units Financial Statements of the CAFR. The component units are the separate private nonprofit organizations of each applicable institution that are required to be reported under GASB Statement No. 39. Those organizations report under FASB standards, including FASB Statement No. 117, "Financial Reporting for Not-for-Profit Organizations." As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

Various foundations have been established as separate nonprofit organizations incorporated in the State of West Virginia having as their purpose ". . . to aid, strengthen and further in every proper and useful way, the work and services of the (individual institutions within the Fund), and their affiliated nonprofit organizations . . . " Oversight of the foundations is the responsibility of separate and independently elected Boards of Directors, not otherwise affiliated with the Fund. In carrying out its responsibilities, the Boards of Directors of the foundations employ management, form policy, and maintain fiscal accountability over funds administered by the foundations. Although the individual institutions within the Fund do not control the timing or amount of receipts from the foundations, the majority of resources, or income thereon, that the foundations hold and invest are restricted to the activities of the individual institutions within the Fund by donors. Because these restricted resources held by the foundations as detailed in the basic financial statements can only be used by, or for the benefit of, the individual institutions within the Fund, the foundations are considered component units of the Fund and are therefore included with the Fund's financial statements in accordance with GASB Statement No. 39.

The West Virginia University Foundation Inc. is not reported because the economic resources held do not entirely or almost entirely benefit West Virginia University. The Eastern West Virginia Community and Technical College Foundation Inc. is not included because it was not significant to the institution. The Higher Education Foundation is not included because it does not entirely or almost entirely benefit one institution and because it was not significant to the Fund. Blue Ridge Community and Technical College does not have a related foundation.

Complete financial statements for any college, university or foundation can be obtained by contacting the Business Office of the West Virginia Higher Education Policy Commission, 1018 Kanawha Boulevard, E., Suite 700, Charleston, WV 25301.

Regional Jail and Correctional Facility Authority

The Regional Jail and Correctional Facility Authority (hereafter referred to as the Regional Jail Authority) is governed by a seven-member board of which five members are appointed by the Governor. It was formed to replace individual county jails with regional jails. Along with the State correctional institutions, the Regional Jail Authority is part of the consolidated penal system of this State. Although the construction of additional jails is ongoing, the operating focus has become the confinement of prisoners and existing jail operations. A majority of the operations, as well as a majority of the debt service, are financed by per diem fees for prisoners and court fees rather than appropriations from the State. No bonds or other obligations may be issued until the Legislature has approved the purpose and amount of each project.

School Building Authority

The School Building Authority is governed by a ten-member board appointed by the Governor. The State Superintendent of Schools serves as president of the Authority. The remaining nine members consist of three members of the State Board of Education and six citizens, one of whom must be a representative of the construction trades. The Authority is to "facilitate and provide State funds for the acquisition, construction, and maintenance of elementary and secondary public school facilities so as to meet the educational needs of the people of the State in an efficient and economical manner". The Authority's program is designed to provide modern, efficient public school facilities throughout the State by promoting the consolidation of elementary and secondary public schools, enabling the State to more efficiently utilize its educational resources.

The nonmajor discretely presented component units are comprised of the following entities:

Educational Broadcasting Authority

The Educational Broadcasting Authority (EBA) consists of eleven members. Seven members are appointed by the Governor. The other four members include the State Superintendent of Schools, one member from the West Virginia Board of Education, and two members from the West Virginia Higher Education Policy Commission. EBA is responsible for extending educational, cultural, and informational experiences to all State citizens. This is accomplished through the construction and operation of noncommercial educational television and radio stations and related facilities statewide. EBA provides statewide telecommunication services for other state and public service agencies for nonbroadcasted activities such as teleconferencing, in-service training, and data delivery. EBA's revenues are derived primarily through donations, with a portion of operational costs supplemented by state and federal grants.

Jobs Investment Trust

The Jobs Investment Trust (the Trust) consists of thirteen members. The Governor, the President of West Virginia University, the President of Marshall University, the Chancellor of the West Virginia Higher Education Policy Commission, and the Executive Director of the West Virginia Housing Development Fund serve on the board by virtue of their respective positions. One member is appointed by the Governor from a list of two names submitted by the board of directors of the Housing Development Fund. One member is appointed by the Governor from a list of two names submitted by the Commissioner of the Division of Tourism. The other six members are appointed from the general public by the Governor. The Trust is responsible for the development, promotion, and expansion of West Virginia's economy and to provide opportunities to businesses and college and university students to develop and implement plans for innovative projects and investment opportunity.

West Virginia State Rail Authority

The West Virginia State Rail Authority (Rail Authority) consists of seven members. Six members are appointed by the Governor and the seventh member is the Secretary of the Department of Transportation. The Rail Authority is responsible for the rehabilitation, improvement, and restoration of the financial stability of the railway system in the State. It can issue bonds and set rates for the rail system. The Rail Authority receives federal and state grants to supplement its cost of operations.

Solid Waste Management Board

The Solid Waste Management Board (the Board) is composed of seven members. Five members are appointed by the Governor and the remaining members are the Secretary of the Department of Health and Human Resources and the Director of the Division of Environmental Protection. The Board is responsible for improving collection and disposal of solid wastes and encouraging recycling, reuse, and recovery of resources from wastes. The Board is the financing mechanism for solid waste projects and is empowered to issue bonds (with approval of the Water Development Authority) and set a rate structure.

Racing Commission

The Racing Commission consists of three members appointed by the Governor, by and with the consent of the Senate. The Racing Commission has full jurisdiction over and shall supervise all horse race meetings, all dog race meetings, and all persons involved in the holding and conducting of horse and dog race meetings. It has the power to set fees and grant licenses and permits pertaining to horse and dog race meetings, as well as regulate the horse and dog race wagering.

Public Defender Corporation

The Public Defender Corporation represents the combined nonprofit corporations, created under authority of West Virginia Code §29-21, for the purpose of fulfilling the State's obligation to provide legal representation to eligible clients. Funding of the individual public defender corporations is by appropriation disbursed in periodic allotments determined by the Executive Director of the Public Defender Services, who is appointed by the Governor. The governing body of each public defender corporation is a Board of Directors appointed by the county commissions and the Governor.

Discretely Presented Component Unit Financial Statements

Complete audited financial statements of the individual discretely presented component units can be obtained directly from their respective administrative offices.

Administrative Offices:

Economic Development Authority
Northgate Business Park
160 Association Drive
Charleston, WV 25311-1217

Parkways, Economic Development
and Tourism Authority
P.O. Box 1469
Charleston, WV 25325-1469

Higher Education Policy Commission
Administrative Services
1018 Kanawha Blvd., East
Suite 700
Charleston, WV 25301

Housing Development Fund
814 Virginia Street, East
Charleston, WV 25301-2877

Water Development Authority
180 Association Drive
Charleston, WV 25311-1571

Regional Jail Authority
1325 Virginia Street, East
Charleston, WV 25301

School Building Authority
Finance Division
2300 Kanawha Blvd., East
Charleston, WV 25300

Educational Broadcasting Authority
600 Capitol Street
Charleston, WV 25301

Job Investment Trust
814 Virginia Street, East
Suite 202
Charleston, WV 25301-2877

West Virginia State Rail Authority
120 Water Plant Drive
Moorefield, WV 26836-0470

Solid Waste Management Board
601 57th Street, SE
Charleston, WV 25304

Racing Commission
106 Dee Drive
Charleston, WV 25311

Public Defender Corporation
One Players Club Drive
Suite 301
Charleston, WV 25311

Joint Venture

The Stonewall Jackson Lake State Park Project (the Project) is a joint development of certain facilities at Stonewall Jackson Lake involving the Division of Natural Resources (DNR), the United States Corps of Engineers, and McCabe-Henley Properties LP (MHP), a West Virginia limited partnership. MHP was engaged by the DNR as the sole developer and operator of the Project. Revenue bonds for the Project were issued as conduit debt by the West Virginia Economic Development Authority in 2000. The bonds are payable solely from the revenues of the Project. The DNR has neither the power to pledge the credit of the State, nor to levy taxes or assessments, nor to issue debt on behalf of the Project.

The Project incurred net losses of $7,239,637 and $6,853,226 for the years ended December 31, 2007 and 2006, respectively. At December 31, 2007 and 2006, the Project's current liabilities exceeded its current assets by $54,582,882 and $50,598,069, respectively, and its total liabilities exceeded its total assets by $14,414,149 and $7,174,512, respectively. Additionally, the Project has been unable to make its scheduled debt service payments when due, resulting in an event of default, although one partial payment of approximately $725,000 to the Series A bondholders was made in 2007. Presently, the Project has no additional sources of funding available which can be accessed to satisfy existing or future financial obligations imposed by its revenue bonds or notes payable. Cash flows generated from the Project's operations have not historically been sufficient to enable the Project to fund its operations and satisfy its debt obligations.

The Master Trust Indenture states that given the event of default, the outstanding balance on the revenue bonds may be declared due and payable in the manner and with the effect provided in the Indenture. Certain remedies available upon the occurrence of an event of default are set forth in the Indenture. At this time, the bondholders have formed a committee to explore their options but as yet have not exercised their rights with regard to the default. The losses, negative cash flows from operations, bond covenant violations, and the Project's inability to meet its debt service requirements raise substantial doubt about the Project's ability to continue as a going concern. Furthermore, the independent auditor's report on the Project's financial statements for the year ended December 31, 2007, included a going-concern opinion paragraph emphasizing that these conditions raised substantial doubt about the Project's ability to continue as a going concern. The Developer is continuing in its efforts to market the Stonewall Resort for conferences and as a vacation destination to increase revenues, and to monitor its cost of operations.

The State does not include the financial activities of the Project in its financial statements. Financial statements of the Project are available from the Stonewall Resort, 940 Resort Drive, Roanoke, WV 26447.

Basis of Presentation

The accompanying basic financial statements of the State of West Virginia (the State) conform to 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. In addition, GAAP requires that the State's proprietary activities apply GAAP in a similar manner as applied for business activities in the private sector. As a result, the financial statements of certain component units follow the specialized reporting practices of the insurance, housing finance agency, and other not-for-profit industries, as prescribed by the GASB and other authoritative sources, including pronouncements of the Financial Accounting Standards Board (FASB). Certain net asset accounts presented for the preceding year have been restated or reclassified. See Note 2 for further explanation.

As allowed by GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the State and the majority of its component units have elected not to adopt FASB Statements or Interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB Statements or Interpretations. The IMB, the Educational Broadcasting Authority, and the Public Defender Corporation have elected to follow all FASB Statements and Interpretations, APB Opinions, and ARBs, except those that conflict with or contradict GASB pronouncements.

The basic financial statements have been prepared primarily by the Financial Accounting and Reporting Section (FARS) of the Department of Administration from accounts maintained by the State Auditor's Office, the State Treasurer's Office, the Board of Treasury Investments, and the Investment Management Board. Additional data has been derived from the audited financial statements of certain entities and from reports and data prepared by various state agencies and departments, based on independent or subsidiary accounting records maintained by them.

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 contingent 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

Government-wide Financial Statements

The government-wide financial statements, which are the statement of net assets and the statement of activities, report information on all the nonfiduciary activities of the primary government and its component units. These activities are reported as governmental activities, business-type activities or component units. The governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange revenues, and are reported separately from the business-type activities. The business-type activities rely significantly on fees and charges to external parties for their support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of net assets presents the State's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

> Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
>
> Restricted net assets result when constraints are placed on net asset use by external creditors, grantors, contributors, etc. or imposed by law through constitutional provisions or enabling legislation.

> Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them available for general operations. They also often have constraints on resources imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes and other items not properly included in program revenues are reported as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with nonmajor funds being combined into a single column.

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, as are the proprietary fund financial statements. 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. Agency funds have no measurement focus. These funds report only assets and liabilities, recognizing receivables and payables using the accrual basis of accounting.

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. Significant revenues susceptible to accrual include income, sales and use, corporation and other taxes, federal awards, federal reimbursements, and other reimbursements for use of materials and services. Revenues from federal awards are considered available when the related expenditures have been incurred and if received in twelve months. Receipts and disbursements of U.S. Government food stamps are accounted for in the General Fund. The electronic benefits transfer (EBT) process for food stamp revenue equal to expenditures is recognized when the underlying transaction (food purchase) occurs. Revenues from other sources are recognized when received.

Expenditures generally are recorded when the related liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to retirement costs, compensated absences, environmental obligations, and claims and judgments, are recorded only when payments are due.

Governmental Fund Types

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than certain debt service activities and major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term indebtedness.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and infrastructure projects (other than those financed by proprietary funds).

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the State or its citizenry. The Irreducible School Fund was constitutionally established for educational purposes.

The State reports the following major governmental funds:

The General Fund is the primary operating fund of the State. It is used to account for all financial resources obtained and spent for those services normally provided by the State (e.g., health, social assistance, public safety, primary and secondary education), which are not required to be accounted for within other funds.

Transportation has responsibility for the construction, maintenance, and improvement of all state roads; development of public transportation facilities, services, equipment, and methods; and supervision and control of commercial, state, and municipal airports and ports. The West Virginia Infrastructure and Jobs Development Council coordinates the review and funding of water, wastewater, and economic development projects within the State.

The Tobacco Settlement Finance Authority (TSFA) was established to sell bonds that are being funded by projected future cash flows from the Master Settlement Agreement between the manufacturers and the states. The TSFA acquired the State's rights to the revenue under the Master Settlement Agreement. The TSFA receives the cash flows and transfers the monies to the trustee upon receipt.

Proprietary Fund Types

Enterprise Funds are used to account for operations of those state agencies providing goods or services to the general public on a user-charge basis, or where the State has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. This fund type is also used when the activity is financed with debt that is secured by a pledge of the net revenues from the fees and charges of the activity. These funds include the State's risk management and insurance funds as well as the West Virginia Lottery, the Alcohol Beverage Control Administration, two water treatment loan programs, and the West Virginia Prepaid College Plan.

Internal Service Funds account for the operations of those state agencies that provide goods and services to other state agencies and governmental units on a cost-reimbursement basis. These services include government building and vehicle maintenance and leasing, data processing functions, and the investment and management of state funds. In the government-wide statements, internal service funds are included with governmental activities.

The State reports the following major enterprise funds:

The West Virginia Lottery accounts for lottery ticket revenue, administrative and operating expenses, and distribution of net revenue to the General Fund.

The Water Pollution Control Revolving Fund provides low-interest loans to communities to upgrade or establish sewer service, to clean up the State's water supply, and assist local governmental entities in complying with the Clean Water Act.

The Workers' Compensation Fund provides compensation for injury or illness sustained during the course of employment with a date of injury on or before June 30, 2005, (see Note 14).

Unemployment Compensation operates local offices throughout the State to provide temporary assistance to eligible unemployed workers.

The Public Employees' Insurance Agency and the Board of Risk and Insurance Management are shown with the proprietary major funds due to their importance to management.

Additionally, the State reports the following fund types:

Fiduciary Fund Types

Pension and Other Employee Benefit Trust Funds report resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit retirement plans, the defined contribution retirement plan, and the multiemployer, cost-sharing other postemployment benefit plan, in which the State is a participating employer.

Investment Trust Funds report resources in external investment pools that belong to local governments and municipalities.

Private Purpose Trust Funds report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. The Smart 529 College Savings Plan allows citizens to defer taxes on earnings for college tuition.

Agency Funds are used to account for assets held by the State as an agent for individuals, private organizations, or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. Taxes that will be remitted to respective local governments and hospital patient and inmate funds are examples of the State's agency funds.

Interfund Activity and Balances

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: activities between funds reported as governmental activities and funds reported as business-type activities; and activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund expending the resources. An example is lottery proceeds collected by the West Virginia Lottery, but expended by the Department of Education.

Interfund receivables and payables have been eliminated from the statement of net assets, except for the residual amounts due between governmental and business-type activities.

Assets and Liabilities

Cash and Cash Equivalents - Cash equivalents are short-term investments with maturities, when purchased, of three months or less. The State Treasurer principally deposits the State's cash in investment pools maintained by the Board of Treasury Investments (BTI) and IMB, and such deposits are generally available with overnight notice. Deposits in the BTI pools that are 2a-7-like pools are reported at amortized cost, which approximates the fair value of underlying securities. Cash deposits in outside bank accounts are considered to be cash and cash equivalents.

Investments - Amounts reported as investments include certain deposits with the IMB, the BTI and other investments maintained in outside accounts. The investments at IMB are maintained in investment pools having long-term investment securities designated as trading securities or established to acquire participant-directed securities. The State participates in three external investment pools managed by the BTI. Two are reported at amortized cost, which approximates fair value. The third is a longer-term investment pool that carries investments at fair value. The fair value of investments is derived from a third-party pricing service based on asset portfolio pricing models and other sources. IMB's investments in the Short-Term Fixed Income Pool are carried at amortized cost. Futures and option contracts are valued at the last settlement price established each day by the exchange on which they are traded. Investments in commingled investment pools are valued at the reported unit values of the individual funds. Because fair value of the investments of the State Building Fund approximates amortized cost, no noncash change in fair value is reported.

Inventories - Consumable inventories, consisting of expendable materials and supplies held for consumption, are valued and reported for financial statement purposes. Materials and supplies inventories are physically counted and primarily valued at the first-in, first-out method (FIFO) and average cost at year-end. Inventories of governmental funds are recorded using the consumption method. A reservation of fund balance is recorded for the ending inventory amount, indicating that inventory does not constitute "expendable available financial resources." Proprietary fund and component units' inventories are valued at the lower-of-cost or market, cost being determined on FIFO, and are expensed when used.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at fair value or estimated fair value at the time of the donation. In accordance with the capitalization policy adopted by the State for financial reporting, equipment in excess of $25,000 is capitalized. Certain small blended component units follow other capitalization policies which range from $5,000 to $25,000 for equipment. The Higher Education component unit uses $1,000 and $5,000 thresholds. Buildings and improvements which extend the useful lives and/or significantly increase values of capitalized buildings with a combined value in excess of $100,000 are capitalized. All land, regardless of acquisition price, is capitalized. During fiscal year 2008, the Public Employees' Insurance Agency, a major proprietary fund, adopted GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," in conjunction with the implementation of a new computer software system. Following the provisions of Statement No. 51, $4,503,244 of computer software costs were capitalized. This amount is included in equipment until such time as the State implements this standard.

West Virginia is one of only four states that owns all the paved roads in the State, except for streets. Infrastructure was capitalized for the first time in fiscal year 2002. Transportation's infrastructure constructed from July 1, 1980 to July 1, 2001, has been recorded at estimated historical cost. The estimated historical cost for years 1980-2001 was based on capital outlay expenditures reported by DOT in the annual reports for those years, less an amount estimated for the historical cost of the acquisition of land for right-of-way. DOT has not capitalized any infrastructure expenditures for assets constructed prior to July 1, 1980, as permitted by GASB 34. The costs of normal maintenance and repairs that do not add to the asset's value or materially extend an asset's useful life are not capitalized. Interest incurred during construction of capital facilities is not capitalized. Other agencies are capitalizing all infrastructure assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The capital assets are depreciated over their estimated useful lives using the straight-line depreciation method. Amortization of capital lease assets is included with depreciation expense. Equipment, depending on type, is depreciated over 3-20 years. Buildings are depreciated over various lives, ranging from 20-50 years. The infrastructure assets are depreciated over a period of 20-50 years. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Impaired assets and insurance recoveries are analyzed for significance and recorded accordingly.

The State possesses certain capital assets that have not been capitalized and depreciated, including works of art and historical treasures, such as monuments, historical documents, paintings, antiques, pioneer, Indian, and Civil War artifacts, etc. GASB Statement No. 34

does not require the capitalization of works of art and historical treasures if the collections are held for public exhibition, education, or research in furtherance of public service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The State considers its collections as inexhaustible, protected collections for exhibition and education, not for financial gain.

Accrued Tuition Contract Benefits - An accrued tuition contract benefits liability is recognized based upon the actuarial present value of the future tuition contract obligation. This valuation method reflects the present value of estimated tuition contract benefits that will be paid in future years and is adjusted for the effects of projected tuition and fee increases and termination of contracts. When a beneficiary of the prepaid tuition program is accepted to an eligible college or university, the contract becomes redeemable. Benefits can be transferred to any fully accredited private or out-of-state college or university within the United States in an amount based on the average cost of tuition and fees then charged by West Virginia public colleges and universities. While a beneficiary has up to ten years after high school to use the plan benefit, four other options are available: 1) the purchaser may transfer the contract benefits to an eligible substitute beneficiary; 2) at any time four years or more after the beneficiary's expected college entrance date, the purchaser may request a refund of the contract benefit value, less a termination fee and an earnings penalty required by federal law; 3) at any time, the purchaser may cancel the contract and receive a refund of payments made, less administrative fees and any benefits already paid; or 4) the purchaser may transfer the prepaid contract value to the Program's Savings Plan in accordance with state and federal regulations.

Insurance Enterprises and Obligations - The Board of Risk and Insurance Management (BRIM), the Public Employees' Insurance Agency (PEIA), and the Workers' Compensation Fund (WCF) each represent and are accounted for as insurance enterprise funds of the State. These funds follow the guidance of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," and GASB Statement No. 30, "Risk Financing Omnibus." BRIM and PEIA are considered public entity risk pools (enterprise funds). Each organization has included the required supplementary information (in accordance with GASB Statement No. 30) in its separately audited financial statements.

Advances - The amount of Economic Development Authority loans held by the State's General Fund at June 30, 2008, is approximately $125.3 million and is recorded as Advances to/from Component Units.

Long-Term Liabilities - In the government-wide financial statements and proprietary fund financial statements, long-term obligations (including claims and judgments, environmental obligations, and compensated absences) are reported as liabilities. Bond premiums and discounts, as well as issuance costs, 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 premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences - Employees accumulate annual leave (vacation) balances to maximum amounts ranging from 240 to 320 hours. Most employees receive a 100% termination payment upon separation based upon their final rate of pay. The liability for annual leave is valued at 100% of the balance plus the State's share of Social Security and retirement contributions. In lieu of a cash payment, at retirement an employee can elect to use accumulated annual leave toward their postemployment health care insurance premium. State employees earn sick leave benefits, which accumulate, but do not vest. When separated from employment with the State, an employee's sick leave benefits are considered ended and no reimbursement is provided. However, eligible employees may convert, at the time of retirement, any unused accumulated sick leave to pay a portion of the employee's postemployment health care insurance premium. See OPEB discussion in Note 13.

Net Assets/Fund Balance - The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund statements, and "Fund Balance" on governmental fund statements. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets.

Restricted Net Assets - Certain net assets are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments. Certain other net assets are restricted by legally enforceable enabling legislation of the State (see Note 2).

Reservations - Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reserved fund balances reflect funds legally segregated for a specific use or assets which, by their nature, are not available for expenditure. Unreserved fund balances reflect the balances available for appropriation for the general purposes of the fund. Unreserved designated fund balances represent management's desire to maintain certain funds for future use.

Revenues and Expenditures/Expenses - In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type and discretely presented component units), then further by function (e.g., administration, education, transportation). Additionally, revenues are classified between program and general revenues. Program revenues include: charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as either “general purpose” or “restricted.” General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g., federal awards), available only for specified purposes. Unused restricted revenues at year-end are recorded as reservations of fund balance. When both general purpose and restricted funds are available for use, it is the State's policy to use restricted resources first.

In the governmental fund financial statements, expenditures are reported by character: "Current," "Capital Outlay," or "Debt Service." Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Capital outlay includes expenditures for real property or infrastructure. Debt service includes both interest and principal outlays related to bonds and payments on capital leases.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g., sales, depreciation). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as nonoperating.

Retiree Drug Subsidies - The retiree drug subsidy (RDS) revenue from the federal government under the provisions of Medicare Part D have been recorded by the Retiree Health Benefit Trust Fund (RHBT). RHBT has accounted for the RDS revenue as voluntary nonexchange transactions in accordance with GASB Technical Bulletin 2006-1. Accordingly, RDS estimated revenue is recognized as RHBT incurs Medicare-eligible retiree prescription drug expenditures.

Other Financing Sources - These additions to governmental fund balances in the fund financial statements include resources and financing provided by bond proceeds, capital leases, and transfers from other funds.

Other Financing Uses - These reductions of governmental fund resources in the fund financial statements normally result from transfers to other funds.

Interfund Services Provided and Used - When a sale or purchase of program-related goods and/or services between funds occurs, for a price approximating their external exchange value, the seller reports revenue and the purchaser reports an expenditure or expense, depending on the fund type. Transactions between the primary government and a discretely presented component unit are generally classified as revenues and expenses, unless they represent repayments of loans or similar activities.

Future Adoption of Accounting Pronouncements

GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," establishes accounting and financial reporting standards for liabilities related to pollution remediation and is effective for the State for the fiscal year ending June 30, 2009. The State anticipates a reduction of its environmental liability by approximately $281 million due to the change in reporting for the special reclamation liabilities.

GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The State has not yet estimated the financial statement impact of this pronouncement, which is effective for fiscal year 2010. PEIA early adopted this statement in 2008 (see the heading for capital assets in this note).

GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments," establishes accounting and financial reporting standards for land and other real estate investments at fair value and will be effective for the State for the fiscal year ending June 30, 2009. The State has not yet estimated the financial statement impact of this pronouncement.

GASB Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments," addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This statement will be effective for the State in fiscal year 2010, and management has not yet estimated the financial statement impact of this pronouncement.

The GASB recently issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions," which establishes new standards of accounting and financial reporting that are intended to improve the clarity and consistency of the fund balance information provided to financial report users. This statement will be effective for fiscal year ending June 30, 2011. This statement will not have a financial impact.

NOTE 2

RESTATEMENTS, RESTRICTED, RESERVED, AND DESIGNATED BALANCES

Restatement of Beginning Balances

In prior years the presentation of the School Building Authority's (SBA) financial statements was reported within the other governmental funds. After reexamining the SBA financial statement presentation, management has determined that it should be reported as a discretely presented component unit. Accordingly, the separately audited financial statements of the SBA have been included as a major discretely presented component unit and removed from the beginning of the year nonmajor special revenue, debt service, and capital projects governmental fund balances. The fund balance of $210,138,000 was removed from the governmental funds, while the net assets deficiency of ($135,250,000) was subtracted from beginning component unit net assets.

Beginning July 1, 2007, the State adopted GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which provides guidance on other postemployment benefit reporting by employers, effectively revising the provisions of GASB No. 16. As a result of adopting the new standard, fund balance and net assets have been restated for July 1, 2007, to account for the cumulative effect of this change in accounting principle related to accounting for other postemployment benefits. The effect of the restatement was an increase to beginning fund balance and net assets and a corresponding decrease to previously reported liabilities for the primary government of $179 million for governmental funds, $2 million for proprietary funds; and $68.9 million for component units. The following table summarizes the effect of the governmental restatement adjustments (expressed in thousands):

	Fund Balance or Net Assets		
Entity	As Previously Reported	Adjustment	Restated
General	$1,041,084	$ 237	$1,041,321
Transportation	323,882	(129)	323,753
School Building Authority	210,138	(210,138)	—
Other Governmental Funds	377,656	2,752	380,408
Governmental Funds	3,481,988	(207,278)	3,274,710
West Virginia Lottery	43,489	468	43,957
Water Pollution Control Revolving Fund	479,558	235	479,793
Public Employees' Insurance Agency	174,074	276	174,350
Board of Risk and Insurance Management	97,547	148	97,695
Other Enterprise Funds	71,112	984	72,096
Business-type Activities Enterprise Funds	(673,635)	2,111	(671,524)
Governmental Activities - Internal Service Funds	122,973	2,927	125,900

Entity	Fund Balance or Net Assets: As Previously Reported	Adjustment	Restated
Economic Development Authority	121,270	78	121,348
Parkways, Economic Development, and Tourism Authority	463,426	2,557	465,983
Water Development Authority	51,357	253	51,610
Higher Education	1,450,683	61,858	1,512,541
Regional Jail	102,895	2,659	105,554
School Building Authority	—	(135,250)	(135,250)
Other Component Units	59,461	1,527	60,988
Component Units	2,601,713	(66,318)	2,535,395
Governmental Activities	8,643,034	315,209	8,958,243
Business-type Activities	(673,635)	2,111	(671,524)
Total Primary Government	7,969,399	317,320	8,286,719
Component Units	2,601,713	(66,318)	2,535,395

Restricted Net Assets

The following tables summarize the restricted net assets of funds included in "other" columns at June 30, 2008 (expressed in thousands):

Fund Type/Fund	Total Reporting Entity	Capital Projects	Program Administration	Lending Activities	Other Specific Fund Purposes
Enterprise Funds:					
Drinking Water Treatment Revolving Fund	$ 66,823	$ —	$ —	$66,823	$ —
West Virginia Prepaid College Plan	1,095	—	1,095	—	—
AccessWV	8,493	—	8,493	—	—
	76,411	—	9,588	66,823	—
Internal Service Funds:					
State Building Fund	89,967	89,967	—	—	—
Discretely Presented Component Units:					
Educational Broadcasting Authority	342	—	—	—	342
Solid Waste Management Board	4,249	—	—	—	4,249
	4,591	—	—	—	4,591
Total	$170,969	$89,967	$9,588	$66,823	$4,591

The government-wide Statement of Net Assets reports $2,000,680 of restricted net assets for the primary government of which $1,538,852 is restricted by enabling legislation.

Reserved Fund Balance

The following table summarizes the reserved fund balance of funds included in "other" columns at June 30, 2008 (expressed in thousands):

Fund Type/Fund	Total Reporting Entity	Inventory	Capital Projects	Debt Service	Program Administration	Permanent Funds
Governmental Funds						
Special Revenue Funds:						
WORKFORCE West Virginia	$ 70	$57	$ —	$ —	$13	$ —
Capital Projects Funds:						
State Road	13,851	—	13,851	—	—	—
Lease Purchase Accounts	26,830	—	26,830	—	—	—
	40,681	—	40,681	—	—	—
Debt Service:						
West Virginia Infrastructure and Jobs Development Council	226	—	—	226	—	—
Education, Arts, Sciences, and Tourism Fund	28,442	—	—	28,442	—	—
Lease Purchase Accounts	12,334	—	—	12,334	—	—
Economic Development Project Fund	39,824	—	—	39,824	—	—
	80,826		—	80,826	—	—
Permanent Funds:						
Irreducible School	1,671	—	—	—	—	1,671
Total	$123,248	$57	$40,681	$80,826	$13	$1,671

The amount reserved for Specific Fund Purposes, $201,104,000 includes other legally segregated accounts in the General Fund such as: flood disaster accounts, funds collected on behalf of injured third parties, certain education funds, certain economic development funds, certain wildlife and conservation funds, and escrow accounts.

Designated Fund Balance

Designation of fund balance for loans and grants in the governmental funds of $151,427,000 represents commitments of West Virginia Infrastructure and Jobs Development Council to loan funds to applicants for infrastructure projects. After year-end and through March 15, 2009, loan and grant agreements were executed for approximately $52,017,000 (unaudited) of these funds.

NOTE 3

FUND DEFICITS

Individual funds with net asset/fund balance deficits at June 30, 2008, were as follows (expressed in thousands):

	Net Asset/ Fund Balance Deficit
Special Revenue Funds:	
WORKFORCE West Virginia	$ 1,972
Enterprise Funds:	
Workers' Compensation Fund	1,366,311
West Virginia Prepaid College Plan	17,317
Discretely Presented Component Units:	
School Building Authority	143,322
West Virginia Jobs Investment Trust	1,501
Total Deficits	$1,530,423

Special Revenue Funds

The fund balance of the WORKFORCE West Virginia (formerly Bureau of Employment Programs) changed from a $4.3 million deficit to a deficit of $2 million, a 53.9% increase in fund balance. WORKFORCE West Virginia has taken steps to strengthen internal controls within the organization and to improve fiscal accountability and monitoring of the local workforce investment boards. Fiscal guidelines for the local workforce investment boards have been issued and fiscal training with their key fiscal personnel has been conducted. WORKFORCE West Virginia is continuing to improve its budgetary process and is looking at various methods to control expenses; including, but not limited to, budget cutbacks, closing of offices, and the reorganization of various job responsibilities. In addition, a more comprehensive oversight program to monitor the seven subrecipient workforce investment boards is being developed in an effort to reduce nonallowable expenditures. Furthermore, a comprehensive review of the workforce investment board structure will be performed to determine if a more cost-effective structure that delivers the same level of client service can be implemented. In order to improve the fiscal condition, nonfederal funds from the Legislature of the State have been requested and received. These funds have been/will be utilized to repay liabilities due to the Federal government as a result of the review. In addition, funding will be sought to eliminate future anticipated deficits as estimated by management.

Enterprise Funds

The Workers' Compensation Fund deficit of $1,366,311,000 is more fully discussed in Note 14, Risk Management.

West Virginia Prepaid College Plan (the Plan) has a net assets deficiency of approximately $17.3 million as of June 30, 2008. This deficiency is largely caused by investment losses and changes in prior year's estimates of future investment rates of return, tuition fee increases, and adjustments in actuarial assumptions in fiscal year 2008. The West Virginia College Prepaid Tuition and Savings Program's ability to pay obligations of the Prepaid Tuition Plan is dependent on long-term investment programs and adequate levels of future cash flows. In March 2003, the West Virginia Legislature closed the Plan to new enrollment until the Legislature authorizes it to reopen. Contract holders are supposed to continue to pay any amounts due, and the Plan will continue to pay benefits due with available funds.

The Plan sought and received support from the State Legislature to support payment of plan benefits. In March 2003, the Legislature created the Prepaid Tuition Trust Escrow Account (the Escrow Account) to guarantee payment of plan contracts. Under the legislative action, the Escrow Account may receive transfers of up to $1,000,000 each year there is an actuarially determined unfunded liability of the Plan. All earnings on the transferred funds will remain in the Escrow Account. In the event the Plan is unable to cover the amount of money needed to meet its current obligations, funds may be withdrawn from the Escrow Account to meet those obligations. The funds were invested and have had a net investment gain of $265,608 for the five years ended June 30, 2008, leaving the account with a balance of $2,519,616 at June 30, 2008. Because there was an actuarially determined unfunded liability of approximately $17.3 million in the Plan as of June 30, 2008, an additional $1,000,000 was transferred from the Fund to the Escrow Account on December 1, 2008, in accordance with the provisions enacted by the Legislature. Funds transferred or to be transferred into the Escrow Account do not affect the actuarial valuation of the Plan and are not included in the Plan's financial statements. Management believes that the Plan will continue to have sufficient liquid resources to meet its obligations as they become due through June 30, 2009. The financial statements do not reflect any adjustments that might result should the plan to eliminate the net assets deficiency fail to be successful.

Discretely Presented Component Units

The School Building Authority of West Virginia's (the SBA) combined net assets deficiency at June 30, 2008, is $143.3 million. The deficit arose from the issuance of revenue bonds to replace or improve school facilities in the State of West Virginia and the SBA's policy to grant ownership of these new and renovated buildings to the local county boards of education. The SBA is supposed to receive $23 million per year from an allocation from the West Virginia Department of Education through June 30, 2020, for debt service. At that time, the debt service payments dedicated from the Step 7 of the Department of Education's funding formula is supposed be allocated to the SBA's pay-as-you-go construction program. The West Virginia Supreme Court has ruled that any future allocations for debt service from Step 7 of the funding formula are unconstitutional.

At year-end, the SBA had $321.5 million in bonds outstanding, compared to $346.0 million at June 30, 2007, a decrease of 7.1%. This reduction of $24.5 million represents the amount of book value of the bonds that matured during the year. On August 20, 2008, the SBA issued the Series 2008 Excess Lottery Revenue Refunding bonds with a par value of $102.1 million that will be repaid over twenty years. The SBA has implemented a construction program that will issue bonds, payable over twenty years, every three years using allocations from the regular and excess lottery funds. The SBA adopted this new financing plan in order to equalize the amount of construction funds over three-year construction periods. Since the SBA receives all its debt service funding from allocations from the West Virginia Lottery, any bonds issued by the SBA will always be assigned a debt rating based on the performance of the West Virginia Lottery.

The net assets of the West Virginia Jobs Investment Trust (the Trust) at June 30, 2008, are a deficit of $1.5 million. This deficit is expected to continue to increase over the next three years until the Trust begins selling the nonincentive tax credits of $6 million per year, for five years to retire the promissory notes issued under the "new millennium fund." Management expects the deficit in net assets is to be eliminated by the sale of the tax credits; however, the ultimate impact of the sale of such credits is currently unknown.

NOTE 4

DEPOSITS AND INVESTMENTS

Deposits

The State's deposit policy is described in West Virginia's State Code §12-2-2 and 3. All monies are to be maintained in the State accounting system or in an outside bank account approved by the State Treasurer's Office.

Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the State would not be able to recover its deposits or collateralized securities that are in possession of the outside parties. According to State Code §12-1-5, the amount of funds on deposit in any depository financial institution in excess of the amount insured by the FDIC shall not exceed 90% of the value of collateral pledged by the depository institution. The State minimizes custodial credit risk by obtaining the required amount of collateral in the name of the State. The State Treasurer has statutory responsibility for the daily cash management of the State's agencies, departments, boards, and commissions.

Primary Government

At June 30, 2008, the reported amount of the primary government's deposits was $307,709,000 and the bank balance was $443,995,000. Of that bank balance, $3,353,000 was uninsured and uncollateralized, $1,257,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State, and $1,270,000 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the State.

Component Units

At June 30, 2008, the reported amount of the component units' deposits was $246,836,000 and the bank balance was $133,717,000. Of that bank balance, $475,000 was uninsured and uncollateralized, $20,803,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State, and $10,615,000 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the State.

Investments

The Board of Treasury Investments (BTI) manages the short-term operating funds of the State. The IMB focuses on the State's long-term trust investments. The BTI is charged with managing the individual investment pools and accounts of the Consolidated Fund under authority of West Virginia State Code, Chapter 12, Article 6C, West Virginia Treasury Investments Act. The Consolidated Fund provides for the investment of moneys not currently needed to fund State governmental operations, as well as providing the opportunity for local governments to participate in large investment pools, and for those funds statutorily required to be invested in the Consolidated Fund. The IMB provides fiscal administration and investment management services to designated State pension funds, the State's Workers' Compensation and Pneumoconiosis funds, and certain other State government funds. The State Treasurer's Office determines which funds to transfer to the IMB and BTI for investment in accordance with West Virginia Code, policies set by the IMB and BTI, and by provisions of bond indentures and trust agreements, when applicable.

The BTI is authorized by West Virginia Code, Chapter 12, Article 6C, Section 9, to invest in United States government and agency obligations, commercial paper, corporate bonds, repurchase agreements, asset-backed securities, and investments in accordance with the Linked Deposit Program, which is a program using financial institutions in the State to reduce loan costs to small businesses by offsetting interest reductions on the loans with certificates of deposit, loans approved by the Legislature, and any other programs authorized by the Legislature. In addition to the restrictions in investment types, at no time shall more than 75% of the Consolidated Fund be invested in any bond, note, debenture, commercial paper or other evidence of indebtedness of any private corporation or association, and at no time shall more than 5% be invested in securities issued by a single private corporation or association. Further, no less than 15% of the Consolidated Fund shall be invested in any direct obligation of or obligation guaranteed by the United States government.

Investment Valuation

The BTI is an investment vehicle of the State and its component units, all of which are government entities. The investments of the WV Money Market, WV Government Money Market, WV Bank, Loan, and Municipal Bond Commission pools and accounts are, as permissible under Government Accounting Standards Board (GASB) Statement No. 31, carried at amortized cost. The WV Money Market and WV Government Money Market pools are considered "2a7-like" investment pools and, as such, are reported at amortized cost, which approximates fair value. A 2a7-like pool operates in a manner consistent with the Securities and Exchange Commission (SEC) Rule 2a7 of the Investment Company

Act of 1940, which allows money market mutual funds to use amortized cost to report net assets. A 2a7-like pool is not necessarily registered with the SEC as an investment company, but it would qualify as a money market fund should it be registered. The specific GASB 31 exceptions to fair value reporting for the other pools are as follows:

Pool	Exception
WV Bank	Nonnegotiable certificate of deposits with redemption terms that do not consider market rates
Loans	Loans receivable arising from real estate lending activities
Municipal Bond Commission	Irrevocable trust meeting the requirements of a legal or in-substance defeasance
EDA Insurance	Internal investment pool holding only money market investments with remaining maturities of one year or less

The investments of the remaining pools are reported at fair value, which is determined by a third-party pricing service based on asset portfolio pricing models and other sources. The BTI determines fair value at the end of each month. Investments in commingled investment pools are valued at the reported unit values of the individual funds. Commissions on the purchases of securities by the BTI are a component of the security price quoted by the seller and are included in the investment cost.

A more detailed discussion of the IMB's and BTI's investment pools can be found in the IMB's and BTI's annual reports. A copy of the IMB's annual report can be obtained from the following address: 500 Virginia Street East, Suite 200, Charleston, WV 25301 or http://www.wvimb.org. A copy of the BTI's annual report can be obtained from the following address: 1900 Kanawha Boulevard East, Room E-122, Charleston, WV, 25305 or http://www.wvbti.com.

Except as specifically disclosed in this note, the State currently does not have specific overall policies addressing limitations on specific risk types, such as credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

In addition to amounts invested with the IMB and BTI, certain governmental funds and discretely presented component units are permitted to invest bond proceeds with third-party trustees named in bond indentures. The governmental funds include the West Virginia Department of Transportation; Education, Arts, Sciences, and Tourism Fund; West Virginia Infrastructure and Jobs Development Council; Tobacco Settlement Finance Authority; the Department of Health and Human Resources; the Department of Administration; Travel Management; West Virginia Investment Management Board; and the Smart 529 College Savings Plan. The following discretely presented component units have reported investments held with third-party trustees: Regional Jail Authority; Educational Broadcasting Authority; Jobs Investment Trust; Housing Development Fund; Parkways, Economic Development and Tourism Authority; Water Development Authority;

School Building Authority; Solid Waste Management Board; and Higher Education Fund. Assets of the Teachers' Defined Contribution Retirement System of the Consolidated Public Retirement Board are held by an outside third party.

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligations); equities; corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; investment agreements with certain financial institutions; repurchase agreements; state and local government series (SLGS) securities; and other investments. Other investments consist primarily of single family mortgage loans and collateralized mortgage obligations. SLGS are direct obligations of the U.S. Government, issued to state and local government entities to provide those governments with required cash flows at yields which do not exceed IRS arbitrage limits.

The State's investment strategy includes the use of derivatives as a tool in managing market risk and providing an opportunity for enhanced return. The IMB invests in derivative financial investments as authorized by its Board of Trustees. As of June 30, 2008, IMB held derivative financial investments that included: Futures Contracts, Option Contracts, Foreign Currency Forward Contracts, Interest Rate Swaps, and Asset-Backed Securities. Additionally, the IMB is indirectly exposed to derivative risk through participation in institutional commingled funds. Detailed derivative disclosures are not available for indirect derivative participation.

