



# West Virginia

Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2012





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# *West Virginia*

*Comprehensive Annual  
Financial Report  
For the Fiscal Year  
Ended June 30, 2012*

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*Earl Ray Tomblin*  
*Governor*

*Ross Taylor*  
*Cabinet Secretary*  
*Department of Administration*

*David Mullins*  
*Acting State Comptroller*  
*Department of Administration*

*Prepared by the*  
*Financial Accounting*  
*and Reporting Section*

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*Governor Earl Ray Tomblin*

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*State of West Virginia*  
*Earl Ray Tomblin*  
*Governor*

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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, 2012. 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](http://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.

Sincerely,

A handwritten signature in cursive script that reads "Earl Ray Tomblin".

Earl Ray Tomblin  
Governor



# *ACKNOWLEDGMENTS*

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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 website: [www.wvfinance.state.wv.us](http://www.wvfinance.state.wv.us)



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## 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

EARL RAY TOMBLIN  
GOVERNOR

ROSS TAYLOR  
CABINET SECRETARY

January 31, 2013

The Honorable Earl Ray Tomblin, 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, 2012. 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, 2012, 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 requires 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.



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**

The State of West Virginia continues to maintain a stable yet progressive economic outlook due to sound fiscal policies. The State is poised to enter into a new and dynamic chapter of economic growth with a strong diversified economy.

By staying the course of efficient business practices, West Virginia closed its 2012 fiscal year with a surplus of \$102 million, the seventh year in a row with a surplus and no tax increases. While most states borrowed federal funds to pay unemployment compensation benefits, West Virginia was one of 18 states that was fiscally able to maintain its benefit structure.

West Virginia's Rainy Day Fund was fourth best in the country, as a percentage of the State's General Revenue appropriations, at 20 percent. Should the Rainy Day Fund balance exceed 10 percent of the General Revenue Fund appropriations as of July 1, 2013, the corporate net income tax rate will fall from 7.0 percent to 6.5 percent in 2014. During the first half of FY 2013, West Virginia revenue collections were close to original estimates.

The State of West Virginia completed 22 construction projects and started 20 more, with costs in excess of \$5 million, including portions of the King Coal Highway, West Virginia 10, Corridor H, and six-lane widening of Interstates 64 and 81. The State has also completed preservation projects including major reconstruction of a section of Interstate 79 and the replacement of the Dick Henderson Bridge. The 22 new projects have a combined construction cost of \$380 million.

Federal transportation legislation, Moving Ahead for Progress in the 21<sup>st</sup> Century (MAP-21), was recently passed and provides the State stable transportation funding at a reduction of approximately \$30 million for the next two years. This legislation provides stability for highway construction planning.

### *Long-term Financial Planning and Relevant Financial Policies*

To sustain financial effectiveness, the State was open to innovative opportunities that were made available. Fiscal planning and efficient management relating to these opportunities have resulted in positive results.

West Virginia has thrived on traditional energy and manufacturing industries, such as coal, chemicals and polymers, aerospace, automotive, and wood products. All of these remain valued contributors to the State's economy.

Today the State's economy is one that also includes innovation-driven, technology-based businesses, piloted by a highly skilled West Virginia workforce. Emerging sectors include



biometrics and biomedical technology, advanced energy, distribution and business and information services.

Since 2005, more than \$20 billion worth of new business investments have been made in the State's economy, including more than \$6 billion since 2010.

Global companies and organizations have selected West Virginia for their expansions because of its business climate and productive workforce. Below are some examples of this economic growth in our state:

- Gestamp West Virginia started small-scale, cold-line product production and is installing new hot stamping lines. Within five years, Gestamp plans to invest at least \$100 million and create a minimum of 400 jobs in the South Charleston plant. Gestamp is an international manufacturer of metal components and structural systems for the automotive industry.
- Toyota is investing \$45 million in the Toyota Motor Manufacturing West Virginia facility in Buffalo to boost transmission production. The expansion, scheduled for completion by July 2013, will increase employment at the West Virginia plant to 1,200 and Toyota's total investment to \$1.3 billion.
- Hino Motors Manufacturing USA announced it is making nearly \$6 million in direct and indirect investments in its Williamstown assembly plant. The facility assembles Class 6 and 7 medium duty trucks.
- Wheeling-Nisshin, one of the country's largest hot-dip coating mills, announced plans to invest \$28 million to expand operations at its Follansbee facility in preparation for the production of the new steel product, ZAM<sup>®</sup>. The new project will be the Follansbee facility's third major expansion in 25 years.
- Williams Partners L.P., which acquired Caiman Energy assets in 2012, announced that the natural gas company will invest \$1.34 billion between now and 2014 in West Virginia's Northern Panhandle. In January 2012, Williams Partners joined with Caiman Energy II as part of a joint venture to develop midstream infrastructure facilities, an investment of more than \$800 million to develop processing infrastructure.
- Rubberlite Inc. celebrated the \$5.7 million expansion of its facility in Huntington. Rubberlite is a leader of converted cellular rubber and plastic products and manufacturer of custom-engineered polyurethane foams.
- Macy's officially opened its 1.3 million-square-foot fulfillment center in Martinsburg. The \$150 million center is expected to create 900 permanent full-time, 300 permanent part-time and 700 temporary seasonal jobs within the next five years.

## *West Virginia*

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- Constellium, a world leader in the manufacturing of high-quality aluminium products, celebrated the commissioning of the new 30 million-pound stretcher in its Ravenswood plant. The rebuild represents a \$46 million investment.
- American Woodmark, a leading manufacturer and distributor of kitchen and bath cabinets, plans to invest \$15.2 million in the building and equipment for its South Branch manufacturing operation in Moorefield.

These investments reflect the diversified nature of the economy that West Virginia is building. West Virginia is well-positioned as the ideal location for new and expanding companies that want to create good jobs in the State. West Virginia provides access to:

- Skilled and flexible workforce that has earned a reputation for dedication, loyalty and low absenteeism;
- Low manufacturing-industry employee turnover rate;
- Cost of doing business that is 14 percent lower than the U.S. average and tied for fourth lowest in the country (Moody's North American Business Cost Review);
- Utility rates among the lowest in the nation;
- A strategic location within an eight-hour drive to more than half the U.S. population and more than one-third of the Canadian market;
- Community College technical system that is highly responsive to business and workforce needs;
- A State that led the nation in the percentage of growth in exports, reaching a record level of \$9 billion; and
- High quality of life, low cost of living and unparalleled outdoor recreational activities.

### ***Major Initiatives***

The State of West Virginia has focused on several major initiatives during FY 2012. Some of these initiatives are outlined below:

#### Pro-Growth Tax Reforms

West Virginia removed approximately \$130 million of business tax burden in FY 2012 and more than \$470 million during the past six years.

The following reduced business taxes help boost investment in the State's economy:

- A series of phased business tax rate reductions has resulted in a current corporate tax rate of 7.0 percent. As of June 2012, corporations have realized a \$22 million tax reduction. Corporations are expected to save more than \$53 million per year when the rate reductions are fully implemented. The tax will be reduced to 6.5 percent by 2014;
- The business franchise tax rate has been reduced to 0.2 percent. There will be an annual phased reduction in the tax and it will be eliminated in 2015. From the time the first reduction was made, until the eventual elimination, taxpayers will have saved an estimated \$150 million; and
- West Virginia offers a variety of tax credits, exemptions and special valuations for new and existing companies. Credits for manufacturers and research and development companies can offset up to 100 percent of the State's business taxes. There are special valuations on aircraft, high tech, pollution abatement equipment and property tied to specified customer supplier relations, which can dramatically reduce property taxes; and exemptions for manufacturers can eliminate sales tax for goods used in manufacturing. There are new tax credit programs that are now available for customer fulfillment and distribution centers as well as ethane cracker facilities.

### Energy Initiatives

Energy stands as one of the traditional strengths of West Virginia's economy. The State leads the nation with its advanced energy research and a diverse energy portfolio that includes not only coal, but wind, hydro, geothermal, biomass, and solar. The West Virginia Energy Blueprint calls for the environmentally responsible development of all forms of feasible energy technologies.

The State has long been, and remains today, one of America's leading producers of electricity. Two-thirds of the electricity West Virginia generates is exported to the rest of the country. The State ranks third in the country in net interstate sales of electricity and remains a leader in low-cost energy.

West Virginia ranks among the world's top 10 most attractive jurisdictions for oil and gas development, according to a survey released by the Fraser Institute's *Global Petroleum Survey*.

West Virginia's designation takes on even more significance with the discovery of vast gas reserves in the Marcellus and Utica Shale formations beneath portions of the Appalachian

region. The State's 6,000-foot-deep Marcellus Shale gas fields are believed to contain more than 84 trillion cubic feet of recoverable natural gas, one of the world's largest natural gas fields.

### State Park Enhancements

The State's park system is recognized as a leader in park systems in the United States and features a multitude of full-service restaurants, developed campgrounds, vacation lodges, golf courses, cabins and cottages ranging from pioneer to contemporary styles, conference centers, a tourist railroad, aerial tramways, rail trails, an island, and a major ski resort.

The park system today also serves as a strong foundation for the growing tourism industry as destination locations. Structures and complex recreational areas are the heartbeat of revenue generators for the system. Still, through the years, the system has never lost focus on protecting natural resources, promoting pure outdoor recreation (hiking, fishing, biking, picnicking, canoeing, etc.) and educating visitors about the natural world.

The 2012 fiscal year brought challenges which were new to the park system's eight decades of service, including the June 29 derecho and the October 29 Superstorm Sandy. These two massive storms alone created power outages and physical damage affecting every park.

On the positive side, the park system's extensive rebuild of the Canaan Valley Resort State Park lodge and ski area continues with an opening date of late 2013. Little Beaver State Park campground completed its first full year of operation bringing much needed camping availability in Southern West Virginia in the Beckley/I-64 area. Blackwater Falls opened an additional 13 four-bedroom cabins, for a cabin inventory of 39, at this popular Tucker county destination. Events, activities, and information for all the parks are maintained at [www.wvstateparks.com](http://www.wvstateparks.com).

### Workers' Compensation Reforms

Since West Virginia privatized its workers' compensation market in 2006, the loss costs have decreased in the aggregate by 60.9 percent, which includes an aggregate reduction of 9.1 percent in 2012. This action has resulted in significant savings to employers. The workers' compensation market is competitive with more than 240 carriers offering workers' compensation coverage.

Prior to the privatization, the unfunded liability for the State's workers' compensation fund exceeded \$3 billion. A plan was adopted to eliminate the unfunded liability and dedicate revenues from severance taxes, personal income taxes and specific lottery proceeds to eliminate the debt. Annually, the State allocates approximately \$247 million to reduce



the unfunded liability. As of July 1, 2012, the unfunded liability for the Old Fund is \$825 million. Projections show the unfunded liability may be eliminated as early as FY 2016.

A 14.3 percent decrease in workers' compensation residual market insurance rates took effect on November 1, 2012.

### Environment Protection Initiatives

The State Revolving Fund Program loaned approximately \$85.4 million during fiscal year 2012 to public utilities to assist them with improving or replacing wastewater treatment infrastructure in communities around the State. These loans are usually made at very low interest, and in some cases, with no interest over a 20- to 40-year period to these communities.

The Abandoned Mine Lands (AML) program solicited for 38 AML reclamation projects at a cost of \$26 million and participated in the construction of four waterline construction projects at a cost of \$3 million. These waterline projects brought drinking water to citizens whose drinking water was affected by mining activity that occurred before the Federal Mining Act in 1977 that requires companies to reclaim the land when mining is ceased.

From November 2010 to June 30, 2012, the State's Division of Water and Waste Management helped secure 59 grants totaling \$4.6 million to local governments, groups, watershed associations and nonprofit organizations to implement nonpoint source pollution outreach, education, monitoring and water quality improvements.

### Strong Financial Performance

West Virginia's credit rating on its general obligation debt has been upgraded, enabling the State to borrow money at a lower interest rate. Moody's Investors Service upgraded the credit rating to "Aa1." Fitch Ratings also raised its rating of the State's general obligation debt from "AA" to "AA+," the second highest rating possible. Fitch cited "the State's consistently positive financial operations, including the expansion of reserves..." and both agencies cited West Virginia's commitment to reducing long-term liabilities.

### *Conclusion*

West Virginia's upward trend of fiscal management practices during the 2012 fiscal year placed the State in a positive position for the upcoming fiscal year. The leadership team of Governor Earl Ray Tomblin and the members of the State Legislature ensure that financial and strategic decisions are made so that the State may accomplish the goals and objectives to keep West Virginia as a competitive state for businesses and jobs, while providing the programs and services of its citizens.

## **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 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

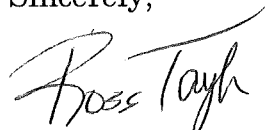
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA. Other State entities that have been awarded the Certificate of Achievement include the Board of Risk and Insurance Management, the Public Employees' Insurance Agency, the Department of Transportation, the Housing Development Fund, the Parkways Authority, the West Virginia Lottery, the Board of Treasury Investments, 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 2013 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,



Ross Taylor  
Cabinet Secretary  
Department of Administration

# 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, 2011

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.