As a result of the recent matters affecting the global credit markets, many of the State's investments have experienced a decline in value subsequent to June 30, 2008. As previously mentioned, the State's investments are primarily recorded at fair value in the accompanying financial statements. Accordingly, the subsequent decline in fair value of investments is recognized in the period the change in fair value occurs.

Repurchase Agreements

In connection with transactions in repurchase agreement transactions, it is the IMB's policy that its designated custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of a repurchase transaction at all times. If a seller defaults and the fair value of the collateral declines, realization of the collateral by the IMB may be delayed or limited.

The BTI uses only tri-party repurchase agreements. Under the terms of a tri-party repurchase agreement, the seller transfers collateral securities to an account of the BTI's manager/agent at the seller's custodian bank. This arrangement perfects the BTI's lien on the collateral and effectively protects the BTI from a default by the seller. The BTI requires sellers in repurchase transactions to pledge collateral of at least 102% of the cash borrowed from the BTI. If a seller defaults and the fair value of the collateral declines, realization of the collateral by the BTI may be delayed or limited.

Foreign Currency

Amounts denominated in or expected to settle in foreign currencies are translated into United States dollars at exchange rates reported by Bank of New York Mellon on the following basis:

- Market value of investment securities, other assets and liabilities - at the closing rate of exchange at the valuation date.

- Purchases and sales of investment securities, income and expenses - at the rate of exchange prevailing on the respective dates of such transactions.

The IMB isolates that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from market prices of securities held.

Reported net realized foreign exchange gains and losses arise from sales of portfolio securities, sales and maturities of short-term securities, sales of foreign currencies, currency gains and losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities including investments in securities at month-end, resulting from changes in the exchange rate.

Futures Contracts

A futures contract is an agreement between a buyer or a seller and the clearinghouse of a futures exchange in which the parties agree to buy or sell a commodity, financial instrument or index at a specified future date and price. The IMB invests in financial futures contracts in the Fixed Income Pool and the Large Cap Domestic Pool. Upon entering into a financial futures contract, the IMB is required to pledge to the broker an amount of cash, U.S. Government securities, or other assets, equal to a certain percentage of the contract amount (initial margin deposit). Cash (variation margin) is received from or paid to the broker each day for the fluctuations of the underlying securities or index. The IMB records the cash received or paid for the variation margin as a realized gain or loss. Interest rate futures may be used to enhance portfolio yields, to hedge an existing position, or as an alternative investment of cash. Stock index futures may be used to provide immediate exposure to fluctuations in the market values of the stocks in the underlying index and to provide liquidity for cash flows. The market risk associated with holding interest rate and stock index futures results from changes in the market value of the contractual positions due to changes in the value of the underlying instruments or indices. Hedging risk associated with these future contracts arises because the value of the futures contracts may not correlate perfectly with changes in the values of the underlying instruments or indices due to market distortions. IMB limits its exposure to these risks by establishing and monitoring limits on the type and total value of futures contracts that may be held. Other risks associated with futures contracts are liquidity risk and credit risk. Liquidity risk arises when there is insufficient trading in a particular futures contract. Credit risk arises from the potential inability of counterparties to meet the terms of the contracts. The IMB requires its managers to only utilize futures contracts that are traded on major exchanges or are executed with major dealers. The major exchanges assume the risk that the counterparty will not settle and generally require an initial margin deposit of cash or securities. The net change in the futures contract value is settled daily in cash with the exchange on which they were traded. Realized net gains or losses resulting from the settlements are included in the Statement of Changes in Net Assets.

As of June 30, 2008, the futures contracts had the following open positions denominated in U.S. dollars (summarized and expressed in thousands):

Open Positions	Expiration	Value Upon Entering Contract	Value at June 30, 2008	Net Gain or (Loss)
Long:				
Large Cap Domestic Pool	Sept 2008	$ 4,406	$ 4,164	$ (242)
Fixed Income Pool	Sept 2008	539,540	537,875	(1,665)
	Dec 2008	122,313	121,025	(1,288)
	Mar 2009	706,559	701,172	(5,387)
Short:				
Fixed Income Pool	Sept 2008	(396,064)	(397,860)	(1,796)

As of June 30, 2008, the futures contracts denominated in foreign currencies had the following open long positions in the fixed income pool (summarized and expressed in thousands):

Open Position	Expiration	Initial Value in Local Currency	Value at June 30, 2008 in Local Currency	Exchange Rate June 30, 2008	Cumulative Net Gain/ (Loss) Since Inception
Long:					
Fixed Income Pool – Euro	Sept 2008	$ 360,610	$ 356,739	$1.57555	$(6,058)
Fixed Income Pool – British Pound	Mar 2009	52,887	52,885	1.99015	(4)

At June 30, 2008, the Large Cap Domestic and the Fixed Income pools have pledged cash and securities valued at $234,000 and $28,622,000, respectively, to cover initial margin requirements on open futures contracts.

At June 30, 2008, the net variation margin receivable of $4,000 in the Large Cap Domestic pool represents one day's settlement on open future contracts. The net variation margin payable of $6,169,000 in the Fixed Income pool includes one day's settlement on open futures contracts of $107,000 and the cumulative margin due on open foreign currency denominated futures contracts of $6,062,000.

Option Contracts

IMB may purchase or write equity, bond, currency, or index option contracts that have recognized liquidity and are actively traded on major exchanges or are executed with major dealers. These option contracts give the purchaser of the contract the right to buy (call) or sell (put) the security, or settle cash for an index option, underlying the contract at an agreed-upon price (strike price) during or at the conclusion of a specified period of time. Premiums paid upon the purchase of an option contract are recorded as an asset and subsequently adjusted to market value. Upon exercising a purchased option, a gain is recorded equal to the difference between the market value of the underlying instrument and the strike price of the option, less premiums paid. If the option expires unexercised, a loss is recognized in the amount of the premiums paid for the option. Premiums received when option contracts are written are recorded as a liability and subsequently adjusted to market value. If a written option contract expires unexercised, a gain is recorded equal to the amount of the premiums received. The difference between the premiums received and the amount paid to prompt a closing transaction is also recorded as a gain or loss. When a written option is exercised, a loss is recorded equal to the difference between the market value of the underlying instrument and the strike price of the option, less premiums received. IMB's fixed income managers use written option contracts to enhance investment returns and reduce portfolio convexity when implied volatility is high. Purchased option contracts are used to increase portfolio convexity when implied volatility is low, to implement certain yield curve strategies, or to hedge sector exposure.

When writing put options, there is a risk that a loss may be incurred if the market price of the underlying instruments decreases and the option is exercised. This loss is determined by market conditions and cannot be specifically limited. The risk associated with writing call options is the loss of potential profit if the market price of the security increases and the option is exercised. Purchased put or call options bear the risk of loss of the premium paid if market conditions are not favorable to exercise the option. There may also be risk that the value of the option contract does not correlate perfectly with movements of the underlying instrument due to certain market distortions. To limit its exposure to these risks, the IMB has established limits on the value and use of option contracts. The IMB limits its exposure to credit risk by only buying or selling options traded on major exchanges, or executed with major dealers. There is a risk of the inability to enter into a closing transaction if a liquid secondary market does not exist. The IMB maintains sufficient levels of cash or cash equivalents to meet cash flow obligations. The net change in the option contract value is settled daily in cash with the exchange on which they were traded. Realized net gains or losses resulting from the settlements are included in the Statement of Changes in Net Assets.

As of June 30, 2008, open option contracts held in the Fixed Income Pool:

Position	Description	Maturity	Strike Price	Face	Expressed in Thousands: Premiums (Received)/ Paid	Expressed in Thousands: Value at June 30, 2008
Long						
Put	Swaption @ 2.60	9/20/2008	2.600	79	$ 177	$ 300
Put	Swaption @ 2.50	9/22/2008	2.500	246	615	1,009
Call	Euro 90 Day Future	9/15/2008	98.000	1,554	396	19
Total Long Positions					1,188	1,328
Short						
Put	5 YR T-Note	8/22/2008	109.000	(1,161)	(564)	(517)
Put	10 YR T-Note	8/22/2008	110.000	(392)	(220)	(80)
Put	10 YR T-Note	8/22/2008	111.000	(541)	(471)	(186)
Put	10 YR T-Note	8/22/2008	109.500	(239)	(215)	(37)
Put	Euro 90 Day Future	9/15/2008	97.250	(1,554)	(225)	(991)
Put	Swaption @ 3.15	9/22/2008	3.150	(492)	(642)	(1,230)
Put	Swaption @ 3.33	9/22/2008	3.330	(157)	(176)	(350)
Put	Swaption @ 4.95	6/16/2009	4.950	(412)	(379)	(235)
Put	Swaption @ 5.00	6/16/2009	5.000	(399)	(360)	(216)
Call	5 YR T-Note	8/22/2008	113.000	(1,161)	(642)	(317)
Call	10 YR T-Note	8/22/2008	116.000	(270)	(231)	(148)
Call	10 YR T-Note	8/22/2008	117.000	(392)	(219)	(135)
Call	10 YR T-Note	8/22/2008	117.000	(541)	(462)	(186)
Call	Euro-Bond Future	8/22/2008	114.000	(345)	(317)	(82)
Call	Euro 90 Day Future	9/15/2008	98.250	(1,554)	(187)	(10)
Total Short Positions					(5,310)	(4,720)
Total Option Contracts					$(4,122)	$ (3,392)

A summary of the activity in short (written) option positions for the year ended June 30, 2008, is as follows (premiums received expressed in thousands):

	Puts: Number of Contracts	Puts: Premiums Received	Calls: Number of Contracts	Calls: Premiums Received
Options Outstanding at June 30, 2007	—	$ —	—	$ —
Options Written	(5,712)	(3,402)	(4,550)	(2,245)
Options Closed	—	—	—	—
Options Expired	365	149	287	187
Options Outstanding at June 30, 2008	(5,347)	$(3,253)	(4,263)	$(2,058)

As of June 30, 2008, the IMB had commitments to seven private equity general partnerships totaling $305 million. The IMB had funded $18.7 million of these commitments leaving unfunded commitments of $286.3 million. The IMB also committed to $80 million to two real estate partnerships. The IMB had funded $15 million of these commitments leaving unfunded commitments of $65 million. The IMB began implementing this investment plan in February 2008 in the private equity, real estate, and hedge funds.

Foreign Currency Forward Contracts

A foreign currency forward contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed upon future date. The IMB's investment managers enter into such contracts to hedge the assets and liabilities related to securities denominated in foreign currency. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. These contracts have relatively short durations and are valued at the prevailing market exchange rates at month-end. At June 30, 2008, the IMB was party to outstanding foreign exchange forward contracts to purchase foreign currencies with contract amounts of $126.710 million, collectively. Market values of these outstanding contracts were $126.017 million resulting in net unrealized loss of approximately $693,000. The unrealized gain or loss is reclassified to realized gain or loss when the contract expires and deposited at fair value in the Non-Large Domestic, International Equity, and the Fixed Income Pools.

Asset-Backed Securities

The IMB invests in various asset-backed securities, mortgage-backed securities, and structured corporate debt. The securities are reported at fair value. They are included in the totals of government securities and corporate securities, depending on the issuer, in the disclosure of custodial credit risk. The IMB invests in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment patterns and market value of the underlying assets.

The BTI has certain pools that invest in various asset-backed securities and structured corporate debt. The securities are reported at fair value. The pools invest in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment patterns and market value of the underlying assets.

Security Loans

The IMB is authorized by statute and policy to participate in a securities lending program. The BTI Board has authorized the BTI securities lending program. Through an agent, Bank of New York Mellon, the IMB, and BTI loan securities to various brokers on a temporary basis. The transactions may be terminated at any time with proper notice. Each transaction for U.S. securities is secured by initial collateral of at least 102% of the market value of the securities loaned. For international securities, the collateral is at least 105% of the market value of the securities on loan. The BTI will accept only the following as collateral: cash; U.S. Treasury obligations or U.S. Government Agency obligations; and irrevocable letters of credit issued by banks rated A1 or P1, independent of borrowers. Cash collateral received is invested in the Mellon GSL DBT II Collateral Fund. Neither the BTI nor Mellon matches maturities of investments made with cash collateral to maturities of securities loaned. Noncash collateral cannot be pledged or sold unless the borrower defaults. The Collateral Fund operates as a stable value fund and provides for liquidity to meet maturing loans. The IMB receives compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. The income earned by the IMB is reported in the Statement of Operations as securities lending income. The agent fees and broker rebates are reported as expenses. The BTI receives a portion of the income from the investment of the collateral. The IMB and BTI continue to receive interest and dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the financial statements of the various investment pools. Mellon indemnifies BTI against loss from borrower failure, which means that BTI will receive contractual settlement regardless of whether the borrower returns securities loaned. Mellon also indemnifies the BTI against operational errors. As of June 30, 2008, the IMB and BTI have no credit risk exposure to borrowers because the amounts the IMB and BTI owe the borrowers exceed the amounts the borrowers owe the IMB and BTI.

At June 30, 2008, the fair value of securities on loan and collateral held by the pools of the IMB and BTI are as follows (expressed in thousands). Of the collateral held, $802 million was received as cash. The collateral received as cash is invested in the Mellon GSL DBT II Collateral Fund. For securities loaned at June 30, 2008, the BTI has no credit risk exposure to borrowers because the amount the BTI owe the borrowers exceeds the amounts the borrowers owe the BTI. There were no losses during the year resulting from borrower default, and there were no significant violations of legal or contractual provisions.

	Fair Value of Securities on Loan	Collateral Held
Large Cap Domestic	$ 85,123	$ 88,706
Non-Large Cap Domestic	127,392	132,478
International Equity	191,225	206,922
Short-Term Fixed Income	36,497	37,012
Fixed Income	95,333	96,349
WV Money Market	370,568	376,584
WV Government Money Market	21,234	21,629
WV Short Term Bond	105,587	106,685
Total	$1,032,959	$1,066,365

Investment Pools

Schedule of Participation

The following schedule details the participation in the various pools exclusive of those pools comprising the Consolidated Fund or Participant Directed Accounts (expressed in thousands). The participant balances below for the Fixed Income and the Fixed Income Qualified pools do not include the approximately $282 million dividend declared by the pool on the last day of the month and reinvested to the participant's accounts on the first day of the following month.

	Large Cap Domestic	Non-Large Cap Domestic	International Qualified	International Nonqualified
Primary Government:				
Revenue Shortfall Reserve Fund	$ 48,813	$ 8,888	$ —	$ 9,846
Revenue Shortfall Reserve Fund B	75,899	13,396	—	15,038
Workers' Compensation Old Fund	89,097	15,784	—	16,767
Workers' Compensation Self-Insured	—	—	—	—
Workers' Compensation Uninsured	—	—	—	—
Pneumoconiosis	23,609	4,198	—	4,706
Wildlife Endowment Fund	10,050	1,752	—	1,976
Prepaid Tuition Trust Fund	26,426	4,686	—	5,279
Prepaid Tuition Trust Escrow Fund	—	—	—	—
Board of Risk & Insurance Management	10,725	1,792	—	1,970
Public Employees' Insurance Agency	7,648	1,559	—	2,305
Total Primary Government	292,267	52,055	—	57,887
Percentage of Ownership	15.09%	7.89%	—%	100%
Fiduciary Funds:				
Judges' Retirement System	19,416	3,781	5,501	—
EMS Retirement System	3,220	574	1,123	—
Public Employees' Retirement System	761,063	295,601	221,650	—
Teachers' Retirement System	736,142	283,987	188,165	—
Teachers' Employers Contribution	—	—	—	—
Public Safety Retirement System	92,491	17,999	26,498	—
State Police Retirement System	8,487	1,593	2,217	—
WV Retiree Health Benefit Trust	5,430	757	—	—
West Virginia Deputy Sheriff's Retirement System	17,890	3,460	4,974	—
Total Fiduciary Funds	1,644,139	607,752	450,128	—
Percentage of Ownership	84.91%	92.11%	100%	—%
Total Amount	$1,936,406	$659,807	$450,128	$57,887
Percentage of Ownership	100%	100%	100%	100%

International Equity	Short-Term Fixed Income	Fixed Income	Fixed Income Qualified	Fixed Income Nonqualified	Private Equity	Private Real Estate	Totals (Memorandum Only)
$ 32,492	$ 3,158	$ 45,440	$ —	$ 31,401	$ —	$ —	$ 180,038
49,005	102	68,330	—	45,100	—	—	266,870
57,516	62,316	238,602	—	153,962	—	—	634,044
—	5,089	—	—	—	—	—	5,089
—	8,102	—	—	—	—	—	8,102
15,390	12,489	120,432	—	74,714	—	—	255,538
6,434	339	8,885	—	5,470	—	—	34,906
17,526	1,043	24,059	—	14,471	—	—	93,490
—	—	1,508	—	1,008	—	—	2,516
6,472	6	53,655	—	34,585	—	—	109,205
5,795	27	62,662	—	42,224	—	—	122,220
190,630	92,671	623,573	—	402,935	—	—	1,712,018
11.27%	39.60%	22.78%	—%	84.91%	—%	—%	17.80%
17,965	3,880	24,012	9,165	—	10,664	416	94,800
2,263	483	3,718	1,550	—	1,538	36	14,505
592,583	16,763	997,939	378,532	—	430,956	16,860	3,711,947
775,732	117,883	822,823	28,915	—	361,210	14,099	3,328,956
—	359	—	—	—	—	—	359
86,362	384	115,349	42,323	—	50,771	1,976	434,153
7,232	870	10,003	4,199	—	4,324	172	39,097
2,374	193	117,868	—	71,611	—	—	198,233
16,156	532	21,784	8,832	—	9,598	377	83,603
1,500,667	141,347	2,113,496	473,516	71,611	869,061	33,936	7,905,653
88.73%	60.40%	77.22%	100%	15.09%	100%	100%	82.20%
$1,691,297	$234,018	$2,737,069	$473,516	$474,546	$869,061	$33,936	$9,617,671
100%	100%	100%	100%	100%	100%	100%	100%

Investment Pool Descriptions

Large Cap Domestic

The pool's objective is to exceed, net of external management fees, the S&P 500 Stock Index over three- to five-year periods. Enhanced Investment Technologies, LLC and State Street Global Advisors manage assets of this pool. This pool holds equity securities of U.S. companies and money market funds which are rated AAA by Standard & Poor's and Aaa by Moody's.

Non-Large Cap Domestic

This pool invests in the equities of small-to mid-sized companies and its objective is to exceed, net of external investment fees, the Russell 2500 Index over three- to five-year periods. Assets of this pool are managed by Aronson + Johnson + Ortiz, LP, and Westfield Capital Management. This pool holds equity securities of U.S. companies and money market funds which are rated AAA by Standard & Poor's and Aaa by Moody's.

International Qualified

Funds of this pool are invested in Silchester International Investors' Value Equity Group Trust. This pool is expected to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East (EAFE) Index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. Only "qualified participants" (as defined by the *Internal Revenue Code)* may invest in this pool. This pool holds an institutional mutual fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2008, was $450,336,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk.

International Nonqualified

Funds of this pool are invested in Silchester International Investors' Value Equity Trust. This pool is expected to produce investment returns that exceed the Morgan Stanley Capital International's EAFE Index by 200 basis points on an annualized basis over three-to five-year periods, net of external investment management fees. This pool exists for participants who are not "qualified" (as defined by the *Internal Revenue Code*). This pool holds an institutional mutual fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2008, was $57,888,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk.

International Equity

This pool invests in the equities of international companies. AXA Rosenburg Investment Management, LLC, Brandes Investment Partners, LLC, LSV Asset Management, and Wasatch Advisors Inc. manage assets of this pool. The objective of the International Equity pool is to exceed, net of external investment management fees, Morgan Stanley Capital International's All Country World Free Ex US Index over three- to five-year periods. This pool has both equity securities and cash that are denominated in foreign currencies and are exposed to foreign currency risks. The amounts at fair value (in U.S. dollars) of the securities and cash denominated in foreign currencies as of June 30, 2008 are as follows (expressed in thousands):

Currency	Equity Securities	Cash	Total
Australian Dollar	$ 56,458	$ 1,148	$ 57,606
Brazil Cruzeiros Real	78,981	377	79,358
British Pound	169,391	2,625	172,016
Canadian Dollar	87,262	1,995	89,257
Czech Koruna	1,520	—	1,520
Danish Krone	5,534	100	5,634
Euro	338,300	1,683	339,983
Hong Kong Dollar	91,549	2,012	93,561
Hungarian Forint	18,047	182	18,229
Indian Rupee	4,654	—	4,654
Indonesian Rupiah	10,703	—	10,703
Israeli Shekel	11,520	54	11,574
Japanese Yen	190,164	4,774	194,938
Malaysian Ringgit	10,537	1,213	11,750
Mexican New Peso	23,345	406	23,751
New Taiwan Dollar	73,448	364	73,812
New Zealand Dollar	2,281	35	2,316
Norwegian Krone	27,781	(707)	27,074
Paistani Rupee	2,160	—	2,160
Philippine Peso	2,638	—	2,638
Polish Zloty	3,910	230	4,140
Singapore Dollar	40,966	288	41,254
South African Rand	39,201	43	39,244
South Korean Won	120,846	11	120,857
Swedish Krona	26,805	407	27,212
Swiss Franc	67,886	1,187	69,073
Thailand Baht	11,858	2	11,860
Turkish Lira	23,039	—	23,039
Subtotal	1,540,784	18,429	1,559,213
United States Currency	131,487	—	131,487
Total Assets	$1,672,271	$18,429	$1,690,700

Short-Term Fixed Income

The main objective of this pool is to maintain sufficient liquidity to fund withdrawals by the participant plans and to invest cash contributions until such time as the money can be transferred to other asset classes without sustaining capital losses. JP Morgan Investment Advisors, Inc. manages this pool. For purposes of evaluating investment returns, net of external investment management fees, this pool is compared to Salomon ninety-day Treasury-bill index plus fifteen basis points.

Credit Risk
The IMB limits the exposure to credit risk in the Short-Term Fixed Income pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A-1 by Standard & Poor's and P1 by Moody's. Additionally, the pool must have at least 15% of its assets in United States Treasury issues.

The following table provides information on the weighted-average credit ratings as of June 30, 2008, of the Short-Term Fixed Income pool's investments (expressed in thousands):

	Credit Rating					
Security Type	Moody's	S&P	Carrying Value Prior to Repurchase Collateral Included	Reclassed Repurchase Agreement to Actual Investment Types	Carrying Value	Percent of Assets
Repurchase Agreements	—	—	$ 75,621	$(75,621)	$ —	—%
U.S. Treasury Bills	Aaa	AAA	37,994	—	37,994	16.2%
Commercial Paper	P1	A-1	69,169	—	69,169	29.4%
Agency Discount Notes	P1	A-1	27,640	—	27,640	11.8%
Agency Bonds	Aaa	AAA	23,499	50,731	74,230	31.5%
Money Market Funds	Aaa	AAA	1	—	1	0.0%
U.S. Treasury Note	Aaa	AAA	—	26,097	26,097	11.1%
Total Rated Investments			$233,924	$ 1,207	$235,131	100%

Interest Rate Risk
The weighted-average maturity of the investments of the Short-Term Fixed Income pool cannot exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the weighted-average maturities (WAM) for the various asset types in the Short-Term Fixed Income pool (expressed in thousands):

Security Type	Carrying Value	WAM (Days)
Repurchase Agreements	$ 75,621	1
U.S. Treasury Bills	37,994	5
Commercial Paper	69,169	27
Agency Discount Notes	27,640	51
Agency Bonds	23,499	35
Money Market Funds	1	1
Total Assets	$233,924	19

Fixed Income

The main objective of this core bond pool is to generate investment income, provide stability and diversification, but not at the expense of total return. Western Asset Management Company, LLP manages this pool.

Credit Risk
The IMB Limits the exposure to credit risk in the Fixed Income pool by maintaining at least an average rating of investment grade as defined by the nationally Recognized Statistical Rating Organizations. The following table provides the weighted-average credit ratings of the investments in the Fixed Income pool as of June 30, 2008 (expressed in thousands):

Security Type	Credit Rating Moody's	Credit Rating S&P	Fair Value	Percent of Assets
Rated:				
U.S. Treasury Notes and Bonds	Aaa	AAA	$ 76,319	2.7%
Corporate Notes and Bonds	Baa	BBB	609,697	22.0%
Agency Bonds	Aaa	AAA	5,282	0.2%
Corporate Asset-Backed Securities	Aaa	AAA	137,308	4.9%
Agency Mortgage-Backed Securities	Aaa	AAA	234,846	8.5%
Agency Discount Notes	P1	A-1	17,538	0.6%
Money Market Fund	Aaa	AAA	135,041	4.9%
Total Rated Assets			1,216,031	43.8%
Unrated:				
Commingled Investment Pools			1,549,051	55.8%
Swaps, Options, and Swaptions			(4,248)	(0.2%)
Open Option Contracts Written			4,720	0.2%
Cash (Pledged to Brokers as Collateral)			11,984	0.4%
Total Unrated Assets			1,561,507	56.2%
Total Assets			$2,777,538	100%

Interest Rate Risk

The IMB monitors interest rate risk of the Fixed Income pool by assessing the modified duration of the investments in the pool. The following table provides the weighted-average modified duration for the various asset types in the Fixed Income pool (expressed in thousands):

Security Type	Fair Value	Modified Duration (years)
U.S. Treasury Notes and Bonds	$ 76,319	7.9
Corporate Notes and Bonds	609,697	6.2
Agency Bonds	5,282	8.5
Corporate Asset-Backed Securities	137,308	7.0
Agency Discount Notes	17,538	0.5
Agency Mortgage-Backed Securities	234,846	10.8
Money Market Fund	135,041	0.0
Commingled Investment Pools	1,549,051	3.3
Interest Rate Swaps, Options, and Swaptions	(4,248)	—
Total Assets with Interest Rate Risk	2,760,834	5.4
Assets with no Interest Rate Risk:		
Open Option Contracts Written	4,720	
Cash (Pledged to Brokers as Collateral)	11,984	
Total Assets with no Interest Rate Risk	16,704	
Total Assets	$2,777,538	

The Fixed Income pool invests in commercial and residential mortgage-backed and asset-backed securities. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions, and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2008, the Fixed Income pool held $372,154,404 of these securities. This represents approximately 13% of the value of the fixed income pools.

Fixed Income Qualified

The main objective of this core bond pool is to generate investment income, provide stability and diversification, but not at the expense of total return. Barclays Global Investors manages this pool. Only “qualified participants” (as defined by the *Internal Revenue Code*) may invest in this pool. This pool holds positions in institutional mutual funds with a combined value of $749,333,959 at June 30, 2008, that invest in mortgage-backed securities and corporate bonds. The mutual funds are unrated. The weighted-average modified duration of the underlying securities is 5.6 years.

Fixed Income Nonqualified

The main objective of this core bond pool is to generate investment income, provide stability and diversification, but not at the expense of total return. Barclays Global Investors manages this pool. This pool exists for participants who are not "qualified" (as defined by the *Internal Revenue Code*). This pool holds positions in institutional mutual funds with a combined value of $474,561,035 at June 30, 2008, that invest in mortgage-backed securities and corporate bonds. The mutual funds are unrated. The weighted-average modified duration of the underlying securities is 5.6 years.

Private Equity

This pool was established February 1, 2008, to hold the IMB's investments in various private equity funds. Franklin Park Associates, LLC has been retained by the IMB to provide consulting services for these funds. This pool holds limited partnerships, shares of an institutional commingled fund, and a money market fund. The money market is rated AAA by Standard & Poor's and Aaa by Moody's.

Private Real Estate

This pool was established February 1, 2008, to hold the IMB's investments in private real estate funds. Courtland Partners, Ltd. has been retained by the IMB to provide consulting services for these funds. This pool holds shares in an institutional commingled fund and a money market fund. The money market fund is rated AAA by Standard & Poor's and Aaa by Moody's.

Hedge Fund

This pool was established February 1, 2008 to hold the IMB's investments in hedge funds. Albourne America, LLC has been retained by the IMB to provide consulting services for this asset class. This pool holds shares in a money market fund that is rated AAA by Standard & Poor's and Aaa by Moody's.

<u>Consolidated Fund</u>

The Consolidated Fund is a statutory term for the collective investment of those monies currently needed to fund state governmental operations, participation by local governments, or those monies that are required by other statutory provisions to be invested in the Consolidated Fund. The following seven investment pools and accounts comprise the Consolidated Fund.

WV Money Market

This pool consists of the operating funds of the State, funds held by State agencies, and funds from local governments who desire the opportunity to invest with the State. The pool, previously the Cash Liquidity Pool, was renamed in July 1, 2007. Its purpose is to provide for the investment of all surplus funds and to supply the daily cash needs of the State. The pool is co-managed by JP Morgan Asset Management and UBS Global Asset Management.

Credit Risk
The BTI limits the exposure to credit risk in the WV Money Market pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. Additionally, the pool must have at least 15% of its assets in United States Treasury issues. The following table provides information on the weighted-average credit ratings as of June 30, 2008, of the WV Money Market pool's investments (expressed in thousands):

	Credit Rating			
Security Type	Moody's	S&P	Carrying Value	Percent of Assets
Commercial Paper	P1	A-1	$ 658,879	27.94%
U.S. Treasury Bills	Aaa	AAA	406,426	17.23%
Corporate Notes and Bonds	Aaa	AAA	40,000	1.70%
	Aa1	AA	71,000	3.01%
	Aa2	A	27,000	1.14%
	Aa3	AA	20,000	0.85%
Total Corporate Notes and Bonds			158,000	6.70%
U.S. Agency Bonds	Aaa	AAA	254,019	10.77%
U.S. Agency Discount Notes	P1	A-1	212,924	9.03%
Negotiable Certificate of Deposit	P1	A-1	147,001	6.23%
Money Market Funds	Aaa	AAA	150,058	6.36%
Repurchase Agreements (Underlying Securities)				
U.S. Treasury Notes	Aaa	AAA	62,265	2.64%
U.S. Agency Notes	Aaa	AAA	308,898	13.10%
Total Repurchase Agreements			371,163	15.74%
Total			$2,358,470	100%

Interest Rate Risk
The overall weighted-average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted-average maturities (WAM) for the various asset types in the WV Money Market pool (expressed in thousands):

Security Type	Total Carrying Value	Primary Government	Investment Trust Funds	Agency Funds	Component Units	WAM (Days)
Commercial Paper	$ 658,879	$ 516,693	$25,301	$ 6,391	$110,494	29
U.S. Treasury Bills	406,426	318,719	15,607	3,942	68,158	31
Corporate Notes and Bonds	158,000	123,904	6,067	1,533	26,496	21
Certificates of Deposit	147,001	115,278	5,645	1,426	24,652	95
U.S. Agency Bonds	254,019	199,202	9,754	2,464	42,599	111
Repurchase Agreements	371,163	291,066	14,253	3,600	62,244	1
U.S. Agency Discount Notes	212,924	166,975	8,176	2,065	35,708	84
Money Market Funds	150,058	117,675	5,762	1,456	25,165	1
Total	$2,358,470	$1,849,512	$90,565	$22,877	$395,516	40
Percentage of Ownership	100%	78.42%	3.84%	0.97%	16.77%	

WV Government Money Market

This pool consists of investors who wish to invest in a pool that restricts its investments to U.S. Government Obligations, U.S. Government Agency Obligations, or repurchase agreements. The pool, previously known as the Government Money Market Pool, was renamed in July 1, 2007. The pool is managed by UBS Global Asset Management.

Credit Risk
The BTI limits the exposure to credit risk in the WV Government Money Market pool by limiting the pool to U.S. Treasury issues, U.S. Government agency issues, money market funds investing in U.S. Treasury issues and U.S. Government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. Government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings as of June 30, 2008, of the WV Government Money Market Pool's investments (expressed in thousands):

	Credit Rating			
Security Type	Moody's	S&P	Carrying Value	Percent of Assets
U.S. Agency Bonds	Aaa	AAA	$ 60,420	32.30%
U.S. Treasury Bills	Aaa	AAA	29,929	16.00%
U.S. Agency Discount Notes	P1	A-1	43,249	23.12%
Money Market Funds	Aaa	AAA	66	0.04%
Repurchase Agreements (Underlying Securities):				
U.S. Agency Bonds	Aaa	AAA	53,400	28.54%
Total			$187,064	100%

Interest Rate Risk
The overall weighted-average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted-average maturities (WAM) for the various asset types in the WV Government Money Market Pool (expressed in thousands):

Security Type	Total Carrying Value	Primary Government	Investment Trust Funds	Component Units	WAM (Days)
U.S. Agency Discount Notes	$ 43,249	$1,345	$ 38,332	$ 3,572	77
U.S. Agency Bonds	60,420	1,879	53,550	4,991	84
Repurchase Agreements	53,400	1,660	47,328	4,412	1
U.S. Treasury Bills	29,929	932	26,526	2,471	58
Money Market Funds	66	2	58	6	1
Total	$187,064	$5,818	$165,794	$15,452	54
Percentage of Ownership	100%	3.11%	88.63%	8.26%	

WV Short Term Bond

This pool consists of the operating funds of the State that are not immediately needed to fund the State's liquidity requirements. The pool, previously known as the Enhanced Yield Pool, was renamed in July 1, 2007. The pool is managed by Standish Mellon Asset Management.

Credit Risk
The BTI limits the exposure to credit risk in the WV Short Term Bond pool by requiring all corporate bonds to be rated A by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's.

The following table provides information on the credit ratings as of June 30, 2008, of the WV Short Term Bond Pool's investments (expressed in thousands):

Security Type	Credit Rating Moody's	Credit Rating S&P	Fair Value	Percent of Assets
Commercial Paper	P1	A-1	$ 7,971	2.25%
Corporate Asset-Backed Securities	Aaa	AAA	48,663	13.75%
	Aaa	Unrated	2,179	0.62%
	Unrated	AAA	1,135	0.32%
	Aa3	AA	192	0.06%
Total Corporate Asset-Backed Securities			52,169	14.75%
Corporate Bonds and Notes	Aaa	AAA	13,146	3.72%
	Aa1	AA	12,613	3.56%
	Aa2	AA	20,860	5.89%
	Aa2	A	1,061	0.30%
	Aa3	AA	11,488	3.25%
	Aa3	A	4,548	1.28%
	A1	AA	4,305	1.22%
	A1	A	8,361	2.36%
	A2	AA	847	0.24%
	A2	A	26,585	7.51%
	A3	A	10,917	3.08%
	Baa1	AA-	593	0.17%
	Baa1	A-	2,028	0.57%
	Baa3	BB+	645	0.18%
Total Corporate Bonds and Notes			117,997	33.33%
U.S. Agency Bonds	Aaa	AAA	71,840	20.29%
U.S. Treasury Notes	Aaa	AAA	81,875	23.13%
U.S. Agency Mortgage Backed Securities	Aaa	AAA	5,345	1.51%
Repurchase Agreements				
(Underlying Securities):				
U.S. Agency Notes	Aaa	AAA	16,782	4.74%
Total			$353,979	100%

Interest Rate Risk

The overall weighted-average maturity of the investments of the Short Term Bond Pool cannot exceed 731 days. Maximum maturity of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the weighted-average maturities (WAM) for the various asset types in the Short Term Bond Pool (expressed in thousands):

Security Type	Total Carrying Value	Primary Government	Investment Trust Funds	Component Units	WAM (Days)
Corporate Bonds and Notes	$117,997	$112,262	$ 35	$ 5,700	675
U.S. Agency Bonds and Notes	71,840	68,349	22	3,469	1,231
U.S. Treasury Bonds and Notes	81,875	77,896	25	3,954	744
Commercial Paper	7,971	7,584	2	385	50
Corporate Asset Backed Securities	52,169	49,634	16	2,519	341
U.S. Agency Mortgage Backed Securities	5,345	5,085	2	258	570
Repurchase Agreements	16,782	15,966	5	811	1
Total	$353,979	$336,776	$107	$17,096	707
Percentage of Ownership	100%	95.14%	0.03%	4.83%	

WV Bank Pool

This pool consists of certificates of deposit purchased by the State through the BidWV auction program. The program purchases CDs from eligible banks and depositories to make state investment funds available for consumer and business loans within the State. The nonnegotiable certificates of deposit in this pool total approximately $125 million, with maturities ranging from July 2008 to November 2008.

Loss Amortization

This pool was created to account for those participant claims on the general operating funds of the State that exceeded the underlying assets of the other pools. This excess of participant claims on net assets over underlying assets occurred as a result of the distribution of earnings to participants in various BTI investment pools, principally the Unrestricted Pool (predecessor to the WV Money Market Pool), in excess of the true investment income experience of the pools, principally in 1987 and 1988.

The Loss Amortization Pool holds a U.S. Treasury strip valued at approximately $172,077,000 that matures on August 15, 2011. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates. However, it is the intent of the BTI to hold this security to maturity (expressed in thousands):

		Interest Rate Risk			
Security Type	Fair Value	Less than 1	1 -5	6 -10	More than 10
Primary Government:					
U.S. Treasury Strip	$172,077	$—	$172,077	$—	$—

Loans

This pool is comprised of loans made by the State. The $1 unit price is utilized for accounting purposes only. The State is the sole participant in this pool. This pool primarily holds intergovernmental loans and an interest in a money market mutual fund in the amount of $1,005,000 with a weighted-average maturity of one day which is rated AAA by Standard & Poor's and Aaa by Moody's. The loans are not rated by any nationally recognized statistical rating organization; however, as there is the potential for defaults, they are exposed to credit risk. For financial statement purposes the intergovernmental loans are reflected in the Advances to Component Units line on the Statement of Net Assets. The BTI addresses the credit risk by evaluating the need for and establishing a reserve for uncollectible loans.

Participant Directed Accounts

The BTI also maintains pools for individual State agencies with specific investment needs. These pools include the following: Municipal Bond Commission, Lottery Defeasance, School Fund, Economic Development Authority Insurance (EDA Insurance), EDA–American Woodmark (EDA–AW), and Department of Highways. Each agency is the sole owner of the investments in its pool and is responsible for the investment decisions in accordance with the legal restrictions applicable to those assets. The BTI serves as custodian of these pools and has no discretion over investment and financial decisions made for them.

Municipal Bond Commission

This account only holds securities issued by the U.S. Treasury or government agencies. The securities are purchased with specific maturities timed to match bond interest or principal payments.

The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in the Municipal Bond Commission account arising from increasing interest rates. The following table provides information on the weighted-average maturities for the various asset types in the Municipal Bond Commission account (expressed in thousands):

Security Type	Carrying Value	WAM (Days)
U.S. Treasury Bills	$ 439	95
U.S. Treasury Strips	6,614	1,366
U.S. Treasury Bonds and Notes	5,576	3,275
State and Local Government Securities	11,928	582
Total Assets	$24,557	1,283

Lottery Defeasance

The Lottery Defeasance account primarily holds U.S. Treasury securities and U.S. agency bonds and notes with maturities timed to match lottery winner payouts. It is the intent to hold these securities to maturity. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in the Lottery Defeasance account arising from increasing interest rates. The following table provides information on the weighted-average maturities for the various asset types in the Lottery Defeasance account (expressed in thousands):

Security Type	Carrying Value	WAM (Days)
U.S. Agency Bonds and Notes	$129	46
Money Market Funds	7	1
Total Assets	$136	44

School Fund

The School Fund account holds an interest in a money market mutual fund valued at $1,669,000 with a weighted-average maturity of one day. The mutual fund is rated AAA by Standard & Poor's and Aaa by Moody's as of June 30, 2008 (expressed in thousands):

		Interest Rate Risk			
Security Type	Fair Value	Less than 1	1 -5	6 -10	More than 10
Governmental Activities:					
Money Market	$1,669	$1,669	$—	$—	$—

EDA-AW

This account holds a U.S. Treasury bond valued at $1,720,000 that matures on August 15, 2023. The Economic Development Authority's investment policy limits this account to holding only U.S. Treasury securities with twenty-year maturities at time of purchase (expressed in thousands):

		Interest Rate Risk			
Security Type	Fair Value	Less than 1	1 -5	6 -10	More than 10
Component Unit Activities:					
U.S. Treasury Bond	$1,720	$—	$—	$—	$1,720

Department of Highways

Credit Risk

The Department of Highways account provides for the investment of proceeds from the issuance and sale of $90 million Surface Transportation Improvements Special Obligation Notes. The following table provides information on the credit ratings of the Department of Highways account investments as of June 30, 2008 (expressed in thousands):

	Credit Rating			
Security Type	Moody's	S&P	Carrying Value	Percent of Assets
Money Market Funds	Aaa	AAA	$ 12	.08%
Repurchase Agreements (Underlying Securities): U.S. Agency Mortgage Backed Securities	Aaa	AAA	14,751	99.92%
Total Rated Investments			$14,763	100%

Interest Rate Risk

The following table provides information on the weighted-average maturities for the various asset types in the Department of Highways account:

Security Type	Total Primary Government Carrying Value	WAM (Days)
Repurchase Agreements	$14,751	610
Money Market Funds	12	1
Total Assets	$14,763	610
Percentage of Ownership	100%	

This schedule reconciles disclosed investment values to net asset values of the pools as reflected in the accompanying financial statements, at IMB and BTI at June 30, 2008 (expressed in thousands):

Pool Name	Disclosed Value	Pool Receivables/ (Payables)	Net Asset Values
Large Cap Domestic	$ 1,933,660	$ 2,746	$ 1,936,406
Non-Large Cap Domestic	661,174	(1,367)	659,807
International Qualified	450,336	(208)	450,128
International Nonqualified	57,888	(1)	57,887
International Equity	1,672,271	19,026	1,691,297
Short-Term Fixed Income	233,924	105	234,029
Fixed Income	2,777,538	(40,469)	2,737,069
Fixed Income Qualified	749,334	(275,818)	473,516
Fixed Income Nonqualified	474,561	(15)	474,546
Private Equity	869,017	43	869,060
Private Real Estate	33,989	(53)	33,936
Hedge Fund	67	(67)	—
WV Money Market	2,358,470	3,363	2,361,833
WV Government Money Market	187,064	227	187,291
WV Short Term Bond	353,979	2,731	356,710
WV Bank	125,000	1,712	126,712
Loss Amortization	172,077	—	172,077
Loan	116,364	384	116,748
Municipal Bond Commission	24,557	220	24,777
Lottery Defeasance	136	–	136
School Fund	1,669	2	1,671
EDA-AW	1,720	34	1,754
Department of Highways	14,763	62	14,825
Total Pooled Investments	13,269,558	(287,343)	12,982,215
Less EDA	125,304	—	125,304
Less MBC	24,557	220	24,777
Less CDs	272,001	1,712	273,713
Total for Disclosure	$12,847,696	$(289,275)	$12,558,421

Outside Investments

In addition to the amounts invested with the IMB above, certain funds are permitted to invest bond proceeds with a third-party trustee named in the bond indenture. The following information relates to these outside investments.