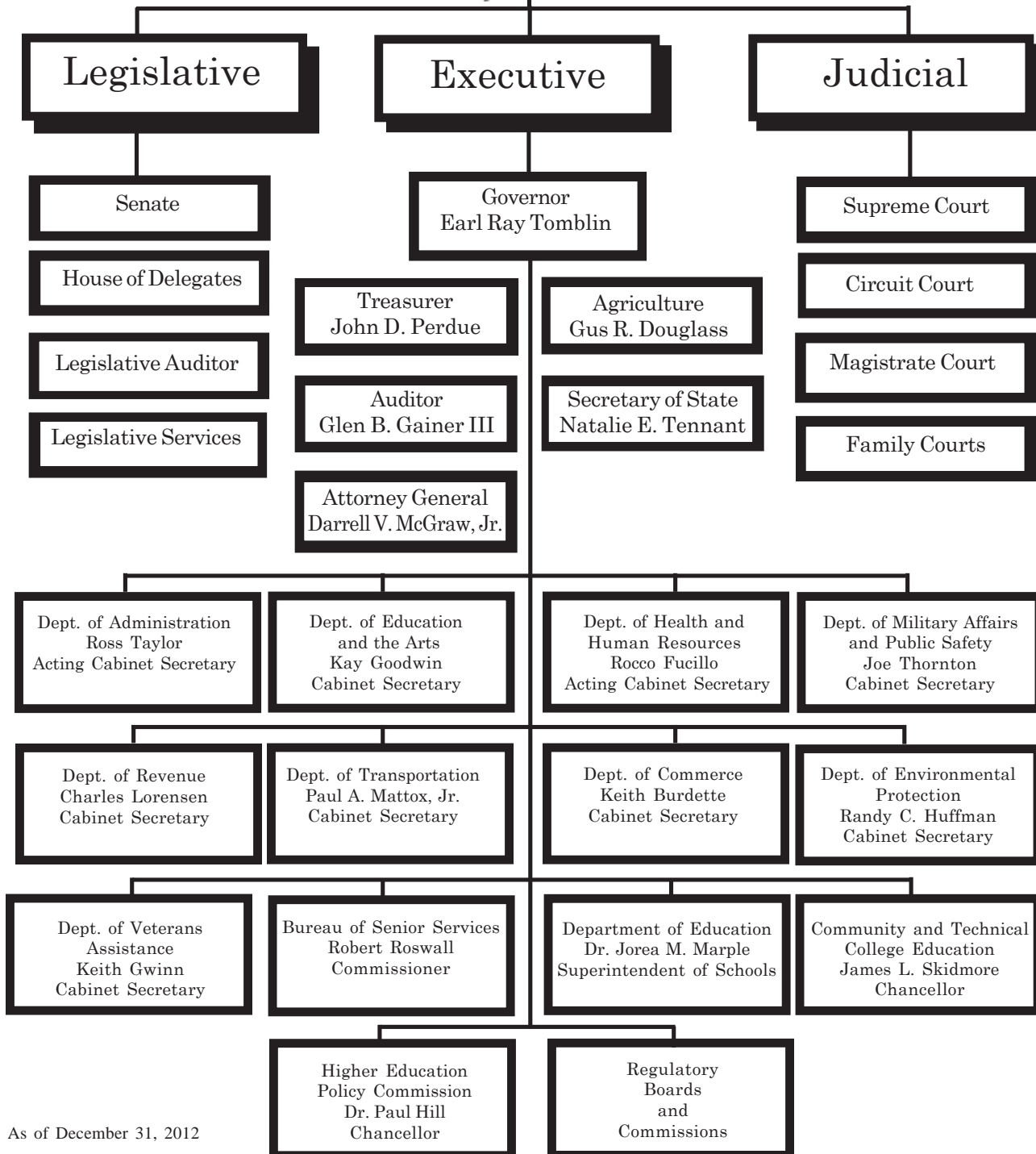
*Christopher P. Moynell*

President

*Jeffrey R. Emery*

Executive Director

# ORGANIZATION CHART





# State of WEST VIRGINIA

## Principal Officials

### Executive Branch

Governor  
Earl Ray Tomblin

Agriculture Commissioner  
Gus R. Douglass

Attorney General  
Darrell V. McGraw, Jr.

State Auditor  
Glen B. Gainer III

Secretary of State  
Natalie E. Tennant

State Treasurer  
John D. Perdue

### Legislative Branch

Senate President  
Jeffrey Kessler

Speaker of the House  
Richard Thompson

Chairman  
Senate Finance  
Roman Prezioso

Chairman  
House Finance  
Harry Keith White

### Judicial Branch

Supreme Court  
Chief Justice  
Menis E. Ketchum, II

Supreme Court Justice  
Robin Jean Davis

Supreme Court Justice  
Brent D. Benjamin

Supreme Court Justice  
Margaret L. Workman

Supreme Court Justice  
Thomas McHugh







# Financial Section

Report of  
Independent Auditors

Management's  
Discussion  
and Analysis



## Report of Independent Auditors

The Honorable Earl Ray Tomblin, 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, 2012, which collectively comprise 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 60 percent of total assets, 82 percent of net assets, and 14 percent of total revenues for the governmental activities; 82 percent of total assets, 85 percent of net assets, and 53 percent of total revenues for the business-type activities; 100 percent of total assets, 100 percent of net assets, and 100 percent of revenues for the aggregate discretely presented component units; 86 percent of total assets, 62 percent of net assets, and 99 percent of revenues of Transportation; 100 percent of total assets, 100 percent of net assets, and 100 percent of revenues of each of the following major funds—Tobacco Settlement Finance Authority, Water Pollution Control, Workers' Compensation, Unemployment Compensation, and West Virginia Infrastructure and Jobs Development Council; and 87 percent of total assets, 89 percent of net assets/fund balance, and 49 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 the 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with US generally accepted accounting principles.



Accounting principles generally accepted in the United States require that management's discussion and analysis on pages 4 to 18, budgetary comparison information and pension funding information on pages 170 through 178 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 supplementary information, such as the combining and individual nonmajor fund financial statements is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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 and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Ernst & Young LLP*

January 31, 2013

## 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, 2012. 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.

### FINANCIAL HIGHLIGHTS

#### **Government-wide:**

The assets of the primary government exceeded its liabilities at the close of the fiscal year by \$10.5 billion, reported as net assets. Governmental activities reported \$9.2 billion in net assets, a \$980 million decrease, down 9.6% from last year, while the business-type activities reported net assets of \$1.3 billion, a \$287 million increase.

#### **Fund Level:**

At year-end, the governmental funds reported combined ending fund balances of \$1.83 billion, a decrease of \$1 billion, or 36% lower than the prior year. The unrestricted fund balance, including the committed, assigned, and unassigned balances, was \$601 million. The nonspendable balance was \$816 million, and \$409 million was restricted to capital projects, debt service, development tourism and recreation, education, public protection, and transportation. General Revenue cash surpluses allowed \$28 million to be transferred to the Revenue Shortfall Reserve Fund (Rainy Day Fund); this transfer was down from the previous year by \$122 million.

#### **Other Postemployment Benefits**

In compliance with Senate Bill No. 469 for fiscal year 2012, the State assumed the \$715 million in Other Postemployment Benefits (OPEB) annual required contribution liability from the county boards of education. During February 2012, the bill was passed granting Other Postemployment Benefits Liability relief to the State's fifty-five county boards of education effective July 1, 2012. The law, in effect, requires the State to cover any amount of the respective employers' annual required contribution allocated and billed to the county boards on or after July 1, 2012, and any amount of the employer annual required contribution allocated and billed to the county boards prior to that date for employees who are employed as professional employees, as service personnel, or as professional student support personnel within the limits authorized by this law. The State also identified a supplemental funding source that is expected to begin in fiscal year 2016 at a rate of \$30 million per year.

### **Long-Term Obligations:**

There was a net decrease in the State's long-term obligations of \$127 million. The Governmental Activities decreased by \$26 million and the Business-type Activities decreased by \$101 million. The favorable rates in the bond market prompted major refinancing of general obligation bonds, revenue bonds, and capital leases to reduce the debt of the State by approximately \$103 million.

The insurance and compensation benefits liability decreased \$105 million primarily due to the privatization of the workers' compensation fund and the stabilization 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.

See Notes 10 and 11 for more information about bonds, capital leases, and notes payable.

## **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 (GASB). 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. The 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 the West Virginia Housing Development Authority; West Virginia Lottery; Parkways 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, decreased \$693 million over the course of this fiscal year's operations. The net assets of the governmental activities decreased \$980 million and the net assets of the business-type activities had an increase of \$287 million. The overall decrease in the State's net assets is primarily a result of the increase in the OPEB liability, including \$715 million from the county boards of education, offset by the reduction of the Workers' Compensation Fund deficit (see Notes 13 and 14 for more information).

Net Assets as of June 30  
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 5,475,838	\$ 5,675,395	\$3,741,517	\$3,552,448	\$ 9,217,355	\$ 9,227,843
Capital Assets	<u>9,171,306</u>	<u>9,138,520</u>	<u>4,555</u>	<u>6,200</u>	<u>9,175,861</u>	<u>9,144,720</u>
Total Assets	<u>14,647,144</u>	<u>14,813,915</u>	<u>3,746,072</u>	<u>3,558,648</u>	<u>18,393,216</u>	<u>18,372,563</u>
Current and Other Liabilities	2,765,273	1,933,039	442,721	440,141	3,207,994	2,373,180
Long-term Liabilities	<u>2,674,161</u>	<u>2,692,951</u>	<u>2,027,557</u>	<u>2,129,506</u>	<u>4,701,718</u>	<u>4,822,457</u>
Total Liabilities	<u>5,439,434</u>	<u>4,625,990</u>	<u>2,470,278</u>	<u>2,569,647</u>	<u>7,909,712</u>	<u>7,195,637</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	8,404,751	8,288,909	4,555	6,200	8,409,306	8,295,109
Restricted	504,680	551,892	1,721,727	1,551,461	2,226,407	2,103,353
Unrestricted (Deficit)	<u>298,279</u>	<u>1,347,124</u>	<u>(450,488)</u>	<u>(568,660)</u>	<u>(152,209)</u>	<u>778,464</u>
Total Net Assets	<u>\$ 9,207,710</u>	<u>\$10,187,925</u>	<u>\$1,275,794</u>	<u>\$ 989,001</u>	<u>\$10,483,504</u>	<u>\$11,176,926</u>

### 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, net of related debt, increased \$114 million primarily due to the acquisition of rights of way and the construction of roads and bridges. The addition of the OPEB liability for the county boards of education of \$715 million (see Note 13 for more information) was the primary driver in the decrease in unrestricted net assets from \$778 million to (\$152) million. The total OPEB liability went up from \$619 million to \$1.6 billion.

Restricted net assets comprise 21.2% 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, transportation, public protection, 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, 2012 and 2011 (expressed in thousands):

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues:						
Charges for Services	\$ 437,800	\$ 437,987	\$1,125,640	\$1,175,880	\$ 1,563,440	\$ 1,613,867
Operating Grants and Contributions	4,049,305	4,278,895	—	—	4,049,305	4,278,895
Capital Grants and Contributions	576,948	628,978	—	—	576,948	628,978
General Revenues:						
Personal Income Tax	1,790,146	1,657,258	—	—	1,790,146	1,657,258
Consumer Sales Tax	1,216,561	1,150,887	—	—	1,216,561	1,150,887
Business Taxes	905,515	977,252	—	—	905,515	977,252
Transportation Taxes	594,871	574,949	—	—	594,871	574,949
Other Taxes	509,357	437,363	—	—	509,357	437,363
Lottery Revenue	497,874	408,974	57,000	51,000	554,874	459,974
Other Revenues	235,349	258,277	72,999	168,304	308,348	426,581
Total Revenues	<u>10,813,726</u>	<u>10,810,820</u>	<u>1,255,639</u>	<u>1,395,184</u>	<u>12,069,365</u>	<u>12,206,004</u>
Program Expenses:						
Legislative	36,722	31,721	—	—	36,722	31,721
Judicial	140,515	130,104	—	—	140,515	130,104
Executive	216,356	325,389	—	—	216,356	325,389
Administration	320,377	260,298	—	—	320,377	260,298
Commerce	231,178	217,334	—	—	231,178	217,334
Environmental Protection	204,158	174,211	—	—	204,158	174,211
Employment Programs	51,595	58,312	—	—	51,595	58,312
Education	3,757,725	2,839,216	—	—	3,757,725	2,839,216
Health and Human Resources	4,402,259	4,317,911	—	—	4,402,259	4,317,911
Military Affairs and Public Safety	491,717	441,523	—	—	491,717	441,523
Revenue	91,344	82,820	—	—	91,344	82,820
Transportation	1,299,400	1,035,601	—	—	1,299,400	1,035,601
Veterans Assistance	27,019	—	—	—	27,019	—
Senior Services	47,561	47,186	—	—	47,561	47,186
Regulatory Board and Commissions	92,662	33,328	—	—	92,662	33,328
Interest on Long-term Debt	125,105	135,443	—	—	125,105	135,443
Workers' Compensation Fund	—	—	147,230	179,803	147,230	179,803
Unemployment Compensation	—	—	365,323	444,036	365,323	444,036
West Virginia Infrastructure and Jobs Development Council	—	—	18,503	16,024	18,503	16,024
Water Pollution Control Revolving Fund	—	—	5,740	26,723	5,740	26,723
Public Employees' Insurance Agency	—	—	524,789	527,830	524,789	527,830
Board of Risk and Insurance Management	—	—	57,288	37,624	57,288	37,624
Other Nonmajor Business-type	—	—	108,221	101,937	108,221	101,937
Total Expenses	<u>11,535,693</u>	<u>10,130,397</u>	<u>1,227,094</u>	<u>1,333,977</u>	<u>12,762,787</u>	<u>11,464,374</u>
Increase (Decrease) in Net Assets Before Transfers	(721,967)	680,423	28,545	61,207	(693,422)	741,630
Transfers	(258,248)	(244,759)	258,248	244,759	—	—
Increase (Decrease) in Net Assets	<u>(980,215)</u>	<u>435,664</u>	<u>286,793</u>	<u>305,966</u>	<u>(693,422)</u>	<u>741,630</u>
Net Assets, Beginning of Year, as Originally Reported	<u>10,187,925</u>	<u>9,752,261</u>	<u>989,001</u>	<u>719,418</u>	<u>11,176,926</u>	<u>10,471,679</u>
Change in Accounting Principle for Lottery Reclaim	—	—	—	(36,383)	—	(36,383)
Net Assets, Beginning of Year, as Restated	<u>10,187,925</u>	<u>9,752,261</u>	<u>989,001</u>	<u>683,035</u>	<u>11,176,926</u>	<u>10,435,296</u>
Net Assets, End of Year	<u>\$ 9,207,710</u>	<u>\$10,187,925</u>	<u>\$1,275,794</u>	<u>\$ 989,001</u>	<u>\$10,483,504</u>	<u>\$11,176,926</u>

## **Governmental Activities**

The State's net assets before transfers decreased by \$722 million for governmental activities. Revenues were up \$3 million and expenses were up \$1.4 billion. Overall tax revenue was up \$219 million from the previous year. Personal income taxes were up \$133 million primarily due to an increase in estimated payments from pass-through entities. Consumer sales taxes were up \$66 million due to normal economic growth, GDP in West Virginia is at 4.5%. These increases in taxes were offset by lower federal revenues. The conclusion of the American Recovery and Reinvestment Act (ARRA) caused a decline of \$109 million for the State Stabilization Education Fund, and \$111 million for operating grants and contributions for Health and Human Resources (DHHR).

Program expenses were up approximately \$1.4 billion in total. Education expenses were up \$919 million, which includes the assumption of the \$715 million in OPEB liability from the county boards of education. Additional education expenses included additional employees and raises and increased benefits for those already employed in the amount of approximately \$167 million.

DHHR expenses were up \$84 million due to health care cost increases. Rates were higher and more individuals were served. Executive expenses were down \$109 million, due to the end of ARRA stabilization funding for education. The Department of Administration expenses are up approximately \$60 million due to the appropriation of \$67 million to the Teachers' Retirement System.

The charts on the next page depict revenues and expenses, respectively, of the governmental activities for the fiscal year. Approximately 41.7% of the total revenues came from personal income, consumer sales, business taxes, and transportation taxes, while 42.8% was in the form of grants and contributions (see Chart A). The State's governmental activities expenses include 38.6% for health and human resources and 32.9% for education (see Chart B).



Chart A

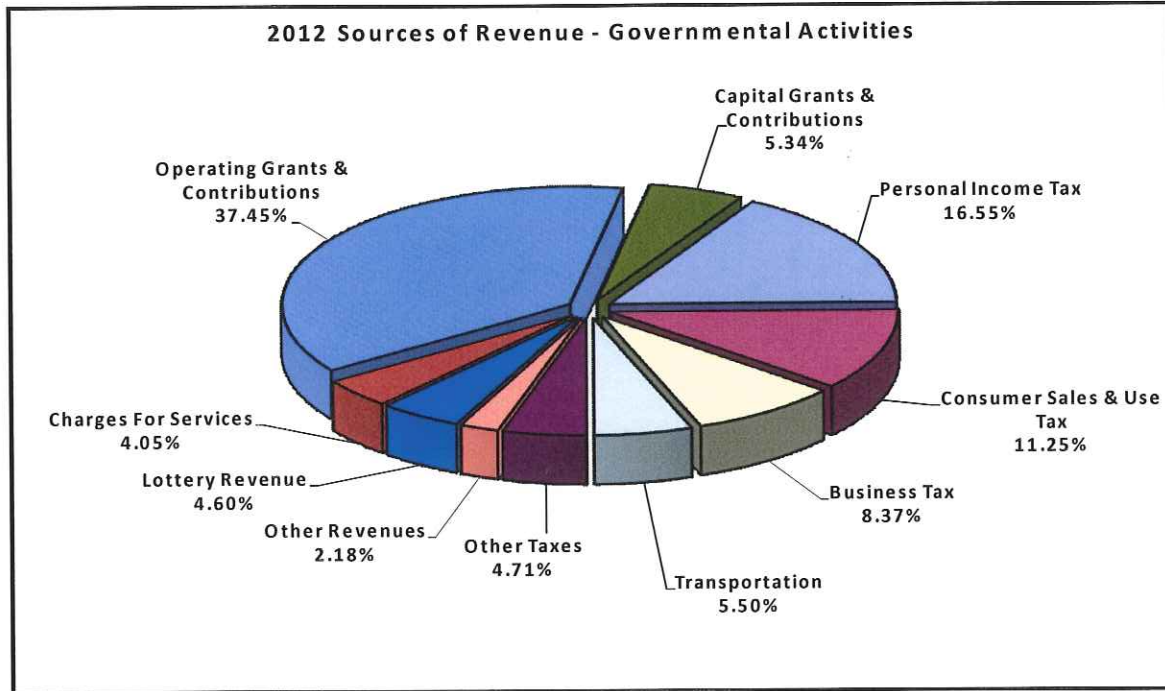
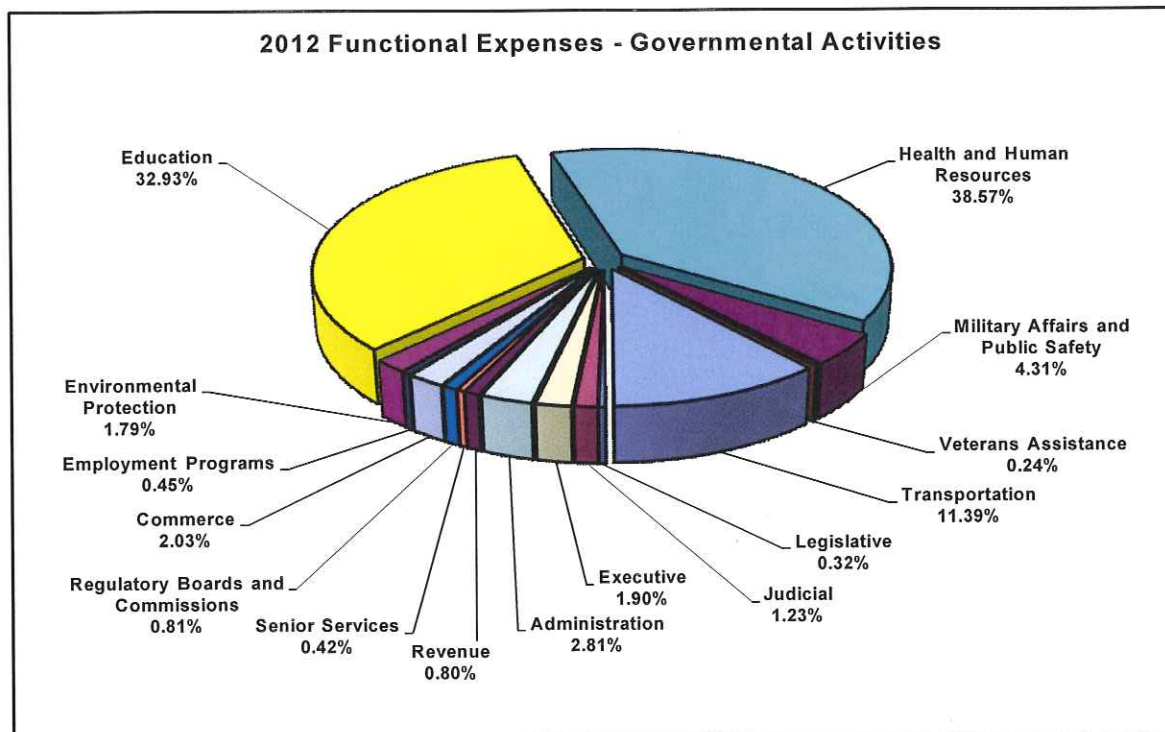


Chart B



## **Business-type Activities**

Business-type activities increased the State's net assets by \$28.5 million before transfers. Significant contributors to this change were:

- The Workers' Compensation Fund's (WCF) revenue stream remained stable while the payment stream declined \$31 million as claim obligations, incurred prior to July 1, 2005 were satisfied. An aggressive settlement program as part of the strategy to eliminate the WCF deficit was implemented in FY 2011. This marks the seventh consecutive year of deficit reduction progress for the fund and it is expected to continue in FY 2013. The WCF also recorded a net investment income of \$39 million.
- Public Employees' Insurance Agency (PEIA) had a \$9 million decrease in net assets. Revenues were stable. Expenses were down \$3 million and interest earnings were down \$6 million, due to market conditions.
- Unemployment Compensation (UC) recorded an increase in net assets of \$36 million primarily due to the reduction in direct benefits of \$79 million.
- The Water Pollution Control Revolving Fund recorded an increase in net assets of approximately \$52 million, due primarily to increased federal grants to make loans for water projects, which increase loans receivable.
- During fiscal year 2012, the State Entities Workers' Compensation Program Fund (SEWC) was established to manage workers' compensation for persons directly working for the State. The SEWC is a public entity risk pool functioning as an insurance purchasing pool. The SEWC received a transfer from the Office of the Insurance Commissioner's Operating Fund (a special revenue fund) of \$21.6 million to begin operations. The initial year's operating income was \$2 million.

## **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 \$1.83 billion, a decrease of \$1 billion in comparison with the prior year. There was a net increase in revenue of \$33 million. Total tax revenues increased by \$237 million, including \$136 million in personal income tax. Federal revenue decreased \$299

## *West Virginia*

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million. Expenses were up by \$1.3 billion primarily due to the Education, Health and Human Resources, and Transportation functions.

### **Governmental Fund Balances at June 30, 2012** (Expressed in Thousands)

	<u>General Fund</u>	<u>Transportation</u>	<u>Tobacco Settlement Finance Authority</u>
Nonspendable	\$ 122,483	\$47,347	\$645,301
Restricted	60,050	17,350	102,721
Unrestricted			
Committed	996,659	—	—
Assigned	14,117	—	—
Unassigned	<u>(640,981)</u>	<u>(470)</u>	<u>—</u>
Total	<u>\$ 552,328</u>	<u>\$64,227</u>	<u>\$748,022</u>

The nonmajor governmental funds had a fund balance net decrease of approximately \$50 million. The capital projects funds decreased approximately \$51 million due to construction of ongoing projects for the state parks, capital complex, and higher education institutions. The special revenue fund balance increased by a net \$22 million. This increase was primarily due to the Environmental Protection function receiving additional Capitalization Grants for Clean Water funding. Restricted fund balance is \$229 million, \$49 million was available for debt service, \$96 million to fund capital projects, \$40 million for development, tourism and recreation, and \$43 million for public protection. Committed fund balance was \$239 million primarily for public protection.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$(641) million, the assigned fund balance was \$14 million, the committed was \$997 million, nonspendable was \$122 million, and total fund balance was \$552 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents (6.6)% of total General Fund expenditures, while total fund balance represents 5.7% of the same amount.

Cash and investments in the General Fund were down \$106.5 million primarily because of lower Federal revenues which were down \$282 million due to the conclusion of ARRA funding. Tax revenues were up to offset lower federal funding and increased expenses. Personal income taxes were up \$136 million and consumer sales taxes were up \$65 million. Expenditures were \$596 million over revenues. Expenses for the executive function were down \$138 million in 2012, primarily due to decreased ARRA funding. Education spending was up \$875 million due to an increase of employees and salaries, and the assumption of the OPEB for the county boards of education.

Transportation had a \$17 million restricted fund balance and nonspendable fund balance of \$47 million in inventory. Total fund balance was down approximately \$104 million from 2011. Transportation revenues were stable. Road maintenance and road operations expenses were the primary reason for the increased expenditures of \$31 million.

The Tobacco Settlement Finance Authority's fund balance decreased by \$22 million due to amortization of the deferred revenue. Required bond interest of \$59 million was paid. An additional \$8.5 million from the Master Settlement Agreement revenue was applied to reduce the principal.

### **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 Water Pollution Control Revolving Fund, Workers' Compensation Funds, Unemployment Compensation, West Virginia Infrastructure and Jobs Development Council, 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 did not change from the original. The general revenue fund budget to actual overall revenue variance was a positive \$87.7 million due to increases in revenue collection in several tax categories. Personal income taxes were higher by \$42 million, consumer sales taxes were up \$37 million, severance taxes were up by \$22.5 million, and corporate income/business franchise taxes were up \$14.6 million. The increase is largely attributable to renewed income growth and consumption growth in an environment with stabilizing employment. There has also been a significant increase in estimated payments from pass-through entities for both nonresident withholding tax and business franchise taxes.