Credit Risk

The following table provides information on the credit ratings of the State's third-party trustee investments as of June 30, 2008 (expressed in thousands):

		Credit Rating	
Security Type	Fair Value	S&P	Moody's
Primary Government:			
Guaranteed Investment Contracts	$ 18,990	AA	Aa3
	112,172	AA-	Aa3
	5,758	AAA	Aaa
Money Market/Mutual Funds	5,214	AAA	Aaa
	213,908	AAAm	Aaa
	27,420	AAAm	Unrated
	1,284	AAAm-G	Aaa
Taxable State Bonds	71,181	BBB,BBB-	Baa3
U.S. Government and Agency Obligations	3,848	AAA	Aaa
	400	AAA	AAA
	76,355	AAAm	Aaa
	$ 536,530		
Pension & Private Purpose Trust Funds:			
Money Market/Mutual Funds	$ 2,041,737	Unrated	Unrated
Component Units:			
Common and Preferred Stocks	$ 86,483	Unrated	Unrated
Corporate Bonds	14,870	AA	Unrated
	10,534	AAA	Aaa
	72,124	Unrated	Unrated
Guaranteed Investment Contracts	15,444	AA	Aa
	11,462	AAA	Aaa
	3,192	Unrated	Unrated
Money Market/Mutual Funds	4,511	AAA	Aaa
	183,131	AAAm	Aaa
	2,953	Unrated	AAA
	83	Unrated	Aaa
	84,996	Unrated	Unrated
Mortgages Held for Investment	21,111	Unrated	Unrated
Other Investments	60,615	Unrated	Unrated
Repurchase Agreements	48,049	AAA	aaa
	21,626	AAA	Aaa
	33,911	Unrated	Unrated
U.S. Government and Agency Obligations	6,613	AA+	Unrated
	83,959	AAA	aaa
	18,296	AAA	Aaa
	28,893	Unrated	Unrated
	$ 812,856		

Concentration of Credit Risk

As of June 30, 2008, the State had investment balances with the following issuers which are greater than or equal to 5% of the respective third-party trustee investment balance (expressed in thousands):

Security Type	Fair Value	Issuer	Percentage of Concentration
Primary Government:			
Guaranteed Investment Contracts	$117,243	Citizens Bank of Pennsylvania	21.9%
Money Market	49,968	Federated Prime Obligations	9.3%
	31,503	Wells Fargo Advantage Government Money Market Service #743	5.9%
	27,420	Huntington Treasury Money Market IV	5.1%
Taxable State Bonds	71,181	WV Tobacco Settlement Finance Authority	13.3%
U.S. Government & Agency Obligations	46,500	Federated Government Obligations Institutional Service Shares-Fund #395	8.7%
Component Units:			
Common and Preferred Stocks	78,425	$73,673 of the $78,425 is invested by the Foundations of the Higher Education institutions which are reported under FASB and the information is not available	9.6%
Corporate Bonds	86,994	$67,745 of the $86,994 is invested by the Foundations of the Higher Education institutions which are reported under FASB and the information is not available	8.3%
U.S. Government & Agency Obligations	83,959	United Bank	10.3%
Repurchase Agreements	45,028	Smith Barney (Investments Collateralized by Fannie Mae, Ginnie Mae, Freddie Mac Securities)	5.5%

Interest Rate Risk

The following table provides information on the interest rate risk of the State's third-party trustee investments (expressed in thousands):

Security Type	Fair Value	Interest Rate Risk: Less than 1	1 -5	6 -10	More than 10
Primary Government:					
U.S. Government & Agency Obligations	$ 80,603	$ 80,603	$ —	$ —	$ —
Guaranteed Investment Contracts	136,920	112,172	—	5,758	18,990
Money Market/Mutual Funds	69,370	69,370	—	—	—
Mutual Bond Funds	178,456	178,456	—	—	—
Taxable State Bonds	71,181	—	—	—	71,181
Total Primary Government	536,530	440,601	—	5,758	90,171
Pension & Private Purpose Trust Funds:					
Money Market / Mutual Funds	2,041,737	2,041,737	—	—	—
Component Units:					
U.S. Government & Agency Obligations	137,761	31,909	14,966	24,626	66,260
Corporate Bonds	97,528	82,955	9,426	4,503	644
Common and Preferred Stocks	86,483	78,591	—	—	7,892
Repurchase Agreements	103,586	78,939	12,765	9,436	2,446
Guaranteed Investment Contracts	30,098	14,654	15,444	—	—
Money Market/Mutual Funds	111,756	111,756	—	—	—
Mutual Bond Funds	163,918	163,918		—	—
Mortgages Held for Investment	21,111	—	—	—	21,111
Other Investments	60,615	60,615	—	—	—
Total Component Units	812,856	623,337	52,601	38,565	98,353
Total Outside Investments	$3,391,123	$3,105,675	$52,601	$44,323	$188,524

Reconciliation to Financial Statements

The following schedule reconciles the amount disclosed as deposits and investments included in this footnote to cash and cash equivalents, investments, and restricted cash and investments in the Statement of Net Assets at June 30, 2008, (expressed in thousands):

Deposits:

Cash and Cash Equivalents as Reported on the Statement of Net Assets	$ 4,282,093
Cash and Cash Equivalents as Reported on the Statement of Fiduciary Net Assets	383,862
Add:	
Restricted Cash and Cash Equivalents as Reported on the Statement of Net Assets	273,082
Less:	
Cash Equivalents and Restricted Cash Disclosed as Investments	(4,132,526)
Cash with U.S. Treasury for Unemployment Programs	(251,966)
Reported Value of Deposits as Disclosed in this Footnote	$ 554,545

Investments:

Investments as Reported on the Statement of Net Assets	$ 1,693,356
Investments as Reported on the Statement of Fiduciary Net Assets	10,227,708
Add:	
Restricted Investments as Reported on the Statement of Net Assets	177,699
Cash Equivalents and Restricted Cash Disclosed as Investments	4,132,526
Accrued Interest Disclosed as Investments	(281,745)
Reported Value of Investments as Disclosed in this Footnote	$15,949,544

NOTE 5

RECEIVABLES
(Expressed in Thousands)

Receivables

Receivables at June 30, 2008, consisted of the following:

	Governmental Funds					
	General	Transportation	West Virginia Infrastructure and Jobs Development Council	Tobacco Settlement Finance Authority	Other Governmental	Total Governmental Receivables
Taxes	$395,343	$ 63,044	$ —	$ —	$ —	$ 458,387
Accounts	139,009	119,216	24	35,011	16,593	309,853
Loans	4,493	—	378,811	—	—	383,304
Surplus Note	—	—	—	—	—	—
Accrued Interest	190	—	1,057	48	364	1,659
Total Receivables	539,035	182,260	379,892	35,059	16,957	1,153,203
Allowance for Doubtful Accounts	(55,348)	—	(3,300)	—	(1,854)	(60,502)
Receivables, Net	$483,687	$182,260	$376,592	$35,059	$15,103	$1,092,701
As reported on the Fund Financial Statements:						
Current Receivables	$483,687	$182,260	$376,592	$35,059	$15,103	$1,092,701
Noncurrent Receivables, Net	—	—	—	—	—	—
Receivables, Net	$483,687	$182,260	$376,592	$35,059	$15,103	$1,092,701

	Fiduciary Funds		
	Pension and Other Employee Benefit Trust Funds	Private Purpose Trust Fund	Agency Funds
Accounts	$ 1,012	$ —	$ —
Loans	8,746	—	—
Leases	—	—	—
Contributions	50,283	2,426	—
Accrued Interest	—	—	52
Total Receivables	60,041	2,426	52
Allowance for Doubtful Accounts	(4,200)	—	—
Receivables, Net	$55,841	$2,426	$52
As reported on the Fund Financial Statements			
Current Receivables, Net	$55,841	$2,426	$52
Noncurrent Receivables, Net	—	—	—
Receivables, Net	$55,841	$2,426	$52

Enterprise Funds								
West Virginia Lottery	Water Pollution Control Revolving Fund	Workers' Compensation	Unemployment Compensation	Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise	Total Enterprise	Internal Service Funds
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
36,846	321	24,306	32,412	24,932	1,351	4,208	124,376	5,290
—	415,099	—	—	—	—	49,887	464,986	—
—	—	162,759	—	—	—	—	162,759	—
—	—	—	—	—	—	23	23	8
36,846	415,420	187,065	32,412	24,932	1,351	54,118	752,144	5,298
—	—	—	—	(6,682)	(386)	—	(7,068)	—
$36,846	$415,420	$187,065	$32,412	$18,250	$ 965	$54,118	$745,076	$5,298
$36,846	$ 22,153	$ 24,306	$32,412	$18,250	$ 965	$ 3,273	$138,205	$5,298
—	393,267	162,759	—	—	—	50,845	606,871	—
$36,846	$415,420	$187,065	$32,412	$18,250	$ 965	$54,118	$745,076	$5,298

Discretely Presented Component Units								
Economic Development Authority	Housing Development Fund	Parkways, Economic Development & Tourism Authority	Water Development Authority	Higher Education	Regional Jail	School Building Authority	Other Component Units	Total Discretely Presented Component Units
$ —	$ 969,321	$1,700	$239,770	$ 83,201	$14,328	$ —	$1,759	$1,310,079
155,418	55,921	—	14,822	66,680	–	—	2,122	294,963
35,636	—	—	—	—	—	—	—	35,636
—	—	—	—	—	—	—	—	—
4,017	5,563	278	3,868	—	—	522	—	14,248
195,071	1,030,805	1,978	258,460	149,881	14,328	522	3,881	1,654,926
(5,800)	(46,499)	—	—	(20,075)	—	—	—	(72,374)
$189,271	$ 984,306	$1,978	$258,460	$129,806	$14,328	$522	$3,881	$1,582,552
$ 17,298	$ 6,410	$1,978	$ 10,021	$ 76,218	$14,328	$522	$3,881	$ 130,656
171,973	977,896	—	248,439	53,588	—	—	—	1,451,896
$189,271	$ 984,306	$1,978	$258,460	$129,806	$14,328	$522	$3,881	$1,582,552

Taxes Receivable

Taxes receivable at June 30, 2008, consisted of the following:

	Governmental Funds		
	General	Transportation	Total
Taxes Receivable:			
Consumer Sales	$119,558	$ —	$119,558
Personal Income	113,429	—	113,429
Severance	85,873	—	85,873
Business and Occupation	11,699	—	11,699
Automobile Privilege Taxes	—	26,209	26,209
Gasoline Excise	—	32,569	32,569
Registration Fees	—	4,266	4,266
Insurance	33,194	—	33,194
Corporate Net Income	17,950	—	17,950
Other	13,640	—	13,640
Total	$395,343	$63,044	$458,387

Leases Receivable

The Economic Development Authority has entered into long-term direct financing lease agreements with commercial entities for land, buildings, and equipment. A schedule of future lease amounts due to the Economic Development Authority is as follows:

Year Ended June 30	Direct Financing Leases Amounts Due
2009	$ 2,539
2010	3,187
2011	3,187
2012	3,601
2013	3,231
2014-2031	34,851
Total Minimum Amount Due	50,596
Less Amount Representing Interest	(14,960)
Present Value of Minimum Lease Amount Due	$ 35,636

Physicians' Mutual Insurance Company Loan

Pursuant to the West Virginia Physicians' Mutual Insurance Company (WVPMIC) Act, the Legislature authorized the loan of $24 million from the West Virginia Tobacco Medical Trust Fund, now the Revenue Shortfall Reserve Fund - Part B, solely for the company's use as initial capital and surplus. A current receivable for $8 million is recorded in the general fund. There was a low interest rate on the loan computed of simple interest of 1.425%, which began accruing on January 1, 2005. The last principal and interest payments were received in January 2009.

BrickStreet Mutual Insurance Company Surplus Note

In accordance with the provisions set forth in §23-2C-24 (a) of the West Virginia Code, a surplus note agreement between the State of West Virginia and the newly formed employers' mutual insurance company, BrickStreet Mutual Insurance Company (BrickStreet), has been established as of January 1, 2006. For value received, BrickStreet will repay the State of West Virginia the principal sum of $200 million dollars, plus interest and reasonable costs of collection of any overdue payment by the maturity date of the note, which is June 30, 2016. The purpose of the surplus note is to provide initial surplus to the issuer until such time as adequate retained surplus is earned or alternative nongovernmental sources of capital are available to allow the issuer to operate as a commercially sound, independent provider of workers' compensation insurance in the State of West Virginia, within a competitive environment. BrickStreet Mutual Insurance Company may repay all or any part of the principal, subject to the approval of the Insurance Commissioner, at any time without penalty or premium.

From the effective date of the note until the earlier of (1) the date on which the note is repaid in full; or (2) January 1, 2009, the note shall bear interest at one and one-half percent (1.5%). If the note has not been repaid by January 1, 2009, then from January 1, 2009, until the date on which the note is repaid in full, unpaid amounts under the note shall bear interest at a fluctuating rate per annum that is equal to the Prime Rate of interest for the period in question. The repayment of the principal of the surplus note shall be subject to the prior approval of the Insurance Commissioner. On June 30, 2008, BrickStreet paid $40 million in principal toward satisfaction and discharge of its surplus note obligation to the State. BrickStreet also adjusted the carrying value of the claims liabilities they assumed for dates of injury occurring between July 1, 2005 and December 31, 2005, as the actual claims development trends become known. An increase of $17,759,000 for positive claims development was made to the carrying value of the surplus note agreement in fiscal year 2008. The noncurrent receivable, $162,759,000, is included in the financial statements of the Workers' Compensation Fund. Subsequent to June 30, 2008, BrickStreet made an additional principal payment on the surplus note agreement of $60 million on July 31, 2008. See Note 14 for more information on the privatization of the workers' compensation function.

NOTE 6

INTERFUND BALANCES

The following table details the interfund balances and activity as of and for the year ended June 30, 2008 (expressed in thousands):

	Due From			
	Governmental			
Due To	General	Transportation	West Virginia Infrastructure and Jobs Development Council	Other Nonmajor
Governmental Funds:				
General	$ —	$ 150	$ —	$ 146
Transportation	120	—	—	166
Tobacco Settlement Authority	772,012	—	—	—
Other Nonmajor Governmental	7	—	—	—
Total Governmental Funds	772,139	150	—	312
Proprietary Funds:				
Water Pollution Control Revolving Fund	—	—	—	10
Unemployment Compensation	148	26	—	6
Public Employees' Insurance Agency	2,676	1,647	—	88
Board of Risk and Insurance Management	474	—	—	—
Other Nonmajor Proprietary	17	—	—	—
Internal Service Funds	4,198	466	—	705
Total Proprietary Funds	7,513	2,139	—	809
Fiduciary Funds				
Pension and Employee Benefit Trust Funds	11,380	6,843	—	1,800
Discretely Presented Component Units				
Major:				
Parkways & Economic Development	17	—	—	—
Water Development Authority	—	—	104	—
Higher Education	24,608	81	—	60
Nonmajor:				
State Rail Authority	413	—	—	—
Educational Broadcasting	47	—	—	—
Racing Commission	—	—	—	—
Total Discretely Presented Component Units	25,085	81	104	60
Total	$816,117	$9,213	$104	$2,981

The general fund Due To Other Funds includes $4,198,000 to the Internal Service Funds which is made up of $37,000 for building rent, $3,159,000 for computer services, $626,000 for telecommunications, and $376,000 for vehicle rentals; $2,676,000 to Public Employees' Insurance Agency for health insurance, and $24,608,000 to Higher Education for educational programs.

The Tobacco Settlement Finance Authority records a Due From the general fund for the deferred revenue related to the sale of MSA tobacco revenues. Of the $165,967,000 due from the Lottery, $122,052,000 was unappropriated surplus funds. Other amounts due from the Lottery were appropriated by the Legislature subsequent to year-end and include amounts due to Higher Education ($4 million), Senior Services ($16 million), the School Construction Fund ($9 million), and various other small amounts.

Due From									
Proprietary									
West Virginia Lottery	Water Pollution Control Revolving Fund	Unemployment Compensation	Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Nonmajor	Internal Service Funds	Pension and Other Employee Benefit Trust Funds	Discretely Presented Component Units	Total
$165,967	$ —	$ —	$ 868	$ 1	$ 8	$ 31	$ 10	$ 542	$ 167,723
—	—	—	559	—	—	—	—	412	1,257
—	—	—	—	—	—	—	—	—	772,012
1,000	—	—	101	—	—	—	—	2	1,110
166,967	—	—	1,528	1	8	31	10	956	942,102
—	—	—	—	—	—	—	—	—	10
—	—	—	—	—	—	—	—	99	279
3	—	—	—	—	—	96	7,180	290	11,980
—	—	—	—	—	—	—	—	—	474
—	—	—	—	—	—	—	—	—	17
495	—	175	747	8	13	110	83	271	7,271
498	—	175	747	8	13	206	7,263	660	20,031
134	34	—	564	34	44	431	—	13,771	35,035
—	—	—	4	—	—	—	—	—	21
—	19	—	—	—	—	—	—	—	123
—	—	—	752	—	—	110	—	16	25,627
—	—	—	—	—	—	—	—	—	413
—	—	—	—	—	—	—	—	—	47
—	—	4	—	—	—	—	—	—	4
—	19	4	756	—	—	110	—	16	26,235
$167,599	$53	$179	$3,595	$43	$65	$778	$7,273	$15,403	$1,023,403

The Retiree Health Benefit Trust (RHBT) has not recorded a Due From equal to the Due To recorded at the agencies participating in the OPEB plan. GASB 43 requires that only the revenue/receivable that has a reasonable expectation of collection be recorded at RHBT, whereas GASB 45 requires each agency to record its contractually owed liability to RHBT. RHBT has recorded contributions receivable of $11.1 million which includes $1.9 million from primary government and $1 million from the component units, while the agencies have recorded a Due To RHBT of $31,623,000 related to these receivables and obligations.

NOTE 7

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2008, consisted of the following (expressed in thousands):

	Transfers From			
	Governmental			
Transfers To	General	West Virginia Infrastructure and Jobs Development Council	Tobacco Settlement Finance Authority	Other Nonmajor
Governmental Funds:				
General	$ —	$ —	$18,078	$6,136
Transportation	12,931	—	—	—
West Virginia Infrastructure and Jobs Development Council	—	—	—	—
Other Nonmajor Governmental	73,235	5,980	—	207
Total Governmental Funds	86,166	5,980	18,078	6,343
Proprietary Funds:				
Water Pollution Control Revolving Fund	—	3,337	—	—
Workers' Compensation Fund	219,695	—	—	—
Other Nonmajor Proprietary	3,429	1,646	—	—
Internal Service Funds	2,905	—	—	—
Total Proprietary Funds	226,029	4,983	—	—
Total	$312,195	$10,963	$18,078	$6,343

The deferred charge of the amortization of the future tobacco settlement revenue of the Tobacco Settlement Finance Authority resulted in a transfer of $18 million to the General Fund. The West Virginia Lottery transferred, as mandated by State Code, $40 million to the West Virginia Infrastructure and Jobs Development Council, $64.3 million to internal service funds, and $308.3 million to the general fund. Certain dedicated taxes were transferred to the Workers' Compensation Fund to reduce the unfunded liability for claims prior to June 30, 2005, in the amount of $219.7 million. The general fund transferred $24 million to the West Virginia Infrastructure and Jobs Development Council and $18.8 million to the Economic Development Project Fund for bond debt service. All other transfers are made to finance various programs as authorized by the Legislature.

Transfers From				
Proprietary				
West Virginia Lottery	Unemployment Compensation	Other Nonmajor	Internal Service Funds	Total
$308,283	$ —	$15,211	$ —	$347,708
—	—	—	—	12,931
40,000	—	—	—	40,000
13,998	1,190	—	2,562	97,172
362,281	1,190	15,211	2,562	497,811
—	—	—	—	3,337
11,000	—	—	—	230,695
—	—	—	—	5,075
64,289	—	—	—	67,194
75,289	—	—	—	306,301
$437,570	$1,190	$15,211	$2,562	$804,112

NOTE 8

RESTRICTED ASSETS

Restricted assets are held by special revenue funds, enterprise funds, internal service funds, and discretely presented component units, primarily for the repayment of future long-term obligations and benefits payments. The restricted assets, composed of cash, investments, and other similar assets at June 30, 2008, are as follows (expressed in thousands):

	Cash	Investments	Other	Totals
Special Revenue:				
Environmental Programs	$ 512	$ —	$ —	$ 512
Transportation	57	—	—	57
	569	—	—	569
Enterprise:				
West Virginia Lottery	58,487	136	—	58,623
Board of Risk and Insurance Management	11,285	23,474	158,808	193,567
	69,772	23,610	158,808	252,190
Internal Service:				
State Building Fund	89,967	—	—	89,967
Travel Management	2,157	—	—	2,157
	92,124	—	—	92,124
Discretely Presented Component Units:				
Economic Development Authority	9,392	—	—	9,392
Housing Development Fund	65,268	123,525	939,929	1,128,722
Parkways, Economic Development, and Tourism Authority	—	14,938	—	14,938
Water Development Authority	2,017	15,626	239,764	257,407
Regional Jail Authority	418	—	—	418
Educational Broadcasting Authority	—	—	342	342
Solid Waste Management Board	1,478	—	2,970	4,448
Racing Commission	32,044	—	—	32,044
	110,617	154,089	1,183,005	1,447,711
Total	$273,082	$177,699	$1,341,813	$1,792,594

Special Revenue Funds

Environmental Programs has restricted cash held in trust "to protect human health and the environment, in accordance with the terms of the State and Federal Consent Decrees..." The Department of Transportation's cash is restricted per the trust indenture for debt service payments.

Enterprise Funds

The West Virginia Lottery's assets are restricted to pay the deferred prize claims awarded on an annuity basis and for the design and construction of a new Lottery building. The Board of Risk and Insurance Management's (BRIM) cash and investment assets include funds to provide mine subsidence, medical malpractice, and general liability insurance coverage. BRIM's other restricted assets include advance deposits with insurance companies of $158.4 million and $372,000 in receivables.

Internal Service Funds

The State Building Fund's restricted assets are held in trust primarily for the costs of asbestos removal and other capital projects. Travel Management Fund's restricted assets are held in escrow for capital outlay.

Discretely Presented Component Units

The Economic Development Authority's assets are restricted to provide assurance that adequate amounts will be available to repay notes secured by the real estate being leased and to guarantee portions of certain loans made for economic development purposes. The Housing Development Fund's cash and cash equivalents assets are restricted on behalf of mortgagors and for payments collected on mortgages for which the fund acts as servicer only. The investments are primarily collateralized repurchase/investment agreements and United States government and agency obligations with maturities greater than 90 days to meet the requirements of bond resolutions. Other restricted assets for the Housing Development Fund of $940 million include federal program receivables and foreclosed properties from defaulted federal program loans. The Parkways, Economic Development, and Tourism Authority's assets are restricted to be used for construction, turnpike maintenance and operation, and debt service. The cash and investment assets of the Water Development Authority are restricted as part of applicable bond covenants and the other restricted assets are $240 million restricted for revenue bonds receivable net of unamortized discount and accrued interest receivable. The Regional Jail and Correctional Facility Authority's assets are restricted because of a safekeeping arrangement with inmates. The Educational Broadcasting Authority's (EBA) other restricted assets are in a charitable trust allowing the use of part of the interest to benefit the EBA. The Solid Waste Management Board's assets are restricted because their use is limited by applicable repayment agreements. The West Virginia Racing Commission's cash is restricted for the unclaimed winning tickets and other trust holdings which are mandated by West Virginia State Code.

NOTE 9

CAPITAL ASSETS

Governmental Activities

(Expressed in Thousands)

	Beginning Balance as Restated*	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 936,827	$ 40,763	$ (69)	$ 977,521
Construction in Progress	1,328,732	494,785	(426,294)	1,397,223
Total Capital Assets, Not Being Depreciated	2,265,559	535,548	(426,363)	2,374,744
Capital Assets, Being Depreciated:				
Buildings and Improvements	905,540	41,203	(9,882)	936,861
Equipment	342,520	31,254	(20,003)	353,771
Infrastructure	8,519,913	394,210	—	8,914,123
Library Holdings	15,181	35	(45)	15,171
Land Improvements	13,220	1,316	(40)	14,496
Total Capital Assets, Being Depreciated	9,796,374	468,018	(29,970)	10,234,422
Less Accumulated Depreciation for:				
Buildings and Improvements	(331,739)	(27,566)	8,738	(350,567)
Equipment	(241,863)	(26,560)	16,179	(252,244)
Infrastructure	(3,603,017)	(270,986)	—	(3,874,003)
Library Holdings	(15,003)	(68)	34	(15,037)
Land Improvements	(5,734)	(703)	23	(6,414)
Total Accumulated Depreciation	(4,197,356)	(325,883)	24,974	(4,498,265)
Total Capital Assets Being Depreciated, Net	5,599,018	142,135	(4,996)	5,736,157
Governmental Activities Capital Assets, Net	$ 7,864,577	$ 677,683	$(431,359)	$ 8,110,901

Depreciation expense was charged to functions as follows:

Legislative	$ 15
Judicial	264
Executive	735
Administration	14,420
Commerce	8,006
Environmental Protection	231
Employment Programs	145
Education	869
Health and Human Resources	2,997
Military Affairs and Public Safety	7,669
Revenue	303
Transportation	289,959
Regulatory Boards and Commissions	270
Total Governmental Activities Depreciation Expense	$325,883

School Building Authority was moved from Governmental Funds to Component Units this year. As a result, the beginning of year balances have been adjusted to reflect the deletion of the School Building Authority. The building and improvements decreased by $636 and the land beginning balance decreased by $175. The building and improvement depreciation decreased by $77. See related discussion in Note 2.

Business-type Activities

(Expressed in Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 611	$ —	$ —	$ 611
Construction-in-Progress	443	285	(443)	285
Total Capital Assets, Not Being Depreciated	1,054	285	(443)	896
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,762	—	—	2,762
Equipment	13,805	9,679	(30)	23,454
Total Capital Assets, Being Depreciated	16,567	9,679	(30)	26,216
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,520)	(129)	—	(1,649)
Equipment	(12,052)	(1,111)	30	(13,133)
Total Accumulated Depreciation	(13,572)	(1,240)	30	(14,782)
Total Capital Assets, Being Depreciated, Net	2,995	8,439	—	11,434
Business-type Activities Capital Assets, Net	$ 4,049	$8,724	$(443)	$12,330

Depreciation expense was charged to functions as follows:

West Virginia Lottery	$ 732
Public Employees' Insurance Agency	367
Alcohol Beverage Control Administration	141
Total Business-type Activities Depreciation Expense	$1,240

Discretely Presented Component Units
(Expressed in Thousands)

	Beginning Balance, as Restated*	Increases	Decreases	Ending Balance
Discrete Component Unit Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 153,128	$ 15,269	$ (2,441)	$ 165,956
Construction in Progress	242,766	204,094	(254,458)	192,402
Total Capital Assets, Not Being Depreciated	395,894	219,363	(256,899)	358,358
Capital Assets, Being Depreciated				
Buildings and Improvements	1,918,991	241,694	(6,468)	2,154,217
Equipment	389,309	34,821	(16,930)	407,200
Infrastructure	1,074,912	31,321	(14)	1,106,219
Library Holdings	127,854	8,550	(635)	135,769
Land Improvements	28,933	22,314	(602)	50,645
Total Capital Assets, Being Depreciated	3,539,999	338,700	(24,649)	3,854,050
Less Accumulated Depreciation for:				
Buildings and Improvements	(563,035)	(44,842)	88	(607,789)
Equipment	(280,034)	(27,400)	15,040	(292,394)
Infrastructure	(597,009)	(36,981)	—	(633,990)
Library Holdings	(102,263)	(7,212)	615	(108,860)
Land Improvements	(13,642)	(2,801)	488	(15,955)
Total Accumulated Depreciation	(1,555,983)	(119,236)	16,231	(1,658,988)
Total Capital Assets Being Depreciated, Net	1,984,016	219,464	(8,418)	2,195,062
Discrete Component Unit Activities Capital Assets, Net	$ 2,379,910	$ 438,827	$(265,317)	$ 2,553,420

Depreciation expense was charged to Discrete Component Units as follows:

Economic Development Authority	$ 894
Parkways, Economic Development, and Tourism Authority	31,064
Water Development Authority	40
Higher Education	79,144
Educational Broadcasting Authority	1,354
Jobs Investment Trust	26
WV State Rail Authority	1,430
Solid Waste Management Board	5
Regional Jail Authority	5,134
Racing Commission	3
Public Defender Corporation	122
School Building Authority*	20
Total Discrete Component Unit Depreciation Expense	$119,236

*School Building Authority was moved from Governmental Funds to Component Units this year. As a result, the beginning of year balances have been adjusted to include the beginning balances of the School Building Authority. The buildings and improvements increased by $811 and the accumulated depreciation balance increased by $77. See related discussion in Note 2.

NOTE 10

LONG-TERM OBLIGATIONS

Primary Government:

Long-term obligations at June 30, 2008, and changes for the fiscal year then ended are as follows (expressed in thousands):

Governmental Activities	Balance June 30, 2007	Additions	Reductions	Other Changes	Balance June 30, 2008	Amount Due Within One Year
General Obligation Bonds:						
Transportation	$ 429,845	$ —	$ (28,655)	$ —	$ 401,190	$ 30,085
Premium/(Discount)	28,014	—	(1,941)	—	26,073	1,886
Total Transportation	457,859	—	(30,596)	—	427,263	31,971
WV Infrastructure and Jobs Development Council	286,177	4,787	(13,015)	—	277,949	13,380
Premium/(Discount)	754	—	(11)	—	743	11
Total WV Infrastructure and Jobs Development Council	286,931	4,787	(13,026)	—	278,692	13,391
Total General Obligation Bonds	744,790	4,787	(43,622)	—	705,955	45,362
Revenue Bonds:						
Transportation	109,160	—	(10,285)	—	98,875	10,550
Premium/(Discount)	3,439	—	(383)	—	3,056	382
Total Transportation	112,599	—	(10,668)	—	101,931	10,932
WV Infrastructure and Jobs Development Council	126,140	—	(1,610)	—	124,530	1,655
Premium/(Discount)	(2,241)	—	96	—	(2,145)	(96)
Total WV Infrastructure and Jobs Development Council	123,899	—	(1,514)	—	122,385	1,559
Tobacco Settlement Authority	911,142	5,261	(12,320)	—	904,083	31,508
Premium/(Discount)	(5,091)	—	242	—	(4,849)	242
Total Tobacco Settlement Authority	906,051	5,261	(12,078)	—	899,234	31,750
Economic Development Project Fund	221,565	—	(7,440)	—	214,125	7,645
Premium/(Discount)	(1,188)	—	70	—	(1,118)	(70)
Total Economic Development Project Fund	220,377	—	(7,370)	—	213,007	7,575
Education, Arts, Sciences, & Tourism Fund	33,675	—	(8,210)	—	25,465	8,660
Total Revenue Bonds	1,396,601	5,261	(39,840)	—	1,362,022	60,476
Capital Leases - Governmental	331,778	3,235	(12,810)	(205)	321,998	15,421
Capital Leases - Internal Service Funds	2,037	3,000	(760)	(28)	4,249	681
Total Capital Leases (see Note 11)	333,815	6,235	(13,570)	(233)	326,247	16,102
Notes Payable	9,998	6,061	(3,675)	(28)	12,356	4,103
Other Obligations:						
Accrued and Other Liabilities (see Note 15)	1,099,735	129,893	(41,388)	—	1,188,240	573,306
Compensated Absences	268,937	4,674	(179,149)	—	94,462	53,283
Net Pension Obligation (see Note 12)	65,847	3,416	—	—	69,263	—
Total Other Obligations	1,434,519	137,983	(220,537)	—	1,351,965	626,589
Total Governmental Activities Long-Term Obligations	$3,919,723	$160,327	$(321,244)	$(261)	$3,758,545	$752,632

Business-type Activities	Balance June 30, 2007	Additions	Reductions	Other Changes	Balance June 30, 2008	Amount Due Within One Year
Accrued Tuition Contract Benefits	$ 115,859	$ 11,376	$ (9,825)	$—	$ 117,410	$ 11,120
Insurance and Compensation Benefits	3,213,042	452,291	(882,442)	—	2,782,891	407,917
Liabilities Payable from Restricted Assets	298	9	(178)	—	129	129
Compensated Absences	3,117	—	(2,228)	—	889	114
Total Business-type Activities Long-Term	$3,332,316	$463,676	$(894,673)	$—	$2,901,319	$419,280

The assets of the general fund, special revenue, and internal service funds are used to liquidate the capital lease obligations and accrued and other liabilities of their respective fund types. Compensated absences liabilities are liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. The net pension obligations are liquidated by the State's governmental and internal service funds that contribute toward the pension funds based on plans established by the action of the State Legislature. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. At year-end, $1.5 million of internal service funds compensated absences are included in the governmental amounts.

Senate Bill 1002, enacted in January 2005, provides that on and after February 1, 2005, bonds may not be issued or refunded by the State or any of its agencies, boards, or commissions without the express written direction of the governor if (1) the ultimate user of the proceeds of the bonds is the State or any of its agencies, boards commissions, or departments, or (2) the issuance or refunding of the bonds implicates the State's credit rating.

Compliance – Various debt agreements governing the State's bonds contain a number of covenants, including continuing disclosure requirements, debt service coverage ratio, and maintaining debt service reserve and maintenance reserve funds. It is required that debt service reserve funds, and maintenance reserve funds are to be held with a Trustee. As of June 30, 2008, the debt service reserve funds approximated $83 million, and the maintenance reserve funds approximated $10 million.

General Obligation Bonds – The State has constitutionally limited its ability to incur debt. The State's general obligation debt must be authorized by constitutional amendment. A proposed amendment must be approved by two-thirds of both the Senate and the House of Delegates before it can be ratified or rejected by the voters. Once the amendment has voter approval, the Legislature must pass specific legislation authorizing the issuance of general obligation debt. All bonds authorized under prior constitutional amendments have been issued. General obligation bonds outstanding at June 30, 2008, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rate(s)%	Balance
Transportation Bonds:			
Payable from State Road Fund to build roads, issued under:			
1996 SAFE Roads Amendment	2025	3.00-5.75%	$427,263
Infrastructure Bonds:			
Payable from dedicated severance tax revenues to fund water, wastewater, and economic development projects	2027	4.00-7.25%	278,692
Total			$705,955

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2008, were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2009	$ 36,415	$ 29,562	$ 65,977
2010	38,230	27,687	65,917
2011	40,240	25,724	65,964
2012	42,420	23,616	66,036
2013	33,035	21,450	54,485
2014-2018	156,220	81,377	237,597
2019-2023	144,215	43,770	187,985
2024-2028	96,325	8,306	104,631
	587,100	261,492	848,592
Premium	26,816	—	26,816
Total	613,916	$261,492	$875,408

Capital Appreciation Bonds

Year Ended June 30	Principal Net of Accreted Amounts	Future Accreted Amounts	Total
2009	$ 6,939	$ 111	$ 7,050
2010	6,656	444	7,100
2011	6,275	775	7,050
2012	5,887	1,088	6,975
2013	5,724	1,426	7,150
2014-2018	24,195	11,305	35,500
2019-2023	21,292	20,358	41,650
2024-2028	15,071	22,429	37,500
Total	92,039	$57,936	$149,975
Total General Obligation Bonds	$705,955		

Revenue Bonds – Revenue bonds are issued by various State departments, agencies and authorities, and economic development projects. Revenue bonds are issued pursuant to specific statutory provisions enacted by the Legislature primarily for the purpose of financing capital construction. Principal and interest payments are made from specifically dedicated fees and other revenues. Revenue bonds do not constitute a general obligation of the State. Transportation revenue bonds in the amount of $91 million have been authorized but not issued at June 30, 2008. The following describes the purpose and dedicated revenue source of revenue bonds outstanding at June 30, 2008:

Agency	Purpose	Revenue Source
Transportation	Highway, road, and bridge construction	Federal reimbursement allowed by Title 23, Section 122
WV Infrastructure and Jobs Development Council	To fund water and sewer infrastructure projects	Certain repayment of defined loans
Tobacco Settlement Finance Authority	To issue bonds to receive lump sum in lieu of future annual payments from MSA	100% of receipts from Tobacco MSA until bonds are paid
Economic Development Project Fund	To provide grants for various economic development projects	Certain net profits of the West Virginia Lottery
Education, Arts, Sciences, and Tourism Fund	Capital projects which promote education, arts, sciences, and tourism	Certain net profits of the West Virginia Lottery

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 issued in the amount of $845,810,000, and the Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007B, which are capital appreciation bonds in the amount of $65,331,503. The Series 2007 Bonds are secured by and are payable solely from the right, title, and interest of the Authority of 100% of the Tobacco Receipts, and investment earnings on the accounts with the trustee under the Indenture. The tobacco receipts through 2029 were estimated to be approximately $1.5 billion, using 85% (the percentage actually received since 2005) 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 billion. The tobacco receipts for FY 2008 totaled $77.4 million; of this amount $71.1 million was used to pay principal and interest.

Economic Development Grants Fund

The State has pledged, as security for bonds issued by the Economic Development Authority (EDA), a portion of the net profits of the West Virginia Lottery. The Economic Development Project Fund bonds, issued by EDA in Fiscal Year 2004 in the amount of $249.9 million to provide financing for various economic development project grants, are payable through 2027. The State has committed to appropriate each year, from the net Lottery profits, amounts sufficient to cover the principal and interest requirements on the EDA debt. EDA has pledged these revenues as the sole security for the bonds. Total principal and interest remaining on the debt is $347.7 million with annual requirements ranging from $18.9 million in FY 2007 to $7.1 million in the final year. For the current year, principal and interest paid by EDA and the net profits of the Lottery committed to the debt were $18.9 million and $18.8 million, respectively.

EAST Fund

The State has pledged, as security for bonds issued by the Economic Development Authority (EDA), a portion of the net profits of the West Virginia Lottery. The Education, Arts, Sciences, and Tourism Fund (EAST), issued by EDA in Fiscal Year 1997 in the amount of $98.8 million to provide financing for capital projects which promote education, arts, sciences, and tourism, are payable through 2011. The State has committed to appropriate each year, from the net Lottery profits, amounts sufficient to cover the principal and interest requirements on the EDA debt. EDA has pledged these revenues as the sole security for the bonds. Total principal and interest remaining on the debt is $27.4 million with annual requirements ranging from $9.8 million in FY 2007 to $7.9 million in the final year. For the current year, principal and interest paid by EDA and the net profits of the Lottery committed to the debt were $9.8 million and $10.0 million, respectively.

Revenue bonds outstanding at June 30, 2008, were as follows (expressed in thousands):

	Issue Date	Final Maturity Date	Interest Rate(s)%	Balance
Transportation	2006-2007	2016	3.75-5.00	$ 101,931
WV Infrastructure and Jobs Development Council	2003-2007	2046	2.62-5.50	122,385
Tobacco Settlement Finance Authority	2007	2029	7.47-8.50	899,234
Economic Development Project Fund	2004	2027	1.20-6.07	213,007
Education, Arts, Sciences, and Tourism Fund	1997	2011	5.00-5.50	25,465
Total				$1,362,022

Future amounts required to pay principal and interest on revenue bonds at June 30, 2008, were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2009	$ 60,260	$ 83,413	$ 143,673
2010	56,395	80,015	136,410
2011	58,840	76,656	135,496
2012	55,255	73,263	128,518
2013	59,600	69,747	129,347
2014-2018	333,610	284,560	618,170
2019-2023	452,100	177,330	629,430
2024-2028	155,795	28,737	184,532
2029-2033	21,355	13,114	34,469
2034-2038	25,545	7,402	32,947
2039-2043	13,815	2,243	16,058
2044-2048	3,915	243	4,158
	1,296,485	896,723	2,193,208
Discount	(5,056)	—	(5,056)
Total	1,291,429	$896,723	$2,188,152

Capital Appreciation Bonds

Year Ended June 30	Principal Net of Accreted Amounts	Future Accreted Amounts	Total
2009	$ —	$ 6,114	$ 6,114
2010	—	6,659	6,659
2011	—	7,239	7,239
2012	—	7,874	7,874
2013	—	8,545	8,545
2014-2018	—	55,262	55,262
2019-2023	—	83,764	83,764
2024-2028	70,593	84,414	155,007
2029-2033	—	554	554
Total	70,593	$260,425	$ 331,018
Total Revenue Bonds	$1,362,022		

Certain revenue bonds have call provisions providing for redemption at the option of the State, beginning ten years following the date of issuance, in whole or in part, in inverse order of maturity, and pay a redemption price not exceeding 103% of par value.

Notes payable are issued by Information Services and Communications and Travel Management internal service funds for the purpose of financing various equipment and vehicles (expressed in thousands).

	Final Maturity Date	Interest Rate(s)%	Balance
Information Services and Communications	2009-2012	2.55-3.93	$ 229
Travel Management	2008-2011	2.96-4.99	12,127
Total Notes Payable			$ 12,356

Future amounts required to pay principal and interest on notes payable at June 30, 2008, were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2009	$ 4,103	$355	$ 4,458
2010	3,745	210	3,955
2011	2,901	89	2,990
2012	1,607	19	1,626
Total Notes Payable	$12,356	$673	$13,029

Summary of Discretely Presented Component Unit Debt
(Expressed in Thousands)

	Balance June 30, 2007	Debt Issued	Debt Paid	Other Changes	Balance June 30, 2008	Amount Due Within One Year
Revenue Bonds:						
Housing Development Fund	$ 750,839	$ 77,003	$ (67,490)	$ (424)	$ 759,928	$24,835
Parkways, Economic Development, and Tourism Authority	93,874	—	(6,680)	899	88,093	7,330
Water Development Authority	242,001	—	(6,330)	1,333	237,004	5,903
Higher Education	703,497	114,162	(24,006)	—	793,653	23,833
Regional Jail Authority	85,980	—	(4,335)	—	81,645	4,550
School Building Authority	346,046	—	(23,725)	(775)	321,546	14,940
Total Discretely Presented Component Unit Revenue Bonds	$2,222,237	$191,165	$(132,566)	$1,033	$2,281,869	$81,391
Capital Leases:						
Parkways, Economic Development, and Tourism Authority	$ 1,443	$ 969	$ (571)	$ —	$ 1,841	$ 687
Higher Education	37,273	15,564	(6,010)	—	46,827	4,578
Total Discretely Presented Component Unit Capital Leases (see Note 11)	$ 38,716	$ 16,533	$ (6,581)	$ —	$ 48,668	$ 5,265
Notes Payable:						
Housing Development Fund	$ —	$ 250	$ (1)	$ —	$ 249	$ —
Economic Development Authority	6,314	—	(431)	—	5,883	395
Higher Education	6,923	16,218	(160)	—	22,981	172
Job Investment Trust	21,183	—	—	1,392	22,575	—
West Virginia State Rail Authority	425	—	(425)	—	—	—
Public Defender Corporation	151	—	(20)	—	131	20
Total Discretely Presented Component Unit Notes Payable	$ 34,996	$ 16,468	$ (1,037)	$1,392	$ 51,819	$ 587

Discretely Presented Component Units

Revenue Bonds – Revenue bonds are issued by various component units pursuant to specific statutory provisions enacted by the Legislature for the purpose of financing capital construction. Principal and interest payments are made from specifically dedicated fees and other revenue sources, such as tuition and registration fees, dedicated court fees, mortgage loan repayments, and certain nontoll revenues. Revenue bonds do not constitute general debt of the State (expressed in thousands).

	Issue Date	Final Maturity Date	Interest Rate(s)%	Balance
Housing Development Fund	1997-2007	2040	3.63-6.55	$ 759,928
Parkways, Economic Development, and Tourism Authority	1993-2003	2019	3.50-7.00	88,093
Water Development Authority	2000-2006	2044	2.40-6.375	237,004
Higher Education	1969-2007	2037	4.18-6.26	793,653
Regional Jail Authority	1998	2021	4.31-5.35	81,645
School Building Authority	2002-2007	2022	2.00-5.25	321,546
Total Revenue Bonds				$2,281,869

Future amounts required to pay principal and interest on revenue bonds of the discretely presented component units at June 30, 2008, were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2009	$ 82,755	$ 105,195	$ 187,950
2010	91,309	101,613	192,922
2011	95,802	97,420	193,222
2012	99,171	92,981	192,152
2013	101,420	91,711	193,131
2014-2018	555,958	396,343	952,301
2019-2023	438,257	286,454	724,711
2024-2028	342,976	193,044	536,020
2029-2033	300,698	102,282	402,980
2034-2038	153,828	22,822	176,650
2039-2043	23,155	3,077	26,232
2044-2048	4,070	206	4,276
	2,289,399	1,493,148	3,782,547
Discount	(26,698)	—	(26,698)
Premium	19,168	—	19,168
Total	$2,281,869	$1,493,148	$3,775,017

Notes payable are issued for various reasons, including construction and the purchase of land and buildings and vehicles. For detailed information on specific notes, see the separately issued financial statements of the discretely presented component units.

The following is a summary of notes payable at June 30, 2008 (expressed in thousands):

	Issue Date	Final Maturity Date	Interest Rate(s)%	Balance
Housing Development Fund	2008	N/A	0.00	$ 249
Economic Development Authority	2007	2023	3.00-9.00	5,883
Higher Education	1997-2008	2028	3.20-6.30	22,981
Jobs Investment Trust	2001-2004	2014	5.40-6.95	22,575
Public Defender Corporation	2005	2015	6.99-7.50	131
Total Notes Payable				$51,819

Future amounts required to pay principal and interest on notes payable of the discretely presented component units at June 30, 2008, were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2009	$ 806	$1,676	$ 2,482
2010	592	1,769	2,361
2011	5,501	1,855	7,356
2012	5,333	1,389	6,722
2013	5,283	1,201	6,484
2014-2018	14,086	968	15,054
2019-2023	1,512	129	1,641
2024-2028	18,706	—	18,706
Total	$51,819	$8,987	$60,806

Parkways, Economic Development, and Tourism Authority

In 2003, the Parkways, Economic Development, and Tourism Authority (Parkways) issued $63,900,000 of Variable Rate Demand Revenue Refunding Bonds for the express purpose of refunding $61,280,000 of Parkways' Series 1993 Bonds. This refunding resulted in a $7,896,000 deferred loss arising from the difference between the reacquisition price and the net carrying amount of the refunded debt. Amortization of this deferral, charged annually to interest expense through 2019, approximated $568,000 in 2008 and $566,000 in 2007. Parkways completed the refunding to reduce its aggregate debt service payment by $7,270,000 over a 17-year period (life of the refunding bonds) and obtain an economic gain (difference between the present values of the old and new debt service payments) of $4,851,000. The Series 2003 bonds bear interest at the Weekly Interest Rate determined by the remarketing agent on Tuesday of each week. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in February 2003, Parkways entered into an interest rate swap in connection with its 2003 Variable Rate Demand Revenue Refunding Bonds. The intention of the swap was to effectively change Parkway's variable interest rate on the bonds to a synthetic fixed rate of 4.387%.

The bonds and the related swap agreement mature on May 1, 2019, and the swap's notional amount of $63,900,000 matches the $63,900,000 variable rate bonds, Series 2003. Under the swap, Parkways pays the counterparty a fixed payment of 4.387% and receives a variable payment computed as 67.0% of the London Inter-Bank Offer Rate (LIBOR). Conversely, the bond's variable rate is the Weekly Interest Rate determined by the Remarketing Agent.

As of June 30, 2008, Parkways was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, Parkways would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated AA by Fitch Ratings, AA- by Standard & Poor's, and AA2 by Moody's Investors Service as of June 30, 2008.

The swap exposes Parkways to basis risk should the relationship between LIBOR and BMA converge, changing the floating rate on the swap. This Alternative Floating Rate Date occurred September 3, 2003. As a result, the expected cost savings have not been realized.

Parkways or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, Parkways would be liable to the counterparty for a payment equal to the swap's fair value.

On February 14, 2008, the insurer of the Series 2003 Variable Rate Demand Revenue Refunding Bonds, Financial Guaranty Insurance Company had its credit rating downgraded below the minimum bond insurer rating specified in the Liquidity Facility for the Series 2003 Bonds. Once the bond insurer's credit rating remains at this level for a period of 30 consecutive days, the Liquidity Provider for the Series 2003 Bonds has the right to elect to terminate the Liquidity Facility by giving written notice to the Trustee, Parkways, the Remarketing Agent and the Insurer not less than 30 days from the date of receipt of such notice by the Trustee. The Liquidity Provider did not exercise this option. However, a majority of bondholders have exercised their option to tender for purchase their interest in the Series 2003 Bonds since February 14, 2008.

Upon receipt of an irrevocable written notice, the Tender Agent must purchase the principal amount of such identified bonds no later than seven days after the receipt of the notice. In the event any bonds having been so tendered are not then remarketed by the Remarketing Agent, the Liquidity Provider must purchase the tendered bonds under the Liquidity Facility. Upon such purchase by the Liquidity Provider, such Series 2003 Bonds become "Purchased Bonds" with the Liquidity Provider as the holder thereof. In the event that the

Liquidity Provider had elected to give notice of termination as a result of the bond insurer's credit rating remaining below the specified level for 30 or more days, as noted above, then the effect on Parkways would be as follows: (a) the Trustee would be required to give notice of a mandatory tender of those Series 2003 Bonds that are not already "Purchased Bonds" on a date prior to the expiration of the Liquidity Facility, (b) the Liquidity Provider would be required to purchase such tendered bonds, (c) all Series 2003 Bonds then would become "Purchased Bonds" (d) the interest rate on all "Purchased Bonds" becomes the Wall Street Journal prime rate for 90 days from the date of their compulsory purchase by the Liquidity Provider, then after 90 days have elapsed the interest rate becomes the Wall Street Journal prime rate plus 100 basis point, and ultimately, after 180 days the interest rate becomes the Wall Street Journal prime rate plus 200 basis points. In addition, after 180 days from the date they were purchased by the Liquidity Provider, the principal amount of "Purchased Bonds" must be redeemed by Parkways in ten equal semiannual installments commencing approximately six months after the 180th day together with all unpaid interest at the Wall Street Journal prime rate plus 200 basis points, with the final installment of principal due no later than the fifth anniversary of the beginning of such special redemption period.

As a result of the credit rating downgrade of the bond insurer, the Weekly Interest Rate on the Series 2003 Bonds has increased above historical levels and Parkways' interest rate swap was not sufficient to fully hedge the interest rate risk of the variable rate bonds and accordingly, as long as such condition persists, the intention of the swap to synthetically fix the interest rate will not be maintained. Further, because the variable interest rates related to the swap have declined further, the swap had a negative fair value of $4,613,049 as of June 30, 2008. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap. To resolve the above technical violation of the bond indenture regarding the Series 2003 Variable Rate Demand Revenue Refunding Bonds, Parkways advance refunded the outstanding bonds through the issuance of $59.1 million of Series 2008 Variable Rate Demand Revenue Refunding Bonds, on July 2, 2008. The Series 2008 bonds require payment of principal and interest at variable rates, due in varying installments through April 2019 on a schedule substantially similar to that of the Series 2003 bonds.

Using rates as of June 30, 2008, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (expressed in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

Year Ended June 30	Variable-Rate Bonds Principal	Interest	Interest Rate Swap, Net	Total
2009	$ 4,300	$ 3,551	$ (823)	$ 7,028
2010	4,300	3,961	(1,431)	6,830
2011	4,700	3,651	(1,322)	7,029
2012	4,700	3,311	(1,169)	6,842
2013	5,200	2,971	(1,082)	7,089
2014-2018	29,200	8,964	(3,274)	34,890
2019	6,700	484	(193)	6,991
	$59,100	$26,893	$(9,294)	$76,699

Debt Contingencies and No-Commitment Debt

As a vehicle to assist the local and other non-State governments in West Virginia, the State may appropriate sufficient amounts to meet any deficiencies that may arise because of failures by such entities to provide for debt service payments for obligations under the supervision and control of the Municipal Bond Commission. For the year ended June 30, 2008, no such amounts were transferred to the Municipal Bond Commission under this agreement.

The Hospital Finance Authority (HFA), the Public Energy Authority (PEA), and the Economic Development Authority (EDA) have issued bonds on behalf of third parties that in no way obligates the State, HFA, PEA, or EDA, for these debt issuances, unless these entities or the State serve in a third-party role. The obligations become an obligation of the third party when issued, because all rights to payments and/or obligations have been irrevocably assigned to a trustee. Payments are made directly to the trustee from dedicated revenues of the third parties, in accordance with the related bond indentures. The amount of such no-commitment debt outstanding at June 30, 2008, is approximately $1.1 billion, $83 million, and $1.1 billion for HFA, PEA, and EDA, respectively.

Included in the $1.1 billion EDA current value is $313 million related to bonds issued by EDA specifically for the construction of correctional, public safety, and other State office facilities, as well as an energy savings project. The bonds are limited obligations of the EDA, payable solely out of rental revenue derived under the indenture and the contracts of lease-purchase between the EDA and the State. The bonds shall never constitute an indebtedness of the State or the issuer within the meaning of any constitutional provision or statutory limitation, nor are they a charge against the property, general credit, or taxing power, if any, of the State or issuer. The State's obligation to pay rentals is subject to and dependent upon yearly appropriations being made by the State Legislature sufficient for such purpose. If the State Legislature does not make an appropriation to pay the lease rentals or the State provides a 30-day notice of cancellation, the contracts of lease-purchase shall be terminated, and the State is to surrender possession of the related facilities. The State has recorded the leasing arrangements as capital lease obligations, included in the lease amounts disclosed in Note 11.

The Housing Development Fund (HDF) has a $15 million line of credit with the Federal Home Loan Bank that is available as a warehouse line for the purchase of single-family, multifamily, and secondary market loans. This line of credit is secured by investments of the Bond Insurance Fund and is a general obligation of the HDF. At June 30, 2008, no advances had been drawn on this line of credit, and accordingly, no balance is outstanding.

Current Year Extinguishment of Debt

Housing Development Fund

The Housing Development Fund redeemed bonds in the amount of $43,970,000 at redemption prices that approximated their carrying value. The impact of these early redemptions on their financial statements was not material.

Higher Education

In April 2007, the Higher Education Policy Commission issued 2007 Series A bonds to refinance $9,990,000 of $10,300,000 Series A 1997 Bonds of the State University System and $7,855,000 of $8,095,000 Series A 1997 Bonds of the State College System. The defeased portion of the bonds and the remaining outstanding bonds were called and paid in full on April 1, 2008.

The Marshall University Center revenue bonds were issued in 1969 to finance the construction of the University Student Center. Interest was payable semiannually, at varying rates up to 6% per annum. These bonds were secured by a first lien on and pledge of the entire University Center fees charged to students at the University and the net revenues, excluding bookstore revenues, derived from the operation of the University Center. The final payment of $420,000 was made in FY 2008.

Prior Defeasances

In prior years, the State defeased certain revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payment on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements. At June 30, 2008, the following outstanding bonds are considered defeased (expressed in thousands):

	Outstanding Amount
Primary Government	$295,345
Discretely Presented Component Units	49,645
Total	$344,990

NOTE 11

LEASES

The State has entered into various lease/purchase agreements with the private sector, primarily for buildings and equipment. These agreements, accounted for as capital leases, are for various terms. While most of these agreements contain fiscal funding clauses indicating that their continuation is subject to continuing appropriation by the Legislature, these leases are accounted for as capital leases and are considered noncancelable for financial reporting purposes.

The State has also entered into lease/purchase agreements with the Economic Development Authority (EDA) which issued bonds to finance construction and acquisition of various capital assets as well as an energy savings project. The State becomes the tenant of the facility under a lease/purchase agreement which provides for the payment of rentals sufficient to cover the related bond debt service and for the passage of title to the State after the bonds have been repaid. The governmental activities capital leases obligation includes approximately $313 million related to these lease agreements with EDA, a discretely presented component unit. More information on the conduit debt of the EDA is included in Note 10.

GAAP requires a lease that transfers substantially all of the benefits and risks of ownership to the lessee to be accounted for as the acquisition of a capital asset and the incurrence of an obligation by the lessee. For capital leases in governmental funds, other financing sources are recorded at lease inception. Lease payments are recorded as debt service expenditures. For budgetary purposes, lease payments are only reported as expenditures when paid. In the government-wide and proprietary fund statements, assets and liabilities resulting from capital leases are recorded at lease inception.

The following table is an analysis of the property acquired under capital leases by asset category at June 30, 2008, (expressed in thousands):

	Primary Government Governmental Activities	
Asset Type	Assets Acquired by Capital Lease	Accumulated Depreciation
Land	$ 3,063	$ —
Buildings and Improvements	315,451	55,535
Construction in Progress	22,359	—
Machinery and Equipment	12,138	5,996
Infrastructure	3,107	1,398
Total	$356,118	$62,929

Future minimum commitments under capital leases as of June 30, 2008, were as follows (expressed in thousands):

	Capital Leases		
Year Ended June 30	Governmental Activities	Discretely Presented Component Units	Total
2009	$ 32,120	$ 6,859	$ 38,979
2010	27,108	5,186	32,294
2011	25,859	4,555	30,414
2012	25,830	13,097	38,927
2013	25,420	3,447	28,867
2014-2018	132,979	25,969	158,948
2019-2023	128,087	2,109	130,196
2024-2028	100,166	492	100,658
2029-2033	27,158	—	27,158
2034-2038	1,627	—	1,627
Total Minimum Lease Payments	526,354	61,714	588,068
Less: Interest	(200,107)	(13,046)	(213,153)
Present Value of Future Minimum Lease Payments	$ 326,247	$48,668	$ 374,915

Other leases, principally for equipment, are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease. Operating lease expenditure/expense for the year ended June 30, 2008, was $23.9 million. Future minimum commitments under operating leases as of June 30, 2008, were as follows (expressed in thousands):

	Operating Leases			
Year Ended June 30	Governmental Activities	Business-type Activities	Discretely Presented Component Units	Total
2009	$12,337	$289	$ 9,923	$ 22,549
2010	9,341	248	6,573	16,162
2011	7,493	119	5,608	13,220
2012	5,486	69	4,939	10,494
2013	4,304	—	4,443	8,747
2014-2018	12,217	—	14,964	27,181
2019-2023	3,366	—	9,880	13,246
2024-2028	680	—	9,880	10,560
2029-2033	57	—	5,930	5,987
Total Minimum Lease Payment	$55,281	$725	$72,140	$128,146

NOTE 12

RETIREMENT SYSTEMS

Plan Description

The West Virginia State Legislature has established seven defined benefit plans (the Plans) and a defined contribution plan to provide retirement benefits for eligible employees. The Plans are a group of defined benefit public employee retirement systems. The Consolidated Public Retirement Board (CPRB) administers the Plans under the direction of its Board of Trustees, which consists of the Governor, State Auditor, State Treasurer, Secretary of the Department of Administration, and ten members appointed by the Governor. The Governmental Employees Deferred Compensation Plan is administered by a third-party administrator and has been excluded from these financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 32, "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans."

CPRB prepares separately issued financial statements covering the retirement systems, which can be obtained from the Consolidated Public Retirement Board, 4101 MacCorkle Avenue, SE, Charleston, WV 25304. The Plans' financial statements are prepared using fund accounting principles and the accrual basis of accounting, under which expenses are recorded when liabilities are incurred and revenues are recorded in the accounting period in which they are earned and become measurable. Investments are carried at fair value as determined by a third-party pricing service utilized by the respective investment management companies. Investment transactions are accounted for on a trade-date basis. Unrealized gains and losses are included in investment income. Investment income is determined monthly and distributed to each of the defined benefit plans participating in the investment pools on the last day of the month in the form of reinvested shares.

The net pension obligation at June 30, 2008, amounted to approximately $69 million, which is an increase of approximately $3 million from the prior year's obligation. The net pension asset at June 30, 2008, was approximately $1 billion, which is an increase of approximately $38 million from the prior year's asset.

The Plans are comprised of the following groups of defined benefit plans which provide substantially all employees of the State, its public education system, and other political subdivisions of the State with retirement and death and disability benefits:

- The Public Employees' Retirement System (PERS) is a multiple-employer, cost-sharing, public employee retirement system. The number of local government employers participating in PERS at June 30, 2008, was 526, including 104 cities and towns, 367 special districts, and 55 counties.

- The Deputy Sheriff Retirement System (DSRS) is a multiple-employer, cost-sharing, public employee retirement system which was established for all deputy sheriffs hired on or after July 1, 1998. Current employees were eligible to transfer from PERS. The State makes no employer contributions to DSRS.

- The Emergency Medical Services Retirement System (EMSRS) is a multiple-employer, cost-sharing public employee retirement system which was established for eligible emergency medical service officers. Participation is voluntary. The State makes no employer contributions to EMSRS.

- The Teachers' Retirement System (TRS) is a multiple-employer, cost-sharing, public employee retirement system. Fifty-five county public school systems, certain personnel of the thirteen State-supported institutions of higher education, West Virginia Department of Education, and boards of higher education participate in the TRS plan. Because the State provides substantially all the funding for TRS, the State follows the GASB Statement No. 27 reporting requirements for sole employer plans.

- The Public Safety Death, Disability, and Retirement Fund (PSDDRF), the State Police Retirement System (SPRS), and the Judges' Retirement System (JRS) are single-employer, public employee retirement systems.

Funding Policy

Funding policies for all the Plans have been established and changed from time to time by action of the State Legislature. Actuarial valuations are performed to assist the Legislature in determining appropriate contribution rates. As a condition of participation in the Plans, employers and/or employees are required to contribute certain percentages of salaries and wages as authorized by statute and specified by CPRB. The following schedule summarizes each defined benefit plan's required contribution rates at June 30, 2008:

Statutory Contribution Rates as a Percent of Covered Payroll

System	Member	Employer
PERS	4.5%	10.5%
TRS	6.0%	15.0% State
		15.0% Counties
		15.0% Other Employers
PSDDRF	9.0%	15.0%
SPRS	12.0%	12.0%
JRS	10.5%	Appropriated by the Legislature

The State Supreme Court has required the State to fund the Teachers' Retirement System in an actuarially sound manner to eliminate the unfunded liability over a forty-year period beginning on July 1, 1994, and to meet the cash flow requirements of the TRS in fulfilling its future anticipated obligations to its members. The State Supreme Court has further ordered the State, through the Governor, to require the appropriate funding should the State Legislature fail to do so. Since this ruling, the Legislature has supplemented the funding of the TRS to meet this requirement.

Annual Pension Cost, Funding and Net Pension Obligation

The State's contributions to PERS for the years ended June 30, 2008, 2007, and 2006 were $85,336,153, $82,239,734, and $96,107,777, respectively, equal to the required contributions for each year. The following table provides the annual pension cost and changes in net pension obligation for each defined benefit plan reported as a sole employer plan for the current year (expressed in thousands):

	TRS	PSDDRF	SPRS	JRS
Annual required contribution (ARC)	$ 345,412	$ 5,693	$ 2,262	$ 2,508
Interest on net pension obligation	(71,855)	4,939	(182)	(423)
Adjustment to ARC	60,294	(5,515)	209	718
Annual pension cost (APC)	$ 333,851	$ 5,117	$ 2,289	$ 2,803
ARC related contributions and appropriations	$ 368,883	$ 1,701	$ 2,339	$ 6,034
Percentage of APC contributed	110.49%	33.24%	102.18%	215.27%
Net pension obligation (asset), July 1, 2007	$(958,071)	$65,847	$(2,433)	$(5,646)
Increase (decrease) in net pension obligation (asset)	(35,032)	3,416	(50)	(3,231)
Net pension obligation (asset), June 30, 2008	$(993,103)	$69,263	$(2,483)	$(8,877)

Three-Year Trend Information

In accordance with GASB 27, the single-employer plans disclose the following (expressed in thousands):

	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
TRS				
	2008	$333,851	110.49%	$(993,103)
	2007	$329,649	449.62%	$(958,071)
	2006	$342,414	105.29%	$ 194,464
PSDDRF				
	2008	$ 5,117	33.24%	$ 69,263
	2007	$ 5,863	91.42%	$ 65,847
	2006	$ 11,406	75.66%	$ 66,358
SPRS				
	2008	$ 2,289	102.18%	$ (2,483)
	2007	$ 1,925	112.99%	$ (2,433)
	2006	$ 1,740	104.66%	$ (2,157)
JRS				
	2008	$ 2,803	215.27%	$ (8,877)
	2007	$ 3,216	187.62%	$ (5,646)
	2006	$ 4,111	164.39%	$ (2,828)

Funded Status and Funding Progress

The funded status of each plan as of June 30, 2008, the most recent actuarial valuation date, is as follows (expressed in thousands):

	TRS	PSDDRF	SPRS	JRS
Actuarial Value of Plan Assets	$4,133,883	$459,182	$41,564	$100,186
Actuarial Accrued Liability (AAL)	$8,268,578	$547,623	$51,388	$ 97,965
Unfunded AAL (UAAL)	$4,134,695	$ 88,441	$ 9,824	$ (2,221)
Funded Ratio	50.0%	83.9%	80.9%	102.3%
Annual Covered Payroll	$1,409,437	$ 10,400	$20,285	$ 8,261
UAAL as a Percentage of Covered Payroll	293.4%	850.4%	48.4%	0%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information. The actuarial value of plan assets has been increasing over time relative to the actuarial accrued liabilities for benefits for each plan.

Actuarial Methods and Assumptions

	TRS	PSDDRF	SPRS	JRS
Valuation date	July 1, 2008	July 1, 2008	July 1, 2008	July 1, 2008
Actuarial cost method	Entry age cost	Entry age cost	Entry age cost	Entry age cost
Asset valuation method	Fair value	Fair value	Fair value	Fair value
Amortization method	Constant percentage of payroll	Constant percentage of payroll	Constant dollar	Constant dollar
Amortization period	Through FY 2034, closed	Through FY 2025, closed	Through FY 2030, closed	Through FY 2018, closed
Actuarial assumptions:				
Investment rate of return	7.50%	7.50%	7.50%	7.50%
Projected salary increases	3.50%-5.50%	4.75%-6.00%	4.75%-6.00%	4.50%
Inflation rate	3.00%	3.00%	3.00%	3.00%
Annual annuity adjustment	None	3.75% Annual cost of living adjustment	1.00% Annual cost of living adjustment	4.50%

Pension Investments

Following is a summary of investment holdings by plan at the IMB. Such investments are recorded at fair value as more fully described in Note 4. Substantially all of the following investment pools are in excess of 5% of total investments for all plans as of June 30, 2008, (expressed in thousands):

	PERS	TRS	PSDDRF	SPRS	DSRS	JRS	EMSRS
Large Cap Equity	$ 761,062	$ 736,142	$ 92,491	$ 8,487	$17,890	$ 19,415	$ 3,220
Non-Large Cap Equity	295,601	283,987	17,998	1,593	3,460	3,781	574
International Qualified	221,650	188,165	26,498	2,217	4,974	5,501	1,123
International Equity	592,583	775,733	86,362	7,232	16,157	17,965	2,263
Private Equity	430,956	361,209	50,771	4,324	9,597	10,664	1,538
Private Real Estate	16,860	14,099	1,976	172	377	416	36
Fixed Income	1,599,015	870,389	182,580	16,670	35,807	38,567	6,179
Short-Term Fixed Income	16,762	118,242	380	869	532	3,880	483
Total	$3,934,489	$3,347,966	$459,056	$41,564	$88,794	$100,189	$15,416

The following investment managers have investments at fair value in excess of 5% of the net assets of the Teachers' Defined Contribution Retirement System as of June 30, 2008, (expressed in thousands):

American Funds Bond Fund A	$ 82,528
American Funds Growth Fund A	142,809
Black Rock Large Cap Value Fund	71,251
Federated Max Cap Institutional	63,446
Franklin Income Fund A	95,132
Valic Fixed Annuity Option	298,333
Vanguard Money Market Prime Portfolio	59,214
Other (Less than 5% Individually)	117,597
Total	$930,310

Defined Contribution Plans

The Teachers' Defined Contribution Retirement System (TDCRS)

TDCRS, administered by the Consolidated Public Retirement Board, is a multiple-employer defined contribution retirement system primarily covering the full-time employees of the State's 55 county public school systems, the State Department of Education, and the School for the Deaf and the Blind, who were hired between July 1, 1991, and June 30, 2005. TDCRS members also include former TRS plan members, including higher education employees, who have elected to participate in the TDCRS plan. There are approximately 21,431 and 21,905 members in the TDCRS plan at June 30, 2008 and 2007, respectively. TDCRS retirement benefits depend solely on amounts contributed to the plan plus investment earnings. TDCRS closed participation to new members effective June 30, 2005.

State legislation requires enrolled employees to contribute 4.5% of their gross compensation and the employers contribute 7.5% of covered members' gross compensation from amounts allocated to the employers through the State School Aid Formula. Employer contributions for each employee (and interest allocated to the employee's account) become partially vested after six years and fully vested after twelve years of completed service. Employer contributions and earnings thereon forfeited by employees who leave employment prior to becoming vested are available, in the event the employee does not return to active participant status within five years, to reduce the employer's current-period contribution requirement. Any such forfeitures arising from contributions plus earnings thereon, will be used to reduce future employer contributions.

The TDCRS investments are held and managed by an investment company as the third-party administrator for the plan. As prescribed by West Virginia Code, the TDCRS investments are placed in participant accounts and the participants direct the investment of their account by selecting from a list of plan mutual funds or a long-term fixed investment option. The TDCRS provides members with a choice of ten separate investment options made up of a fixed income mutual fund, balanced mutual fund, large cap mutual funds, mid cap mutual fund, small cap mutual fund, international mutual fund, money market fund and a guaranteed insurance fixed annuity. Three Profile funds (conservative, moderate, or aggressive) allow participants to invest their contributions according to their risk tolerance.

The TDCRS investments are carried at fair value as determined by a third-party pricing service utilized by an investment management company. Investment income for the TDCRS is determined monthly and distributed to the individual participant accounts.

Concentration of Credit Risk

As of June 30, 2008, the TDCRS has investment balances with the following issuers which were greater than 5% of the total investment balance of the TDCRS (expressed in thousands):

Mutual Fund	2008
American Funds Growth Fund A	$142,809
Black Rock Large Cap Value Fund	71,251
Federated Max Cap Institutional	63,446
Franklin Income Fund - A	95,132
American Funds Bond A	82,528
Valic Fixed Annuity Option	298,333
Vanguard Money Market Prime Portfolio	59,214
Other (Less than 5% Individually)	117,597
	$930,310

Custodial Credit Risk - Cash Deposits

The TDCRS' cash deposits with financial institutions were approximately $7.9 million at June 30, 2008. These deposits, which had a bank balance of approximately $7.9 million, are either insured by the Federal Deposit Insurance Corporation or collateralized with securities held in TDCRS' name by its agents.

Interest Rate Risk

As of June 30, 2008, the TDCRS had the following investments and maturities (expressed in thousands):

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less than 1	1 -5	6 -10
Mutual Funds	$930,310	$930,310	$—	$—

For the year ended June 30, 2008, the approximate payroll of State employees covered by TDCRS was $652 million and total covered payroll for both the TDCRS and TRS was approximately $1.5 billion. Both the employees and employers made the required contributions amounting to $34 million and $53 million, respectively, or 5.23% and 8.13% of covered payroll.

Teachers' Insurance and Annuity Association

The Teachers' Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA-CREF), a privately administered multiple employer defined contribution retirement plan, provides individual retirement fund contracts for each eligible participating employee. Eligible employees consist mainly of state college/university faculty and staff. For the year ended June 30, 2008, contributions were approximately $32.9 million from the covered employees and approximately $32.9 million from the thirteen participating institutions from the State of West Virginia.

Benefits to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement and are fully vested from the date of employment. The total annual required contribution and the amount paid is 6% of the employee's annual salary and is established by the Board of Trustees of the University System of West Virginia and the Board of Directors of the State College System. The State has no further liability once annual contributions are made.

Great-West Retirement Services

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the New Educators Money 401(a) basic retirement plan, administered by Great-West Retirement Services. New hires have the choice of either plan. For the year ended June 30, 2008, contributions were approximately $337 thousand from the covered employees and $331 thousand from the Higher Education Fund institutions.

NOTE 13

OTHER POSTEMPLOYMENT BENEFITS

General

In addition to the pension benefits described in Note 12, the State provides certain health care and other insurance benefits, in accordance with State statutes, for retired employees. Substantially all employees hired prior to July 1, 2001, may become eligible for these benefits if they reach normal retirement age while working for the State. State employees earn sick leave benefits, which accumulate, but do not vest. Eligible employees may convert, at the time of retirement, any unused accumulated sick leave to pay a portion of the employee's postemployment health care insurance premium. If this option is not selected, the leave amount may be applied toward an increase in the employee's retirement benefits with such sick leave constituting additional credited service in computation of such benefits. The unused portion of sick leave that is expected to be converted to additional credited service for retirement benefits is considered in the actuarial valuation used to calculate the net pension obligation.

The State provides health care credits against monthly health insurance premiums of certain retirees based on various factors, including unused sick leave at the time of retirement. According to West Virginia State Code, employees hired prior to June 30, 1988, can receive health care credit against 100% of their health care coverage. Employees hired between June 30, 1988, and July 1, 2001, can receive health care credits against 50% of their health care cost. Employees hired July 1, 2001, or later, may not convert sick leave into a health care benefit.

In addition to the pension benefits allowing certain retirees to convert sick leave to health care premiums, State statutes provide that employees who retire may continue participation in the State's health insurance plan subject to certain length of service and participation requirements. Such employees are eligible to participate in the public employees' insurance program by making the premium contribution specified by the PEIA Finance Board. Approximately 33,500 retirees and 73,000 active plan members met those eligibility requirements at June 30, 2008.

Plan Description

The State implemented GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," in 2007. In conjunction with the implementation of GASB Statement No. 43, the State established the Retiree Health Benefit Trust Fund (RHBT) under West Virginia Code §5-16D-2, an irrevocable trust, to account and report for the other postemployment benefits (OPEBs) provided under the multiemployer cost-sharing plan. The PEIA Finance Board was assigned the authority to establish and amend contribution requirements of the plan members and the participating employers, and PEIA administers the plan. The legislation requires the RHBT to determine through an actuarial study the contractually required contribution (CRC) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The CRC, which is reviewed and approved by the PEIA Finance Board, shall be allocated to the 579 respective employers who are required by law to remit at least the minimum annual premium component of the CRC.

The RHBT provides the following basic retiree benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, dental, and prescription drug coverage for retired employees of the State and various non-State governmental agencies and their dependents. Plan benefits are established and revised by PEIA and RHBT management with the approval of their Finance Board.

Basis of Accounting

The RHBT is included in the fiduciary funds financial statements. Accordingly, the basic financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for governmental entities as prescribed or permitted by the GASB. Revenues are derived mainly from contributions from plan members and employer contributions. Member's contributions are recognized in the period in which the contributions are due. Employer contributions to the RHBT are recognized pursuant to a formal commitment from the employer or statutory contractual requirement, when there is a reasonable expectation of collection. Benefits and refunds are recognized when due and payable. RHBT cash and cash equivalents principally consist of the deposits in the BTI pooled funds recorded at fair value as more fully described in Note 4.

Effective July 1, 2007, the State implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which requires reporting on an accrual basis the liability associated with other postemployment benefits. The liability for compensated absences sick leave of approximately $179 million for governmental funds and $2 million for proprietary funds and $68.9 million for component units in fiscal year 2007 has been properly removed from compensated absences and included in the OPEB calculations for fiscal year 2008. (See Note 2 for further discussion.) The liability to RHBT for OPEB of $31.6 million at June 30, 2008, is recorded in the Due to Other Funds on the governmental Balance Sheet and the Due to Fiduciary Funds on the government-wide Statement of Net Assets.

Funding Policy

Historically, the obligation associated with retiree health care benefits has been funded and recognized for financial statement purposes on a pay-as-you-go basis. The retiree premiums currently pay approximately 35% of health care claims for retirees and their dependents. The balance of the cost is funded by the State and other participating employers through a retiree subsidy, which is included in the premium charged for the coverage of each active employee. A non-Medicare plan member or beneficiaries receiving benefits contributes monthly health care premiums ranging from $208 to $744 per month for retiree-only coverage, and from $416 to $1,772 per month for retiree and spouse coverage. Medicare covered retirees are charged health care premiums ranging from $46 to $339 per month for retiree-only coverage, and from $69 to $1,156 per month for retiree and spouse coverage. Monthly premiums vary based on years of service and choice of coverage.

Revenues collected by RHBT will be used to fund current OPEB health care claims and administrative expenses with residual funds held in trust for future OPEB costs. The rates charged must generate sufficient revenues to not only meet all expected expenses, including insurance, administrative expenses, and incurred but unreported claims of the RHBT, but also include the amounts necessary to fund the unfunded obligation of the Plan over an amortization period not to exceed 30 years. The total CRC for the years ended June 30, 2008, and June 30, 2007, were approximately $398 million and $649 million, respectively. The percentages contributed were 81% and 19%, respectively. The annual required contribution (ARC) for the year ended June 30, 2007, does not reflect the impact of transferring Medicare plan participants to a MAPD and other substantive plan changes that were made subsequent to the 2007 ARC calculation. The total contributions to the plan were $385 million.

West Virginia Code §5-16-25 requires the Finance Board of PEIA to maintain a reserve of 10% of projected PEIA plan costs for general operation purposes and to provide future plan stability. In the event the reserve fund exceeds certain parameters specified in the Code, the excess is to be transferred to the West Virginia Retiree Health Benefit Trust Fund, in accordance with Senate Bill 129, which became effective July 1, 2007. In FY 2008, $108.2 million of prior year's excess reserve funds were transferred to the RHBT.

Actuarial Value of Plan Assets

The actuarial value of the plan assets is measured at fair value.

Annual OPEB Cost

The State's contributions to RHBT for the year ended June 30, 2008, were $143,582,050 which was $31,260,363 less than the required contribution for the year. In years prior to GASB 45, the State's contributions were on a pay-as-you-go basis. The contributions for the benefit approximated $141 million for the year ended June 30, 2007, and $115 million for the year ended June 30, 2006.

Complete RHBT financial statements, including additional detailed disclosures, may be obtained directly from their administrative offices at Retiree Health Benefit Trust, 601 57th St., SE, Suite 2, Charleston, WV 25304.

NOTE 14

RISK MANAGEMENT

The State is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and life coverage; and natural disasters. The State of West Virginia operates three significant insurance enterprise funds: Board of Risk and Insurance Management (BRIM), Public Employees' Insurance Agency (PEIA), and Workers' Compensation Fund (WCF). The State also operates AccessWV, which provides health care coverage consistent with comprehensive coverage to every eligible person who is not eligible for medicare. AccessWV is operated so as to qualify as an acceptable alternative mechanism under the Federal Health Insurance Portability and Accountability Act and as an option to provide health insurance coverage for individuals eligible for the federal health care tax credit established by the Federal Trade Adjustment Assistance Reform Act of 2002 (Section 35 of the Internal Revenue Code of 1986). AccessWV total unpaid claims and claims adjustment expense liability at June 30, 2008, was $300,000. The State also has a Patient Injury Compensation Fund (PICF), an agency fund of the State, administered by BRIM. The PICF does not receive claims until an award becomes final and all reasonable means of recovery have been exhausted. The PICF works on a "claims filed" basis and no claims have been filed as of June 30, 2008; accordingly the actuarial estimate of the claims reserve at such date is zero. The amount of settlements in the major insurance enterprise funds have not exceeded insurance coverage in the past three years.

Description of the Funds

<u>Board of Risk and Insurance Management</u>

BRIM provides a property and liability insurance program for its member agencies. BRIM has general supervision and control over the insurance of all State property, including that of the institutions of higher education and the discretely presented component units. In addition, the political subdivisions in the State and certain other charitable and public service organizations may request coverage by PEIA. Types of coverage provided by BRIM have been expanded over time to include medical malpractice, automobile liability, and coal mine subsidence reinsurance. At the end of the fiscal year, approximately 1,200 organizations participated in the BRIM risk pool.

Underwriting and rate setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be paid by the participants. The BRIM risk pool retains a $1 million per occurrence coverage maximum on all third-party liability claims. In the normal course of business, BRIM seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable operating results by reinsuring levels of risk in various areas of exposure with other insurance enterprises or reinsurers. Excess coverage under this program is limited to $200 million per event, subject to limits on certain property. Reinsurance permits recovery of a portion of losses from reinsurers; however, it does not discharge the primary liability of BRIM as direct insurer of the risks insured. In 2008, BRIM recorded reinsurance recoverables from reinsurers totaling $95,000. BRIM does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. There have been no significant reductions in insurance coverage from the prior year.

Public Employees' Insurance Agency

PEIA provides a program of health, life, and prescription insurance for its member agencies. PEIA provides coverage for all participating State employees, including those of the institutions of higher education and the discretely presented component units. In addition, the political subdivisions in the State and certain other charitable and public service organizations may request coverage by PEIA. PEIA's general objectives are to provide a basic employee benefit insurance program which includes hospital, surgical, major medical, prescription drug, and basic life and accidental death for all participating employers and employees. Underwriting and rate-setting policies are established by PEIA. The cost of all coverage, as determined by PEIA, shall be paid by the participants. Coverage under these programs is limited to $1 million lifetime for health and $500,000 of life insurance coverage. Premiums are established by PEIA at varying rates dependent upon, among other things, coverage required, number of dependents, State vs. non-State employees, and active employee vs. retired employee. PEIA retains all risks for the health and prescription features of its indemnity plan. PEIA has transferred the risks for health and prescription coverage for those individuals covered by the Managed Care Organization (MCO) Plan to the plan providers. PEIA has reinsured 100% of the basic life benefits; however, PEIA remains contingently liable in the event the insurer does not honor its obligation. PEIA presently charges equivalent premiums for participants in either the indemnity plan or the MCO Plan. Altogether, PEIA insures approximately 175,000 individuals, including participants and dependents.

Workers' Compensation Fund

The Workers' Compensation Commission (WCC) was an agency of the State of West Virginia. On February 16, 2005, the West Virginia legislature enacted "Senate Bill 1004" which established a framework for the privatization of the state's monopolistic workers' compensation system and created the means to transition the Workers' Compensation Commission into a domestic employers' mutual insurance company. On December 31, 2005, the West Virginia WCC ceased to exist as a separate state entity and all regulatory duties for workers' compensation insurance transitioned to the Office of the West Virginia Insurance Commissioner (the Insurance Commissioner), as did the administrative oversight of certain assets and liabilities of the former WCC. The Industrial Council was established by Senate Bill 1004 to assist the Insurance Commissioner in the regulation of the workers' compensation system. Any other applicable State agency or department, whose functions are necessary for the regulation of the workers' compensation insurance industry, transferred to the Industrial Council including, but not limited to, the following WCC functions: rate making, self-insurance, office of judges, and board of review. The Industrial Council consists of five voting members appointed by the governor, with the advice and consent of the Senate, who meet the prescribed requirements and qualifications.

On January 1, 2006, the former WCC became a private sector insurance company named BrickStreet Mutual Insurance Company (BrickStreet). BrickStreet's liabilities consist of all claims payment obligations (indemnity and medical expenses) for all claims, actual and incurred but not reported, with a date of injury on or after July 1, 2005. However, any payments made on these claims before January 1, 2006, were incurred by the WCF and BrickStreet liabilities began with claims payments becoming due and owing on said claims on or after January 1, 2006. A portion of the WCC's assets transferred to BrickStreet, included funding for BrickStreet's initial capital, as well as the transfer of a portion of the employees to the company. The remainder of the assets and employees transferred to the Industrial Council and the Insurance Commissioner.

The "workers' compensation old fund" (Old Fund) was created for those funds transferred to the offices of the Insurance Commissioner and those funds due and owing the workers' compensation fund as of June 30, 2005. The Old Fund assets and liabilities are the responsibility of the State and did not novate or otherwise transfer to BrickStreet. Disbursements from the Old Fund are related to the liabilities and appropriate administrative expenses necessary for the administration of all claims, actual and incurred but not reported, with a date of injury on or before June 30, 2005.

Senate Bill 1004 also created the "workers' compensation uninsured employers' fund," "self-insured guaranty risk pool," "self-insured security risk pool," "private carrier guaranty fund," and an "assigned risk fund" in the State treasury. For financial statement presentation purposes, these funds as well as the "Old Fund" are included as the Workers' Compensation Fund (WCF) in the Proprietary Funds financial statements of the State.

Unpaid Claims Liabilities

The three insurance funds establish claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The estimates of the claims liabilities include amounts for nonincremental claims adjustment expense. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not result in an exact amount. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. Accordingly, the actual incurred losses and loss adjustment expenses may vary significantly from the estimated amount included in the financial statements. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Information concerning the changes in those aggregate liabilities for the past two fiscal years is shown in the following table (expressed in thousands):

	BRIM		PEIA		WCF	
	2008	2007	2008	2007	2008	2007
Unpaid claims and claims adjustment expense liability, beginning of year	$159,564	$174,073	$ 52,999	$ 60,122	$2,981,400	$3,259,100
Incurred claims and claims adjustment expense:						
Provision for insured events of the current fiscal year	57,246	56,081	377,099	359,842	730	2,510
Increase (decrease) in provision for insured events of prior fiscal years	(14,264)	(20,945)	(1,030)	(330)	(316,485)	(105,762)
Amortization of discount	—	—	—	—	142,395	154,538
Total incurred claims and claims adjustment expense	42,982	35,136	376,069	359,512	(173,360)	51,286
Payments:						
Claims and claims adjustment expense attributable to insured events of the current fiscal year	8,352	12,416	335,380	320,480	124	194
Claims and claims adjustment expense attributable to insured events of the prior fiscal year	31,966	37,229	42,411	46,155	270,316	328,792
Total payments	40,318	49,645	377,791	366,635	270,440	328,986
Total unpaid claims and claims adjustment expense liability, end of year	$162,228	$159,564	$ 51,277	$ 52,999	$2,537,600	$2,981,400

The above PEIA payments are net of pharmacy rebates of $11,842,611 and $13,771,022 for the years ended June 30, 2008, and 2007, respectively.