The positive variance of the excess of revenues over expenditures was approximately \$220 million which resulted from positive revenue variance above and cautious spending. After expenditures from prior year appropriations, \$28 million was deposited into the State's Rainy Day Fund.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2012, the State had invested \$9.2 billion, net of accumulated depreciation, in a broad range of capital assets shown below. Depreciation expense for the year totaled \$367.6 million.

**Capital Assets at Year-End  
(Expressed in Thousands)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land and Improvements	\$1,118,159	\$1,081,208	\$ 611	\$ 611	\$1,118,770	\$1,081,819
Building and Improvements	772,516	697,176	808	858	773,324	698,034
Equipment	125,493	122,568	1,193	1,036	126,686	123,604
Library Holdings	1,020	1,102	—	—	1,020	1,102
Intangibles	12,402	23,426	1,943	3,695	14,345	27,121
Construction in Progress	929,326	1,135,474	—	—	929,326	1,135,474
Infrastructure	<u>6,212,390</u>	<u>6,077,566</u>	<u>—</u>	<u>—</u>	<u>6,212,390</u>	<u>6,077,566</u>
Totals	<u>\$9,171,306</u>	<u>\$9,138,520</u>	<u>\$4,555</u>	<u>\$6,200</u>	<u>\$9,175,861</u>	<u>\$9,144,720</u>

The total increase, net of disposals and accumulated depreciation, in the State's investment in capital assets for the current fiscal year approximated \$31 million. The most significant changes in capital assets during the year were in the Transportation function. Transportation continues to expand the state road system, focusing primarily on upgrading existing roadways and completion of Appalachian Highway Corridors. Transportation had significant construction projects, resulting in net increases of \$136 million in infrastructure and \$33 million in land acquisition. The \$206 million decrease in construction in progress was due primarily to the reclassification of complete transportation projects in the net amount of \$177 million, the remaining decrease was due to completion of armory facilities and state park renovations. 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 \$5.9 billion in bonds, capital leases, notes payable, claims and judgments, compensated absences, pension obligations, and other long-term obligations outstanding, as shown in the following table. The State's general obligation bonds are rated AA by Standard and Poor's Corporation, AA+ by Fitch Investors Service, and the Moody's Investors Service rating is Aa1.



Favorable rates in the bond market prompted major refinancing of general obligation bonds and revenue bonds to reduce the debt of the State by approximately \$85 million. The increase in accrued and other liabilities of \$62.8 million is primarily due to environmental liabilities. The Department of Environmental Protection was recently required to increase the water treatment standards for certain reclamation sites. 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)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General Obligation Bonds	\$ 533,304	\$ 580,357	\$ —	\$ —	\$ 533,304	\$ 580,357
Revenue Bonds	1,330,795	1,366,199	113,950	116,319	1,444,745	1,482,518
Capital Leases	280,510	298,718	—	—	280,510	298,718
Notes Payable	29,045	32,004	—	—	29,045	32,004
Accrued and Other Liabilities	1,122,530	1,066,500	107,169	100,357	1,229,699	1,166,857
Insurance and Compensation Benefits	—	—	2,179,289	2,284,614	2,179,289	2,284,614
Compensated Absences	104,508	98,762	610	586	105,118	99,348
Pension Obligations	115,265	99,188	—	—	115,265	99,188
Totals	<u>\$3,515,957</u>	<u>\$3,541,728</u>	<u>\$2,401,018</u>	<u>\$2,501,876</u>	<u>\$5,916,975</u>	<u>\$6,043,604</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

General revenues for FY 2013 are predicted to grow \$4.15 billion, or 3.3% above the FY 2012 official revenue estimate, and lottery revenues are expected to drop by approximately 12%. Actual year-to-date FY 2013 general revenue fund collections are 1.8% higher than collections for the same period in the prior year. The increase in revenue is largely attributable to a combination of higher energy prices and some pent-up consumption growth in an environment with stabilizing employment. After losing nearly 30,000 jobs between peak employment during the third quarter of 2008 and the first quarter of 2010,

the State's economy added more than 20,000 jobs over the past 20 months. Personal income withholding tax revenues are 7.7% above prior year collections, and sales and use tax receipts are up by 4.4% through the end of November. Employment is forecasted to continue growing at an average rate somewhere between 0.8% and 1.0% per year during the next 6 years. The State is also benefiting from foreign trade growth and growth in coal prices, although future uncertainty of foreign markets is a factor.

Most revenue sources are estimated to grow during the six-year forecast; however, lottery revenues are expected to decline during the next three years due to increased competition in neighboring states. Recent tax law changes will also contribute to slower revenue growth. Sales tax on groceries is phasing out and the coal severance tax will be shared with local governments starting in FY 2013.

The FY 2013 General Revenue base budget was \$125 million higher than FY 2012 with the biggest increase attributable to the Medicaid program. Increases are also included for other social services and corrections. Funding is included to fully fund the Public Education School Aid Formula and allows funding for an additional 252 employees in FY 2013. All the retirement system obligations will be funded. Although the investments earned over 20% during FY 2011, the "smoothing" of the losses in investments that occurred during FY 2009 will require an increase in the employer match contribution from 14.5% to 15% of salary costs in FY 2013, costing the State an additional \$2.1 million.

The FY 2013 budget includes a six-year plan showing the projected revenues and expenditures through FY 2017. The goal of the six-year plan is to provide the West Virginia Legislature and citizens a clear understanding of not only the FY 2013 budget, but also the larger implications of today's decisions on the State's future. Careful budgetary planning, with an eye on the future budget requirements, will continue to be a fundamental part of our approach to maintaining balanced budgets while providing necessary services.

## **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.



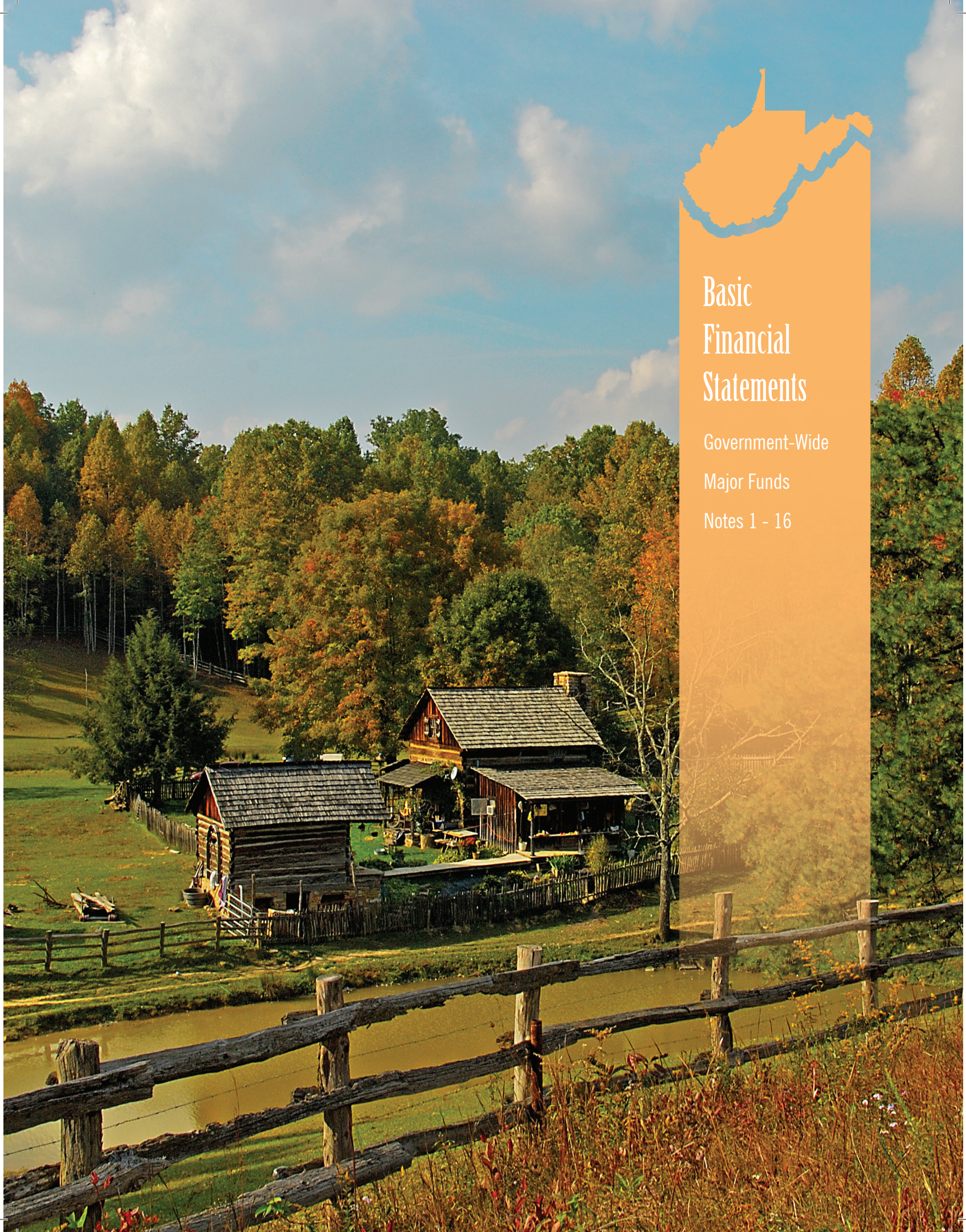


# Basic Financial Statements

Government-Wide

Major Funds

Notes 1 - 16





## West Virginia

### Statement of Net Assets June 30, 2012 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$2,204,155	\$1,813,072	\$ 4,017,227	\$ 955,356
Investments	880,383	105,730	986,113	310,118
Receivables, Net	797,754	151,875	949,629	172,821
Capital Leases Receivable from				
Primary Government	—	—	—	11,888
Due from Other Governments	233,837	2,181	236,018	—
Due from Primary Government	—	—	—	36,738
Due from Fiduciary Funds	74	4,551	4,625	—
Due from Component Units	213,731	1,869	215,600	—
Internal Balances	(3,910)	3,910	—	—
Inventories	59,279	2,158	61,437	9,289
Other Assets	8,372	9,949	18,321	9,799
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	6,313	10,850	17,163	149,203
Investments	—	—	—	12,661
Receivables, Net	—	549	549	5,261
Other Restricted Assets	—	<u>200,971</u>	<u>200,971</u>	—
<b>Total Current Assets</b>	<u>4,399,988</u>	<u>2,307,665</u>	<u>6,707,653</u>	<u>1,673,134</u>
<b>Noncurrent Assets:</b>				
Cash and Cash Equivalents	—	—	—	176,592
Investments	—	363,305	363,305	571,195
Receivables, Net	—	1,020,089	1,020,089	253,651
Capital Leases Receivable from				
Primary Government	—	—	—	263,642
Other Assets	4,992	1,000	5,992	71,043
Advance to Component Units	106,671	—	106,671	—
Net Pension Asset	900,395	—	900,395	—
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	63,792	13,469	77,261	61,654
Investments	—	35,989	35,989	160,487
Receivables, Net	—	—	—	970,796
Other Restricted Assets	—	—	—	7,886
Land and Other Capital Assets				
Not Being Depreciated	2,034,908	611	2,035,519	368,038
Capital Assets, Being Depreciated				
(Net of Accumulated Depreciation)	<u>7,136,398</u>	<u>3,944</u>	<u>7,140,342</u>	<u>2,756,901</u>
<b>Total Noncurrent Assets</b>	<u>10,247,156</u>	<u>1,438,407</u>	<u>11,685,563</u>	<u>5,661,885</u>
<b>Total Assets</b>	<u>14,647,144</u>	<u>3,746,072</u>	<u>18,393,216</u>	<u>7,335,019</u>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts Payable	287,716	4,670	292,386	99,724
Interest Payable	3,960	—	3,960	17,401
Accrued Tuition Contract Benefits	—	14,796	14,796	—
Accrued and Other Liabilities	657,015	9,904	666,919	179,998
Due to Other Governments	154,240	4,558	158,798	—
Due to Primary Government	—	—	—	215,600
Due to Fiduciary Funds	1,430,795	2,662	1,433,457	327,050
Due to Component Units	36,453	285	36,738	—
Unearned Revenue	10,150	25,850	36,000	89,453
Premium Deficiency	—	31,235	31,235	—
Insurance and Compensation				
Benefits Obligations	—	346,227	346,227	—
General Obligation Debt	42,069	—	42,069	—
Revenue Bonds Payable	56,680	2,384	59,064	166,395
Capital Leases and Other Debt	14,124	—	14,124	11,572
Capital Leases Payable to Component Units	11,888	—	11,888	—
Compensated Absences	<u>60,183</u>	<u>150</u>	<u>60,333</u>	<u>45,166</u>
<b>Total Current Liabilities</b>	<u>2,765,273</u>	<u>442,721</u>	<u>3,207,994</u>	<u>1,152,359</u>

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



	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Noncurrent Liabilities:				
Accrued Tuition Contract Benefits	—	82,469	82,469	—
Accrued and Other Liabilities	465,515	—	465,515	145,759
Due to Other Governments	163	—	163	—
Unearned Revenue	—	—	—	2,392
Insurance and Compensation				
Benefits Obligations	—	1,833,062	1,833,062	—
Advances from Primary Government	—	—	—	106,671
Liabilities Payable from Restricted Assets	—	—	—	89,498
General Obligation Debt	491,235	—	491,235	—
Revenue Bonds Payable	1,274,115	111,566	1,385,681	2,717,975
Capital Leases and Other Debt	19,901	—	19,901	85,511
Capital Leases Payable to Component Units	263,642	—	263,642	—
Net Pension Obligation	115,265	—	115,265	—
Compensated Absences	44,325	460	44,785	4,203
Total Noncurrent Liabilities	<u>2,674,161</u>	<u>2,027,557</u>	<u>4,701,718</u>	<u>3,152,009</u>
Total Liabilities	<u>5,439,434</u>	<u>2,470,278</u>	<u>7,909,712</u>	<u>4,304,368</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	8,404,751	4,555	8,409,306	2,017,203
Restricted for:				
Capital Projects	159,089	—	159,089	60,944
Debt Service	183,472	—	183,472	440,163
Government Operations	17,065	481	17,546	—
Permanent Funds:				
Nonexpendable	1,000	—	1,000	184,975
Expendable	555	—	555	—
Lending Activities	—	1,327,719	1,327,719	100,207
Insurance Activities	—	393,527	393,527	—
Development, Tourism, and Recreation	56,212	—	56,212	—
Education	2,207	—	2,207	—
Health and Social Services	17,399	—	17,399	—
Public Protection	50,331	—	50,331	—
Transportation	17,350	—	17,350	—
Specific Component Unit Purposes	—	—	—	187,217
Unrestricted (Deficit)	<u>298,279</u>	<u>(450,488)</u>	<u>(152,209)</u>	<u>39,942</u>
Total Net Assets	<u>\$ 9,207,710</u>	<u>\$1,275,794</u>	<u>\$10,483,504</u>	<u>\$3,030,651</u>

# West Virginia

## Statement of Activities For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Legislative	\$ 36,722	\$ 1,591	\$ 1,977	\$ —
Judicial	140,515	1,024	640	—
Executive	216,356	22,093	136,752	—
Administration	320,377	33,180	45,498	2,005
Commerce	231,178	48,928	70,004	—
Environmental Protection	204,158	61,188	142,590	—
Employment Programs	51,595	—	51,845	—
Education	3,757,725	4,362	446,297	—
Health and Human Resources	4,402,259	90,604	3,045,355	—
Military Affairs and Public Safety	491,717	11,146	82,240	49,854
Revenue	91,344	31,729	9	—
Transportation	1,299,400	100,700	—	519,768
Veterans Assistance	27,019	—	—	5,321
Senior Services	47,561	1	23,351	—
Regulatory Boards and Commissions	92,662	31,254	2,747	—
Interest on Long-Term Debt	125,105	—	—	—
Total Governmental Activities	<u>11,535,693</u>	<u>437,800</u>	<u>4,049,305</u>	<u>576,948</u>
Business-type Activities:				
Water Pollution Control Revolving Fund	5,740	4,631	—	—
Workers' Compensation Fund	147,230	54,361	—	—
Unemployment Compensation	365,323	400,238	—	—
West Virginia Infrastructure and Jobs Development Council	18,503	4,381	—	—
Public Employees' Insurance Agency	524,789	499,236	—	—
Board of Risk and Insurance Management	57,288	45,587	—	—
Other Activities	108,221	117,206	—	—
Total Business-type Activities	<u>1,227,094</u>	<u>1,125,640</u>	<u>—</u>	<u>—</u>
Total Primary Government	<u>\$12,762,787</u>	<u>\$1,563,440</u>	<u>\$4,049,305</u>	<u>\$576,948</u>
<b>Component Units:</b>				
West Virginia Lottery	\$ 1,518,159	\$1,457,530	\$ —	\$ —
Economic Development Authority	8,032	9,503	—	—
Housing Development Authority	131,635	53,210	87,565	—
Parkways Authority	84,276	91,124	—	—
Water Development Authority	14,767	14,715	—	—
Higher Education	1,886,810	811,313	458,309	136,556
Regional Jail Authority	90,663	99,185	2,817	—
School Building Authority	107,883	—	4,002	—
Other Component Units	44,347	11,654	8,522	—
Total Component Units	<u>\$ 3,886,572</u>	<u>\$2,548,234</u>	<u>\$ 561,215</u>	<u>\$136,556</u>
<b>General Revenues:</b>				
Taxes:				
Personal Income				
Consumer Sales				
Business				
Medicaid				
Transportation				
Other				
Grants and Contributions not Restricted to Specific Programs				
Entitlements and Grants				
Unrestricted Investment Earnings				
Tobacco Settlement Revenue				
Payments from State of West Virginia				
Lottery Revenues				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets, Beginning of Year, as Restated				
Net Assets, 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
\$ (33,154)		\$ (33,154)	
(138,851)		(138,851)	
(57,511)		(57,511)	
(239,694)		(239,694)	
(112,246)		(112,246)	
(380)		(380)	
250		250	
(3,307,066)		(3,307,066)	
(1,266,300)		(1,266,300)	
(348,477)		(348,477)	
(59,606)		(59,606)	
(678,932)		(678,932)	
(21,698)		(21,698)	
(24,209)		(24,209)	
(58,661)		(58,661)	
<u>(125,105)</u>		<u>(125,105)</u>	
(6,471,640)		(6,471,640)	
—	\$ (1,109)	(1,109)	
—	(92,869)	(92,869)	
—	34,915	34,915	
—	(14,122)	(14,122)	
—	(25,553)	(25,553)	
—	(11,701)	(11,701)	
—	<u>8,985</u>	<u>8,985</u>	
—	<u>(101,454)</u>	<u>(101,454)</u>	
(6,471,640)	<u>(101,454)</u>	<u>(6,573,094)</u>	
—	—	—	\$ (60,629)
—	—	—	1,471
—	—	—	9,140
—	—	—	6,848
—	—	—	(52)
—	—	—	(480,632)
—	—	—	11,339
—	—	—	(103,881)
—	—	—	<u>(24,171)</u>
—	—	—	<u>(640,567)</u>
1,790,146	—	1,790,146	—
1,216,561	—	1,216,561	—
905,515	—	905,515	—
190,419	—	190,419	—
594,871	—	594,871	—
318,938	—	318,938	—
—	—	—	738
5,056	—	5,056	—
54,699	66,690	121,389	2,896
63,270	—	63,270	—
—	—	—	638,860
497,874	57,000	554,874	—
112,324	6,309	118,633	102,933
<u>(258,248)</u>	<u>258,248</u>	<u>—</u>	<u>—</u>
<u>5,491,425</u>	<u>388,247</u>	<u>5,879,672</u>	<u>745,427</u>
(980,215)	286,793	(693,422)	104,860
<u>10,187,925</u>	<u>989,001</u>	<u>11,176,926</u>	<u>2,925,791</u>
<u>\$ 9,207,710</u>	<u>\$1,275,794</u>	<u>\$10,483,504</u>	<u>\$3,030,651</u>

# *GOVERNMENTAL FUNDS 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.

**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 182.



**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**  
(Expressed in Thousands)

	<u>Major Special Revenue</u>				<u>Total</u>
	<u>General</u>	<u>Transportation</u>	<u>Tobacco Settlement Finance Authority</u>	<u>Other Governmental Funds</u>	
<b>Assets:</b>					
Cash and Cash Equivalents	\$1,593,975	\$105,604	\$ 31,540	\$453,543	\$2,184,662
Investments	751,144	—	71,181	58,058	880,383
Receivables, Net	578,666	161,920	35,705	9,332	785,623
Due from Other Governments	232,512	—	—	1,325	233,837
Due from Other Funds	983	547	645,299	29	646,858
Due from Component Units	212,469	—	—	1,000	213,469
Advances to Component Units	106,671	—	—	—	106,671
Inventories	11,143	47,347	—	24	58,514
Other Assets	1,183	1,075	—	11	2,269
Restricted Assets:					
Cash and Cash Equivalents	—	—	—	1,713	1,713
<b>Total Assets</b>	<u>\$3,488,746</u>	<u>\$316,493</u>	<u>\$783,725</u>	<u>\$525,035</u>	<u>\$5,113,999</u>
<b>Liabilities:</b>					
Accounts Payable	\$ 167,968	\$ 90,539	\$ —	\$ 15,044	\$ 273,551
Accrued and Other Liabilities	589,853	20,626	—	10,986	621,465
Deferred Revenue	86,119	248	35,703	—	122,070
Due to Other Governments	137,286	2,821	—	14,155	154,262
Due to Other Funds	1,919,639	137,154	—	22,368	2,079,161
Due to Component Units	35,553	878	—	13	36,444
<b>Total Liabilities</b>	<u>2,936,418</u>	<u>252,266</u>	<u>35,703</u>	<u>62,566</u>	<u>3,286,953</u>
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventories	11,143	47,347	—	24	58,514
Permanent Fund	—	—	—	1,000	1,000
Receivables	111,340	—	645,301	—	756,641
<b>Restricted for:</b>					
Capital Projects	—	—	—	96,637	96,637
Debt Service	—	—	102,721	49,006	151,727
Government Operations	17,065	—	—	—	17,065
Development, Tourism, and Recreation	16,162	—	—	40,050	56,212
Education	2,207	—	—	555	2,762
Health and Social Services	17,399	—	—	—	17,399
Public Protection	7,217	—	—	43,114	50,331
Transportation	—	17,350	—	—	17,350
<b>Committed to:</b>					
Government Operations	946,290	—	—	5,504	951,794
Development, Tourism, and Recreation	8,745	—	—	—	8,745
Education	14,123	—	—	—	14,123
Health and social Services	27,501	—	—	—	27,501
Public Protection	—	—	—	233,177	233,177
<b>Assigned to:</b>					
Government Operations	14,117	—	—	—	14,117
Public Protection	—	—	—	1,357	1,357
Unassigned	(640,981)	(470)	—	(7,955)	(649,406)
<b>Total Fund Balances</b>	<u>552,328</u>	<u>64,227</u>	<u>748,022</u>	<u>462,469</u>	<u>1,827,046</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$3,488,746</u>	<u>\$316,493</u>	<u>\$783,725</u>	<u>\$525,035</u>	<u>\$5,113,999</u>

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, 2012  
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds \$ 1,827,046

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	\$ 1,092,124	
Construction in Progress	909,630	
Infrastructure Assets	11,255,400	
Buildings, Equipment, and Other Depreciable Assets	1,476,952	
Intangibles	13,266	
Accumulated Depreciation	<u>(5,710,536)</u>	
Total Capital Assets		9,036,836

The Net Pension Asset is not recognized at the fund level. 900,395

Certain tax and other revenues are earned but not available and therefore are deferred in the funds. 88,891

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. 178,322

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. 10,873

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	(533,304)	
Revenue Bonds	(1,330,795)	
Capital Leases	(277,223)	
Compensated Absences	(102,815)	
Net Pension Obligations	(115,265)	
Accrued Interest Payable and Other Liabilities	<u>(475,251)</u>	
Total Long-Term Liabilities		<u>(2,834,653)</u>

Net Assets of Governmental Activities \$ 9,207,710

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

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**Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)**

	Major Special Revenue				
	General	Transportation	Tobacco Settlement Finance Authority	Other Governmental Funds	Total
<b>Revenues:</b>					
Taxes:					
Personal Income	\$1,790,299	\$ —	\$ —	\$ —	\$ 1,790,299
Consumer Sales and Use	1,216,286	—	—	—	1,216,286
Severance	564,327	—	—	—	564,327
Corporate Net Income	232,266	—	—	—	232,266
Business and Occupation	123,137	—	—	—	123,137
Medicaid	176,661	—	—	—	176,661
Gasoline and Motor Carrier	—	408,571	—	—	408,571
Automobile Privilege	—	186,300	—	—	186,300
Other	315,049	3,950	—	—	318,999
Intergovernmental	3,368,685	519,768	—	189,480	4,077,933
Licenses, Permits, and Fees	91,097	8,380	—	135,507	234,984
Motor Vehicle Registration	—	92,951	—	—	92,951
Charges for Services	127,797	—	—	9	127,806
Lottery Revenues	462,127	15,000	—	9,995	487,122
Food Stamp Revenue	491,416	—	—	—	491,416
Investment Earnings	50,824	215	3,931	961	55,931
Other	<u>97,561</u>	<u>37,527</u>	<u>63,668</u>	<u>10,734</u>	<u>209,490</u>
Total Revenues	<u>9,107,532</u>	<u>1,272,662</u>	<u>67,599</u>	<u>346,686</u>	<u>10,794,479</u>
<b>Expenditures:</b>					
Current:					
Legislative	32,773	—	—	3,958	36,731
Judicial	139,941	—	—	—	139,941
Executive	216,268	—	—	—	216,268
Administration	188,356	—	34	1,774	190,164
Commerce	225,971	—	—	223	226,194
Environmental Protection	12,782	—	—	139,852	152,634
Employment Programs	—	—	—	55,969	55,969
Education	3,730,279	—	—	30,201	3,760,480
Health and Human Resources	4,425,464	—	—	127	4,425,591
Military Affairs and Public Safety	526,653	—	—	1	526,654
Revenue	60,976	—	—	30,373	91,349
Transportation	—	1,009,032	—	—	1,009,032
Veterans Assistance	26,599	—	—	1	26,600
Senior Services	47,656	—	—	—	47,656
Regulatory Boards and Commissions	69,499	—	—	24,144	93,643
Capital Outlay	—	313,043	—	21,003	334,046
Debt Service:					
Principal	—	57,290	8,515	275,868	341,673
Interest	—	20,078	59,425	33,701	113,204
Total Expenditures	<u>9,703,217</u>	<u>1,399,443</u>	<u>67,974</u>	<u>617,195</u>	<u>11,787,829</u>
Excess of Revenues Over (Under) Expenditures	(595,685)	(126,781)	(375)	(270,509)	(993,350)
<b>Other Financing Sources (Uses):</b>					
Face Value of Long-Term Debt Issued	—	—	—	18,615	18,615
Premiums on Bonds Issued	—	—	—	1,025	1,025
Capital Lease Acquisition	2,330	—	—	232,435	234,765
Payments to Refunded Bond Escrow Agent	—	—	—	(20,935)	(20,935)
Transfers In	59,654	22,497	—	88,170	170,321
Transfers Out	<u>(313,977)</u>	<u>—</u>	<u>(21,521)</u>	<u>(98,627)</u>	<u>(434,125)</u>
Total Other Financing Sources (Uses)	<u>(251,993)</u>	<u>22,497</u>	<u>(21,521)</u>	<u>220,683</u>	<u>(30,334)</u>
Net Change in Fund Balance	(847,678)	(104,284)	(21,896)	(49,826)	(1,023,684)
Fund Balances, Beginning of Year, As Restated	<u>1,400,006</u>	<u>168,511</u>	<u>769,918</u>	<u>512,295</u>	<u>2,850,730</u>
Fund Balances, End of Year	<u>\$ 552,328</u>	<u>\$ 64,227</u>	<u>\$748,022</u>	<u>\$462,469</u>	<u>\$ 1,827,046</u>