Neither BRIM nor PEIA discount their estimated claims liability. If BRIM's unpaid claims and claims adjustment expense liability were discounted using a 4% discount factor for 2008 and 2007 to take into consideration the time value of money, the result would be a decrease in the liability and an increase in net assets of approximately $15,511,000 and $15,159,000 for fiscal years 2008 and 2007, respectively. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense. At June 30, 2008, the total undiscounted claims liability for WCF approximated $4.1 billion. Invested assets of WCF are not sufficient at current investment rates to retire the claims liability and WCF has a significant deficit. GASB standards provide that, if discounting is used, the pool should use a rate that is determined by giving consideration to such factors as the pool's expected settlement rate for those liabilities and its expected investment yield rate. Based on the expected investment yields on WCF's investment portfolio, the estimated liability for unpaid claims and claim adjustment expenses (claims liability) has been discounted using a rate of 5%. If discounting of the WCF claims liability was limited to anticipated investment income, the claims liability would have increased by approximately $1.38 billion to a claims liability of approximately $3.92 billion, and the total deficit would have increased to approximately $2.76 billion at June 30, 2008.

The Insurance Commission management believes the discounted liability for unpaid claims and claims adjustment expenses is adequate. However, due to the inherent variability of the assumptions used to estimate this liability, actual incurred losses and loss adjustment expenses may vary significantly from the estimated amount included in the WCF's financial statements.

Fund Deficit and Deficit Funding Plan for Workers' Compensation

As stated earlier in this note, the WCC was terminated effective December 31, 2005, and its powers were transferred to the Industrial Council established by Senate Bill 1004 to assist the Insurance Commissioner in the regulation of the workers' compensation system. Senate Bill 1004 further established a workers' compensation debt reduction fund in the State treasury for the deposit of monies received after June 30, 2005, including certain funds designated in Code §4-11a-2 (d): $30 million to be received annually until 2025 from the tobacco master settlement agreement, Code §29-22A-10, 10b: an estimated $11 million to be received annually from the video lottery income, Code §11-13V-4: new and additional severance taxes imposed estimated to yield an approximate $94.2 million annually, Code §11-21-96: personal income tax proceeds of approximately $45 million annually, and Code §23-2C-3 (f) (3): monthly premium surcharges to be collected for all West Virginia employers expected to yield $54 million annually. On March 10, 2007, Senate Bill 185 ceased the tobacco settlement payments to the WCF and replaced those revenues with $50.4 million in annual personal income tax proceeds in addition to the personal income tax proceeds already dedicated to the WCF. Amounts actually received in FY 2008 approximated $311 million, including $40 million paid on the BrickStreet Surplus Note. The net proceeds from collection of these monies are to be dedicated to paying the unfunded liability in the workers' compensation fund until fully paid or paying debt service on bonds sold to raise funds to pay the unfunded liability in the workers' compensation fund.

Required Supplementary Information

Each of the three risk pools has issued separate, audited financial reports on its operations. Those reports include the required supplementary information concerning the reconciliation of claims liabilities by type of contract and ten-year claim development information.

Complete financial statements of the individual insurance enterprise funds, including additional detailed disclosures, can be obtained directly from their respective administrative offices:

Board of Risk and Insurance Management
90 MacCorkle Avenue, S.W.
Suite 203
South Charleston, WV 25303

Public Employees' Insurance Agency
601 57th St., SE
Suite 2
Charleston, WV 25304

Workers' Compensation Fund
c/o Insurance Commission
1124 Smith Street
Charleston, WV 25301

NOTE 15

COMMITMENTS AND CONTINGENCIES

Environmental Protection Claims

The State, through the Department of Environmental Protection (DEP), maintains several environmental protection programs including a bonding program for coal operators for mine reclamation, abandoned oil and gas well bonding program, a Landfill Closure Assistance Program (LCAP), and an underground storage tank program. Under such programs, the State charges various fees, premiums, and other assessments, and sets bonding amounts that operators are required to maintain to ensure that funds are available in the event that the operator is unable to fulfill its environmental protection responsibilities. Based upon the State's estimate of the liability for incurred losses under the programs, the bonding amounts and funding structures established by the State have proven inadequate to fund the actual costs of environmental protection that the State has incurred in acceptance of the related insurance risk. As a result, the State has been required at various times to increase fees and bonding rates. Administrative changes in permitting regulations governing the industries and businesses benefiting from the State's maintenance of such environmental protection programs are constantly under review.

Management has estimated the total cost of these reclamation efforts to approximate $522.8 million at June 30, 2008. Approximately $4.7 million is available to pay current reclamation costs. Because it is not expected that the remaining estimated reclamation costs will be liquidated by expendable available financial resources, a $518.1 million obligation is reported as a noncurrent liability in the governmental activities on the statement of net assets. As such, the State has recorded the following liabilities related to the above programs at June 30, 2008 (expressed in thousands):

Mine Reclamation Program	$407,300
Oil and Gas Well Program	16,268
Landfill Closure Assistance Program	87,115
Underground Storage Tanks	12,150
Total Environmental Liability	522,833
Less Current Portion	(4,763)
Environmental Liability, Net of Current Portion	$518,070

Mine Reclamation Program

The Special Reclamation Program (mine reclamation program) was created to enable compliance with a federal mandate that allows the State to operate an alternative bonding program to ensure that mining sites are reclaimed in accordance with federal and State regulations. This program created funds for reclamation costs if the operator does not perform the reclamation and the respective bond is forfeited by the operator. In addition, the State also accrues for active water treatment sites under this program. The State's estimated liability for these water treatment sites assumes a 20-year treatment period until the sites are properly reclaimed since the treatment costs beyond a 20-year period cannot be reasonably estimated. The actual length of water treatment and the actual ultimate liability could differ significantly from this estimate.

The costs associated with this program are offset by operator bonds, as previously mentioned, and a tax imposed on clean mined coal, currently seven cents per ton. The Special Reclamation Fund plans to make expenditures for reclamation and water treatment systems as funding becomes available. The Legislature further established a Special Reclamation Fund Advisory Council (the Council). The Council's role is to develop a financial plan that ensures long-term stability of the special reclamation program. The Legislature further requires actuarial studies of the fund's fiscal soundness every two years.

As of June 30, 2008, the liability associated with this program is approximately $407.3 million discounted using a 5% discount rate. The undiscounted liability is approximately $627.8 million as of June 30, 2008. The cash flows are currently projected out 20 years since an estimate beyond a 20-year period cannot be reasonably estimated. Given the long-term nature of this obligation and common practice in the private sector for asset retirement obligations, management deemed that it is preferable to record this obligation on a discounted basis since relevant cash flow information is available.

Oil and Gas Well Program

State Code states that oil and gas wells that are orphaned and abandoned that are an immediate threat to the environment should be properly plugged or reclaimed as funds become available in the oil and gas reclamation fund. Therefore, the State currently records a liability for Class I oil and gas wells which represent an immediate threat to the environment. The liability estimate for the Class I wells was reduced by approximately $49 million due to reclassification of certain wells. Class II oil and gas wells, representing a nonimmediate threat to the environment, are mandated to be plugged if resources become available. The plugging of Class III oil and gas wells may be deferred indefinitely. Due to financial resources not being available in the past, or any foreseen availability in the future, the probability of available resources ever being used to plug Class II or III wells is remote. As of June 30, 2008, this liability, estimated at $16.3 million, is recorded on an undiscounted basis since the timing of future cash outflows cannot be estimated.

Landfill Closure Assistance Program (LCAP)

The LCAP was established to provide landfill closure assistance to owners/permittees or landfills that were required to cease operations pursuant to certain statutory closure deadlines for noncomposite lined facilities. The program designs and constructs all closure-related activities necessary to provide sufficient leachate management, sediment and erosion control, gas management, groundwater monitoring and final cover cap on noncomposite lined landfills, as funds are available. The LCAP is closed to new applications; however, through the legislative process one landfill has been added to the original inventory. As of June 30, 2008, the liability is estimated at $87.1 million and is projected to be paid through fiscal year 2044. In addition, the State, through the Solid Waste Management Board (the Board), operated one landfill that was closed in 1993. The Board made an application through the Department of Environmental Protection for closure assistance from the LCAP. The Board's application was accepted by the LCAP and since then the LCAP has paid the landfill closure costs. The Board continues to pay for certain postclosure monitoring costs, estimated to be $197,030 over the next 23 years, which are recorded as a postclosure care liability of the Board in the financial statements of the State's proprietary discretely presented component units. The remaining liabilities for postclosure assistance under the LCAP are estimated at $1.4 million.

Underground Storage Tank (UST) Program

The insurance fund for the operators of the underground storage tanks has discontinued accepting new operators into the fund. In response to a lawsuit filed against the fund, the fund's assets have largely been paid out on a pro rata share to those insured. DEP continues to pursue additional sources of money from the Governor and the Legislature that will allow the insured sites to be remediated in an approved voluntary remediation plan or other cost-effective manner. DEP's plan also requires the claimants to submit a schedule for the completion of the work, and it is DEP's objective to have a clearly determined date by which remediation will be accomplished at all sites and no further reimbursements required. In this regard, it should be noted that eight of 58 sites insured have been issued "no further action" letters, meaning they have been cleaned up to the required standards and will no longer incur additional cost. DEP believes requiring these sites to participate in an approved plan that requires the most cost-effective method of cleanup will result in an overall cost savings to the State and still protect the public health and environment. In the spring of 2008, the Legislature appropriated $4 million for the UST program. DEP has maintained an inventory of claims submitted that have not been approved for payment by the Underground Storage Tank Advisory Committee and DEP, and these invoices will be reviewed by a consultant before payment. DEP notified tank owners that it would reimburse owners for all approved past costs and reimburse the seven priority sites for any ongoing work occurring in FY 2009. DEP is meeting with the owners and expects to have signed agreements governing future remediation activities. Outstanding invoices pertaining to the eight closed sites amount to approximately $3 million and future work at the priority sites is expected to be approximately $1 million, which will exhaust the present funds. The fund balance at June 30, 2008, was $4.8 million and there were no claims paid from the fund in fiscal year 2008. As of June 30, 2008, $12.2 million has been recorded as a liability in the accompanying financial statements.

The nature of the environmental liabilities requires the use of estimates and assumptions by management. Accordingly, it is at least reasonably possible that a significant change in the estimate will occur in the near term resulting from various factors including inflation, deflation, technology, or assumption changes, or change in applicable laws or regulations.

Other Contingencies

In addition to the $522.8 million in environmental protection claims, the State has recorded an obligation in the amount of $106.6 million for the payment of other contingencies. Such other contingencies include, but are not limited to, claims assessed against the State for property damage and personal injury, alleged torts, alleged breaches of contract, and other alleged violations of state and federal laws and regulations. These claims are based on management's evaluation of the nature of such claims and consideration of historical loss experience for the respective types of action. Certain other claims may be covered by the State's insurance carrier under its general liability or medical malpractice coverage.

In an action brought by the United States of America versus the State, the United States prevailed on its claim that the State owed $11.9 million to the federal government, attributable to overcharges made to various agencies for the employees' share of retirement contributions made by the U.S. Government on behalf of federally funded State employees. At issue is accrued interest which has been assessed by the U.S. Department of Health and Human Services (DHHS) on the principal amount. The interest assessment was set aside but DHHS has filed a motion for reconsideration. Exposure is hard to quantify at this time. The State intends to vigorously contest the case; however, the potential exposure for this case should the State be unsuccessful is estimated by management to be $48.7 million. As of June 30, 2008, a $48.7 million liability related to this matter has been accrued.

An administrative appeal and a class action suit are pending in the circuit court of Kanawha County on behalf of the members of the 42nd through the 45th Cadet Classes of the West Virginia State Police, each of whom are seeking to be moved from the West Virginia State Police Retirement System (Plan B), to the more financially advantageous West Virginia Public Safety Death, Disability, and Retirement Fund (Plan A). The financial impact of a judicial ruling conferring some or all of the relief sought by the petitioners had been estimated to increase the liabilities in the West Virginia Public Safety Death, Disability, and Retirement Fund by approximately $75 million. Moreover, transfers of participants from Plan B into Plan A in a manner contrary to plan provisions could raise plan qualifications issues with the Internal Revenue Service. Plan disqualification could potentially result in substantial tax consequences such as the plan's trust income being subject to tax, taxable employer contributions, taxable benefit distributions to participants and other negative ramifications. A Circuit Court Judge has entered an Order staying any further action in the class action suit until the administrative appeal has been resolved. On March 3, 2009, the petitioners filed an appeal with the West Virginia Supreme Court of Appeals.

There are several cases against the State Tax Department involving tax years 2003 through 2008. Collectively the estimated exposure for these cases is approximately $15.9 million. These matters are being vigorously defended but recovery by the claimants is possible. As of June 30, 2008, a $6.6 million liability has been accrued related to these matters.

An employer who has been granted self-insured status for workers' compensation insurance coverage must post security with the WCF for an actuarially determined amount of their liabilities incurred with dates of injury prior to July 1, 2004. Payments made for claims of employees of defaulted self-insured employers for injuries prior to July 1, 2004, will be made from the Self-insured Security Pool established by Legislative Rule 19. The assets of the Security Pool consist of the proceeds received from the security held by the WCF and any necessary assessments made to active self-insured employers for the default of a self-insured employer.

Payments for the injuries of defaulted self-insured employers incurred after July 1, 2004, will be made by the Self-insured Guaranty Pool; however, any self-insured employer who fails the analytical financial review will also be required to post security to the Guaranty Pool on any workers' compensation liabilities incurred after July 1, 2004. The Self-insured Guaranty Pool is funded through quarterly assessments to self-insured employers and the proceeds received from the security held. To the extent a self-insured employer cannot meet its obligations under the Law, the two self-insured pools previously discussed remain contingently liable for all policy benefits. The only sources of revenue permitted under the Law to fund the Security Pool and the Guaranty Pool must be obtained from self-insured employers. Self-insured employers are considered joint and severally liable for the obligations of a defaulted self-insured employer. The amount has not been included in the estimated liabilities for unpaid claims and claim adjustment expense because the likelihood of future self-insurer defaults has not been estimated.

It is not possible to predict with certainty the ultimate outcome of all lawsuits or claims pending or threatened against the State, including those discussed above, some of which may involve potentially significant amounts. Based on the current status of all legal proceedings for which accruals have not been made in the State's financial statements, it is the opinion of management and the Attorney General that the proceedings will not have a material adverse impact on the State's overall financial position. However, depending on the amount and timing of the resolution, some or all of these matters could materially affect the State's change in financial position or cash flows for a particular period.

Federal Grants

Payments received under the reimbursement arrangements with Medicaid are subject to retroactive audit and adjustment. Management believes that adequate provisions have been made for reasonable adjustments that may result from regulatory reviews and disallowed costs. However, laws and regulations governing this program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimated settlements will change by a material amount in the near term. Management believes it is in compliance with all applicable laws and regulations, except for the matter discussed in the paragraph below, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusion from the Medicaid program.

State management discovered an error in its payment formula for school-based health service payments. This matter is currently under review by certain government agencies. State management is of the opinion that the effect of these reviews will not be material to the financial position of the State. Based on management's best estimate, approximately $13.9 million has been accrued at June 30, 2008; however, management is unable to quantify the ultimate amount that it may need to repay the federal government and no amount to date has been specified by the reviewing government agencies.

The State, including its institutions of higher education, receives significant financial assistance from the U.S. Government in the form of grants and other federal awards. Entitlement to those resources is generally conditioned upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for allowable purposes. The State provides for estimates of any material disallowance arising in connection with the operation of these federally funded programs as such amounts become reasonably estimable. Federal awards are subject to financial and compliance audits under either the federal Single Audit Act or by grantor agencies of the federal government or their designees. The ultimate obligations that may arise from cost disallowance or sanctions as a result of those audits and the related impact on the financial statements of the State or its component units is unknown. The ultimate resolution of the regulatory review process could materially impact the State's future change in financial position or cash flows in a particular period.

Arbitrage Rebates

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates which are applicable to portions of the primary government and most of the discretely presented component units. Arbitrage rebate liabilities have been recorded in the financial statements under accrued and other liabilities, and the respective agencies have reserved estimated amounts for their future payment.

Construction and Other Commitments
(Expressed in Thousands)

	Amount Committed	Commitment
Governmental Funds:		
Transportation	$717,249	Construction
West Virginia Infrastructure and Jobs Development Council	36,584	Funding of water and economic development projects
Enterprise Funds:		
West Virginia Lottery	5,498	Capital assets
Water Pollution Control Revolving Fund	21,492	Committed for loans
Drinking Water Treatment Fund	20,851	Lending consistent with Safe Drinking Water Act
Discretely Presented Component Units:		
Economic Development Authority	46,084	Committed for loans
Parkway, Economic Development, and Tourism Authority	14,711	Turnpike improvements
Higher Education	73,691	Construction
School Building Authority	182,850	Acquisition, construction and maintenance grants to county school boards

The Department of Transportation's Inspection Program (the Department) has reviewed information on obsolete and deficient bridges. The Department is concerned about safety and tries to prioritize bridges for repair and replacement based on engineering assessments. The Department's long range plans to address this issue will be impacted by actions that may be taken by both the federal and state government, including funding levels provided for this purpose, which cannot be estimated at this time.

West Virginia University has signed an agreement providing for the purchase of steam for a remaining period of 22 years. Under the agreement, West Virginia University has an annual minimum steam purchase requirement, purchased at an operating rate calculated in accordance with the agreement. The total payments for steam purchased under the agreement were approximately $7.9 million in 2008. Payments in future years will be dependent on actual operating costs and other cost indices in those years.

The West Virginia Providing Real Opportunities for Maximizing In-State Student Excellence (PROMISE) scholarship program provides scholarships to students within the West Virginia secondary education system who meet the scholarship requirements. The basic scholarship requirements include maintaining a 3.0 grade average, receiving an ACT score of 22, and enrolling in a college or university in West Virginia. The program will pay for tuition and fees, and had $1.6 million at June 30, 2008, to fund the program obligations. Subsequent to year-end, the program received $27 million from the Lottery and $16.1 million in general revenue.

NOTE 16

SUBSEQUENT EVENTS

On August 20, 2008, the School Building Authority issued $102,145,000 of Excess Lottery Revenue Bonds, Series 2008, which will mature through July 2028, bearing interest at 3.00% to 5.25%, to provide funds to make grants to finance capital improvements to public schools located in the State of West Virginia.

On July 1, 2008, the Housing Development Fund (Fund) redeemed various Housing Finance Bonds in advance of the scheduled maturities at a par amount of $1,130,000. On August 1, 2008, the Fund redeemed various Housing Finance Bonds in advance of the scheduled maturities at a par amount of $1,515,000.

On July 1, 2008, the Investment Management Board (IMB) made commitments to nineteen hedge funds totaling $1,200,000,000. The IMB funded $1,152,000,000 of these commitments on July 1, 2008, and the remaining $48,000,000 on July 29, 2008. Proceeds from sales in the Fixed Income pool, the Fixed Income Qualified pool and the Fixed Income Nonqualified pool were used to fund the Hedge Fund commitments.

Between August 20, 2008, and August 28, 2008, the custodian of the collateral securing one of the Water Development Authority's repurchase agreements allowed part of the collateral consisting of the proceeds of called United States Treasury Bonds (Treasuries) of $1,325,000 and accrued interest on those bonds of $79,500 to be withdrawn by the investment provider. The security provided by the investment provider to replace the Treasuries consisted of a Federal Home Loan Mortgage Real Estate Mortgage Investment Conduit which is backed by the full faith and credit of the United States but is not an eligible security in accordance with the investment contract. Additionally, even though the market value of the remaining collateral exceeds the face amount of the investment, or purchase price, the collateral value does not meet the 125% margin required by the terms of the investment contract.

The Division of Highways issued GARVEE revenue bonds, Series 2009A, in the amount of $76,835,000 on March 18, 2009. The true interest cost of the bonds is 2.917% and the last maturity is September 1, 2015. The debt service payments will be funded through federal aid revenue and are the third issue of the Surface Transportation Improvements Special Obligations Notes.

During the 2008 First Special Session, the West Virginia Legislature passed House Bill 101 regarding retirement benefits for teachers and educational service personnel which became effective March 16, 2008. The legislation provided an opportunity for members of the Teachers' Defined Contribution Retirement System (TDCRS) to elect to transfer to the

West Virginia Teachers' Retirement System (TRS). For the transfer to occur, at least 65% of members who were actively contributing to TDCRS as of December 31, 2007, had to affirmatively elect to transfer to TRS during the election period. All TDCRS members were eligible to voluntarily elect to transfer whether or not they were actively contributing on December 31, 2007. The statutory election period for all TDCRS members was April 1 through May 12, 2008. Of the actively contributing members of TDCRS, 14,871 elected to transfer to TRS, which was 78.3% of the total actively contributing members. Therefore, the transfer occurred on July 1, 2008, and a total of 15,152 TDCRS members transferred to TRS.

Subsequent Declines in Investment Values (unaudited)

In FY 2009 through January 31, the IMB had realized losses on their investments and foreign currency transactions of approximately $487 million and a decrease in the fair value of investments and translation of assets and liabilities in foreign currencies of approximately $2.2 billion.

BTI and IMB both had cash collateral for securities lent reinvested in a pool containing Sigma Finance (Sigma), a structured investment vehicle. On September 30, 2008, Sigma's board of directors determined that Sigma was insolvent and that the entity should begin an orderly winding down of its affairs. Effective that date, Sigma also ceased making payments on its obligations. Bank of New York Mellon (BNY Mellon) allocated to each participant in the pool a pro-rata share of the Sigma securities based on their participation as of September 30, 2008. The BTI's share of Sigma as of that date was approximately $11,739,000 and IMB's share was $10,973,960. At this point, any recovery for Sigma is expected to be minimal. The BTI and IMB will be required to remit to BNY Mellon the difference between their share and whatever recovery is ultimately made on Sigma at the time the wind down is completed, which is expected to take another 9 to 12 months to resolve.

In response to this situation, the BTI decided to cap securities lending and begin winding down the securities lending program. The initial cap put in place for loans of securities is limited to $565 million or less. The new investment policy restricts new investments of this type to collateralized repo, U.S. Treasuries and agency securities. As term assets roll off, and a sufficient liquidity buffer is put in place, the BTI will begin to recall loans and lower the cap for loans. The BTI is restricting the distribution of securities lending income and has established a reserve pool to off-set the future realized loss related to Sigma.

The IMB has implemented restrictions on securities lending activity by placing caps on the amount of lending for each of the investment pools it manages. These caps range from $46.5 million to $180 million. Additionally, the IMB has recorded a reserve for the full

$10,973,960 and is restricting the distribution of securities lending income for the pools that routinely distribute earnings to participants until the actual loss on Sigma is realized.

Since the fiscal year ended June 30, 2008, financial markets as a whole have incurred significant declines in value. The Consolidated Public Retirement Board's Plans investment portfolios have incurred significant declines in their values subsequent to year-end. However, because the values of individual investments fluctuate with market conditions, the amount of losses that the Plans will recognize in their future financial statements, if any, cannot be determined. Through December 31, 2008 (the last report period available), the Plans' investment portfolio has experienced total estimated unrealized losses of approximately $2.3 billion. The losses per plan are as follows (expressed in thousands):

PERS	$1,095,440
TRS	1,067,406
PSDDRF	127,633
SPRS	11,688
DSRS	25,836
JRS	27,581
EMS	4,401
Total	$2,359,985


STATE OF WEST VIRGINIA.
JUNE 20 1863
MONTANI SEMPER LIBERI.

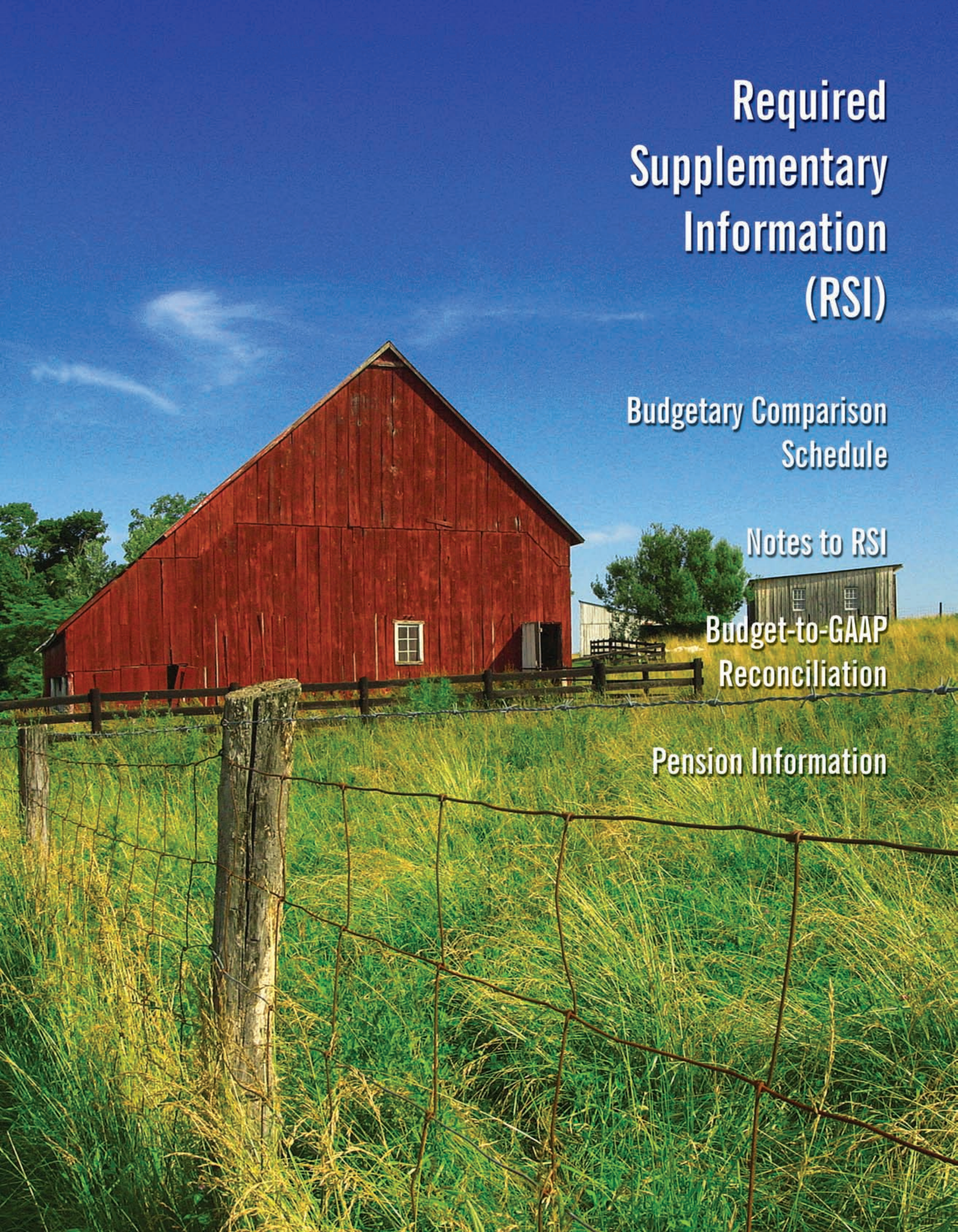
Required Supplementary Information (RSI)

Budgetary Comparison Schedule

Notes to RSI

Budget-to-GAAP Reconciliation

Pension Information



Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	General Revenue Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes:				
Personal Income	$1,408,600	$1,473,600	$1,518,746	$ 45,146
Consumer Sales	1,026,900	1,026,900	991,994	(34,906)
Severance	309,000	319,000	338,177	19,177
Corporate Income/Business Franchise	361,850	381,850	388,017	6,167
Business and Occupation	164,000	164,000	150,822	(13,178)
Gasoline and Motor Fuel	—	—	—	—
Automobile Privilege	—	—	—	—
Other	381,800	381,800	364,367	(17,433)
Excess Lottery Transfer	77,900	77,900	78,218	318
Intergovernmental	—	—	—	—
Licenses, Permits, and Fees	12,450	12,450	11,951	(499)
Departmental Collections	14,000	14,000	16,220	2,220
Investment Earnings	47,000	47,000	52,713	5,713
Other	15,500	15,500	17,063	1,563
Industrial Access Road Transfer	—	—	—	—
Total Revenues	3,819,000	3,914,000	3,928,288	14,288
Expenditures:				
Legislative	41,103	41,103	21,380	19,723
Judicial	105,693	105,693	96,588	9,105
Executive	48,376	53,627	41,451	12,176
Administration	106,990	161,607	130,873	30,734
Commerce	60,814	69,215	45,566	23,649
Environmental Protection	7,648	7,648	7,528	120
Employment Programs	—	674	—	674
Education	2,227,775	2,242,823	2,211,623	31,200
Health and Human Resources	842,394	846,991	812,758	34,233
Military Affairs and Public Safety	298,129	305,375	271,254	34,121
Revenue	29,210	70,281	62,702	7,579
Transportation	7,801	7,801	4,955	2,846
Senior Services	—	—	—	—
Regulatory Boards and Commissions	—	—	—	—
Total Expenditures	3,775,933	3,912,838	3,706,678	206,160
Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	43,067	1,162	221,610	220,448
Expenditures From Prior Year Appropriations	340,763	340,763	117,630	223,133
Total Excess (Deficiency) of Revenues Over (Under) Expenditures	(297,696)	(339,601)	103,980	443,581
Budgetary Fund Balance, Beginning of Year, as Adjusted	340,896	340,896	340,896	—
Budgetary Fund Balance, End of Year	$ 43,200	$ 1,295	$ 444,876	$443,581

Federal Revenue				State Road			
Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	360,000	405,800	404,223	(1,577)
—	—	—	—	167,999	167,999	169,095	1,096
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
3,414,831	3,466,568	2,639,089	(827,479)	497,300	501,543	357,152	(144,391)
—	—	—	—	88,835	88,835	86,396	(2,439)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	16,832	16,832	40,306	23,474
—	—	—	—	(3,000)	(3,000)	(3,352)	(352)
3,414,831	3,466,568	2,639,089	(827,479)	1,127,966	1,178,009	1,053,820	(124,189)
1,315	1,315	255	1,060	—	—	—	—
1,000	1,000	812	188	—	—	—	—
108,958	69,227	29,474	39,753	—	—	—	—
38,016	38,016	35,581	2,435	—	—	—	—
53,584	93,368	50,962	42,406	—	—	—	—
138,554	138,554	40,205	98,349	—	—	—	—
5,013	5,013	2,322	2,691	—	—	—	—
538,153	538,824	356,774	182,050	—	—	—	—
2,363,327	2,365,856	2,029,813	336,043	—	—	—	—
169,666	170,218	54,676	115,542	—	—	—	—
650	650	—	650	—	—	—	—
28,626	29,626	21,594	8,032	1,112,583	1,220,311	1,011,669	208,642
14,000	14,000	13,030	970	—	—	—	—
2,564	2,719	1,406	1,313	—	—	—	—
3,463,426	3,468,386	2,636,904	831,482	1,112,583	1,220,311	1,011,669	208,642
(48,595)	(1,818)	2,185	4,003	15,383	(42,302)	42,151	84,453
—	—	—	—	—	—	—	—
(48,595)	(1,818)	2,185	4,003	15,383	(42,302)	42,151	84,453
30,627	30,627	30,627	—	107,425	77,687	165,480	87,793
$ (17,968)	$ 28,809	$ 32,812	$ 4,003	$ 122,808	$ 35,385	$ 207,631	$ 172,246

(Continued)

Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)
(Continued)

	Special Revenue			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes:				
Personal Income	$ —	$ —	$ —	$ —
Consumer Sales	—	—	—	—
Severance	—	—	—	—
Corporate Income/Business Franchise	—	—	—	—
Business and Occupation	—	—	—	—
Gasoline and Motor Carrier	—	—	—	—
Automobile Privilege	—	—	—	—
Other	—	—	—	—
Excess Lottery Transfer	—	—	—	—
Intergovernmental	—	—	—	—
Licenses, Permits, and Fees	—	—	—	—
Departmental Collections	1,295,276	1,859,752	1,566,006	(293,746)
Investment Earnings	—	—	—	—
Other	—	—	—	—
Industrial Access Road Transfer	—	—	—	—
Total Revenues	1,295,276	1,859,752	1,566,006	(293,746)
Expenditures:				
Legislative	4,179	4,134	2,121	2,013
Judicial	—	—	—	—
Executive	26,671	26,671	18,513	8,158
Administration	55,107	63,709	41,285	22,424
Commerce	103,660	126,056	84,175	41,881
Environmental Protection	57,029	57,750	27,059	30,691
Employment Programs	—	—	—	—
Education	200,398	297,211	231,161	66,050
Health and Human Resources	349,211	358,568	316,730	41,838
Military Affairs and Public Safety	27,471	41,773	21,534	20,239
Revenue	782,403	824,358	462,571	361,787
Transportation	9,543	9,543	4,207	5,336
Senior Services	58,811	64,326	59,059	5,267
Regulatory Boards and Commissions	26,417	46,137	42,342	3,795
Total Expenditures	1,700,900	1,920,236	1,310,757	609,479
Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	(405,624)	(60,484)	255,249	315,733
Expenditures from Prior Year Appropriations	137,349	137,349	65,567	71,782
Total Excess (Deficiency) of Revenues Over (Under) Expenditures	(542,973)	(197,833)	189,682	387,515
Budgetary Fund Balance, Beginning of Year, as Adjusted	1,157,284	1,157,284	1,157,284	—
Budgetary Fund Balance, End of Year	$ 614,311	$ 959,451	$1,346,966	$387,515

REQUIRED SUPPLEMENTARY INFORMATION
Notes to Required Supplementary Information
Budgetary Reporting

The State's annual budget is prepared on a cash basis, modified only at year-end to allow for a 31-day period for the payment of vendor invoices for goods and services previously encumbered. Appropriations expire or lapse at the end of this period.

Budgetary Process

Appropriation requests for the upcoming fiscal year are submitted to the State Budget Office (Budget) by September 1. Budget conducts budget hearings and reviews revenue estimates for recommendation and preparation of the proposed budget. The Governor presents the proposed budget to the State Legislature in January. Included in that budget proposal is the Governor's official revenue estimate for the upcoming fiscal year. To maintain a balanced budget, the Legislature can appropriate expenditures only to the level of the Governor's official revenue estimate and prior year fund balance.

The Legislature also holds budget hearings, considers the effect of other proposed legislation, and gathers other information during its 60-day session which occurs January through March of each calendar year. During the last days of the legislative session, the Legislature passes the budget and the Governor approves, vetoes, or allows the budget to become law without signing.

In the event that there is a shortfall of General Revenue Fund collections during the year, the Governor may impose a spending reduction. In 1994, the Legislature created a Revenue Shortfall Reserve Fund (Rainy Day Fund) designed to prevent a spending reduction. By law, the first 50 percent of the General Revenue Fund surplus for a fiscal year is set aside in a reserve or Rainy Day Fund not to exceed ten percent of the total appropriations from General Revenue for that year. This fund may be used to offset a shortfall of revenues which would otherwise require the Governor to impose expenditure reductions.

In the event of higher than estimated revenue collections throughout the year, supplemental appropriation requests may be made to the Legislature. In 2008, appropriations from General Revenue were increased approximately $137.3 million for supplemental appropriations. Appropriated Special Revenue and Federal Funds were increased by total supplemental appropriations of $217.6 million. During the budget process, the Legislature may also decide to reappropriate certain unexpended budgetary activities for expenditure in the next year. Accounts reappropriated generally relate to special activities or projects that may require several years to complete. Reappropriated prior year general revenue appropriations of $287.1 are reported as "Expenditures From Prior Year Appropriations."

In addition to the above, in the event of a General Revenue budget surplus from the previous fiscal year, additional appropriation requests may be made to the Legislature. Appropriations from 2007 General Revenue were increased approximately $53.6 million for surplus appropriations. The $53.6 million surplus appropriations are also reported as "Expenditures From Prior Year Appropriations."

After the budget is legally enacted, certain appropriations from General Revenue may be altered or transferred within each Cabinet Secretariat. The transfers may not exceed more than five percent of the funds appropriated to any one agency or board, and are altered at the budgetary activity level. Other specific transfers are allowed in all the budgetary funds from the object classes of personal services and unclassified budget object classes to employee benefits or from personal services and employee benefits to other budget object classes, and are not limited to Secretariat authority.

The budget laws provide for the ability of the Governor to increase the appropriations of the budgetary Appropriated Special Revenue Funds and the Federal Funds when the Legislature is not in session. Detailed spending plans, identification of new revenue sources, and justifications are required for review and approval.

Budgetary Control

The State Legislature annually appropriates those general government activities determined to be important to controlling the financial operations of the State. The Legislature appropriates expenditures for those defined budgetary activities, often further defined by the object classes of personal services, employee benefits, equipment repairs and alterations, or unclassified.

The State's accounting system controls expenditures for appropriated accounts at the budgetary activity level on a predefined quarterly basis. The State Auditor exercises control over spending at the budgetary activity level on an annual appropriation basis.

Budget further monitors the rate and nature of spending for all budgetary accounts by requiring the organization responsible for the budgeted activities to submit annual spending plans reflecting further details on their expected quarterly spending patterns and the types of expenditures for the budgeted accounts. From these spending plans, Budget monitors and limits expenditures within predefined quarterly allotments. Expenditures during a quarter may not exceed the amount of the approved allotment, unless the Governor approves the expenditure of a larger amount. Any amounts remaining unexpended at the close of a quarter are available for reallocation and expenditure during any succeeding quarter of the same fiscal year.

Budget also utilizes encumbrance accounting to control purchase orders and other commitments. Under the budgetary process, unexpended appropriations and encumbrances expire at the end of the 31-day period following each fiscal year-end. All unpaid invoices and claims after that date must be submitted by the vendor to the State Court of Claims, unless the related activity has been reappropriated by the Legislature.

Budgetary Funds

The State uses four budgetary fund groups to summarize accounts or activities which have been legally appropriated. The budgetary fund groups are described as follows:

> General Revenue Fund – consists primarily of the major tax revenues of the State such as Consumer Sales Tax, Personal Income Tax, Business and Occupation Tax, Corporate Net Income Tax, and Severance Tax. The General Revenue Fund supports the operation of certain primary government activities and certain other agencies.
>
> Federal Fund – consists of any financial awards made to any State agency by the U.S. Government, whether a loan, grant, subsidy, augmentation, reimbursement or any other form of such awards, including state funds used for federal matching purposes.
>
> Road Fund – consists of revenues from gasoline and other motor fuel excise and license taxes, motor vehicle registration and license fees, and all other revenue derived from motor vehicles or motor fuel. The Road Fund is appropriated by the Legislature and used solely for construction, repair, and maintenance of public highways, and also for the payment of interest and principal on all road bonds.
>
> Appropriated Special Revenue Fund – consists of individual accounts created for special purposes. These accounts generate revenue derived from established rates or fees. The spending within these accounts is limited to the amount collected or the amount appropriated by the Legislature, whichever is less.

The State has other special revenue accounts which are not appropriated. These accounts are special accounts which derive revenues from special fees or charges, or exist for internal agency purposes such as payroll clearing accounts, cost allocations, etc., but are not subject to specific legislative appropriation. Accordingly, these accounts have not been reported in the State's budgetary comparison schedule.

2008 Budgetary Reporting

The State's budgetary General Revenue Fund surplus for the year ended June 30, 2008, is calculated as follows (expressed in thousands):

Preliminary General Revenue Fund current year excess of revenues over expenditures as reflected on Budgetary Comparison Schedule	$221,610
Less accounts reappropriated for spending in FY 2009	(186,332)
Accumulated surplus	35,278
Less amount to be transferred to Revenue Shortfall Reserve Fund	(17,639)
General Revenue Fund FY 2008 surplus available for appropriation in FY 2009	$ 17,639

In August 2008 after the close of the fiscal year, $17,639,000 from the State's General Revenue Fund surplus for the year was transferred to the Reserve Fund, which represents the statutory requirement to transfer 50% of the budgetary surplus at the end of the fiscal year.

The State's budgetary General Revenue Fund and the Appropriated Special Revenue Fund balances at July 1, 2007, have been adjusted as follows (expressed in thousands):

General Revenue Fund:	
Beginning Fund Balance	$393,847
Prior Year Refunds	415
Less Transfer to Rainy Day Fund	(53,363)
Other Transfers	(3)
Adjusted Beginning Fund Balance	$340,896
Appropriated Special Revenue Fund:	
Beginning Fund Balance	$1,157,627
Adjustment to Include Other Appropriated Special Revenue	(343)
Adjusted Beginning Fund Balance	$1,157,284

Budgetary Reporting and GAAP

Because the budgetary basis differs from accounting principles generally accepted in the United States, budget and actual amounts in the accompanying Budgetary Comparison Schedule are presented on the budgetary basis. A more detailed budgetary basis report, Supplementary Information to the State of West Virginia Comprehensive Annual Financial Report, is produced for internal purposes to demonstrate budgetary compliance and is available at the Financial Accounting and Reporting Section for public inspection. A reconciliation that compares the excess of revenues over expenditures on a budgetary basis for the year ended June 30, 2008, to the excess of revenues and other financing sources over expenditures and other financing uses presented in conformity with accounting principles generally accepted in the United States is set forth in the following schedule.