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

## West Virginia

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### 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, 2012 (Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds \$(1,023,684)

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	\$ 352,232	
Depreciation Expense	<u>(329,547)</u>	
Excess of Capital Outlay Over Depreciation Expense		22,685

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. (234,765)

Amortization of other assets and bond premium/discount associated with long-term debt obligations do not effect current financial resources and are not reported in the governmental funds. (31,711)

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	111,140	
Capital Lease Payments	<u>252,992</u>	
Total Long-Term Debt Repayment		364,132

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 decrease in net assets of the internal service funds is reported with governmental activities. 4,510

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred revenues decreased by this amount this year. (475)

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	(703)	
Decrease of Compensated Absences	(5,744)	
Decrease of Accrued and Other Liabilities	(71,262)	
Increase of Net Pension Asset	(6,110)	
Amortization of Bond Premiums/Discounts and Issuance Costs	<u>2,912</u>	
Total Change in Expenditures		<u>(80,907)</u>

Change in Net Assets of Governmental Activities \$ (980,215)

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





# *PROPRIETARY FUNDS*

## *FINANCIAL STATEMENTS*

### *Major Funds*

**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.

**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 proceeds from the Council's bond programs provide financial assistance to infrastructure and economic development projects throughout the State. 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.

**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 202.

# West Virginia

## Statement of Net Assets Proprietary Funds June 30, 2012 (Expressed in Thousands)

	Business-type Activities - Enterprise Funds			
	Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation	West Virginia Infrastructure and Jobs Development Council
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$118,372	\$1,229,526	\$140,676	\$172,813
Investments	—	—	—	105,730
Receivables, Net	27,621	20,583	59,257	20,965
Due from Other Governments	—	—	2,181	—
Due from Other Funds	7	—	432	—
Due from Component Units	—	—	115	—
Inventories	—	—	—	—
Other Assets	—	—	—	—
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	—	—	—	—
Receivables, Net	—	—	—	—
Other Restricted Assets	—	—	—	—
<b>Total Current Assets</b>	<b>146,000</b>	<b>1,250,109</b>	<b>202,661</b>	<b>299,508</b>
<b>Noncurrent Assets:</b>				
Investments	—	—	—	—
Receivables, Net	463,767	—	—	461,564
Other Assets	—	—	—	1,000
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	—	—	—	—
Investments	—	—	—	—
Capital Assets, Net	—	—	—	—
<b>Total Noncurrent Assets</b>	<b>463,767</b>	<b>—</b>	<b>—</b>	<b>462,564</b>
<b>Total Assets</b>	<b>609,767</b>	<b>1,250,109</b>	<b>202,661</b>	<b>762,072</b>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts Payable	26	—	—	12
Accrued Tuition Contract Benefits	—	—	—	—
Accrued and Other Liabilities	—	593	1,806	1,358
Premium Deficiency	—	—	—	—
Unearned Revenue	4,406	—	—	—
Due to Other Governments	—	—	4,558	—
Due to Other Funds	336	—	—	—
Due to Component Units	19	—	—	196
Insurance and Compensation Benefits Obligations	—	202,468	29,650	—
Revenue Bonds Payable	—	—	—	2,384
Capital Leases and Other Debt	—	—	—	—
Compensated Absences	85	—	—	—
<b>Total Current Liabilities</b>	<b>4,872</b>	<b>203,061</b>	<b>36,014</b>	<b>3,950</b>
<b>Noncurrent Liabilities:</b>				
Accrued Tuition Contract Benefits	—	—	—	—
Insurance and Compensation Benefits Obligations	—	1,726,232	—	—
Revenue Bonds Payable	—	—	—	111,566
Capital Leases and Other Debt	—	—	—	—
Compensated Absences	22	—	—	—
<b>Total Noncurrent Liabilities</b>	<b>22</b>	<b>1,726,232</b>	<b>—</b>	<b>111,566</b>
<b>Total Liabilities</b>	<b>4,894</b>	<b>1,929,293</b>	<b>36,014</b>	<b>115,516</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	—	—	—	—
<b>Restricted for:</b>				
Capital Projects	—	—	—	—
Government Operations	—	—	—	—
Lending Activities	604,873	—	—	600,098
Insurance Activities	—	146,285	166,647	—
<b>Unrestricted (Deficit)</b>	<b>—</b>	<b>(825,469)</b>	<b>—</b>	<b>46,458</b>
<b>Total Net Assets (Deficit)</b>	<b>\$604,873</b>	<b>\$(679,184)</b>	<b>\$166,647</b>	<b>\$646,556</b>

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
\$ 65,677	\$ 14,718	\$ 71,290	\$1,813,072	\$ 19,493
—	—	—	105,730	—
15,850	447	7,152	151,875	5,840
—	—	—	2,181	—
7,251	—	1,221	8,911	8,071
1,596	—	158	1,869	262
—	—	2,158	2,158	765
—	—	9,949	9,949	222
—	10,850	—	10,850	5,940
—	549	—	549	—
—	<u>200,971</u>	—	<u>200,971</u>	—
<u>90,374</u>	<u>227,535</u>	<u>91,928</u>	<u>2,308,115</u>	<u>40,593</u>
183,309	102,175	77,821	363,305	—
—	—	94,758	1,020,089	—
—	—	—	1,000	—
13,469	—	—	13,469	62,452
—	35,989	—	35,989	—
<u>2,055</u>	—	<u>2,500</u>	<u>4,555</u>	<u>134,470</u>
<u>198,833</u>	<u>138,164</u>	<u>175,079</u>	<u>1,438,407</u>	<u>196,922</u>
<u>289,207</u>	<u>365,699</u>	<u>267,007</u>	<u>3,746,522</u>	<u>237,515</u>
455	1,007	3,170	4,670	14,165
—	—	14,796	14,796	—
5,616	419	112	9,904	454
31,235	—	—	31,235	—
15,950	5,494	—	25,850	—
—	—	—	4,558	141
391	211	2,174	3,112	10,399
70	—	—	285	9
62,778	47,719	3,612	346,227	—
—	—	—	2,384	—
—	—	—	—	12,657
—	—	65	150	—
<u>116,495</u>	<u>54,850</u>	<u>23,929</u>	<u>443,171</u>	<u>37,825</u>
—	—	82,469	82,469	—
13,469	89,267	4,094	1,833,062	—
—	—	—	111,566	—
—	—	—	—	19,675
—	67	371	460	1,693
<u>13,469</u>	<u>89,334</u>	<u>86,934</u>	<u>2,027,557</u>	<u>21,368</u>
<u>129,964</u>	<u>144,184</u>	<u>110,863</u>	<u>2,470,728</u>	<u>59,193</u>
2,055	—	2,500	4,555	105,246
—	—	—	—	62,452
—	—	481	481	—
—	—	122,748	1,327,719	—
—	45,599	34,996	393,527	—
<u>157,188</u>	<u>175,916</u>	<u>(4,581)</u>	<u>(450,488)</u>	<u>10,624</u>
<u>\$159,243</u>	<u>\$221,515</u>	<u>\$156,144</u>	<u>\$1,275,794</u>	<u>\$178,322</u>



## West Virginia

### Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water Pollution Control Revolving Fund</u>	<u>Workers' Compensation Fund</u>	<u>Unemployment Compensation</u>	<u>West Virginia Infrastructure and Jobs Development Council</u>
Operating Revenues:				
Charges for Services and Sales	\$ —	\$ —	\$400,238	\$ 4,381
Insurance Premiums	—	54,361	—	—
Tuition Contracts	—	—	—	—
Investment Earnings	2,363	—	—	—
Licenses, Permits, and Fees	2,268	—	—	—
Other	—	111	—	—
Total Operating Revenues	<u>4,631</u>	<u>54,472</u>	<u>400,238</u>	<u>4,381</u>
Operating Expenses:				
Cost of Sales and Services	—	—	—	—
Insurance Claims and Claims Adjustment Provisions	—	128,922	—	—
Tuition Contract Benefits and Expenses	—	—	—	—
Infrastructure and Economic Development	—	—	—	9,764
General and Administration	3,740	18,225	—	822
Depreciation and Amortization	—	—	—	—
Provisions for Uncollectible Loans	—	—	—	2,368
Other	<u>2,000</u>	<u>—</u>	<u>365,325</u>	<u>—</u>
Total Operating Expenses	<u>5,740</u>	<u>147,147</u>	<u>365,325</u>	<u>12,954</u>
Operating Income (Loss)	(1,109)	(92,675)	34,913	(8,573)
Nonoperating Revenues (Expenses):				
Entitlements and Grants	—	—	—	—
Loss on Sale of Equipment	—	—	—	—
Interest and Other Investment Income	103	39,470	3,265	480
Interest Expense	—	—	—	(5,549)
Lottery Revenues	—	11,000	—	46,000
Other Nonoperating Revenues	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Nonoperating Revenues (Expenses), Net	<u>103</u>	<u>50,470</u>	<u>3,265</u>	<u>40,931</u>
Income (Loss) Before Transfers	(1,006)	(42,205)	38,178	32,358
Transfers:				
Capital Contributions	—	—	—	—
Transfers In	52,786	188,035	—	1,005
Transfers Out	<u>—</u>	<u>—</u>	<u>(2,245)</u>	<u>(13,578)</u>
Total Capital Contributions and Transfers	<u>52,786</u>	<u>188,035</u>	<u>(2,245)</u>	<u>(12,573)</u>
Change in Net Assets	51,780	145,830	35,933	19,785
Net Assets (Deficit), Beginning of Year	<u>553,093</u>	<u>(825,014)</u>	<u>130,714</u>	<u>626,771</u>
Net Assets (Deficit), End of Year	<u>\$604,873</u>	<u>\$(679,184)</u>	<u>\$166,647</u>	<u>\$646,556</u>

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

<b>Public Employees' Insurance Agency</b>	<b>Board of Risk and Insurance Management</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Governmental Activities - Internal Service Funds</b>
\$ —	\$ —	\$102,084	\$ 506,703	\$102,745
499,179	45,660	11,201	610,401	—
—	—	85	85	—
—	—	—	2,363	—
—	—	3,853	6,121	—
<u>4,847</u>	<u>—</u>	<u>1,259</u>	<u>6,217</u>	<u>—</u>
<b>504,026</b>	<b>45,660</b>	<b>118,482</b>	<b>1,131,890</b>	<b>102,745</b>
—	—	72,709	72,709	94,481
502,250	53,396	15,374	699,942	—
—	—	5,968	5,968	—
—	—	—	9,764	—
14,260	3,892	10,872	51,811	8,796
1,866	—	263	2,129	18,007
—	—	—	2,368	—
<u>6,433</u>	<u>—</u>	<u>3,129</u>	<u>376,887</u>	<u>—</u>
<b>524,809</b>	<b>57,288</b>	<b>108,315</b>	<b>1,221,578</b>	<b>121,284</b>
(20,783)	(11,628)	10,167	(89,688)	(18,539)
—	—	—	—	5,056
—	—	—	—	(103)
8,199	13,315	1,858	66,690	11
—	—	—	(5,549)	(276)
—	—	—	57,000	10,752
<u>—</u>	<u>—</u>	<u>92</u>	<u>92</u>	<u>48</u>
<b>8,199</b>	<b>13,315</b>	<b>1,950</b>	<b>118,233</b>	<b>15,488</b>
(12,584)	1,687	12,117	28,545	(3,051)
—	—	—	—	2,005
3,500	—	44,555	289,881	11,016
—	—	(15,810)	(31,633)	(5,460)
<u>3,500</u>	<u>—</u>	<u>28,745</u>	<u>258,248</u>	<u>7,561</u>
(9,084)	1,687	40,862	286,793	4,510
<u>168,327</u>	<u>219,828</u>	<u>115,282</u>	<u>989,001</u>	<u>173,812</u>
<b><u>\$159,243</u></b>	<b><u>\$221,515</u></b>	<b><u>\$156,144</u></b>	<b><u>\$1,275,794</u></b>	<b><u>\$178,322</u></b>

**Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Pollution Control Revolving Fund</b>	<b>Workers' Compensation Fund</b>	<b>Unemployment Compensation</b>	<b>West Virginia Infrastructure and Jobs Development Council</b>
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 30,436	\$ 52,089	\$ 172,308	\$ 24,631
Payments to Suppliers	—	(17,602)	—	—
Payments to Employees	(1,281)	(518)	—	(2,538)
Payments to Beneficiaries	—	—	—	—
Payments for Loans Originated	(58,953)	—	—	(49,338)
Payments for Premiums	—	—	—	—
Payments to Claimants	—	(263,122)	(365,623)	—
Other Operating Cash Receipts	—	111	231,132	—
Other Operating Cash Payments	(174)	—	—	—
Net Cash Provided by (Used for) Operating Activities	<u>(29,972)</u>	<u>(229,042)</u>	<u>37,817</u>	<u>(27,245)</u>
Cash Flows from Noncapital Financing Activities:				
Repayment of Operating Debt	—	—	—	(2,465)
Interest Paid on Operating Debt	—	—	—	(5,476)
Transfers In	4,604	189,347	—	1,005
Transfers Out	—	—	(2,245)	—
Entitlements and Grants	—	—	—	—
Distributions or Subsidies from (to) Other Organizations Provided from Issuing Liquor Licenses	—	11,000	—	46,000
Net Cash Provided by (Used for) Noncapital Financing Activities	4,604	200,347	(2,245)	39,064
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	—	—	—	—
Capital Grants and Contributions	48,182	—	—	—
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>48,182</u>	<u>—</u>	<u>—</u>	<u>—</u>
Cash Flows from Investing Activities:				
Purchase of Investments	—	—	—	—
Proceeds from Sale of Investments	—	—	—	5
Investment Earnings	103	39,470	3,265	459
Net Cash Provided by Investing Activities	<u>103</u>	<u>39,470</u>	<u>3,265</u>	<u>464</u>
Net Increase (Decrease) in Cash and Cash Equivalents	22,917	10,775	38,837	12,283
Cash and Cash Equivalents, Beginning of Year, as Restated	<u>95,455</u>	<u>1,218,751</u>	<u>101,839</u>	<u>160,530</u>
Cash and Cash Equivalents, End of Year	<u>\$118,372</u>	<u>\$1,229,526</u>	<u>\$ 140,676</u>	<u>\$172,813</u>

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
\$ 507,414	\$ 45,028	\$131,228	\$ 963,134	\$100,630
(11,507)	(2,603)	(75,718)	(107,430)	(73,752)
(1,496)	(1,388)	(6,936)	(14,157)	(25,726)
(512,145)	(42,637)	(9,059)	(563,841)	—
—	—	(23,139)	(131,430)	—
—	—	(12,483)	(12,483)	—
—	—	(2,058)	(630,803)	—
12,647	—	1,169	245,059	—
<u>—</u>	<u>(11,736)</u>	<u>(15,086)</u>	<u>(26,996)</u>	<u>—</u>
<u>(5,087)</u>	<u>(13,336)</u>	<u>(12,082)</u>	<u>(278,947)</u>	<u>1,152</u>
—	—	—	(2,465)	—
—	—	—	(5,476)	—
3,500	—	44,521	242,977	21,768
—	—	(15,810)	(18,055)	(5,460)
—	—	92	92	5,056
15,760	—	—	72,760	—
<u>—</u>	<u>—</u>	<u>451</u>	<u>451</u>	<u>—</u>
19,260	—	29,254	290,284	21,364
—	—	—	—	7,610
—	—	—	—	(12,372)
—	—	—	—	(277)
(20)	—	(467)	(487)	(25,097)
<u>—</u>	<u>—</u>	<u>—</u>	<u>48,182</u>	<u>—</u>
<u>(20)</u>	<u>—</u>	<u>(467)</u>	<u>47,695</u>	<u>(30,136)</u>
(13,957)	(18,752)	(1,475)	(34,184)	(1,250)
9,742	22,348	8,600	40,695	1,250
<u>4,276</u>	<u>12,077</u>	<u>1,701</u>	<u>61,351</u>	<u>11</u>
<u>61</u>	<u>15,673</u>	<u>8,826</u>	<u>67,862</u>	<u>11</u>
14,214	2,337	25,531	126,894	(7,609)
<u>64,932</u>	<u>23,231</u>	<u>45,759</u>	<u>1,710,497</u>	<u>95,494</u>
<u>\$ 79,146</u>	<u>\$ 25,568</u>	<u>\$ 71,290</u>	<u>\$1,837,391</u>	<u>\$ 87,885</u>

(Continued)

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2012**  
(Expressed in Thousands)  
(Continued)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Pollution Control Revolving Fund</b>	<b>Workers' Compensation Fund</b>	<b>Unemployment Compensation</b>	<b>West Virginia Infrastructure and Jobs Development Council</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	\$ (1,109)	\$ (92,675)	\$34,913	\$ (8,573)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation and Amortization	—	—	—	—
Provisions for Uncollectible Loans	—	—	—	2,368
Changes in Assets and Liabilities:				
Receivables	(33,146)	(2,272)	1,043	(5,746)
Inventories	—	—	—	—
Other Assets	—	—	—	—
Accounts Payable and Accrued Liabilities	(157)	(134,200)	1,749	(13,599)
Tuition Contracts Benefits and Expenses	—	—	—	—
Unearned Revenue	4,406	—	—	—
Escrow Deposits	—	—	—	—
Due to/from Other Funds	47	—	112	(1,695)
Unpaid Claims Liabilities	—	—	—	—
Other Liabilities	—	105	—	—
Compensated Absences	(13)	—	—	—
Net Cash Provided by (Used for) Operating Activities	<u>\$(29,972)</u>	<u>\$(229,042)</u>	<u>\$37,817</u>	<u>\$(27,245)</u>
Schedule of Noncash Capital and Financing Activities:				
Contribution of Capital Assets	\$ —	\$ —	\$ —	\$ —
Loans Originated with Principal Forgiveness Features	—	—	—	—
Unrealized Gain on Investments	—	—	—	—

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



<u>Public Employees' Insurance Agency</u>	<u>Board of Risk and Insurance Management</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$(20,783)	\$(11,628)	\$ 10,167	\$ (89,688)	\$(18,539)
1,866	—	263	2,129	18,007
—	—	—	2,368	—
1,311	(46)	(26,489)	(65,345)	(2,114)
—	—	(360)	(360)	97
—	—	—	—	39
3,379	—	6,495	(136,333)	1,018
—	—	(3,091)	(3,091)	—
8,395	(601)	—	12,200	—
—	(11,722)	—	(11,722)	—
1,427	—	678	569	—
—	10,759	—	10,759	—
(682)	(98)	210	(465)	2,644
—	—	45	32	—
<u>\$ (5,087)</u>	<u>\$(13,336)</u>	<u>\$(12,082)</u>	<u>\$(278,947)</u>	<u>\$ 1,152</u>
\$ —	\$ —	\$ —	\$ —	\$ 2,005
—	—	3,129	3,129	—
3,923	1,238	155	5,316	—

# *FIDUCIARY FUNDS*

## *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 212.

**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2012**  
(Expressed in Thousands)

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Investment Trust Funds</b>	<b>SMART 529</b>	<b>Agency Funds</b>
Assets:				
Cash and Cash Equivalents	\$ 45,185	\$313,920	\$ —	\$ 98,655
Investments:				
Equity Pooled Investments	10,740,852	—	—	6,352
Mutual Funds	310,188	—	1,624,170	—
Receivables, Net:				
Contributions	38,316	—	2,063	—
Participant Loans	7,667	—	—	—
Accrued Interest	—	—	—	192
Accounts	29,305	—	—	—
Due from Other Funds	165,125	—	—	—
Due from Component Units	189	—	—	—
Restricted Assets:				
Cash and Cash Equivalents	<u>3,941</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Assets</b>	<b><u>11,340,768</u></b>	<b><u>313,920</u></b>	<b><u>1,626,233</u></b>	<b><u>\$105,199</u></b>
Liabilities:				
Accounts Payable	—	—	1,253	\$ —
Accrued and Other Liabilities	6,439	—	52	—
Due to Other Governments	—	—	—	36,493
Due to Other Funds	4,625	—	—	—
Insurance Claims Payable	10,320	—	—	—
Early Retiree Premium Subsidy Funds	3,914	—	—	—
Agency Liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>68,706</u>
<b>Total Liabilities</b>	<b><u>25,298</u></b>	<b><u>—</u></b>	<b><u>1,305</u></b>	<b><u>\$105,199</u></b>
Net Assets:				
Held in trust for:				
Pension Benefits	10,822,691	—	—	
Other Postemployment Benefits	492,779	—	—	
External Investment Pool Participants	—	313,920	—	
Individuals and Organizations	<u>—</u>	<u>—</u>	<u>1,624,928</u>	
<b>Total Net Assets</b>	<b><u>\$11,315,470</u></b>	<b><u>\$313,920</u></b>	<b><u>\$ 1,624,928</u></b>	

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, 2012  
(Expressed in Thousands)**

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Investment Trust Funds</b>	<b>SMART 529</b>
Additions:			
Contributions:			
Members	\$ 242,983	\$ —	\$ —
Employer	852,014	—	—
Account Holder Contributions	—	—	218,875
Deposits, Pool Participants	<u>—</u>	<u>749,650</u>	<u>—</u>
Total Contributions	<u>1,094,997</u>	<u>749,650</u>	<u>218,875</u>
Investment Income (Loss):			
Net Appreciation (Depreciation) in Fair Value of Investments	56,262	235	(39,880)
Interest	84,012	—	37,488
Investment Expense	<u>(30,080)</u>	<u>—</u>	<u>(4,935)</u>
Net Investment Income (Loss)	<u>110,194</u>	<u>235</u>	<u>(7,327)</u>
Transfers to Plan	147	—	—
Other	<u>65,626</u>	<u>—</u>	<u>—</u>
Total Additions	<u>1,270,964</u>	<u>749,885</u>	<u>211,548</u>
Deductions:			
Benefits Expense	1,128,347	—	—
Payments in Accordance with Trust Agreements	—	—	154,919
Refunds of Contributions	28,703	—	—
Withdrawals	—	729,193	—
Administrative Expenses	21,218	—	4,331
Transfers from Plan	<u>147</u>	<u>—</u>	<u>—</u>
Total Deductions	<u>1,178,415</u>	<u>729,193</u>	<u>159,250</u>
Change in Net Assets Held in Trust For:			
Pension Benefits	71,848	—	—
Other Postemployment Benefits	20,701	—	—
External Investment Pool Participants	—	20,692	—
Individuals and Organizations	—	—	52,298
Net Assets, Beginning of Year	<u>11,222,921</u>	<u>293,228</u>	<u>1,572,630</u>
Net Assets, End of Year	<u>\$11,315,470</u>	<u>\$313,920</u>	<u>\$1,624,928</u>

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





# *DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS*

## *Major Component Units*

**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 has a duty to establish rules for conducting games, to select the type and number of gaming systems or games, and to enter into contracts and agreements to operate in a highly efficient manner. The Lottery derives its revenues from instant, on-line, video-type games, and table games. To the extent available, remaining net profits are to be distributed to the State and local governments as required by law.

**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 Authority** The Authority is responsible for operation and maintenance of the State's 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 224.