Required Supplementary Information
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	General Revenue Fund	Federal Fund	Road Fund	Appropriated Special Revenue Fund
SOURCES/INFLOWS OF RESOURCES				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 3,928,288	$ 2,639,089	1,053,820	$ 1,566,006
Differences - Budget to GAAP:				
Intrafund transactions not included in GAAP revenues	(3,228,383)	—	—	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(347,708)	—	(12,931)	—
Other Basis of Accounting Difference	228,411	—	(434,612)	—
Reclassifications:				
Prior year General Revenue Refunds	415	—	—	—
Nonappropriated Budgetary Fund's revenue included as revenue/transfers in the GAAP General, Transportation, West Virginia Infrastructure, and Other Funds	3,637,868	—	491,662	—
Budgetary special revenue funds transferred to GAAP General, Transportation, West Virginia Infrastructure, and Other Funds	656,661	—	7,525	(1,566,006)
Budgetary federal funds transferred to GAAP General, Transportation, West Virginia Infrastructure, and Other Funds	2,556,556	(2,639,089)	21,580	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	$ 7,432,108	$ —	$1,127,044	$ —
USES/OUTFLOWS OF RESOURCES				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 3,824,308	$ 2,636,904	$1,011,669	$ 1,376,324
Differences - Budget to GAAP:				
Intrafund transactions not included in GAAP expenditures	(3,228,383)	—	—	—
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(420,363)	—	—	—
Other Basis of Accounting Difference	455,080	—	(52,149)	—
Reclassifications:				
Nonappropriated Budgetary Fund's expenditures/transfers out included as expense in the GAAP General, Transportation, West Virginia Infrastructure, and Other Funds	3,545,085	—	102,930	—
Budgetary general revenue funds transferred to GAAP General, Transportation, West Virginia Infrastructure, and Other Funds	(73,041)	—	3,819	—
Budgetary special revenue funds transferred to GAAP General, Transportation, West Virginia Infrastructure, and Other Funds	580,119	—	4,207	(1,376,324)
Budgetary federal funds transferred to GAAP General, Transportation, West Virginia Infrastructure, and Other Funds	2,552,248	(2,636,904)	21,594	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	$ 7,235,053	$ —	$1,092,070	$ —

Required Supplementary Information
Schedule of Funding Progress
(Expressed in Thousands)

Pension Plans

	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Excess of Assets Over) Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (Excess) as a Percentage of Covered Payroll
TRS							
	2008	$4,133,883	$8,268,578	$4,134,695	50.0%	$1,409,437	293.4%
	2007	$3,665,993	$7,142,711	$3,476,718	51.3%	$ 828,939	419.4%
	2006	$2,174,464	$6,877,872	$4,703,408	31.6%	$ 759,206	619.5%
PSDDRF							
	2008	$ 459,182	$ 547,623	$ 88,441	83.9%	$ 10,400	850.4%
	2007	$ 513,009	$ 527,393	$ 14,384	97.3%	$ 10,997	130.8%
	2006	$ 452,794	$ 506,828	$ 54,034	89.3%	$ 11,128	485.6%
SPRS							
	2008	$ 41,564	$ 51,388	$ 9,824	80.9%	$ 20,285	48.4%
	2007	$ 40,350	$ 40,786	$ 436	98.9%	$ 18,850	2.3%
	2006	$ 30,747	$ 33,552	$ 2,805	91.6%	$ 15,870	17.7%
JRS							
	2008	$ 100,186	$ 97,965	$ (2,221)	102.3%	$ 8,261	0.0%
	2007	$ 104,127	$ 96,018	$ (8,109)	108.4%	$ 8,261	0.0%
	2006	$ 85,932	$ 91,820	$ 5,888	93.6%	$ 8,029	73.3%

REQUIRED SUPPLEMENTARY INFORMATION
Notes to Required Supplementary Information
Pension Schedule of Funding Progress

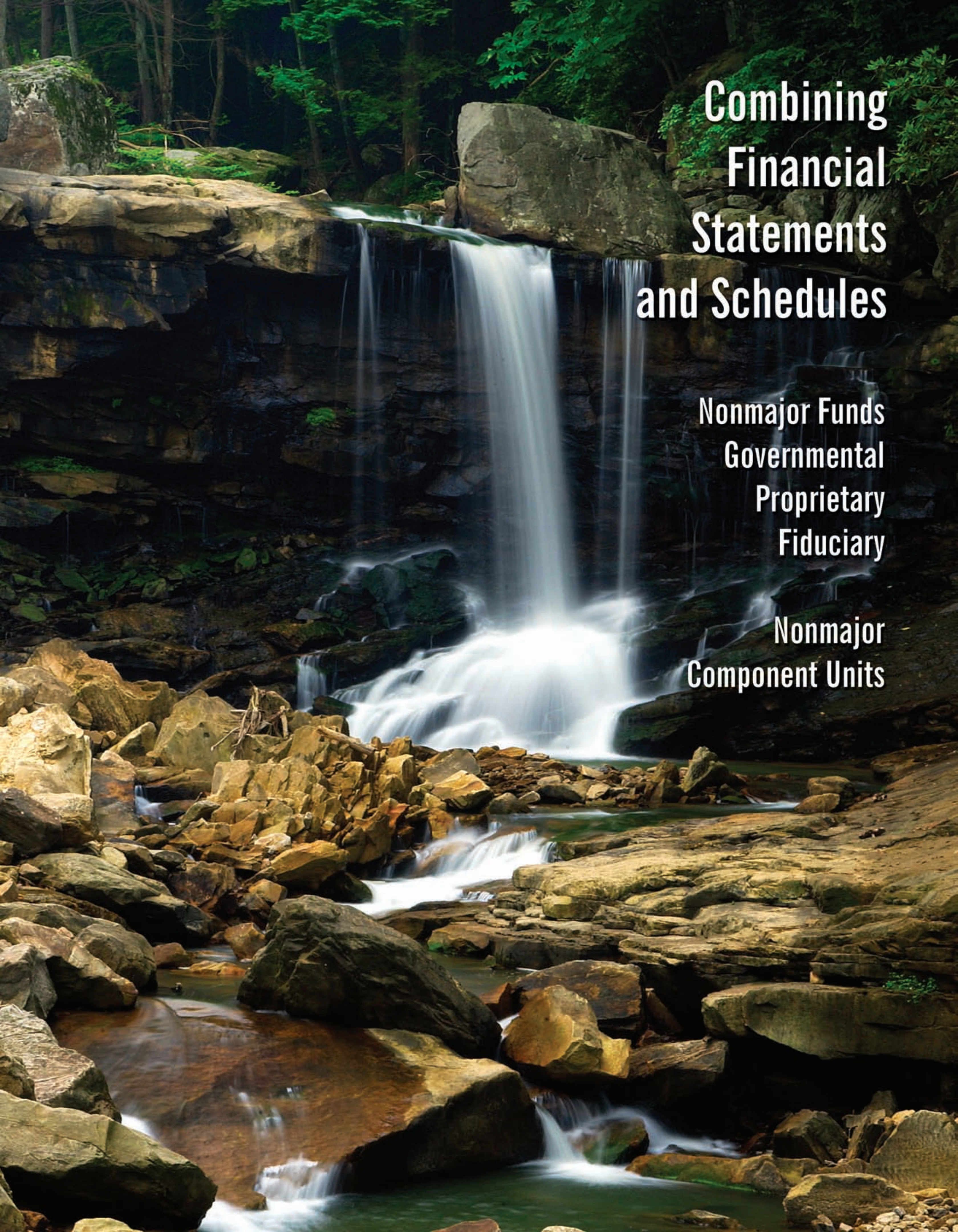
The information presented in the required supplementary schedules was based on the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

						Actuarial Assumptions			
							Projected Salary Increases		
	Valuation Date	Actuarial Cost Method	Asset Valuation Method	Amortization Method	Amortization Period	Investment Rate of Return	Inflation	Merit	Annual Annuity Adjustment
PERS	July 1, 2008	Entry age cost	Fair value	Constant dollar	Through FY 2035*	7.50%	3.00%	3.75%-6.00%	None
TRS	July 1, 2008	Entry age cost	Fair value	Constant percentage of payroll	Through FY 2034	7.50%	3.00%	3.50%-5.50%	None
PSDDRF	July 1, 2008	Entry age cost	Fair value	Constant percentage of payroll	Through FY 2025	7.50%	3.00%	4.75%-6.00%	3.75% Annual cost of living adjustment
SPRS	July 1, 2008	Entry age cost	Fair value	Constant dollar	Through FY 2030	7.50%	3.00%	4.75%-6.00%	1% Annual cost of living adjustment
DSRS	July 1, 2008	Entry age cost	Fair value	Constant percentage of payroll	Through FY 2029*	7.50%	3.00%	4.50%-5.50%	None
JRS	July 1, 2008	Entry age cost	Fair value	Constant dollar	Through FY 2018	7.50%	3.00%	4.50%	4.50%
EMSRS	Jan. 1, 2008	Entry age cost	Fair value	Constant percentage of payroll	Through FY 2030	7.50%	3.00%	3.50%-5.00%	None

*Contribution rates are not sufficient to meet original amortization funding target.

Note 12 has additional pension information. CPRB prepares separately issued financial statements covering the retirement systems, which can be obtained from Consolidated Public Retirement Board, 4101 MacCorkle Avenue S.E., Charleston, WV 25304-1636.


STATE OF WEST VIRGINIA.
JUNE 20 1863
MONTANI SEMPER LIBERI.



Combining Financial Statements and Schedules

Nonmajor Funds
Governmental
Proprietary
Fiduciary

Nonmajor Component Units


STATE OF WEST VIRGINIA.
JUNE 20 1863
MONTANI SEMPER LIBERI.

GOVERNMENTAL FUND TYPES - NONMAJOR

Special Revenue:

Special Revenue Funds are used to account for the receipt and use of specific revenues that are legally restricted to expenditures for specified purposes.

Debt Service:

Debt Service Funds are used to account for the accumulation of resources and payment of general long-term debt principal and interest from governmental resources.

Capital Projects:

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds. These funds consist of the following:

State Road This constitutionally established Fund is operated within the Department of Transportation. Certain taxes, fees, and other revenue sources are expended for the construction and maintenance of roads.

Lease Purchase Account This account is established to ensure that revenues and expenditures for the acquisition of capital assets through lease-purchase agreements are properly recorded.

Permanent Funds:

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific government programs, for the benefit of the government or its citizenry.

The Irreducible School Fund The Fund, which was constitutionally established, is required to maintain a minimum level of investments. All earnings from these investments are transferred to the General Fund for educational expenditures.

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008
(Expressed in Thousands)

	Special Revenue	Debt Service
Assets:		
Cash and Cash Equivalents	$230,077	$60,151
Investments	34,926	19,677
Receivables, Net	14,994	65
Due from Other Governments	961	—
Due from Other Funds	108	1,000
Due from Component Units	2	—
Inventories	57	—
Other Assets	45	—
Restricted Assets:		
Cash and Cash Equivalents	512	—
Total Assets	$281,682	$80,893
Liabilities:		
Accounts Payable	$ 5,839	$ 67
Accrued and Other Liabilities	7,126	—
Due to Other Governments	13,139	—
Due to Other Funds	2,756	—
Due to Components	60	—
Total Liabilities	28,920	67
Fund Balances:		
Reserved for:		
Inventories	57	—
Capital Projects	—	—
Debt Service	—	80,826
Program Administration	13	—
Permanent Funds	—	—
Unreserved	252,692	—
Total Fund Balances	252,762	80,826
Total Liabilities and Fund Balances	$281,682	$80,893

Capital Projects		Permanent Funds	
State Road	Lease Purchase Account	Irreducible School	Total
$14,905	$26,797	$1,669	$333,599
—	—	—	54,603
—	42	2	15,103
—	—	—	961
—	—	—	1,108
—	—	—	2
—	—	—	57
—	—	—	45
57	—	—	569
$14,962	$26,839	$1,671	$406,047
$ 946	$ 9	$ —	$ 6,861
—	—	—	7,126
—	—	—	13,139
165	—	—	2,921
—	—	—	60
1,111	9	—	30,107
—	—	—	57
13,851	26,830	—	40,681
—	—	—	80,826
—	—	—	13
—	—	1,671	1,671
—	—	—	252,692
13,851	26,830	1,671	375,940
$14,962	$26,839	$1,671	$406,047

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Special Revenue	Debt Service
Revenues:		
Taxes:		
Other	$ 4,000	$ —
Intergovernmental	105,584	—
Licenses, Permits, and Fees	117,372	—
Charges for Services	2,087	—
Investment Earnings	5,264	3,180
Other	5,806	—
Total Revenues	240,113	3,180
Expenditures:		
Legislative	3,016	—
Executive	50	—
Administration	—	11
Commerce	2,471	—
Environmental Protection	64,642	—
Employment Programs	58,563	—
Health and Human Resources	—	12
Military Affairs and Public Safety	4,282	2
Revenue	29,781	—
Regulatory Boards and Commissions	22,607	—
Capital Outlay	—	—
Debt Service:		
Principal	—	41,078
Interest	—	45,131
Total Expenditures	185,412	86,234
Excess (Deficiency) of Revenues Over (Under) Expenditures	54,701	(83,054)
Other Financing Sources (Uses):		
Transfers In	11,988	85,156
Transfers Out	(5,380)	(73)
Total Other Financing Sources (Uses)	6,608	85,083
Net Change in Fund Balances	61,309	2,029
Fund Balances, Beginning of Year, as Adjusted	191,453	78,797
Fund Balances, End of Year	$252,762	$ 80,826

Capital Projects		Permanent Fund	
State Road	Lease Purchase Account	Irreducible School	Total
$ —	$ —	$ —	$ 4,000
14,745	—	—	120,329
—	—	—	117,372
—	—	14	2,101
2,069	959	54	11,526
—	—	596	6,402
16,814	959	664	261,730
—	—	—	3,016
—	—	—	50
—	2	—	13
—	—	—	2,471
—	3	—	64,645
—	—	—	58,563
—	—	—	12
—	—	—	4,284
—	—	—	29,781
—	—	—	22,607
70,236	395	—	70,631
10,285	—	—	51,363
4,460	—	—	49,591
84,981	400	—	357,027
(68,167)	559	664	(95,297)
—	28	—	97,172
—	(135)	(755)	(6,343)
—	(107)	(755)	90,829
(68,167)	452	(91)	(4,468)
82,018	26,378	1,762	380,408
$ 13,851	$26,830	$1,671	$ 375,940

SPECIAL REVENUE FUNDS

Nonmajor Funds

Environmental Protection The Fund consists of various programs intended to maintain and improve the environmental quality of the State and its natural resources. Included in this Fund are programs addressing the following: Underground Storage Tanks, Groundwater, Solid Waste Environmental Response and Enforcement, Special Reclamation, Mines and Minerals, Dam Safety, Hazardous Waste Emergency Response, Oil and Gas Reclamation, Oil and Gas Operating Permit and Processing, as well as other miscellaneous programs.

Public Service Commission The Commission is responsible for appraising and balancing the interests of current and future utility service customers, the State's economy, and the utilities subject to its jurisdiction. It is directed to identify, explore and consider the potential benefits and risks associated with emerging and state-of-the-art concepts in utility management, rate design, and conservation.

Crime Victims' Compensation The intent of the Fund is to provide partial relief to the innocent victims of crime, including claimant's attorneys and witnesses, for the failure of the State to fully provide for the safety of its citizens and the inviolability of their property. To fund this program, individuals convicted of any felony or misdemeanor, excluding non-moving traffic violations, must pay an additional amount over and above ordinary court costs.

Insurance Commission The Commission is responsible for promoting a competitive and solvent insurance market of domestic, foreign, and alien insurers. Additionally, the Fund is authorized to promulgate and adopt and enforce such rules and regulations relating to insurance as are deemed necessary to protect and safeguard the interests of policyholders and the public.

Armory Board The Board is responsible for providing the facilities for the activities of the State's National Guard.

WORKFORCE West Virginia The Bureau of Employment Programs doing business as WORKFORCE West Virginia includes the Employment Service Division (ES) and the administrative activities of the Unemployment Compensation Division (UC). Local offices are operated throughout the State to serve those seeking and providing employment.

Wildlife Resources Fund The Fund is responsible for recognizing the inestimable importance of conserving the wildlife resources of West Virginia. In addition, the fund provides the opportunity for citizens and residents of the State to invest in the future of its wildlife resources. The Fund is financed from the proceeds of the sale of lifetime hunting and fishing licenses, as well as proceeds from gifts, grants, and contributions. The interest on this fund shall be used only for the purpose of supporting wildlife conservation programs of the State.

Children's Fund The Fund is for the sole purpose of awarding grants, loans, and loan guaranties for child abuse and neglect prevention activities. During FY 2008, this Fund was legislatively changed and transferred to Department of Health and Human Resources.

Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008
(Expressed in Thousands)

	Environmental Protection	Public Service Commission	Crime Victims' Compensation
Assets:			
Cash and Cash Equivalents	$147,312	$17,187	$6,076
Investments	—	—	—
Receivables, Net	5,926	327	24
Due from Other Governments	—	961	—
Due from Other Funds	—	3	—
Due from Component Units	—	—	—
Inventories	—	—	—
Other Assets	45	—	—
Restricted Assets:			
Cash and Cash Equivalents	512	—	—
Total Assets	$153,795	$18,478	$6,100
Liabilities:			
Accounts Payable	$ 4,671	$ 610	$ —
Accrued and Other Liabilities	6,015	295	—
Due to Other Governments	4,637	6,512	—
Due to Other Funds	1,249	350	—
Due to Component Units	29	—	—
Total Liabilities	16,601	7,767	—
Fund Balances (Deficits):			
Reserved for:			
Inventories	—	—	—
Program Administration	—	—	—
Unreserved	137,194	10,711	6,100
Total Fund Balances	137,194	10,711	6,100
Total Liabilities and Fund Balances	$153,795	$18,478	$6,100

Insurance Commission	Armory Board	WORKFORCE West Virginia	Wildlife Resources Fund	Total
$55,420	$2,815	$ 1,266	$ 1	$230,077
—	—	—	34,926	34,926
8,389	64	264	—	14,994
—	—	—	—	961
98	—	7	—	108
—	—	2	—	2
—	—	57	—	57
—	—	—	—	45
—	—	—	—	512
$63,907	$2,879	$ 1,596	$34,927	$281,682
$ 136	$ 178	$ 244	$ —	$ 5,839
284	—	532	—	7,126
—	—	1,990	—	13,139
345	41	771	—	2,756
—	—	31	—	60
765	219	3,568	—	28,920
—	—	57	—	57
—	—	13	—	13
63,142	2,660	(2,042)	34,927	252,692
63,142	2,660	(1,972)	34,927	252,762
$63,907	$2,879	$ 1,596	$34,927	$281,682

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Environmental Protection	Public Service Commission	Crime Victims' Compensation
Revenues:			
Taxes:			
Other	$ 4,000	$ —	$ —
Intergovernmental	46,882	2,345	38
Licenses, Permits, and Fees	43,701	21,957	1,646
Charges for Services	1,943	144	—
Investment Earnings and Losses	4,582	—	413
Other	4,395	375	—
Total Revenues	105,503	24,821	2,097
Expenditures:			
Legislative	—	—	3,016
Executive	—	—	—
Commerce	—	—	—
Environmental Protection	64,642	—	—
Employment Programs	—	—	—
Military Affairs and Public Safety	—	—	—
Revenue	—	—	—
Regulatory Boards and Commissions	—	22,607	—
Total Expenditures	64,642	22,607	3,016
Excess (Deficiency) of Revenues Over (Under) Expenditures	40,861	2,214	(919)
Other Financing Sources (Uses):			
Transfers In	4,010	—	—
Transfers Out	(859)	(342)	(2)
Total Other Financing Sources (Uses)	3,151	(342)	(2)
Net Change in Fund Balances	44,012	1,872	(921)
Fund Balances, Beginning of Year, as Adjusted	93,182	8,839	7,021
Fund Balances, End of Year	$137,194	$10,711	$6,100

Insurance Commission	Armory Board	WORKFORCE West Virginia	Wildlife Resources Fund	Children's Fund	Total
$ —	$ —	$ —	$ —	$ —	$ 4,000
—	—	56,319	—	—	105,584
49,485	—	—	583	—	117,372
—	—	—	—	—	2,087
138	94	—	—	37	5,264
415	43	493	4	81	5,806
50,038	137	56,812	587	118	240,113
—	—	—	—	—	3,016
—	—	—	—	50	50
—	—	—	2,471	—	2,471
—	—	—	—	—	64,642
—	—	58,563	—	—	58,563
—	4,282	—	—	—	4,282
29,781	—	—	—	—	29,781
—	—	—	—	—	22,607
29,781	4,282	58,563	2,471	50	185,412
20,257	(4,145)	(1,751)	(1,884)	68	54,701
—	4,000	3,678	—	300	11,988
—	(14)	—	(2,735)	(1,428)	(5,380)
—	3,986	3,678	(2,735)	(1,128)	6,608
20,257	(159)	1,927	(4,619)	(1,060)	61,309
42,885	2,819	(3,899)	39,546	1,060	191,453
$63,142	$ 2,660	$ (1,972)	$34,927	$ —	$252,762

DEBT SERVICE FUNDS

Nonmajor Funds

West Virginia Infrastructure and Jobs Development Council The Council coordinates the review and funding of water, wastewater, and economic development projects in the State.

Education, Arts, Sciences, and Tourism Fund The Fund is established to provide public financial support for constructing, equipping, improving, and maintaining capital improvement projects which promote education, arts, sciences, and tourism in the State.

Lease Purchase Account This account is established to ensure that revenues and expenditures for the acquisition of capital assets through lease-purchase agreements are properly recorded.

Economic Development Project Fund The Fund is established to provide funds to finance a portion of the costs of construction, equipping, improving or maintaining economic development projects, capital improvement projects and infrastructure projects which promote economic development in the State.

Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2008
(Expressed in Thousands)

	West Virginia Infrastructure and Jobs Development Council	Education, Arts, Sciences, and Tourism Fund	Lease Purchase Account	Economic Development Project Fund	Total
Assets:					
Cash and Cash Equivalents	$226	$27,420	$11,703	$20,802	$60,151
Investments	—	—	687	18,990	19,677
Receivables, Net	—	22	11	32	65
Due from Other Funds	—	1,000	—	—	1,000
Total Assets	$226	$28,442	$12,401	$39,824	$80,893
Liabilities:					
Accounts Payable	$ —	$ —	$ 67	$ —	$ 67
Fund Balances:					
Reserved for Debt Service	226	28,442	12,334	39,824	80,826
Total Liabilities and Fund Balances	$226	$28,442	$12,401	$39,824	$80,893

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	West Virginia Infrastructure and Jobs Development Council	Education, Arts, Sciences, and Tourism Fund	Lease Purchase Account	Economic Development Project Fund	Total
Revenues:					
Investment Earnings	$ 413	$ 604	$ 436	$ 1,727	$ 3,180
Expenditures:					
Administration	—	3	8	—	11
Health and Human Resources	—	—	12	—	12
Military Affairs and Public Safety	—	—	2	—	2
Debt Service:					
Principal	14,625	8,210	10,803	7,440	41,078
Interest	15,890	1,563	16,232	11,446	45,131
Total Expenditures	30,515	9,776	27,057	18,886	86,234
Deficiency of Revenues Under Expenditures	(30,102)	(9,172)	(26,621)	(17,159)	(83,054)
Other Financing Sources (Uses):					
Transfers In	29,980	9,997	26,346	18,833	85,156
Transfers Out	—	—	(73)	—	(73)
Total Other Financing Sources (Uses)	29,980	9,997	26,273	18,833	85,083
Net Change in Fund Balances	(122)	825	(348)	1,674	2,029
Fund Balances, Beginning of Year, as Adjusted	348	27,617	12,682	38,150	78,797
Fund Balances, End of Year	$ 226	$28,442	$ 12,334	$ 39,824	$ 80,826

INTERNAL SERVICE FUNDS FINANCIAL STATEMENTS

Internal Service Funds account for the operations of those State agencies that provide goods and services to other State agencies and governmental units on a cost-reimbursement basis. The Internal Service Funds consist of the following:

State Building Fund The Fund operates and maintains the primary State government office building complex and related facilities. These facilities are leased to the State agencies that occupy the facilities.

Information Services and Communications The Fund is responsible for establishing, developing, and improving data-processing functions, for promulgating standards for the utilization of data-processing equipment, and for promoting the effective and efficient operation of the legislative, executive, and judicial branches of State Government. Costs are recovered through service charges to user agencies.

Travel Management The Fund, a central motor pool responsible for the storage, maintenance, and repairs of State-owned vehicles and aircraft, is maintained by the Purchasing Division of the Department of Administration. User agencies are billed for leasing such vehicles and for use of aircraft.

Investment Management Board The Board serves as the Trustee to provide prudent fiscal administration, investment, and management of the State's pension funds, workers' compensation, pneumoconiosis, and other long-term funds.

Board of Treasury Investments The BTI serves as investment vehicle for the operating cash of State agencies and authorities, local governments, and other political subdivisions.

Combining Statement of Fund Net Assets
Internal Service Funds
June 30, 2008
(Expressed in Thousands)

	State Building Fund	Information Services and Communications	Travel Management	Investment Management Board	Board of Treasury Investments	Total
Assets:						
Current Assets:						
Cash and Cash Equivalents	$ 1,327	$ 6,417	$ 1,396	$ 5,157	$ 894	$ 15,191
Receivables, Net	1	75	1	4,844	377	5,298
Due from Other Funds	522	5,950	528	—	—	7,000
Due from Component Units	—	255	16	—	—	271
Inventories	61	367	—	—	—	428
Other Assets	7	—	—	97	—	104
Restricted Assets:						
Cash and Cash Equivalents	—	—	2,157	—	—	2,157
Total Current Assets	1,918	13,064	4,098	10,098	1,271	30,449
Noncurrent Assets:						
Restricted Assets:						
Cash and Cash Equivalents	89,967	—	—	—	—	89,967
Capital Assets, Net	60,711	2,485	20,692	3	10	83,901
Total Noncurrent Assets	150,678	2,485	20,692	3	10	173,868
Total Assets	152,596	15,549	24,790	10,101	1,281	204,317
Liabilities:						
Current Liabilities:						
Accounts Payable	2,939	3,521	939	5,923	521	13,843
Accrued and Other Liabilities	87	242	18	—	—	347
Deferred Revenue	6	—	—	—	—	6
Due to Other Governments	29	81	6	—	—	116
Due to Other Funds	189	443	36	—	—	668
Due to Component Units	—	110	—	—	—	110
Capital Leases and Other Debt	678	132	3,974	—	—	4,784
Total Current Liabilities	3,928	4,529	4,973	5,923	521	19,874
Noncurrent Liabilities:						
Capital Leases and Other Debt	3,562	106	8,153	—	—	11,821
Compensated Absences	250	1,172	107	—	—	1,529
Total Noncurrent Liabilities	3,812	1,278	8,260	—	—	13,350
Total Liabilities	7,740	5,807	13,233	5,923	521	33,224
Net Assets:						
Invested in Capital Assets, Net of Related Debt	56,471	2,247	8,565	3	10	67,296
Restricted for Capital Projects	89,967	—	—	—	—	89,967
Unrestricted (Deficit)	(1,582)	7,495	2,992	4,175	750	13,830
Total Net Assets	$144,856	$ 9,742	$11,557	$ 4,178	$ 760	$171,093

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	State Building Fund	Information Services and Communications	Travel Management	Investment Management Board	Board of Treasury Investments	Total
Operating Revenues:						
Charges for Services	$ 11,776	$30,296	$ 6,352	$25,043	$2,426	$ 75,893
Operating Expenses:						
Cost of Sales and Services	27,744	26,032	2,654	22,408	1,686	80,524
General and Administration	978	3,278	772	2,673	566	8,267
Depreciation and Amortization	2,573	950	4,191	8	13	7,735
Total Operating Expenses	31,295	30,260	7,617	25,089	2,265	96,526
Operating Income (Loss)	(19,519)	36	(1,265)	(46)	161	(20,633)
Nonoperating Revenues (Expenses):						
Gain (Loss) on Sale of Equipment	(2)	—	198	—	—	196
Investment Income	465	—	—	173	—	638
Interest Expense	(229)	(14)	(369)	—	—	(612)
Other Nonoperating Revenues	147	606	139	—	52	944
Total Nonoperating Revenues (Expenses)	381	592	(32)	173	52	1,166
Income (Loss) Before Capital Contributions and Transfers	(19,138)	628	(1,297)	127	213	(19,467)
Capital Contribution	28	—	—	—	—	28
Transfers In	67,194	—	—	—	—	67,194
Transfers Out	(2,562)	—	—	—	—	(2,562)
Total Capital Contributions and Transfers	64,660	—	—	—	—	64,660
Change in Net Assets	45,522	628	(1,297)	127	213	45,193
Net Assets, Beginning of Year, as Restated	99,334	9,114	12,854	4,051	547	125,900
Net Assets, End of Year	$144,856	$ 9,742	$11,557	$ 4,178	$ 760	$171,093

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	State Building Fund	Information Services and Communications	Travel Management	Investment Management Board	Board of Treasury Investments	Total
Cash Flows from Operating Activities:						
Receipts from Customers	$ 11,716	$ 30,133	$ 6,300	$ 24,078	$ 2,404	$ 74,631
Payments to Suppliers	(22,996)	(15,211)	(771)	(21,744)	(1,692)	(62,414)
Payments to Employees	(4,503)	(13,367)	(1,250)	(1,955)	(311)	(21,386)
Net Cash Provided by (Used for) Operating Activities	(15,783)	1,555	4,279	379	401	(9,169)
Cash Flows from Noncapital Financing Activities:						
Transfers In	67,194	—	—	—	—	67,194
Transfers Out	(2,562)	—	—	—	—	(2,562)
Net Cash Provided by Noncapital Financing Activities	64,632	—	—	—	—	64,632
Cash Flows from Capital and Related Financing Activities:						
Proceeds from Sale of Capital Bonds and Other Debts	3,000	—	6,061	—	—	9,061
Repayment of Capital Debt	(757)	(415)	(3,290)	—	—	(4,462)
Interest Paid on Capital Debt	(234)	(14)	(315)	—	—	(563)
Acquisition and Construction of Capital Assets	(4,290)	(142)	(5,433)	—	(14)	(9,879)
Proceeds from Sale of Capital Assets	—	—	161	—	—	161
Net Cash Used for Capital and Related Financing Activities	(2,281)	(571)	(2,816)	—	(14)	(5,682)
Cash Flows from Investing Activities:						
Purchase of Investments	(350)	—	—	—	—	(350)
Proceeds from Sale of Investments	350	—	—	—	—	350
Investment Earnings	465	—	(54)	185	—	596
Net Cash Provided by (Used for) Investing Activities	465	—	(54)	185	—	596
Net Increase in Cash and Cash Equivalents	47,033	984	1,409	564	387	50,377
Cash and Cash Equivalents, Beginning of Year, as Adjusted	44,261	5,433	2,144	4,593	507	56,938
Cash and Cash Equivalents, End of Year	$ 91,294	$ 6,417	$ 3,553	$ 5,157	$ 894	$ 107,315

	State Building Fund	Information Services and Communications	Travel Management	Investment Management Board	Board of Treasury Investments	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Operating Income (Loss)	$(19,519)	$ 36	$(1,265)	$ (46)	$ 161	$(20,633)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Depreciation and Amortization	2,573	950	4,191	8	13	7,735
Changes in Assets and Liabilities:						
Receivables	(61)	(163)	(51)	(964)	(22)	(1,261)
Inventories	102	3	—	—	—	105
Other Assets	13	—	—	188	—	201
Accounts Payable and Accrued Liabilities	848	(24)	1,366	1,193	235	3,618
Other Liabilities	261	753	38	—	14	1,066
Net Cash Provided by (Used for) Operating Activities	$(15,783)	$1,555	$ 4,279	$ 379	$ 401	$ (9,169)
Schedule of Non-Cash Capital and Financing Activities:						
Contribution of Capital Assets	$ 28	$ 301	$ —	$ —	$ —	$ 329
On Behalf OPEB Payments	147	305	25	—	—	477

PROPRIETARY FUNDS - NONMAJOR

Drinking Water Treatment Revolving Fund Low interest loans are made to communities to assist in financing drinking water infrastructure projects including, but not limited to, treatment, distribution, transmission, and storage. The Fund is to remain in perpetuity by recirculating the principal and interest earned from the loans.

Alcohol Beverage Control Administration The Administration is responsible for the regulation and control of the manufacture, sale, distribution, transportation, storage, and consumption of alcoholic liquors. The Administration shall establish stores and agencies and shall fix uniform prices for the sale of alcoholic liquors.

West Virginia Prepaid College Plan The Plan is responsible for providing individuals and organizations the opportunity to prepay future college tuition and mandatory fees at West Virginia public and private colleges and universities. Prices for contracts are based on weighted-average tuition and mandatory fees as determined annually by the Plan's consulting actuaries and its Board. In March 2003, the West Virginia Legislature closed the Prepaid Tuition Plan to new contracts until the Legislature authorizes the Plan to reopen. The Prepaid Tuition Plan will continue in existence and no contracts in effect will be affected by the closure. All contract holders will continue to pay any amounts due, including monthly installments, penalties and fees, and the Prepaid Tuition Plan will continue to pay all benefits due.

AccessWV The Plan is responsible for providing health care coverage consistent with comprehensive coverage to every eligible person who is not eligible for Medicare. The Plan shall be operated so as to qualify as an acceptable alternative mechanism under the federal Health Insurance Portability and Accountability Act and as an option to provide health insurance coverage for individuals eligible for the federal health care tax credit established by the federal Trade Adjustment Assistance Reform Act of 2002 (Section 35 of the Internal Revenue Code of 1986). The coverage to be issued by the Plan, its schedule of benefits, exclusions, and other limitations shall be established by the board and subject to the approval of the insurance commissioner. The Plan will establish and modify, from time to time, as appropriate, rates, rate schedules, rate adjustments, expense allowances, agents' referral fees, claim reserve formulas, and any other actuarial function appropriate to the operation of the Plan.

Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2008
(Expressed in Thousands)

	Business-type Activities Enterprise Funds				
	Drinking Water Treatment Revolving Fund	Alcohol Beverage Control Administration	West Virginia Prepaid College Plan	AccessWV	Total
Assets:					
Current Assets:					
Cash and Cash Equivalents	$16,880	$6,153	$ 2,458	$9,014	$ 34,505
Receivables, Net	2,156	—	1,117	—	3,273
Due from Other Funds	—	—	17	—	17
Inventories	—	18	—	—	18
Other Assets	—	591	—	—	591
Total Current Assets	19,036	6,762	3,592	9,014	38,404
Noncurrent Assets:					
Investments	—	—	93,543	—	93,543
Receivables, Net	47,787	—	3,058	—	50,845
Capital Assets, Net	—	1,925	—	—	1,925
Total Noncurrent Assets	47,787	1,925	96,601	—	146,313
Total Assets	66,823	8,687	100,193	9,014	184,717
Liabilities:					
Current Liabilities:					
Accounts Payable	—	2,854	56	—	2,910
Accrued Tuition Contract Benefits	—	—	11,120	—	11,120
Accrued and Other Liabilities	—	—	—	221	221
Due to Other Funds	—	58	7	—	65
Insurance Claims Obligations	—	—	—	300	300
Compensated Absences	—	—	37	—	37
Total Current Liabilities	—	2,912	11,220	521	14,653
Noncurrent Liabilities:					
Accrued Tuition Contract Benefits	—	—	106,290	—	106,290
Compensated Absences	—	309	—	—	309
Total Noncurrent Liabilities	—	309	106,290	—	106,599
Total Liabilities	—	3,221	117,510	521	121,252
Net Assets:					
Invested in Capital Assets	—	1,925	—	—	1,925
Restricted for:					
Program Administration	—	—	1,095	8,493	9,588
Lending Activities	66,823	—	—	—	66,823
Unrestricted (Deficit)	—	3,541	(18,412)	—	(14,871)
Total Net Assets (Deficit)	$66,823	$5,466	$(17,317)	$8,493	$ 63,465

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Business-type Activities Enterprise Funds				
	Drinking Water Treatment Revolving Fund	Alcohol Beverage Control Administration	West Virginia Prepaid College Plan	AccessWV	Total
Operating Revenues:					
Charges for Services and Sales	$ 539	$74,508	$ —	$5,020	$ 80,067
Tuition Contracts	—	—	58	—	58
Licenses, Permits, and Fees	—	3,417	—	—	3,417
Other	—	220	848	53	1,121
Total Operating Revenues	539	78,145	906	5,073	84,663
Operating Expenses:					
Cost of Sales and Services	—	58,208	—	—	58,208
Insurance Claims	—	—	—	2,696	2,696
Tuition Contract Benefits and Expenses	—	—	8,674	—	8,674
General and Administration	—	6,777	852	476	8,105
Depreciation and Amortization	—	141	—	—	141
Total Operating Expenses	—	65,126	9,526	3,172	77,824
Operating Income (Loss)	539	13,019	(8,620)	1,901	6,839
Nonoperating Revenues (Expenses):					
Interest and Other Investment Income	602	—	(6,411)	346	(5,463)
Other Nonoperating Revenues	—	123	6	—	129
Total Nonoperating Revenues (Expenses)	602	123	(6,405)	346	(5,334)
Income (Loss) Before Transfers	1,141	13,142	(15,025)	2,247	1,505
Transfers:					
Transfers In	4,722	200	153	—	5,075
Transfers Out	—	(15,211)	—	—	(15,211)
Total Transfers	4,722	(15,011)	153	—	(10,136)
Change in Net Assets	5,863	(1,869)	(14,872)	2,247	(8,631)
Net Assets (Deficit), Beginning of Year, as Restated	60,960	7,335	(2,445)	6,246	72,096
Net Assets (Deficit), End of Year	$66,823	$ 5,466	$(17,317)	$8,493	$ 63,465

Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Business-type Activities Enterprise Funds				
	Drinking Water Treatment Revolving Fund	Alcohol Beverage Control Administration	West Virginia Prepaid College Plan	AccessWV	Total
Cash Flows From Operating Activities:					
Receipts from Customers	$ 2,434	$ 77,441	$ 1,127	$ 5,073	$ 86,075
Payments to Suppliers	—	(59,431)	(513)	(2,983)	(62,927)
Payments to Employees	—	(4,840)	(309)	(39)	(5,188)
Payments to Beneficiaries	—	—	(7,123)	—	(7,123)
Payments for Loans Originated	(4,140)	—	—	—	(4,140)
Other Operating Cash Receipts	—	127	902	—	1,029
Other Operating Cash Payments	—	—	—	(1)	(1)
Net Cash Provided by (Used for) Operating Activities	(1,706)	13,297	(5,916)	2,050	7,725
Cash Flows from Noncapital Financing Activities:					
Transfers In	4,722	200	161	—	5,083
Transfers Out	—	(15,211)	—	—	(15,211)
Net Cash Provided by (Used for) Noncapital Financing Activities	4,722	(15,011)	161	—	(10,128)
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	—	(36)	—	—	(36)
Net Cash Used for Capital and Related Financing Activities	—	(36)	—	—	(36)
Cash Flows from Investing Activities:					
Purchase of Investments	—	—	(7,949)	—	(7,949)
Proceeds from Sale of Investments	—	—	4,900	—	4,900
Investment Earnings	601	—	8,028	376	9,005
Net Cash Provided by Investing Activities	601	—	4,979	376	5,956
Net Increase (Decrease) in Cash and Cash Equivalents	3,617	(1,750)	(776)	2,426	3,517
Cash and Cash Equivalents, Beginning of Year	13,263	7,903	3,234	6,588	30,988
Cash and Cash Equivalents, End of Year	$ 16,880	$ 6,153	$ 2,458	$ 9,014	$ 34,505

(Continued)

Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)
(Continued)

	Business-type Activities Enterprise Funds				
	Drinking Water Treatment Revolving Fund	Alcohol Beverage Control Administration	West Virginia Prepaid College Plan	AccessWV	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating Income (Loss)	$ 539	$13,019	$ (8,620)	$1,901	$ 6,839
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Depreciation and Amortization	—	141	—	—	141
Changes in Assets and Liabilities:					
Receivables	(2,245)	(578)	1,123	—	(1,700)
Inventories	—	12	—	—	12
Accounts Payable and Accrued Liabilities	—	703	16	129	848
Tuition Contracts Benefits and Expenses	—	—	1,551	—	1,551
Other Liabilities	—	—	—	20	20
Compensated Absences	—	—	14	—	14
Net Cash Provided by (Used for) Operating Activities	$(1,706)	$13,297	$ (5,916)	$2,050	$ 7,725
Schedule of Noncash Capital and Financing Activities:					
Unrealized Gain on Investments	$ —	$ —	$ (14,439)	$ —	$(14,439)
On Behalf OPEB Payments	—	123	6	—	129


STATE OF WEST VIRGINIA.
JUNE 20 1863
MONTANI SEMPER LIBERI.

PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS

Pension Trust These Funds are accounted for in essentially the same manner as proprietary funds and are described below:

Consolidated Public Retirement Board The Consolidated Public Retirement Board consists of seven plans. There are six defined benefit plans as follows: The Public Employees' Retirement System (PERS) plan is a multiple-employer defined benefit, cost-sharing public employee retirement system. This plan covers substantially all employees of the State and its component units, as well as employees of participating non-State governmental entities who are not participants of another State or municipal retirement system. The Deputy Sheriff Retirement System (DSRS) plan is a multiple-employer defined benefit, cost-sharing public employee retirement system. This plan covers all deputy sheriffs hired on or after July 1, 1998, as well as eligible transferees from PERS. The Emergency Medical Services Retirement System (EMSRS) is a multiple-employer, cost-sharing public employee retirement system which was established for eligible emergency medical service officers. Participation is voluntary. The Teachers' Retirement System (TRS) plan is a multiple-employer defined benefit, cost-sharing public employee retirement system. This plan covers all full-time employees of the public school systems in the State, as well as certain personnel of the State-supported institutions of higher education, State Department of Education, and Boards of higher education. The Public Safety Death, Disability and Retirement Fund (PSDDRF) plan is a single-employer defined benefit public employee retirement system. This plan covers all West Virginia State Police hired before July 1, 1994. The State Police Retirement System (SPRS) was implemented to cover all State Police employees hired on or after July 1, 1994. The Judges Retirement System (JRS) plan is a single-employer defined benefit public employee retirement system. This plan covers State judges who elect to participate. The Teachers' Defined Contribution Retirement System (TDCRS) plan is a multiple-employer defined contribution retirement system. This plan primarily covers full-time employees of the State's county public school systems.

Other Employee Benefit Trust Fund This fund type is used to report a trust arrangement and is accounted for in essentially the same manner as proprietary funds.

The West Virginia Retiree Health Benefit Trust Fund The West Virginia Retiree Health Benefit Trust Fund (RHBT), an irrevocable trust, was established under West Virginia Code 5-16D and is administered by the West Virginia Public Employees Insurance Agency (PEIA) and the PEIA Finance Board. The RHBT is a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. It provides the following basic retiree benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, dental, and prescription drug coverage for retired employees of the State of West Virginia and various non-State agencies and their dependents. All premium rates for plan members and employers are established based upon actuarially determined projected coverage costs as reviewed and approved by the Finance Board of PEIA.

Combining Statement of Net Assets
Pension Trust and Other Employee Benefit Trust Funds
June 30, 2008
(Expressed in Thousands)

	Public Employees' Retirement System	Teachers' Retirement System	Public Safety Death, Disability, and Retirement Fund	State Police Retirement System
Assets:				
Cash and Cash Equivalents	$ 183	$ —	$ 2	$ —
Investments:				
Equity in Pooled Investments	3,934,489	3,347,966	459,056	41,564
Mutual Funds	—	—	—	—
Receivables, Net:				
Contributions	1,542	22,216	—	—
Participant Loans	—	8,129	128	—
Accounts	—	—	—	—
Due from Other Funds	1,508	305	—	—
Due from Component Units	1,479	—	—	—
Total Assets	3,939,201	3,378,616	459,186	41,564
Liabilities:				
Accrued and Other Liabilities	48	100	4	—
Due to Other Funds	94	—	—	—
Insurance Claims Payable	—	—	—	—
Total Liabilities	142	100	4	—
Net Assets Held in Trust for Pension and Other Postemployment Benefits	$3,939,059	$3,378,516	$459,182	$41,564

Judges' Retirement System	Teachers' Defined Contribution Retirement System	Deputy Sheriff Retirement System	Emergency Medical Services Retirement System	Total Pension Trust Funds	Other Employee Benefit Trust Funds	Total Pension and Other Employee Benefit Trust Funds
$ —	$ 7,185	$ —	$ —	$ 7,370	$ 59,311	$ 66,681
100,189	—	88,794	15,416	7,987,474	198,497	8,185,971
—	930,310	—	—	930,310	—	930,310
—	10,423	449	259	34,889	11,194	46,083
—	—	489	—	8,746	—	8,746
—	—	—	—	—	1,012	1,012
—	—	120	—	1,933	—	1,933
—	—	—	—	1,479	—	1,479
100,189	947,918	89,852	15,675	8,972,201	270,014	9,242,215
3	1,249	—	—	1,404	958	2,362
—	—	—	—	94	7,179	7,273
—	—	—	—	—	7,060	7,060
3	1,249	—	—	1,498	15,197	16,695
$100,186	$946,669	$89,852	$15,675	$8,970,703	$254,817	$9,225,520

Combining Statement of Changes in Net Assets
Pension Trust and Other Employee Benefit Trust Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Public Employees' Retirement System	Teachers' Retirement System	Public Safety Death, Disability, and Retirement Fund	State Police Retirement System
Additions:				
Contributions:				
Members	$ 53,958	$ 52,916	$ 989	$ 2,339
Employers	125,992	368,883	1,701	2,339
Total Contributions	179,950	421,799	2,690	4,678
Investment Income (Loss):				
Net Appreciation (Depreciation) in Fair Value of Investments	(375,801)	(352,410)	(45,870)	(3,847)
Interest	116,956	99,103	13,891	1,186
Investment Expense	(17,944)	(18,054)	(1,941)	(173)
Net Investment Income (Loss)	(276,789)	(271,361)	(33,920)	(2,834)
Transfers to (from) Plans	(14,263)	(436)	—	—
Other	3,308	3,625	3,656	—
Total Additions	(107,794)	153,627	(27,574)	1,844
Deductions:				
Benefit Expense	232,807	434,285	26,202	232
Refunds of Contributions	9,448	3,748	—	366
Administrative Expenses	4,188	3,071	51	32
Total Deductions	246,443	441,104	26,253	630
Change in Net Assets Held in Trust for Pension and Other Postemployment Benefits	(354,237)	(287,477)	(53,827)	1,214
Net Assets, Beginning of Year, as Adjusted	4,293,296	3,665,993	513,009	40,350
Net Assets, End of Year	$3,939,059	$3,378,516	$459,182	$41,564

Judges' Retirement System	Teachers' Defined Contribution Retirement System	Deputy Sheriff Retirement System	Emergency Medical Services Retirement System	Total Pension Trust Funds	Other Employee Benefit Trust Funds	Total Pension and Other Employee Benefit Trust Funds
$ 736	$ 34,110	$ 3,006	$ 722	$ 148,776	$ 60,872	$ 209,648
6,034	52,982	3,724	917	562,572	324,098	886,670
6,770	87,092	6,730	1,639	711,348	384,970	1,096,318
(9,515)	(83,466)	(8,644)	(597)	(880,150)	584	(879,566)
2,908	55,394	2,661	22	292,121	—	292,121
(428)	—	(371)	(46)	(38,957)	—	(38,957)
(7,035)	(28,072)	(6,354)	(621)	(626,986)	584	(626,402)
—	26	—	14,673	—	—	—
—	—	553	—	11,142	437	11,579
(265)	59,046	929	15,691	95,504	385,991	481,495
3,669	—	4,434	—	701,629	128,212	829,841
—	17,598	552	16	31,728	—	31,728
7	2,625	74	—	10,048	6,129	16,177
3,676	20,223	5,060	16	743,405	134,341	877,746
(3,941)	38,823	(4,131)	15,675	(647,901)	251,650	(396,251)
104,127	907,846	93,983	—	9,618,604	3,167	9,621,771
$100,186	$946,669	$89,852	$15,675	$8,970,703	$254,817	$9,225,520

INVESTMENT TRUST FUNDS

Investment Trust Funds The investment trust funds account for the external portion of the State's external investment pools. The State maintains two external investment pools, the West Virginia Money Market and West Virginia Government Money Market pools. The external portion belongs to local governments and municipalities. These Funds are accounted for in essentially the same manner as proprietary funds.

Combining Statement of Fiduciary Net Assets
Investment Trust Funds
June 30, 2008
(Expressed in Thousands)

	West Virginia Money Market	West Virginia Government Money Market	Total
Assets:			
Cash and Cash Equivalents	$90,849	$160,759	$251,608
Total Assets	$90,849	$160,759	$251,608
Net Assets:			
Held in Trust for External Investment Pool Participants	$90,849	$160,759	$251,608
Total Net Assets	$90,849	$160,759	$251,608

Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	West Virginia Money Market	West Virginia Government Money Market	Total
Additions:			
Deposits, Pool Participants	$279,097	$350,673	$629,770
Investment Income:			
Net Appreciation in Fair Value of Investments	3,070	7,571	10,641
Total Additions	282,167	358,244	640,411
Deductions:			
Withdrawals	265,435	369,175	634,610
Change in Net Assets Held in Trust for External Investment Pool Participants	16,732	(10,931)	5,801
Net Assets, Beginning of Year	74,117	171,690	245,807
Net Assets, End of Year	$ 90,849	$160,759	$251,608

AGENCY FUNDS

Agency Funds These Funds are custodial in nature and do not involve measurement of operations. They include the following:

Local Government This includes two funds, the Local Government Fund and the Municipal Bond Commission, which account for taxes collected by the State that are to be remitted to respective local governments.

Other Agency Funds These funds are the Consolidated Investment Pool, the Patient Injury Compensation Fund, and other small agency funds which account for various assets and liabilities generated through agency relationships. These include patient and inmate funds and other amounts collected on behalf of third parties, performance bonds required by the Department of Energy and Labor, and other restricted assets held by the Governor's Office of Community and Industrial Development and the Department of Natural Resources. The Patient Injury Compensation Fund was created for the purpose of providing fair and reasonable compensation in medical malpractice actions for any portion of economic damages awarded that is uncollectible as a result of limitations on economic damage awards for trauma care, or as a result of the operation of the joint and several liability principles and standards set forth in the West Virginia State Code.

Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2008
(Expressed in Thousands)

	Local Government		Other Agency			
	Local Government	Municipal Bond Commission	Consolidated Investment Pool	Patient Injury Compensation Fund	Other Agency Funds	Total
Assets:						
Current Assets:						
Cash and Cash Equivalents	$391	$11,644	$ 23,974	$5,346	$24,218	$65,573
Receivables, Net	—	—	34	10	8	52
Total Assets	$391	$11,644	$24,008	$5,356	$24,226	$65,625
Liabilities:						
Current Liabilities:						
Accounts Payable	$ —	$ —	$ —	$ —	$ 1,559	$ 1,559
Due to Other Governments	391	11,644	—	—	—	12,035
Agency Liabilities	—	—	24,008	5,356	22,667	52,031
Total Liabilities	$391	$11,644	$24,008	$5,356	$24,226	$65,625

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Local Government				
Assets:				
Cash	$ 264	$1,566,388	$1,566,261	$ 391
Total Assets	$ 264	$1,566,388	$1,566,261	$ 391
Liabilities:				
Accounts Payable	$ —	$ 8,549	$ 8,549	$ —
Due to Other Governments	264	1,574,937	1,574,810	391
Total Liabilities	$ 264	$1,583,486	$1,583,359	$ 391
Municipal Bond Commission				
Assets:				
Cash	$ 9,075	$ 418,115	$ 415,546	$11,644
Total Assets	$ 9,075	$ 418,115	$ 415,546	$11,644
Liabilities:				
Accounts Payable	$ —	$ 155,991	$ 155,991	$ —
Due to Other Governments	9,075	574,106	571,537	11,644
Total Liabilities	$ 9,075	$ 730,097	$ 727,528	$11,644
Consolidated Investment Pool				
Assets:				
Cash	$ 5,246	$ 8,890	$ 8,547	$ 5,589
Equity in Pooled Cash Equivalents	15,023	5,381	2,019	18,385
Accrued Interest Receivable	67	34	67	34
Total Assets	$20,336	$ 14,305	$ 10,633	$24,008
Liabilities:				
Accounts Payable	$ —	$ 27	$ 27	$ —
Agency Liabilities	20,336	14,332	10,660	24,008
Total Liabilities	$20,336	$ 14,359	$ 10,687	$24,008
Patient Injury Compensation Fund				
Assets:				
Cash and Cash Equivalents	$ 1,623	$ 213	$ 1,793	$ 43
Equity in Pooled Cash Equivalents	3,510	1,793	—	5,303
Accrued Interest Receivable	16	10	16	10
Total Assets	$ 5,149	$ 2,016	$ 1,809	$ 5,356
Liabilities:				
Agency Liabilities	$ 5,149	$ 2,016	$ 1,809	$ 5,356
Total Liabilities	$ 5,149	$ 2,016	$ 1,809	$ 5,356

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Other Agency Funds				
Assets:				
Cash and Cash Equivalents	$21,282	$ 219,557	$ 221,112	$19,727
Equity in Pooled Cash Equivalents	4,287	632	428	4,491
Other Receivables	2,500	—	2,500	—
Accrued Interest Receivable	19	8	19	8
Total Assets	$28,088	$ 220,197	$ 224,059	$24,226
Liabilities:				
Accounts Payable	$ 1,193	$ 5,276	$ 4,910	$ 1,559
Agency Liabilities	26,895	225,107	229,335	22,667
Total Liabilities	$28,088	$ 230,383	$ 234,245	$24,226
Total - All Agency Funds				
Assets:				
Cash and Cash Equivalents	$37,490	$2,213,163	$2,213,259	$37,394
Equity in Pooled Cash Equivalents	22,820	7,806	2,447	28,179
Other Receivables	2,500	—	2,500	—
Accrued Interest Receivable	102	52	102	52
Total Assets	$62,912	$2,221,021	$2,218,308	$65,625
Liabilities:				
Accounts Payable	$ 1,193	$ 169,843	$ 169,477	$ 1,559
Due to Other Governments	9,339	2,149,043	2,146,347	12,035
Agency Liabilities	52,380	241,455	241,804	52,031
Total Liabilities	$62,912	$2,560,341	$2,557,628	$65,625


STATE OF WEST VIRGINIA.
JUNE
20
1863
MONTANI SEMPER LIBERI.

DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS

Nonmajor Component Units

Educational Broadcasting Authority The Authority is responsible for extending educational, cultural, and informational experiences to all citizens of the State through the construction and operation of noncommercial, educational television and radio stations, and related facilities. Revenues for operations are derived primarily through private donations, with additional supplements from Federal and State grants.

Jobs Investment Trust The Board is responsible for improving and promoting economic development in the State. It can issue loans to businesses that will stimulate economic growth and provide or retain jobs in the State.

West Virginia State Rail Authority The Authority is responsible for the rehabilitation, improvement, and restoration of the financial stability of the railway system in the State, enabling it to remain a viable mode of transportation for the public sector. The Authority, empowered to issue bonds and set rates for the rail system, additionally receives Federal and State grants to supplement the cost of operations.

Solid Waste Management Board The Board is responsible for the improved collection and disposal of solid wastes, and for encouraging recycling, reuse, or recovery of resources from wastes. The intent of the Board is to become a viable financing mechanism for solid waste projects in West Virginia, and it is empowered to issue bonds and set rate structures at its discretion.

Racing Commission The Commission has full jurisdiction and supervision over all horse and dog race meetings, and all persons involved in the holding or conducting of horse or dog race meetings. It can fix the annual fee for permits and registrations. Other racing taxes and fees are set by West Virginia State Code, Chapter 19, Article 23.

Public Defenders Corporation The Corporation is responsible for fulfilling the State's obligation to provide legal representation to eligible clients. Funding of the individual public defender corporations is by appropriation determined by the executive director of the Public Defender Services.

Combining Statement of Net Assets
Nonmajor Discretely Presented Component Units
June 30, 2008
(Expressed in Thousands)

	Educational Broadcasting Authority	Jobs Investment Trust	WV State Rail Authority
Assets:			
Current Assets:			
Cash and Cash Equivalents	$1,819	$10,413	$ 2,699
Investments	165	7,892	—
Receivables, Net	711	2,122	67
Due from Other Governments	—	—	298
Due from Primary Government	47	—	413
Inventories	—	—	47
Other Assets	108	529	5
Restricted Assets:			
Cash and Cash Equivalents	—	—	—
Other Restricted Assets	—	—	—
Total Current Assets	2,850	20,956	3,529
Noncurrent Assets:			
Restricted Assets:			
Other Restricted Assets	342	—	—
Capital Assets, Net	5,791	627	36,632
Total Noncurrent Assets	6,133	627	36,632
Total Assets	8,983	21,583	40,161
Liabilities:			
Current Liabilities:			
Accounts Payable	523	—	411
Accrued and Other Liabilities	—	50	47
Unearned Revenue	81	—	—
Due to Primary Government	50	9	447
Capital Leases and Other Debt	—	—	—
Compensated Absences	295	—	67
Total Current Liabilities	949	59	972
Noncurrent Liabilities:			
Liabilities Payable from Restricted Assets	—	—	—
Accrued and Other Liabilities	—	—	—
Capital Leases and Other Debt	—	22,575	—
Compensated Absences	29	—	—
Total Noncurrent Liabilities	29	22,575	—
Total Liabilities	978	22,634	972
Net Assets:			
Investment in Capital Assets, Net of Related Debt	5,791	627	36,632
Restricted for Specific Component Unit Purposes	342	—	—
Unrestricted	1,872	(1,678)	2,557
Total Net Assets	$8,005	$ (1,051)	$39,189

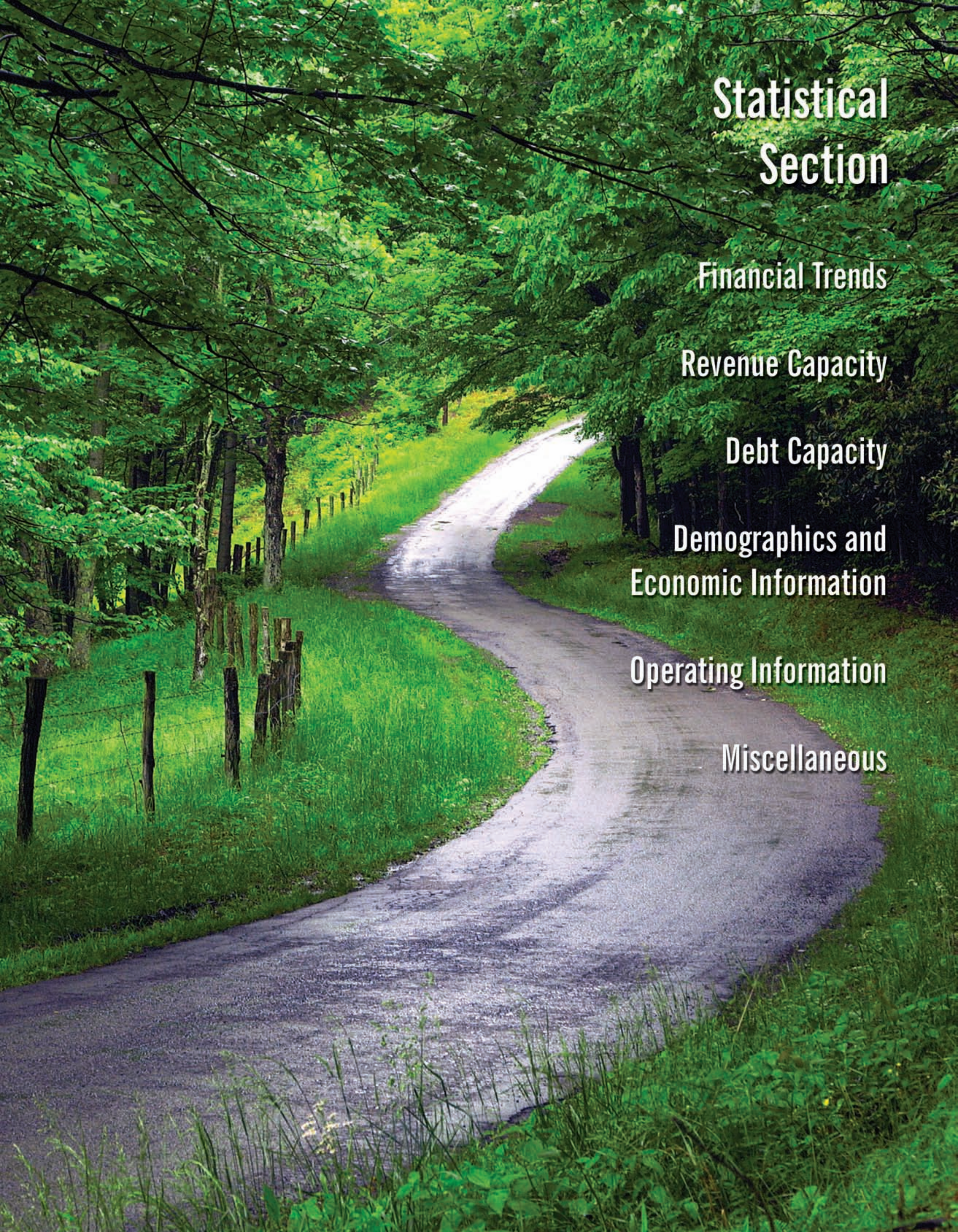
Solid Waste Management Board	Racing Commission	Public Defender Corporation	Total
$2,338	$ 6,529	$2,148	$ 25,946
—	—	—	8,057
207	774	—	3,881
—	—	—	298
—	4	—	464
—	—	—	47
1	—	42	685
1,478	32,044	—	33,522
312	—	—	312
4,336	39,351	2,190	73,212
2,658	—	—	3,000
6	9	639	43,704
2,664	9	639	46,704
7,000	39,360	2,829	119,916
114	865	51	1,964
—	—	225	322
—	—	—	81
14	65	261	846
—	—	20	20
—	—	—	362
128	930	557	3,595
—	32,044	—	32,044
200	—	—	200
—	—	111	22,686
29	125	609	792
229	32,169	720	55,722
357	33,099	1,277	59,317
6	9	508	43,573
4,249	—	—	4,591
2,388	6,252	1,044	12,435
$6,643	$ 6,261	$1,552	$ 60,599

Combining Statement of Activities
Nonmajor Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue
Component Units:				
Educational Broadcasting Authority	$10,934	$ 2,196	$1,328	$ (7,410)
Jobs Investment Trust	2,386	194	—	(2,192)
WV State Rail Authority	4,350	2,465	—	(1,885)
Solid Waste Management Board	2,253	2,399	—	146
Racing Commission	3,692	4,569	—	877
Public Defender Corporation	15,359	—	9	(15,350)
Total Component Units	$38,974	$11,823	$1,337	$(25,814)

General Revenue							
Unrestricted Investment Earnings	Grants and Contributions Not Restricted for Specific Programs	Miscellaneous	Payments from the State of West Virginia	Total General Revenue	Change in Net Assets	Net Assets, Beginning of Year, as Restated	Net Assets, End of Year
$ —	$775	$ 487	$ 6,448	$ 7,710	$ 300	$ 7,705	$ 8,005
423	—	6	—	429	(1,763)	712	(1,051)
100	—	323	2,817	3,240	1,355	37,834	39,189
33	—	210	—	243	389	6,254	6,643
1	—	44	—	45	922	5,339	6,261
26	—	240	13,492	13,758	(1,592)	3,144	1,552
$583	$775	$1,310	$22,757	$25,425	$ (389)	$60,988	$60,599


STATE OF WEST VIRGINIA.
JUNE 20 1863
MONTANI SEMPER LIBERI.



Statistical Section

Financial Trends

Revenue Capacity

Debt Capacity

Demographics and Economic Information

Operating Information

Miscellaneous

Statistical Section
Index

Financial Trends - These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Revenue Capacity Information - These schedules contain trend information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.

Debt Capacity Information - These schedules contain trend information to help the reader understand the State's outstanding debt, the capacity to repay that debt, and the ability to issue additional debt in the future.

Demographics and Economic Information - These schedules offer indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information - These schedules assist the reader in evaluating the size, efficiency, and effectiveness of the state government.

Miscellaneous Statistics - This information may provide the reader with more insight into the State's financial and demographic status.

Sources: Unless otherwise noted, the information in the following schedules is derived from the State's Comprehensive Annual Financial Reports.

Schedule 1
Net Assets by Component
Last Seven Fiscal Years
(Expressed in Thousands)

	2008	2007	2006	2005 Restated	2004 Restated	2003	2002
Governmental Activities							
Invested in Capital Assets,							
Net of Related Debt	$ 7,230,626	$6,934,539	$ 6,771,494	$ 6,448,005	$ 6,196,704	$ 5,910,605	$ 5,424,495
Restricted	926,541	861,508	714,802	1,262,989	1,078,859	772,580	523,238
Unrestricted Assets (Deficit)	1,402,670	846,987	91,573	(817,257)	(667,181)	(548,510)	(549,510)
Total Governmental Activities Net Assets	$ 9,559,837	$8,643,034	$ 7,577,869	$ 6,893,737	$ 6,608,382	$ 6,134,675	$ 5,398,223
Business-type Activities							
Invested in Capital Assets,							
Net of Related Debt	$ 12,330	$ 4,049	$ 2,775	$ 9,361	$ 9,372	$ 10,900	$ 10,169
Restricted	1,074,139	1,026,973	944,256	775,140	687,891	809,685	821,418
Unrestricted Assets (Deficit)	(1,329,576)	(1,704,657)	(2,017,602)	(2,224,984)	(2,897,674)	(3,256,853)	(2,645,138)
Total Business-type Activities Net Assets (Deficit)	$ (243,107)	$ (673,635)	$(1,070,571)	$(1,440,483)	$(2,200,411)	$(2,436,268)	$(1,813,551)
Primary Government							
Invested in Capital Assets,							
Net of Related Debt	$ 7,242,956	$6,938,588	$ 6,774,269	$ 6,457,366	$ 6,206,076	$ 5,921,505	$ 5,434,664
Restricted	2,000,680	1,888,481	1,659,058	2,038,129	1,766,750	1,582,265	1,344,656
Unrestricted Assets (Deficit)	73,094	(857,670)	(1,926,029)	(3,042,241)	(3,564,855)	(3,805,363)	(3,194,648)
Total Primary Government Net Assets	$ 9,316,730	$7,969,399	$ 6,507,298	$ 5,453,254	$ 4,407,971	$ 3,698,407	$ 3,584,672

Note: The State implemented Governmental Accounting Standards Boards Statement No. 34 during fiscal year 2002; the relevant government-wide schedules are effective beginning in fiscal year 2002.

The Workers' Compensation Fund (WCF) had negative claims payment trends during fiscal years ended June 30, 2001 and 2002, which continued into fiscal 2003. In June 2003, a special legislative session passed several pieces of legislation making major changes to the workers' compensation laws that became effective in fiscal year 2004. These changes caused the WCF deficit to improve. In February 2005, additional legislation was passed that caused the formation of an employer's mutual insurance company to replace the WCF. The "workers' compensation old fund" was created for those funds due and owing the workers' compensation fund as of June 30, 2005. The old fund did not novate to the new employer's mutual.

In FY 2008, the School Building Authority was removed from the Governmental Funds. It is now accounted for as a discretely presented component unit. The 2002-2007 amounts above have not been restated to reflect this change in presentation because the necessary information is not readily available.

Schedule 2
Changes in Net Assets
Last Seven Fiscal Years
(Expressed in Thousands)

	2008	2007	2006
Governmental Activities			
Expenses:			
Legislative	$ 28,027	$ 26,154	$ 25,345
Judicial	102,738	88,209	77,789
Executive	128,261	114,547	104,726
Administration	213,546	153,677	147,774
Commerce	204,448	218,610	235,749
Environmental Protection	74,827	225,458	125,216
Employment Programs	56,122	53,617	72,069
Education	2,646,434	2,454,835	2,669,307
Health and Human Resources	3,451,206	3,254,172	3,119,005
Military Affairs and Public Safety	381,104	360,443	417,606
Revenue	51,242	70,148	71,158
Transportation	876,073	778,817	780,950
Senior Services	43,701	32,195	30,115
Regulatory Boards and Commissions	35,168	34,212	33,082
Interest on Long-Term Debt	140,208	94,475	93,401
Total Expenses	8,433,105	7,959,569	8,003,292
Program Revenues:			
Charges for Services:			
Legislative	1,654	1,757	1,824
Judicial	1,014	869	919
Executive	15,248	12,024	15,872
Administration	29,115	24,812	49,492
Commerce	45,684	44,114	41,885
Environmental Protection	44,720	56,621	54,877
Employment Programs	—	—	—
Education	1,698	3,008	4,465
Health and Human Resources	74,960	83,230	84,428
Military Affairs and Public Safety	11,097	10,165	5,317
Revenue	62,352	65,364	44,229
Transportation	102,561	96,068	97,064
Senior Services	4	—	—
Regulatory Boards and Commissions	27,897	21,638	26,789
Total Charges for Services	418,004	419,670	427,161
Operating Grants and Contributions:			
Legislative	255	1,269	545
Judicial	813	380	436
Executive	35,615	38,249	27,138
Administration	36,670	37,945	56,748
Commerce	38,138	47,463	32,749
Environmental Protection	50,090	53,301	44,255
Employment Programs	55,839	54,690	65,303
Education	380,708	388,305	369,428
Health and Human Resources	2,365,068	2,235,552	2,224,260
Military Affairs and Public Safety	95,331	52,708	60,756
Revenue	—	66,214	214
Senior Services	21,244	11,637	11,594
Regulatory Boards and Commissions	2,937	2,267	4,376
Total Operating Grants and Contributions	3,082,708	2,989,980	2,897,802
Capital Grants and Contributions:			
Administration	28	4,001	—
Education	1,027	31	233
Executive	41	—	—
Military Affairs and Public Safety	4,743	5,423	10,127
Transportation	419,810	410,669	447,727
Total Capital Grants and Contributions	425,649	420,124	458,087
Total Program Revenues	3,926,361	3,829,774	3,783,050
Total Governmental Activities Net Program Expenses	(4,506,744)	(4,129,795)	(4,220,242)

Note: This information was not available prior to GASB 34 implementation in 2002.
In FY 2008, the School Building Authority was removed from the Governmental Funds. It is now accounted for as a discretely presented component unit. The 2002-2007 amounts above have not been restated to reflect this change in presentation because the necessary information is not readily available.

2005 Restated	2004 Restated	2003	2002
$ 27,558	$ 30,623	$ 28,009	$ 19,742
77,668	83,653	77,487	72,387
134,506	115,413	127,350	121,744
210,434	136,960	148,812	139,177
229,216	259,071	225,886	193,483
267,544	1,410	71,278	110,661
31,445	39,007	35,115	47,520
2,418,672	2,399,688	2,373,873	2,299,817
3,221,458	3,056,163	2,683,578	2,605,461
588,409	324,636	296,165	253,806
32,718	68,596	39,705	27,240
835,813	753,901	755,565	1,056,651
29,373	29,271	28,523	30,538
25,671	45,145	30,177	24,376
85,402	76,406	74,027	75,553
8,215,887	7,419,943	6,995,550	7,078,156
1,859	1,806	1,763	1,956
901	925	929	916
1,223	5,274	251	7,286
12,390	25,606	6,692	17,435
42,115	40,658	37,688	43,772
55,254	46,730	50,326	41,911
—	283	—	—
4,133	3,846	3,383	4,791
82,325	73,150	56,631	72,335
8,884	6,679	5,957	6,636
26,303	26,683	25,089	20,249
99,532	88,777	93,569	95,673
—	—	—	285
23,017	31,641	27,033	26,077
357,936	352,058	309,311	339,322
646	749	525	5,008
—	156	(35)	136
45,805	39,587	46,974	34,205
52,316	46,288	34,987	27,146
76,340	74,990	82,009	63,335
88,395	88,183	71,934	70,221
30,805	36,995	35,594	48,331
358,853	324,292	311,847	310,091
2,285,865	2,179,003	1,998,922	1,869,026
95,874	81,767	65,847	92,131
200	30	9	46
12,634	12,148	11,664	12,178
8,306	7,460	2,045	1,484
3,056,039	2,891,648	2,662,322	2,533,338
—	213	19	130
217	99	—	—
—	—	—	—
26,255	38,731	11,303	—
453,719	438,974	411,280	424,558
480,191	478,017	422,602	424,688
3,894,166	3,721,723	3,394,235	3,297,348
(4,321,721)	(3,698,220)	(3,601,315)	(3,780,808)

(Continued)

Schedule 2
Changes in Net Assets
Last Seven Fiscal Years
(Expressed in Thousands)
(Continued)

	2008	2007	2006
General Revenues and Other Changes in Net Assets			
Taxes:			
Personal Income	1,557,957	1,372,646	1,330,913
Consumer Sales	990,051	1,020,128	981,536
Business	1,040,604	906,022	920,940
Medicaid	161,896	162,692	169,866
Transportation	564,736	535,979	501,022
Other	394,798	393,400	382,718
Entitlements and Grants	—	—	229
Unrestricted Investment Earnings	89,581	105,317	71,233
Tobacco Settlement Revenues	73,079	48,294	33,137
Federal Appropriations - Jobs Growth Tax Relief	—	—	—
Miscellaneous	128,940	111,277	74,047
Special Item	—	—	—
Transfers	214,864	539,205	438,733
Excess Reserve Transfer to RHBT	(108,168)	—	—
Total General Revenue, Special Item, and Transfers	5,108,338	5,194,960	4,904,374
Total Governmental Activities Changes in Net Assets	$ 601,594	$1,065,165	$ 684,132
Business-type Activities			
Expenses:			
West Virginia Lottery	$1,087,321	$1,081,336	$1,096,893
Water Pollution Control Revolving Fund	1,651	1,630	1,718
Workers' Compensation Fund	(161,079)	81,459	392,975
Unemployment Compensation	175,107	153,663	147,308
Public Employees' Insurance Agency	444,380	379,742	545,384
Board of Risk and Insurance Management	47,229	39,441	41,256
Other Business-type Activities	77,329	76,785	66,631
Total Expenses	1,671,938	1,814,056	2,292,165
Program Revenues:			
Charges for Services:			
West Virginia Lottery	1,523,457	1,562,259	1,522,532
Water Pollution Control Revolving Fund	3,819	3,744	3,383
Workers' Compensation Fund	44,073	235,664	524,269
Unemployment Compensation	141,921	147,091	148,731
Public Employees' Insurance Agency	360,564	406,311	567,107
Board of Risk and Insurance Management	66,592	74,097	78,787
Other Business-type Activities	83,542	77,553	73,155
Total Charges for Services	2,223,968	2,506,719	2,917,964
Operating Grants and Contributions:			
Unemployment Compensation	—	—	—
Total Operating Grants and Contributions	—	—	—
Capital Contributions:			
Water Pollution Control Revolving Fund	20,788	12,627	20,241
West Virginia Lottery	—	—	—
Total Capital Grants and Contributions	20,788	12,627	20,241
Total Revenues	2,244,756	2,519,346	2,938,205
Total Business-type Activities Net Program Expenses	572,818	705,290	646,040
Business-type Activities General Revenues and Other Changes in Net Assets			
Unrestricted Investment Earnings	38,441	189,761	65,758
Tobacco Settlement Revenue	—	15,000	45,000
Miscellaneous	32,022	26,090	51,847
Transfers	(214,864)	(539,205)	(438,733)
Total Business-type Activities General Revenues and Other Changes in Net Assets	(144,401)	(308,354)	(276,128)
Total Business-type Activities Changes in Net Assets	$ 428,417	$ 396,936	$ 369,912
Total Primary Government Change in Net Assets	$1,030,011	$1,462,101	$1,054,044

2005 Restated	2004 Restated	2003	2002
1,163,211	1,073,512	1,048,172	1,052,023
979,357	965,378	917,072	925,317
726,878	554,734	551,910	585,182
154,070	150,335	143,036	146,812
502,659	477,159	466,273	481,436
377,878	359,341	291,776	263,966
912	—	—	—
54,240	15,753	52,446	55,038
56,825	53,850	32,521	32,430
—	30,746	30,747	—
93,281	52,123	127,287	93,988
—	—	—	(85,262)
484,308	411,164	355,533	267,446
—	—	—	—
4,593,619	4,144,095	4,016,773	3,818,376
$ 271,898	$ 445,875	$ 415,458	$ 37,568
$ 839,241	$ 776,124	$ 670,041	$ 563,078
1,786	1,914	1,752	1,821
189,753	579,433	1,276,891	1,148,221
143,989	195,359	224,897	173,934
506,837	449,905	410,413	395,743
60,969	96,658	82,591	71,706
58,910	62,202	55,082	74,681
1,801,485	2,161,595	2,721,667	2,429,184
1,399,073	1,303,434	1,081,894	848,598
2,953	2,843	2,862	2,369
718,382	628,682	549,742	539,402
144,030	137,872	133,840	138,210
525,130	505,995	438,056	366,701
85,123	105,435	73,281	46,670
67,553	63,754	62,088	63,171
2,942,244	2,748,015	2,341,763	2,005,121
—	21,681	30,733	48,613
—	21,681	30,733	48,613
—	—	—	—
—	—	—	5,250
—	—	—	5,250
2,942,244	2,769,696	2,372,496	2,058,984
1,140,759	608,101	(349,171)	(370,200)
104,011	51,190	75,250	3,204
—	—	—	—
(534)	(12,270)	6,737	83,448
(484,308)	(411,164)	(355,533)	(267,446)
(380,831)	(372,244)	(273,546)	(180,794)
$ 759,928	$ 235,857	$ (622,717)	$ (550,994)
$1,031,826	$ 681,732	$ (207,259)	$ (513,426)

Schedule 3
Fund Balances
Governmental Funds
Last Seven Fiscal Years
(Expressed in Thousands)

	2008	2007	2006
General Fund			
Reserved	$ 346,377	$ 343,380	$ 328,482
Unreserved	822,579	697,704	1,079,851
Total General Fund	1,168,956	1,041,084	1,408,333
Other Governmental Funds			
Reserved:			
Special Revenue Funds	$ 457,501	$ 457,109	$ 410,115
Permanent Funds	1,671	1,762	1,886
Capital Projects	40,681	264,836	236,561
Debt Service	183,548	228,699	131,765
Unreserved, Reported in:			
Special Revenue Funds	1,610,996	1,488,498	562,996
Capital Projects	—	—	—
Debt Service	—	—	—
Total Other Governmental Funds	2,294,397	2,440,904	1,343,323
Total Fund Balances, Governmental Funds	$3,463,353	$3,481,988	$2,751,656

Note: GASB 34 was implemented in fiscal year 2002. This Standard required the reclassification of certain funds.

In FY 2008, the School Building Authority was removed from the Governmental Funds. It is now accounted for as a discretely presented component unit. The 2002-2007 amounts above have not been restated to reflect this change in presentation because the necessary information is not readily available.

2005 Restated	2004 Restated	2003	2002
$ 486,474	$ 529,986	$ 316,594	$ 335,866
391,457	293,847	312,519	251,520
877,931	823,833	629,113	587,386
$ 363,526	$ 338,275	$ 291,364	$ 397,894
235,210	187,736	141,903	—
—	136,845	192,967	201,682
—	131,787	96,072	93,423
539,296	471,373	414,765	347,034
276,443	—	—	—
124,910	—	—	—
1,539,385	1,266,016	1,137,071	1,040,033
$2,417,316	$2,089,849	$1,766,184	$1,627,419

Schedule 4

Changes in Fund Balances
Governmental Funds
Last Ten Fiscal Years
(Expressed in Thousands)

Revenues	2008	2007	2006	2005
Taxes:				
Personal Income	$1,557,352	$1,370,566	$1,329,796	$1,170,202
Consumer Sales	989,517	1,019,631	989,642	978,115
Severance	518,724	340,544	355,680	287,774
Corporate Net Income	373,180	384,440	380,287	255,772
Business and Occupation	147,989	180,527	184,364	182,090
Medicaid	161,896	162,692	169,866	154,070
Business Franchise	—	—	—	—
Gasoline and Motor Carrier	395,641	364,550	330,538	320,891
Automobile Privilege	169,095	171,429	170,484	3,005
Wholesale Motor Fuel	—	—	—	178,763
Other	396,772	393,210	380,711	371,667
Intergovernmental	3,183,463	3,033,765	3,037,432	3,235,199
Licenses, Permits, and Fees	214,655	216,504	194,681	173,181
Motor Vehicle Registration	96,592	92,422	92,681	93,144
Charges for Services	117,360	117,970	121,420	120,759
Investment Earnings	91,030	184,957	101,736	79,534
Food Stamp Revenue	293,439	273,227	265,344	252,097
Other	205,820	136,117	121,654	156,780
Total Revenues	8,912,525	8,442,551	8,226,316	8,013,043
Expenditures				
Current:				
Legislature	28,163	26,389	25,322	27,594
Judicial	108,075	90,829	82,381	84,283
Executive	131,404	118,550	122,576	122,415
Administration	111,866	106,020	95,227	150,333
Commerce	214,102	228,570	243,092	224,147
Environmental Protection	69,882	114,482	109,829	98,576
Employment Programs	58,563	58,488	75,438	36,609
Education	2,688,399	3,616,732	2,690,459	2,423,094
Health and Human Resources	3,472,108	3,251,403	3,135,884	3,237,580
Military Affairs and Public Safety	382,372	353,445	389,909	609,215
Revenue	86,496	76,257	42,725	60,630
Transportation	579,982	520,281	531,848	573,184
Senior Services	43,719	32,315	30,118	29,455
Regulatory Boards and Commissions	36,469	34,691	33,345	27,561
Capital Outlay	535,538	502,232	550,415	490,195
Debt Service	—	—	—	—
Principal	92,338	134,464	74,427	95,400
Interest	129,705	86,237	89,788	80,777
Total Expenditures	8,769,181	9,351,385	8,322,783	8,371,048
Excess of Revenues Over (Under) Expenditures	143,344	(908,834)	(96,467)	(358,005)
Other Financing Sources (Uses):				
Face Value of Long-Term Debt Issued	—	1,349,893	54,800	463,005
Premiums on Bonds Issued	—	5,126	697	73,388
Discounts on Bonds Issued	—	—	—	—
Capital Lease Acquisition	3,235	190	13,359	—
Proceeds from Long-Term Obligations	—	—	—	—
Proceeds of Refunded Bonds	—	—	—	—
Payments to Refunded Bonds Escrow Agents	—	(242,616)	(56,062)	(321,405)
Transfers In	497,811	749,215	875,203	667,841
Transfer from Component Unit	—	—	—	—
Transfers Out	(347,579)	(222,642)	(457,190)	(197,357)
Transfer In from Component Unit	—	—	—	—
Transfers To Component Units	—	—	—	—
Other	—	—	—	—
Excess Reserve Transfer to RHBT	(108,168)	—	—	—
Total Other Financing Sources (Uses)	45,299	1,639,166	430,807	685,472
Net Changes in Fund Balances	$ 188,643	$ 730,332	$ 334,340	$ 327,467
Debt Service as a Percentage of Noncapital Expenditures	2.70%	2.50%	2.12%	2.22%

Note: The State implemented Governmental Accounting Standards Boards Statement No. 34 during fiscal year 2002; the relevant government-wide schedules are effective beginning in fiscal year 2002. In FY 2008, the School Building Authority was removed from the Governmental

2004 (Restated)	2003	2002	2001	2000	1999
$1,070,282	$1,038,181	$1,049,532	$1,023,536	$ 985,976	$ 917,765
963,327	917,072	922,882	878,355	878,690	852,815
211,236	193,680	187,287	194,223	169,914	180,775
166,511	83,311	93,846	106,974	123,271	159,475
176,987	178,364	173,839	178,860	166,883	182,268
150,335	143,036	146,812	146,053	134,274	127,497
—	96,555	129,457	100,551	100,465	93,744
275,471	227,793	229,650	227,805	224,029	225,761
173,225	169,431	180,472	155,623	153,927	143,356
28,463	69,049	71,314	71,521	68,373	69,405
359,341	291,776	263,717	250,316	235,471	242,229
3,119,073	2,868,461	2,733,567	2,527,788	2,284,824	1,959,378
176,513	157,864	149,124	215,365	243,393	218,797
84,977	88,967	91,373	—	—	—
108,387	90,817	106,596	145,835	175,683	211,899
40,562	67,843	63,188	99,720	85,879	75,390
228,000	211,218	195,245	176,884	189,960	212,770
112,585	151,272	132,025	94,735	99,522	51,189
7,445,275	7,044,690	6,919,926	6,594,144	6,320,534	5,924,513
30,634	28,901	19,740	37,860	20,056	21,267
81,577	77,816	73,824	65,270	60,326	55,657
115,418	113,661	125,116	110,349	108,915	103,452
87,834	87,109	75,563	75,329	49,602	39,986
273,748	234,672	207,759	173,114	171,260	182,801
118,592	103,566	109,677	110,616	55,949	80,726
40,183	38,401	49,146	40,101	91,720	35,912
2,323,733	2,316,665	1,822,346	1,775,773	1,721,402	1,596,285
3,056,762	2,709,057	2,612,846	2,322,313	2,276,733	2,093,493
338,907	293,611	280,315	238,627	216,189	224,876
44,765	40,845	26,862	100,551	82,994	86,235
531,214	541,219	825,011	407,736	400,893	386,229
29,230	28,676	30,584	—	—	—
44,680	31,213	24,878	46,975	44,829	77,522
573,295	535,008	447,941	814,191	725,123	593,753
—	—	124,576	115,687	123,080	134,597
65,780	64,176	—	—	—	—
74,386	72,678	—	—	—	—
7,830,738	7,317,274	6,856,184	6,434,492	6,149,071	5,712,791
(385,463)	(272,584)	63,742	159,652	171,463	211,722
294,895	32,370	110,000	—	—	—
—	—	4,172	—	—	—
(1,719)	(1,039)	—	—	—	—
15,050	60,428	177,270	—	—	—
—	—	—	155,830	153,082	316,548
—	—	—	—	—	121,735
—	(31,325)	—	—	—	(113,379)
589,701	517,171	472,711	359,243	293,713	489,066
—	—	—	1,000	—	—
(188,799)	(166,256)	(660,834)	(190,152)	(178,731)	(404,885)
—	—	—	—	—	—
—	—	—	(435,682)	(370,020)	(362,963)
—	—	—	—	413	—
—	—	—	—	—	—
709,128	411,349	103,319	(109,761)	(101,543)	46,122
$ 323,665	$ 138,765	$ 167,061	$ 49,891	$ 69,920	$ 257,844
1.93%	2.01%	1.92%	2.06%	2.27%	2.63%

Funds. It is now accounted for as a discretely presented component unit. The 2002-2007 amounts above have not been restated to reflect this change in presentation because the necessary information is not readily available.

Schedule 5

Revenue Base
Last Ten Years
(Expressed in Thousands)

	2007	2006	2005	2004
Personal Income by Industry - (Calendar Year)				
Farm Earnings	$ (78,000)	$ (61,000)	$ (24,000)	$ (2,000)
Agricultural/Forestry, Fishing, and Other	118,000	123,000	116,000	112,000
Mining	2,871,000	2,682,000	2,363,000	2,050,000
Construction	2,362,000	2,393,000	2,079,000	1,868,000
Manufacturing	3,925,000	3,951,000	3,932,000	3,917,000
Transportation, Warehousing, and Public Utilities	1,856,000	1,813,000	1,722,000	1,672,000
Wholesale Trade	1,478,000	1,453,000	1,327,000	1,223,000
Retail Trade	2,658,000	2,611,000	2,493,000	2,417,000
Finance, Insurance, and Real Estate	1,551,000	1,492,000	1,409,000	1,355,000
Service Industries	10,632,000	10,415,000	10,362,000	9,914,000
Federal, Civilian	2,100,000	1,956,000	1,892,000	1,794,000
Military	405,000	419,000	436,000	367,000
State and Local Government	5,763,000	5,368,000	5,182,000	4,987,000
Tax Revenue - (Fiscal Year)				
Consumer Sales	1,002,600	1,012,500	960,200	928,000
Personal Income	1,360,500	1,297,700	1,170,100	1,068,200
Severance	312,200	314,700	248,100	184,400
Corporate Income and Business Franchise	358,400	347,600	280,800	181,500
Motor Fuel	349,200	320,700	311,600	309,300
Automobile Privilege	171,429	170,484	178,763	173,225

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not provided. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current period available is 2007.

Sources: Bureau of Economic Analysis, State of West Virginia Executive Budget, and Department of Highways.

This schedule has been revised.

2003	2002	2001	2000	1999	1998
$ (24,000)	$ (8,000)	$ 28,000	$ 8,000	$ (11,000)	$ (5,000)
117,000	147,000	142,000	114,000	107,000	88,000
1,784,000	1,626,000	1,619,000	1,368,000	1,440,000	1,453,000
1,676,000	1,752,000	1,819,000	1,438,000	1,351,000	1,344,000
3,776,000	3,720,000	3,786,000	3,525,000	3,360,000	3,394,000
1,588,000	1,578,000	1,611,000	1,798,000	1,781,000	1,726,000
1,122,000	1,118,000	1,098,000	1,145,000	1,123,000	1,083,000
2,307,000	2,268,000	2,206,000	2,325,000	2,219,000	2,154,000
1,323,000	1,340,000	1,258,000	1,076,000	1,040,000	932,000
9,250,000	8,988,000	8,509,000	6,417,000	6,054,000	5,671,000
1,646,000	1,561,000	1,483,000	1,366,000	1,273,000	1,204,000
334,000	158,000	180,000	168,000	155,000	145,000
4,788,000	4,660,000	4,450,000	3,902,000	3,706,000	3,493,000
894,500	885,900	852,500	845,800	829,000	794,300
1,055,500	1,034,700	1,020,700	965,700	919,900	866,100
162,300	166,500	163,200	148,700	148,400	175,200
181,200	220,200	214,300	217,800	263,100	221,500
289,200	230,100	224,400	224,300	227,100	220,300
169,431	180,472	155,623	153,927	143,356	134,354

Schedule 6
Revenue Rates
Last Ten Calendar Years

Personal Income Tax

Single, Head of Household, Widow(er) with Dependent Child and Married Filing Jointly (Unchanged Over Last Ten Years)

Less than $10,000 .... 3% of the taxable income

At least —	But less than —			
$10,000	$25,000	$ 300.00	plus 4.0%	of excess over $10,000
$25,000	$40,000	$ 900.00	plus 4.5%	of excess over $25,000
$40,000	$60,000	$1,575.00	plus 6.0%	of excess over $40,000
$60,000	....	$2,775.00	plus 6.5%	of excess over $60,000

Business

	2008	2007	2006	2005
Corporate Net Income	8.75%	8.75%	9%	9%
Severance Tax:				
Timber	1.22%	1.22%	3.22%	3.22%
Oil/Gas	5%	5%	5%	5%
Coal	Various	Various	Various	Various
Consumer Sales Tax	6%	6%	6%	6%
Food Tax - Ended June 30	4%	5%	5%	6%
Started July 1	3%	4%	—	—
Motor Fuel Excise Tax* (cents per gallon)	32.2	31.5	27.0	27.0
Automobile Privilege Tax (cents per dollar)	5	5	5	5

*On January 1, 2004, the gasoline and special fuels excise tax was repealed, and the motor fuel excise tax was imposed on motor fuel. The motor fuel excise tax is the combination of a flat 20.5 cents per invoiced gallon rate and a variable sales and use tax rate of 11.7 cents per invoiced gallon as of January 1, 2008.

All rates are set by the Legislature.

Sources: State Tax Department and Department of Highways.

Married Filing Separately (Unchanged Over Last Ten Years)

Less than $5,000 .... 3% of the taxable income

At least —	But less than —			
$ 5,000	$12,500 .... $ 150.00	plus 4.0%	of excess over $ 5,000
$12,500	$20,000 .... $ 450.00	plus 4.5%	of excess over $12,500
$20,000	$30,000 .... $ 787.50	plus 6.0%	of excess over $20,000
$30,000	.... $1,387.50	plus 6.5%	of excess over $30,000

2004	2003	2002	2001	2000	1999
9%	9%	9%	9%	9%	9%
3.22%	3.22%	3.22%	3.22%	3.22%	3.22%
5%	5%	5%	5%	5%	5%
Various	Various	Various	Various	Various	Various
6%	6%	6%	6%	6%	6%
6%	6%	6%	6%	6%	6%
—	—	—	—	—	—
20.5	20.5	20.5	20.5	20.5	20.5
5	5	5	5	5	5

Schedule 7
Revenue Payers by Industry/Category Most Current Available Year and Historical Comparison
(Expressed in Thousands)

Sales Tax

Tax Year 2005

Industry	Remittance	Percent of Total	Accounts	Percent of Total
Agriculture, Forestry, Fishing and Hunting	$ 3,784	0.4%	1,225	1.8%
Mining, Quarrying, and Oil and Gas Extraction	4,364	0.4%	415	0.6%
Construction	21,895	2.2%	11,903	17.9%
Manufacturing	36,837	3.7%	3,237	4.9%
Wholesale Trade	77,860	7.8%	2,489	3.7%
Retail Trade	568,833	56.8%	16,700	25.1%
Finance and Insurance	1,959	0.2%	364	0.6%
Services	227,076	22.6%	26,087	39.2%
Other	59,289	5.9%	4,125	6.2%
Total	$1,001,897	100%	66,545	100%

Tax Year 2000

Industry	Remittance	Percent of Total	Accounts	Percent of Total
Agriculture, Forestry, Fishing and Hunting	$ 3,152	0.4%	1,652	2.4%
Mining, Quarrying, and Oil and Gas Extraction	3,137	0.4%	417	0.6%
Construction	12,869	1.5%	11,001	16.0%
Manufacturing	33,459	3.9%	4,294	6.2%
Wholesale Trade	64,883	7.5%	3,070	4.5%
Retail Trade	564,296	65.1%	21,549	31.3%
Finance and Insurance	4,787	0.5%	971	1.4%
Services	140,782	16.2%	23,176	33.6%
Other	39,359	4.5%	2,767	4.0%
Total	$866,724	100%	68,897	100%

Note: Due to confidentiality issues, the names of revenue payers are not provided. This information is an alternative regarding the sources of the State's revenue.

Source: West Virginia State Tax Department.

Personal Income Tax

Tax Year 2006

Income Level	Tax Liability	Percent of Total	Returns	Percent of Total
$0 - $10,000	$ 2,600	0.20%	148,621	19.40%
$10,000 - $20,000	40,447	3.03%	141,890	18.52%
$20,000 - $40,000	146,531	10.99%	181,219	23.66%
$40,000 - $60,000	193,700	14.53%	113,817	14.86%
Over $60,000	949,955	71.25%	180,477	23.56%
Total	$1,333,233	100%	766,024	100%

Tax Year 2001

Income Level	Tax Liability	Percent of Total	Returns	Percent of Total
$0 - $10,000	$ 2,699	0.27%	162,540	22.02%
$10,000 - $20,000	44,300	4.50%	153,932	20.85%
$20,000 - $40,000	150,758	15.33%	186,250	25.23%
$40,000 - $60,000	187,359	19.05%	110,292	14.94%
Over $60,000	598,590	60.85%	125,281	16.96%
Total	$983,706	100%	738,295	100%

Schedule 8
Ratios of Outstanding Debt
Last Ten Fiscal Years
(Expressed in Thousands)

	Governmental Activities - Primary Government - Debt			
Year	General Obligation Bonds	Revenue Bonds	Total Capital Leases and Notes Payable	Total
2008	$705,955	$1,362,022	$338,603	$2,406,580
2007	744,790	1,742,647	343,813	2,831,250
2006	772,912	726,249	354,000	1,853,161
2005	798,490	763,761	354,337	1,916,588
2004**	774,660	670,789	300,227	1,745,676
2003	804,635	409,106	300,899	1,514,640
2002	833,494	439,011	252,107	1,524,612
2001	748,459	464,587	61,865	1,274,911
2000	666,544	445,691	64,252	1,176,487
1999	593,999	587,915	25,987	1,207,901

Note: Details regarding the State's debt can be found in Note 10 to the basic financial statements. There is no business-type activities debt.

	Governmental Funds Tax Income					
Year	Personal Income	Consumer Sales	Business	Transportation	Other	Total
2008	$1,557,957	$ 990,051	$1,040,604	$564,736	$394,798	$4,548,146
2007	1,372,646	1,020,128	906,022	535,979	393,400	4,228,175
2006	1,330,913	981,536	920,940	501,022	382,718	4,117,129
2005	1,163,211	979,357	726,878	502,659	377,878	3,749,983
2004**	1,073,512	965,378	554,734	477,159	359,341	3,430,124
2003	1,048,172	917,072	551,910	466,273	291,776	3,275,203
2002	1,052,023	925,317	585,182	481,436	263,966	3,307,924
2001	1,023,536	878,355	580,608	454,949	250,316	3,187,764
2000	985,976	878,690	560,533	446,329	235,471	3,106,999
1999	917,765	852,815	616,262	438,522	242,229	3,067,593

All General Obligation Bonds carry a pledge of the State to levy taxes if funds are insufficient to meet debt service.

Infrastructure bonds are paid from the dedication of the first $24 million in severance tax collections.

Safe Roads Bonds are paid from a debt service fund which is administered by the West Virginia State Treasurer's Office. The Division of Highways makes a monthly transfer to this fund from the Road Fund. The monthly transfer amount is equal to 10% of the annual debt service requirement on all Safe Roads Bonds.

**Restated

General Obligation Bond Debt Ratios

Year	General Obligation Bond Debt	Percent of Tax Income	Percent of Personal Income	Amount of Debt Per Capita*
2008	$705,955	15.52%	1.32%	$0.39
2007	744,790	17.61%	1.46%	0.41
2006	772,912	18.77%	1.61%	0.43
2005	798,490	21.29%	1.75%	0.44
2004**	774,660	22.58%	1.77%	0.43
2003	804,635	24.57%	1.86%	0.45
2002	833,494	25.20%	1.99%	0.46
2001	748,459	23.48%	1.90%	0.41
2000	666,544	21.45%	1.78%	0.37
1999	593,999	19.36%	1.62%	0.33

Total Debt Ratios

Year	Total Debt	Percent of Tax Income	Percent of Personal Income	Amount of Debt Per Capita*
2008	$2,406,580	52.91%	4.50%	$1.33
2007	2,831,250	66.96%	5.55%	1.56
2006	1,853,161	45.01%	3.87%	1.02
2005	1,916,588	51.11%	4.20%	1.06
2004**	1,745,676	50.89%	3.98%	0.96
2003	1,514,640	46.25%	3.50%	0.84
2002	1,524,612	46.09%	3.64%	0.85
2001	1,274,911	39.99%	3.23%	0.71
2000	1,176,487	37.87%	3.14%	0.65
1999	1,207,901	39.38%	3.29%	0.67

*These ratios are calculated using the current fiscal year debt total divided by personal income and population for the prior calendar year. See Schedule 10 for personal income and population data.

**Restated

In FY 2008, the School Building Authority was removed from the Governmental Funds. It is now accounted for as a discretely presented component unit. The 2002-2007 amounts above have not been restated to reflect this change in presentation because the necessary information is not readily available.

Schedule 9
Pledged Revenue Coverage
Last Ten Fiscal Years
(Expressed in Thousands)

Department of Transportation
West Virginia Code Chapter 17, Article 17A provides for the issuance of Surface Transportation Improvement Special Obligation Notes (GARVEE bonds) to facilitate the construction of highways, secondary roads and bridges to be funded wholly or in part by federal dollars and in anticipation of reimbursement from such sources. Title 23, Section 122 federal legislation allows this reimbursement. There is a Memorandum of Agreement between the Federal Highway Administration and the Division of Highways that documents the procedures for managing the stewardship and oversight of highway projects that are financed with the proceeds of these notes first issued in fiscal year 2007.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements: Principal	Interest	Total	Coverage
2008	$14,745	$—	$14,745	$10,285	$4,460	$14,745	1.00
2007	1,207	—	1,207	—	1,207	1,207	1.00

WV Infrastructure and Jobs Development Council
The primary source of repayment for the revenue and refunding bonds is the receipt of payments of principal and interest on a set of loans, known as defined loans, previously made to projects from general obligation and revenue bond proceeds. New bonds were issued in 2006 and 2007 to refund earlier bond issues. There were no revenue bonds for this agency prior to 2000.

2008	$78,698	$18,988	$59,710	$14,625	$20,492	$35,117	1.70
2007	78,363	17,121	61,242	14,600	20,636	35,236	1.74
2006	89,442	20,041	69,401	8,150	19,822	27,972	2.48
2005	24,150	18,759	5,391	840	4,517	5,357	1.01
2004	24,082	21,323	2,759	315	2,456	2,771	1.00
2003	24,143	21,609	2,534	135	2,466	2,601	0.97
2002	24,280	21,994	2,286	—	2,470	2,470	0.93
2001	24,500	23,383	1,117	—	1,063	1,063	1.05
2000	24,470	24,271	199	—	—	—	—

Tobacco Settlement Finance Authority
Pursuant to the Code, and a Purchase and Sale Agreement, dated June 1, 2007, by and between the Authority and the State, the State sold to the Authority its right, title, and interest in and to all tobacco settlement revenue that is received by the State, under the terms of the Master Settlement Agreement entered into by participating tobacco product manufacturers, West Virginia, 45 other states, and six other U.S. jurisdictions in November 1998. The Series 2007 Bonds are secured by and are payable solely from the right, title, and interest of the Authority of 100% of the tobacco receipts, and investment earnings on the accounts with the trustee under the Indenture.

2008	$77,447	$25	$77,422	$12,320	$58,771	$71,091	1.09

Economic Development Project Fund

West Virginia State Code Chapter 29, Article 22, Section 18a designates $19 million annually from the "excess lottery revenue fund" to be paid into the economic development project fund created in subsection (d) for payment of revenue bonds issued pursuant to the same subsection. Interest on the account and any other amounts paid into the economic development project fund are also to be used for the repayment of the bonds, which were issued in 2004.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements Principal	Interest	Total	Coverage
2008	$20,560	$ —	$20,560	$ 7,440	$11,446	$18,886	1.09
2007	19,888	—	19,888	7,275	11,629	18,904	1.05
2006	22,627	100	22,527	7,165	11,767	18,932	1.19
2005	20,461	—	20,461	13,890	11,009	24,899	0.82
2004	19,019	—	19,019	—	—	—	—

Education, Arts, Sciences, and Tourism

Certain net profits of the Lottery as set forth in Chapter 29 Article 22 of the Code of West Virginia are transferred to the Trustee under the bond indenture. These bonds are subordinate as to lien and source of payment only to those certain School Building Authority Capital Improvement Bonds, series 1994.

2008	$10,601	$ 3	$10,598	$8,210	$1,563	$9,773	1.08
2007	11,002	3	10,999	7,780	2,002	9,782	1.12
2006	10,860	—	10,860	7,375	2,421	9,796	1.11
2005	10,404	—	10,404	7,025	2,803	9,828	1.06
2004	10,196	—	10,196	6,690	3,140	9,830	1.04
2003	10,271	—	10,271	6,370	3,470	9,840	1.04
2002	10,291	—	10,291	6,070	3,781	9,851	1.04
2001	11,841	120	11,721	5,750	4,091	9,841	1.19
2000	13,685	—	13,685	5,450	4,402	9,852	1.39
1999	13,122	—	13,122	5,190	4,739	9,929	1.32

Housing Development Fund

Operating revenue includes revenues and principal loan repayments. Both are used for bond repayment. The Fund is authorized by West Virginia State Code to issue bonds and notes for its various programs in an aggregate principal amount not to exceed $1.25 billion outstanding at any one time, exclusive of refunded obligations. Bonds and notes issued by the Fund are considered obligations of the Fund and are not deemed to constitute a debt or liability of the State. All bonds are secured by a pledge of all mortgage loan repayments, all proceeds of federal or private mortgage insurance, interest received on any monies or securities held pursuant to the resolution, and the rights and interest of the Fund in and to the mortgage loans. The Fund also has an Economic Development Program to generate and promote job creation in the State. The Fund may issue up to $30 million in bonds under this program, although only $15 million has been issued. The bonds issued under this program were secured by the projects funded from the program and were fully redeemed in February 2008.

2008	$146,744	$7,230	$139,514	$23,521	$39,135	$62,656	2.23
2007	154,643	8,123	146,520	20,180	36,402	56,582	2.59
2006	154,190	9,783	144,407	19,560	33,896	53,456	2.70
2005	185,696	7,448	178,248	20,050	34,595	54,645	3.26
2004	236,521	7,491	229,030	19,885	38,695	58,580	3.91
2003	205,965	10,391	195,574	19,550	47,320	66,870	2.92
2002	172,139	7,434	164,705	21,595	53,329	74,924	2.20
2001	138,058	6,743	131,315	19,185	48,359	67,544	1.94
2000	127,463	6,477	120,986	16,805	46,777	63,582	1.90
1999	147,976	6,307	141,669	14,790	51,214	66,004	2.15

(Continued)

Schedule 9

Pledged Revenue Coverage
Last Ten Fiscal Years
(Expressed in Thousands)
(Continued)

Water Development Authority

The Authority maintains a variety of programs to provide long-term, short-term and private-activity financing at favorable interest rates for design, construction, and/or acquisition of wastewater and/or water systems. Monies are loaned to municipalities, public service districts, and other political subdivisions through purchase of revenue bonds or notes issued by these local governmental agencies. The loans are repaid from the revenues of the systems or other permanent financing. The aggregate principal amount of bonds and/or notes issued by the Authority may not exceed $500 million outstanding at any time; provided that before the Authority issues bonds or notes in excess of $440 million, the Legislature must pass a resolution authorizing this action. The Authority's long-term planning is accomplished within the confines of its authorized borrowing limit. Operating revenue includes revenues and principal loan repayments. Both are used for bond repayment. 2002 and 2004 include retirement of revenue bonds.

				Current Year Debt Service Requirements			
Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Principal	Interest	Total	Coverage
2008	$15,882	$620	$15,262	$ 6,330	$12,326	$ 18,656	0.82
2007	15,829	502	15,327	6,585	12,537	19,122	0.80
2006	16,334	569	15,765	5,120	12,123	17,243	0.91
2005	14,304	650	13,654	4,065	11,025	15,090	0.90
2004	15,540	615	14,925	109,965	12,435	122,400	0.12
2003	14,817	688	14,129	3,645	12,525	16,170	0.87
2002	19,225	629	18,596	49,340	14,028	63,368	0.29
2001	22,525	513	22,012	3,645	15,293	18,938	1.16
2000	21,154	462	20,692	3,120	13,773	16,893	1.22
1999	18,774	494	18,280	4,285	12,063	16,348	1.12

Higher Education Fund

Various individual institutions, as well as the Fund, have issued bonds which are generally payable from tuition and registration fees. The 2004 refunding bonds are to be repaid using certain Lottery funds. During fiscal years 2004 and 2005, Higher Education had a series of revenue bond refinancings that resulted in an increase in principal and interest payments. Prior to 2002, compiled debt information was not available.

2008	$1,508,466	$1,317,474	$190,992	$24,006	$31,650	$ 55,656	3.43
2007	1,333,158	1,217,652	115,506	46,439	32,636	79,075	1.46
2006	1,254,971	1,147,583	107,388	20,527	33,149	53,676	2.00
2005	1,196,325	1,055,456	140,869	94,782	17,976	112,758	1.25
2004	1,113,067	988,177	124,890	97,911	18,813	116,724	1.07
2003	1,068,798	981,130	87,668	11,740	16,475	28,215	3.11
2002	1,000,040	913,409	86,631	10,957	11,677	22,634	3.83

West Virginia Regional Jail and Correctional Facility Authority

Revenue Bonds are secured by the regional jails and correctional facilities and an irrevocable pledge of the lease payments, which are generated by court fees, and are required to be in sufficient amount to pay principal and interest on the bonds when due. The bonds were issued in 2002.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements: Principal	Interest	Total	Coverage
2008	$85,688	$70,194	$15,494	$4,335	$4,533	$8,868	1.75
2007	84,597	69,267	15,330	4,130	4,735	8,865	1.73
2006	85,389	67,623	17,766	3,940	4,926	8,866	2.00
2005	76,522	57,650	18,872	3,760	5,110	8,870	2.13
2004	63,390	54,475	8,915	3,585	5,284	8,869	1.01
2003	62,294	60,220	2,074	3,420	5,449	8,869	0.23
2002	63,188	57,796	5,392	3,110	5,606	8,716	0.62

School Building Authority

The Authority provides funds for modern efficient public school facilities throughout the State by promoting the consolidation of elementary and secondary public schools. The bonds are paid by certain net profits of the West Virginia Lottery. Only total debt service was available prior to 2002.

2008	$43,166	$17,891	$25,275	$23,725	$13,584	$37,309	0.68
2007	43,359	2,367	40,992	22,760	18,383	41,143	0.99
2006	42,754	1,252	41,502	20,030	19,349	39,379	1.05
2005	41,099	1,124	39,975	31,585	17,321	48,906	0.82
2004	42,501	1,854	40,647	24,490	15,498	39,988	1.02
2003	42,460	2,071	40,389	23,405	17,010	40,415	1.00
2002	43,449	2,591	40,858	19,465	18,523	37,988	1.08
2001	41,597	2,768	38,829	—	—	40,041	0.97
2000	42,983	2,709	40,274	—	—	40,127	1.00
1999	43,318	2,645	40,673	—	—	34,436	1.18

Parkways, Economic Development and Tourism Authority

Revenue Bonds are secured by a pledge of substantially all Parkways, Economic Development and Tourism Authority operating revenues and all monies deposited into accounts created by the Trust Indentures. Only total debt service is available.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Total Debt Service	Coverage
2008	$56,690	$31,183	$25,507	$11,852	2.15
2007	58,219	32,606	25,613	10,876	2.36
2006	61,806	31,478	30,328	10,801	2.81
2005	58,152	30,258	27,894	10,505	2.66
2004	57,826	28,706	29,120	12,439	2.34
2003	54,850	27,583	27,267	12,693	2.15
2002	54,821	27,366	27,455	11,240	2.44
2001	54,116	26,292	27,824	11,176	2.49
2000	54,410	26,211	28,199	11,249	2.51
1999	53,437	24,948	28,489	11,115	2.56

Note: Details regarding the State's debt can be found in Note 10 to the basic financial statements.

Sources: Department of Transportation; School Building Authority; West Virginia Infrastructure and Jobs Development Council; Housing Development Fund; Water Development Authority; Higher Education Fund; West Virginia Regional Jail and Correctional Facility Authority; Parkways, Economic Development and Tourism Authority; Tobacco Settlement Finance Authority; and bond indentures.

This schedule has been revised.

Schedule 10
Demographics and Economic Indicators

	2007	2006	2005	2004
Population				
West Virginia	1,812,035	1,818,470	1,814,083	1,812,548
Change	(.35%)	0.24%	0.08%	0.12%
National	303,146,284	300,304,181	298,024,822	293,656,842
Change	.95%	0.76%	1.49%	0.97%
Total Personal Income (Dollars in Millions)				
West Virginia	$53,522	$51,016	$47,890	$45,686
Change	4.91%	6.53%	4.82%	4.21%
National	$11,645,882	$10,968,393	$10,284,356	$9,711,363
Change	6.18%	6.65%	5.90%	6.13%
Per Capita Personal Income* (In Dollars)				
West Virginia	$29,537	$28,054	$26,399	$25,205
Change	5.28%	6.27%	4.74%	4.08%
National	$38,417	$36,524	$34,508	$33,070
Change	5.18%	5.84%	4.35%	5.12%
Median Age	40.4	40.7	40.7	40.2
Educational Attainment				
9th Grade or Less	7.0%	7.1%	10.0%	10.0%
Some High School, No Diploma	11.8%	11.9%	14.8%	14.8%
High School Diploma	41.0%	42.7%	39.4%	39.4%
Some College, No Degree	16.7%	16.1%	16.6%	16.6%
Associate, Bachelor's or Graduate Degree	23.4%	22.2%	19.2%	19.2%

Labor Force and Employment
(People in Thousands)

	2007	2006	2005	2004
Civilian Labor Force	809.0	805.0	794.0	786.0
Employed	772.0	768.0	755.0	744.0
Unemployed	37.0	38.0	39.0	42.0
Unemployment Rate	4.6%	4.7%	5.0%	5.3%
Nonfarm Wage and Salary Workers Employed in West Virginia Goods Producing Industries:				
Mining	27.5	28.1	25.9	23.8
Construction	38.7	39.2	36.8	34.6
Manufacturing-Durable Goods	37.2	38.4	38.8	39.2
Manufacturing-Nondurable Goods	21.8	22.6	23.0	23.8
Total Goods Producing Industries	125.2	128.3	124.5	121.4
Non-Goods Producing Industries:				
Trade	116.2	115.5	113.6	111.9
Service	342.7	367.8	364.9	360.5
State and Local Government	122.6	122.4	121.7	121.4
Federal Government	22.5	22.1	21.9	21.8
Total Non-Goods Producing Industries	604.0	627.8	622.1	615.6
Total Nonfarm Wage and Salary Employment	729.2	756.1	746.6	737.0

*Per capita personal income is calculated by dividing total personal income by population.

Sources: Workforce West Virginia Research, Information, and Analysis Office, the Census, and the Survey of Current Business.

This schedule has been revised.

2003	2002	2001	2000	1999	1998
1,810,347	1,804,529	1,801,438	1,807,442	1,811,799	1,815,609
0.32%	0.17%	(0.33)%	(0.24)%	(0.21)%	(0.19)%
290,850,005	287,984,799	285,107,923	282,193,477	279,731,000	276,553,000
0.99%	1.01%	1.03%	0.88%	1.15%	1.17%
$43,841	$43,312	$41,902	$39,438	$37,472	$36,738
1.22%	3.36%	6.25%	5.25%	2.00%	4.36%
$9,150,320	$8,872,871	$8,716,992	$8,398,871	$7,779,521	$7,418,497
3.13%	1.79%	3.79%	7.96%	4.87%	7.07%
$24,217	$24,002	$23,260	$21,820	$20,682	$20,235
0.90%	3.19%	6.60%	5.50%	2.21%	4.56%
$31,461	$30,810	$30,574	$29,763	$27,811	$26,825
2.11%	0.77%	2.73%	7.02%	3.68%	5.84%
39.9	39.5	39.3	39.0	38.9	38.5
10.0%	10.0%	10.0%	10.0%	16.8%	16.8%
14.8%	14.8%	14.8%	14.8%	17.3%	17.3%
39.4%	39.4%	39.4%	39.4%	36.6%	36.6%
16.6%	16.6%	16.6%	16.6%	13.2%	13.2%
19.2%	19.2%	19.2%	19.2%	16.1%	16.1%
790.0	796.0	801.0	809.0	813.0	807.0
742.0	749.0	759.0	765.0	762.0	755.0
47.0	47.0	42.0	44.0	51.0	52.0
6.0%	5.9%	5.2%	5.5%	6.3%	6.5%
22.0	23.1	23.5	21.4	22.3	24.6
32.7	33.4	34.9	34.0	33.8	34.4
39.7	42.2	44.5	46.6	46.7	46.5
24.9	26.5	27.7	29.2	30.2	31.2
119.3	125.2	130.6	131.2	133.0	136.7
110.4	111.3	113.7	117.4	117.0	115.4
355.5	353.7	350.0	344.1	335.1	326.4
120.6	120.9	119.2	120.6	119.2	119.0
21.9	21.9	21.8	22.5	21.7	21.8
608.4	607.8	604.7	604.6	593.0	582.6
727.7	733.0	735.3	735.8	726.0	719.3

Schedule 11
Principal Employers
Current Year and Nine Years Ago

Estimated as of June 30, 2008

Major West Virginia Employers	Number of Employees
Local Government	70,000 - 74,999
State Government	30,000 - 39,999
Federal Government	20,000 - 24,999
Wal-Mart Associates, Inc.	10,000 - 14,000
West Virginia United Health System	7,000 - 9,999
Charleston Area Medical Center	5,000 - 6,999
Kroger	3,000 - 4,499
CSX Hotels Inc. (The Greenbrier Hotel and railroad)	1,000 - 2,999
American Electric Power	1,000 - 2,999
Eldercare Resources Corporation	1,000 - 2,999
Lowe's Home Centers, Inc.	1,000 - 2,999
St. Mary's Hospital	1,000 - 2,299
Consolidation Coal Company	1,000 - 2,999

As of December 31, 1999

Major West Virginia Employers	Number of Employees
Local Government	70,000 - 74,999
State Government	25,000 - 39,999
Federal Government	20,000 - 24,999
Wal-Mart Stores, Inc	6,000 - 7,999
Charleston Area Medical Center	5,000 - 5,999
Kroger	4,000 - 4,999
Weirton Steel Corporation	4,000 - 4,999
Columbia/HCA	3,000 - 3,999
E I DuPont De Nemours & Company	3,000 - 3,999
CSX	3,000 - 3,999
Bell Atlantic	2,000 - 2,999
Union Carbide Corporation	2,000 - 2,999
West Virginia University Hospitals	2,000 - 2,999

Source: Workforce West Virginia Research, Information, and Analysis Office.

Schedule 12

Education Enrollment
Last Ten Fiscal Years

Public School Enrollment Grades Pre-K Through 12

Year	Elementary (Pre-K to 6)	Secondary (7 to 12)	Total All Grades
2007-08	155,832	125,903	281,735
2006-07	154,479	126,818	281,297
2005-06	152,969	126,819	279,788
2004-05	152,470	126,987	279,457
2003-04	153,616	126,945	280,561
2002-03	155,144	126,447	281,591
2001-02	155,635	126,597	282,232
2000-01	156,975	128,810	285,785
1999-00	157,972	132,972	290,944
1998-99	159,806	136,753	296,559

Higher Education Enrollment
Colleges and Universities

	Public		Independent	
Year	Enrollment	Number of Certificates and Degrees	Enrollment	Number of Certificates and Degrees
2007-08	87,066	15,040	11,131	2,686
2006-07	86,088	14,733	10,639	2,682
2005-06	84,713	14,206	10,811	2,575
2004-05	82,845	13,963	11,650	2,462
2003-04	80,837	13,141	11,625	2,357
2002-03	78,976	12,839	11,034	2,337
2001-02	78,315	12,302	10,066	2,021
2000-01	76,050	12,264	9,808	1,925
1999-00	76,751	12,108	9,837	1,923
1998-99	76,307	12,024	10,064	2,030

Sources: West Virginia Board of Education and West Virginia Higher Education Policy.

Schedule 13
State Employees by Function
Last Ten Fiscal Years

	2008	2007	2006	2005
Executive*	916	896	881	902
Legislative	213	208	204	203
Judicial	912	936	882	876
Administration	659	663	573	598
Commerce				
Natural Resources (Parks)	844	844	813	812
Tourism and Development	164	166	182	218
Other	776	736	758	1,513
Environmental Protection	821	820	843	862
Education and the Arts				
Department of Education	560	519	511	531
School for the Deaf and the Blind	192	192	204	193
Rehabilitation Services	518	544	694	721
Higher Education	10,383	10,165	9,959	9,746
Other	272	261	272	267
Revenue	1,087	1,042	1,024	774
Health and Human Resources	5,556	5,596	5,588	5,771
Military Affairs and Public Safety				
Corrections	1,684	1,648	1,632	1,592
Juvenile Services	610	615	601	601
State Police	1,011	1,011	987	980
Regional Jail Authority	903	938	869	876
All Other	686	584	520	491
Transportation	5,499	5,490	5,296	5,767
Miscellaneous	490	496	503	530
Total	34,756	34,370	33,796	34,824

*This includes the offices of the Governor, Treasurer, Secretary of State, Auditor, Attorney General, and Agriculture.

N/A = Not Available

Notes:
Separately audited agencies under Administration are not included prior to 2001.

The Workers' Compensation Commission was included under Commerce - Other in 2001 to 2005. In 2006, the Workers' Compensation Commission was privatized and approximately 300 of the employees moved to the Insurance Commission under Tax and Revenue.

Juvenile Services added 134 employees between 2003 and 2004 to staff new facilities.

The 1999 - 2000 employees for Transportation are Department of Highways only.

Sources: Leave system data warehouse reports, Higher Education Policy Commission, Housing Development Fund, and the Supreme Court of Appeals.

2004	2003	2002	2001	2000	1999
898	889	863	799	803	727
201	200	202	190	201	192
876	884	848	841	812	764
620	540	539	527	151	158
816	830	824	823	817	818
212	195	201	156	164	165
1,630	1,696	1,624	1,640	366	367
851	852	763	758	767	771
516	504	503	470	447	452
200	204	218	205	210	209
716	723	715	699	720	723
9,450	9,432	9,643	9,457	9,463	9,195
265	284	288	265	136	134
768	762	739	648	620	670
5,524	5,593	5,545	5,538	5,478	5,364
1,555	1,562	1,505	1,375	1,397	1,310
565	431	424	286	208	202
972	949	934	975	1,005	1,002
858	760	740	604	N/A	N/A
482	477	441	393	342	304
5,836	5,983	6,358	6,977	4,975	5,048
529	450	396	386	380	382
34,340	34,200	34,313	34,012	29,462	28,957

Schedule 14
Operating Indicators by Function
Last Ten Fiscal Years

	2008	2007	2006	2005
Transportation				
Total highway construction projects authorized	1,169	874	1,105	1,232
Number of roadway resurfacing projects	527	324	481	490
Number of roadway miles resurfaced	1,557	944	1,239	1,208
WORKFORCE West Virginia (Employment Programs)				
Applications for job search services (in thousands)	141	128	100	97
Filled job openings	8,380	9,517	11,069	20,511
Education				
Schools receiving exemplary accreditation status	**10%**	10%	17%	4%
Schools receiving full accreditation status	**85%**	80%	68%	76%
School districts receiving full approval status	**95%**	93%	93%	96%
Health and Human Resources				
Number of food stamp recipients	245,931	235,772	261,577	255,281
Number of food stamps issued	24,555,462	22,869,066	21,982,039	20,986,880
Individuals eligible to receive medicaid services	386,085	392,054	384,338	383,416
Medicaid enrollees	307,686	305,054	311,289	321,158
Counties enrolled in managed care*	93%	89%	89%	85%
Child support collections (in millions)	201	$192	$188	$187
Students served by school-based health clinics	20,224	26,800	25,950	25,780
Natural Resources				
Attendance at State Parks (in millions)	**6.5**	6.3	6.7	7.3
Attendance at Wildlife management areas (in millions)	1.7	1.7	2.3	2.5
Individuals whitewater rafting on rivers (calendar year)	184,968	170,266	201,358	209,542
Harvest of regulated big game (calendar year)	175,599	159,217	152,246	149,109
Environmental Protection				
Division of Air Quality				
Number of air quality inspections	37	40	42	51
Response rate of air pollution-related complaints (goal is 90% or greater)	94%	99%	99%	97%
Division of Land Restoration Programs				
Organizations that adopted highways	1,834	1,882	1,891	1,456
Division of Mining and Reclamation				
Surface mine blasting examinations and certifications	123	159	191	144
Surface mine mineral extraction inspections	21,183	22,092	21,891	20,085
Number of acres reclaimed through reclamation and restoration of land	2,483	7,261	12,655	10,963
Office of Miners Health and Safety (calendar year)				
Total safety inspections	**5,678**	5,508	5,816	5,727
Violations issued by mine inspectors	**16,180**	12,488	12,258	10,749
Lost time injuries of mining personnel**	**954**	929	1,089	965
Military Affairs and Public Safety				
Division of Corrections				
Adult inmate housing capacity	**5,111**	4,931	4,520	4,070
Inmate employment (Prison Industries)	245	238	230	260
Youth successfully completed programs/returned to community	156	115	160	180
Veterans' Home				
Average daily number of residents	95	89	96	95
Average daily cost per resident	$71.19	$68.74	$64.00	$61.54
Senior Services				
Persons served under Medicaid aged and disabled waiver	**5,400**	4,737	4,571	4,901

Items in bold are estimated figures; N/A = Not Available.
*There are 55 counties in West Virginia.
**Occasions when mining personnel were unable to work their next shift due to injuries.
Source: Agencies and Executive Budget document.
This schedule has been revised.

2004	2003	2002	2001	2000	1999
1,165	1,064	1,499	1,396	1,746	1,825
488	384	534	580	616	615
1,070	1,040	1,071	1,545	2,325	1,629
152	163	152	154	152	148
24,400	27,072	27,072	26,450	25,500	25,169
7%	10%	7%	N/A	N/A	N/A
85%	77%	74%	77%	75%	86%
93%	82%	82%	71%	73%	96%
249,227	235,420	223,047	N/A	N/A	N/A
20,563,342	19,266,926	17,892,030	N/A	N/A	N/A
389,826	370,432	356,374	351,862	344,627	369,789
316,668	306,185	294,661	344,296	337,433	341,693
62%	42%	42%	42%	42%	27%
$177	$179	$167	$160	$145	$139
24,155	23,826	23,627	23,350	23,348	24,217
6.4	7.6	7.2	8.0	7.9	8.25
2.5	2.6	2.6	2.75	2.76	2.91
227,752	218,444	228,169	246,846	231,559	228,035
192,231	224,339	272,949	240,092	208,679	246,513
68	41	50	57	57	55
90%	89%	98%	97%	90%	88%
1,518	1,481	1,966	1,513	1,476	1,426
94	151	54	24	40	52
20,193	18,885	18,887	20,412	25,178	21,000
9,893	9,470	9,292	8,654	7,679	N/A
5,984	5,787	4,764	4,098	4,261	5,033
8,454	6,539	7,956	8,933	8,893	9,817
875	1,129	1,232	1,154	1,020	1,071
4,070	3,880	3,696	3,390	3,246	3,076
259	244	270	233	300	260
196	148	159	160	185	N/A
79	112	125	115	103	82
$60.28	$57.36	$48.20	$47.12	$48.91	$58.50
5,760	5,760	5,315	4,175	4,121	3,742

Schedule 15
Capital Assets Statistics by Function
Last Ten Fiscal Years
(Expressed in Thousands)

	2008	2007	2006	2005
Vehicles				
Executive	157	162	131	113
Judicial	8	10	5	6
Administration				
Agency-Owned	4	4	5	6
Leased to other agencies	1,648	1,857	1,623	1,588
Total Administration	1,652	1,861	1,628	1,594
Revenue	3	3	3	3
Commerce				
Division of Natural Resources	570	581	581	572
Division of Forestry	130	135	137	137
Others	7	5	6	6
Total Commerce	707	721	724	715
Environmental Protection	12	14	13	13
Education	37	37	36	40
Health and Human Services	69	70	69	66
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	832	931	826	967
Division of Corrections	28	28	25	21
Veterans Affairs	54	49	51	32
Regional Jail	60	59	58	55
Others	32	30	26	23
Total MAPS	1,006	1,097	986	1,098
Regulatory Boards and Commissions	2	2	2	2
Boats				
Commerce	94	93	92	93
Environmental Protection	5	5	4	4
Buildings				
Executive	28	28	28	28
Administration	65	65	60	52
Revenue	2	2	2	2
Commerce				
Division of Natural Resources	716	717	725	720
Division of Forestry	5	4	4	4
Others	8	7	6	6
Total Commerce	729	728	735	730
Environmental Protection	7	7	7	7
Education	43	43	43	43
Health and Human Services	109	157	147	147
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	83	82	81	81
Division of Corrections	54	53	53	50
Armory Board	165	167	171	171
Others	50	47	38	37
Total MAPS	352	349	343	339
Regulatory Boards and Commissions	2	2	2	1

Sources: Financial Accounting and Reporting Section; West Virginia Financial Information Management System; Fixed Asset detailed ledger.

This schedule has been revised.

2004	2003	2002	2001	2000	1999
108	113	102	96	94	88
4	4	4	3	3	2
6	6	6	6	6	7
1,455	1,570	1,678	1,580	1,493	1,339
1,461	1,576	1,684	1,586	1,499	1,346
3	3	1	2	2	2
543	557	582	583	573	566
137	137	129	119	101	94
5	14	17	23	26	30
685	708	728	725	700	690
11	10	18	25	26	30
40	40	44	44	49	47
59	60	63	63	63	66
974	952	998	1,007	994	1,020
21	23	22	22	20	20
32	21	15	7	—	—
55	59	56	56	63	49
23	17	15	12	10	9
1,105	1,072	1,106	1,104	1,087	1,098
—	—	—	—	—	—
89	89	90	85	82	80
3	3	3	3	3	3
28	28	28	28	28	28
50	46	44	44	43	38
2	2	1	1	1	1
720	714	713	709	707	702
4	4	4	4	3	—
6	6	5	3	3	3
730	724	722	716	713	705
4	4	4	4	4	4
43	43	43	43	43	44
145	144	144	144	144	144
80	78	76	72	68	68
47	46	45	45	45	43
168	167	167	167	166	166
35	32	32	24	21	17
330	323	320	308	300	294
1	1	1	1	1	1

Schedule 16
Miscellaneous Statistics
June 30, 2008

Date of Statehood	June 20, 1863

West Virginia shares its history with Virginia from 1609 until Virginia seceded from the Union in 1861. The delegates of 40 western counties formed their own government, which was granted statehood in 1863. Declared a state by President Abraham Lincoln, West Virginia is the only state to be designated by Presidential Proclamation.

Form of Government	Constitutional Representative Government
Branches of Government	Legislative - Executive - Judicial
Area (Land and Water)	24,231 square miles (approximately)
Highest Elevation Point	Spruce Knob - 4,863 feet above sea level
Lowest Elevation Point	Harpers Ferry - 240 feet above sea level
Miles of Public Roads and Streets	38,273
Miles Maintained by the State	35,968
State Police Protection:	
Number of State Police Detachments	60
Number of State Police Troopers	642
Higher Education (State Supported):	
Number of Campuses	22
Number of Students	87,803
Recreation:	
Number of State Parks	35
Area of State Parks	76,949 acres
Number of State Forests	8
Area of State Forests	71,236 acres
Number of Rail Trails	2
Distance of Rail Trails	150 miles
Wildlife Fish and Game Management Areas	101
Acreage of Wildlife Management Areas (Owned and Leased)	377,297 acres

Sources: Division of Highways, Division of Public Safety, Higher Education Policy Commission, and Division of Natural Resources.