## West Virginia

### Combining Statement of Net Assets Discretely Presented Component Units June 30, 2012

(Expressed in Thousands)

	West Virginia Lottery	Economic Development Authority	Housing Development Fund	Parkways Authority
<b>Assets:</b>				
Current Assets:				
Cash and Cash Equivalents	\$241,538	\$ 43,369	\$ 22,951	\$ 9,642
Investments	—	—	—	—
Receivables, Net	36,666	12,353	3,896	2,603
Capital Leases Receivable from Primary Government	—	11,888	—	—
Due from Primary Government	5	1	—	2
Due from Component Units	—	—	—	—
Inventories	510	—	—	2,516
Other Assets	2,275	—	—	99
Restricted Assets:				
Cash and Cash Equivalents	—	289	79,365	16,268
Investments	—	—	—	11,129
Receivables, Net	—	—	4,092	—
Total Current Assets	<u>280,994</u>	<u>67,900</u>	<u>110,304</u>	<u>42,259</u>
Noncurrent Assets:				
Cash and Cash Equivalents	—	—	—	—
Investments	—	7,412	7,927	—
Receivables, Net	—	145,076	45,166	—
Capital Leases Receivable from Primary Government	—	263,642	—	—
Other Assets	—	—	—	6,314
Restricted Assets:				
Cash and Cash Equivalents	2,373	9,254	28,758	—
Investments	—	—	135,959	24,528
Receivables, Net	—	—	751,774	—
Other Restricted Assets	—	—	7,649	—
Capital Assets, Net	<u>42,285</u>	<u>34,336</u>	<u>10,720</u>	<u>470,161</u>
Total Noncurrent Assets	<u>44,658</u>	<u>459,720</u>	<u>987,953</u>	<u>501,003</u>
Total Assets	<u>325,652</u>	<u>527,620</u>	<u>1,098,257</u>	<u>543,262</u>
<b>Liabilities:</b>				
Current Liabilities:				
Accounts Payable	20,422	25	—	4,571
Interest Payable	—	—	3,708	290
Accrued and Other Liabilities	35,605	3,245	18,166	5,254
Unearned Revenue	—	—	—	—
Due to Primary Government	216,583	52	—	9,797
Due to Component Units	500	—	—	—
Revenue Bonds Payable	—	11,888	66,245	7,895
Capital Leases and Other Debt	—	594	—	71
Compensated Absences	<u>567</u>	<u>30</u>	<u>497</u>	<u>—</u>
Total Current Liabilities	<u>273,677</u>	<u>15,834</u>	<u>88,616</u>	<u>27,878</u>
Noncurrent Liabilities:				
Unearned Revenue	—	2,322	—	—
Advances from Primary Government	—	106,671	—	—
Liabilities Payable from Restricted Assets	—	—	53,655	—
Accrued and Other Liabilities	—	—	—	6,314
Revenue Bonds Payable	—	263,642	514,533	48,798
Capital Leases and Other Debt	—	5,947	606	—
Compensated Absences	—	<u>26</u>	—	—
Total Noncurrent Liabilities	—	<u>378,608</u>	<u>568,794</u>	<u>55,112</u>
Total Liabilities	<u>273,677</u>	<u>394,442</u>	<u>657,410</u>	<u>82,990</u>
<b>Net Assets (Deficit):</b>				
Investment in Capital Assets, Net of Related Debt	42,285	21,809	10,720	413,397
Restricted for:				
Capital Projects	1,690	—	—	—
Debt Service	—	—	278,858	45,128
Nonexpendable	—	—	—	—
Lending Activities	—	—	72,610	—
Loans Receivable	—	8,954	—	—
Specific Component Unit Purposes	—	—	—	—
Unrestricted	<u>8,000</u>	<u>102,415</u>	<u>78,659</u>	<u>1,747</u>
Total Net Assets (Deficit)	<u>\$ 51,975</u>	<u>\$133,178</u>	<u>\$ 440,847</u>	<u>\$460,272</u>

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

<b>Water Development Authority</b>	<b>Higher Education</b>	<b>Regional Jail Authority</b>	<b>School Building Authority</b>	<b>Other Component Units</b>	<b>Total</b>
\$ 11,368	\$ 509,472	\$ 38,803	\$ 49,319	\$ 28,894	\$ 955,356
—	20,642	—	289,063	413	310,118
9,819	91,112	15,547	365	460	172,821
—	—	—	—	—	11,888
215	36,262	36	—	217	36,738
—	500	—	—	—	500
—	5,144	1,086	—	33	9,289
—	7,205	—	—	220	9,799
—	—	20,137	—	33,144	149,203
1,532	—	—	—	—	12,661
—	—	—	—	1,169	5,261
<u>22,934</u>	<u>670,337</u>	<u>75,609</u>	<u>338,747</u>	<u>64,550</u>	<u>1,673,634</u>
—	176,592	—	—	—	176,592
1,200	547,071	—	—	7,585	571,195
12,606	46,628	—	—	4,175	253,651
—	—	—	—	—	263,642
1,000	63,452	—	—	277	71,043
16,082	—	—	—	5,187	61,654
—	—	—	—	—	160,487
217,265	—	—	—	1,757	970,796
—	—	—	—	237	7,886
<u>6,431</u>	<u>2,393,124</u>	<u>122,736</u>	<u>803</u>	<u>44,343</u>	<u>3,124,939</u>
<u>254,584</u>	<u>3,226,867</u>	<u>122,736</u>	<u>803</u>	<u>63,561</u>	<u>5,661,885</u>
<u>277,518</u>	<u>3,897,204</u>	<u>198,345</u>	<u>339,550</u>	<u>128,111</u>	<u>7,335,519</u>
60	70,945	2,318	197	1,186	99,724
2,390	11,013	—	—	—	17,401
—	101,330	1,512	14,408	478	179,998
—	89,387	—	—	66	89,453
170	284,624	22,467	223	8,734	542,650
—	—	—	—	—	500
6,403	33,139	5,550	35,275	—	166,395
—	5,211	—	—	5,696	11,572
—	<u>41,081</u>	<u>1,729</u>	<u>89</u>	<u>1,173</u>	<u>45,166</u>
<u>9,023</u>	<u>636,730</u>	<u>33,576</u>	<u>50,192</u>	<u>17,333</u>	<u>1,152,859</u>
—	—	—	—	70	2,392
—	—	—	—	—	106,671
—	—	—	—	35,843	89,498
1,000	138,245	—	—	200	145,759
206,026	1,165,684	56,490	462,802	—	2,717,975
—	68,131	—	—	10,827	85,511
257	<u>3,701</u>	—	—	<u>219</u>	<u>4,203</u>
<u>207,283</u>	<u>1,375,761</u>	<u>56,490</u>	<u>462,802</u>	<u>47,159</u>	<u>3,152,009</u>
<u>216,306</u>	<u>2,012,491</u>	<u>90,066</u>	<u>512,994</u>	<u>64,492</u>	<u>4,304,868</u>
6,431	1,416,719	60,696	803	44,343	2,017,203
—	59,254	—	—	—	60,944
—	26,060	8,061	82,056	—	440,163
—	184,738	—	—	237	184,975
27,597	—	—	—	—	100,207
—	—	—	—	—	8,954
—	134,359	39,522	—	4,382	178,263
27,184	<u>63,583</u>	—	<u>(256,303)</u>	<u>14,657</u>	<u>39,942</u>
<u>\$ 61,212</u>	<u>\$1,884,713</u>	<u>\$108,279</u>	<u>\$(173,444)</u>	<u>\$ 63,619</u>	<u>\$3,030,651</u>

**Combining Statement of Activities  
Discretely Presented Component Units  
For the Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)**

	<u>Program Revenues</u>				
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Component Units:					
West Virginia Lottery	\$1,518,159	\$1,457,530	\$ —	\$ —	\$ (60,629)
Economic Development Authority	8,032	9,503	—	—	1,471
Housing Development Fund	131,635	53,210	87,565	—	9,140
Parkways Authority	84,276	91,124	—	—	6,848
Water Development Authority	14,767	14,715	—	—	(52)
Higher Education	1,886,810	811,313	458,309	136,556	(480,632)
Regional Jail Authority	90,663	99,185	2,817	—	11,339
School Building Authority	107,883	—	4,002	—	(103,881)
Other Component Units	<u>44,347</u>	<u>11,654</u>	<u>8,522</u>	<u>—</u>	<u>(24,171)</u>
Total Component Units	<u>\$3,886,572</u>	<u>\$2,548,234</u>	<u>\$561,215</u>	<u>\$136,556</u>	<u>\$(640,567)</u>

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



**General Revenue**

<b>Unrestricted Investment Earnings</b>	<b>Grants and Contributions Not Restricted for Specific Programs</b>	<b>Miscellaneous</b>	<b>Payments from the State of West Virginia</b>	<b>Total General Revenue</b>	<b>Change in Net Assets</b>	<b>Net Assets, (Deficit) Beginning of Year, as Restated</b>	<b>Net Assets, (Deficit) End of Year</b>
\$ 181	\$ —	\$ 73,351	\$ —	\$ 73,532	\$ 12,903	\$ 39,072	\$ 51,975
534	—	755	—	1,289	2,760	130,418	133,178
9,717	—	—	—	9,717	18,857	421,990	440,847
242	—	—	—	242	7,090	453,182	460,272
258	—	—	—	258	206	61,006	61,212
(10,465)	—	28,126	518,852	536,513	55,881	1,828,832	1,884,713
41	—	—	—	41	11,380	96,899	108,279
2,228	—	—	93,016	95,244	(8,637)	(164,807)	(173,444)
<u>160</u>	<u>738</u>	<u>701</u>	<u>26,992</u>	<u>28,591</u>	<u>4,420</u>	<u>59,199</u>	<u>63,619</u>
<u>\$ 2,896</u>	<u>\$738</u>	<u>\$102,933</u>	<u>\$638,860</u>	<u>\$745,427</u>	<u>\$104,860</u>	<u>\$2,925,791</u>	<u>\$3,030,651</u>

**STATE OF WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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," amended by GASB Statement No. 61, "The Financial Reporting Entity: Omnibus," 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 or there is a financial benefit or burden relationship with the primary government.

**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 major 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.

### Tobacco Settlement Finance Authority

The Tobacco Settlement Finance Authority (TSFA) is governed by a five-member board, including the Secretary of Administration, the State Treasurer, 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 can be obtained directly from their respective administrative offices.

#### Administrative Offices:

Transportation  
1900 Kanawha Blvd., East  
Building 5, Room A-137  
Charleston, WV 25305

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

Board of Treasury Investments  
1900 Kanawha Blvd., East  
Building 1, Room E-122  
Charleston, WV 25305

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

### **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:*

#### 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, debt service, the promotion of tourism, and other basic governmental activities. Even though the Lottery was created primarily to generate revenue for the State, the service provided by the Lottery - the opportunity for financial gain - is provided to anyone who chooses to participate. When prizes are awarded to winners and financial gain is achieved, the lottery operation does not exclusively, or almost exclusively, benefit the primary government as an institution, not meeting the criteria for blending and thus requiring discrete component unit presentation.

#### Economic Development Authority

The Economic Development Authority (EDA) is administered by a nine-member board composed of the Governor, Secretary of 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 Authority

The Parkways 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 Parkways' 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 and the Drinking Water Treatment Revolving Fund, which are enterprise funds.

### 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 appointed by the Governor with the advice and consent of the Senate. 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, Bridgemont Community and Technical 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), Mountwest Community and Technical College, Pierpont Community and Technical College, Shepherd University, Blue Ridge Community and Technical College, Southern West Virginia Community and Technical College, West Liberty University, 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, Kanawha Valley Community and Technical College, West Virginia School of Osteopathic Medicine, West Virginia University (including Potomac State College and West Virginia University Institute of Technology), and West Virginia University at Parkersburg Community and Technical College. These entities are included in the Higher Education Fund financial statements as blended component units: Concord University Research and Development Corporation, Glenville State College Research Corporation, Glenville State College Housing Corporation, Marshall University Research Corporation, Shepherd University Research and Development Corporation, West Liberty University Research Corporation, West Virginia State University Research and Development Corporation, and 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. 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 appropriately not reported because the economic resources held do not entirely or almost entirely benefit West Virginia University. The Bridgemont Community and Technical College Foundation, Inc., the Blue Ridge Community and Technical College Foundation, Inc., the Eastern West Virginia Community and Technical College Foundation Inc., the Kanawha Valley Community and Technical College Foundation, Inc., and the Mountwest Foundation, Inc. are not included because they were not significant to their institutions. 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. Tech Foundation, Inc. is not included because it is not significant to the Fund.

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.

## *West Virginia*

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### Administrative Offices:

West Virginia Lottery  
900 Pennsylvania Avenue  
Charleston, WV 25302

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

Housing Development Fund  
5710 MacCorkle Avenue, S.E.  
Charleston, WV 25304

Parkways Authority  
P.O. Box 1469  
Charleston, WV 25325-1469

Water Development Authority  
1009 Bullitt Street  
Charleston, WV 25301

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

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

School Building Authority  
Finance Division  
2300 Kanawha Blvd., East  
Charleston, WV 25311

Educational Broadcasting Authority  
600 Capitol Street  
Charleston, WV 25301

Jobs Investment Trust  
1012 Kanawha Boulevard, E.  
5th Floor  
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  
900 Pennsylvania Avenue  
Charleston, WV 25313

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.



Based upon the latest information available, the Project incurred net losses of \$6,028,532 for the year ended December 31, 2011. At December 31, 2011, the Project's current liabilities exceeded its current assets by \$75,070,058, and its total liabilities exceeded its total assets by \$37,838,274. Additionally, the Project was in default under its Series A and Series B Revenue Bonds after having been unable to make required debt service payments in association with the Series A and Series B bonds in 2006, 2007, 2008, 2009, 2010, and 2011, 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. The only collateral pledged under the Indenture is Project revenues. The Bondholders may not, therefore, foreclose upon or liquidate Park facilities or other nonfinancial Project assets. At this time, the bondholders have formed a committee to explore their options but as yet have generally not exercised their rights nor enforced the remedies 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, 2011, included a going-concern opinion modification emphasizing that these conditions raised substantial doubt about the Project's ability to continue as a going concern.

MHP 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. A park foundation has been established to facilitate improving the park programs, amenities and facilities. The Bondholders have approved a 2009 Supplemental Indenture that was designed to facilitate expansion planning for the park. The West Virginia Legislature passed legislation which will allow the addition of privately financed lodging to the park, although the actual additions will require approval of the DNR, the United States Corps of Engineers, and the Bondholders.

The State does not include the financial activities of the Project in its financial statements, because the State does not have an equity interest in the venture. 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 conform to United States GAAP for governments. The 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. Certain net asset amounts presented for the preceding year have been restated or reclassified. See Note 2 for further explanation.

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.

## **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 and report the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditures for specified purposes (other than debt service and capital projects).

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds).

Permanent Funds are used to account for and report resources that are 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, a special revenue fund, 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. Financial resources for these responsibilities are federal grants, registration fees, license fees and taxes.

The Tobacco Settlement Finance Authority (TSFA), a special revenue fund, 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 Alcohol Beverage Control Administration, two water treatment loan programs, the West Virginia Prepaid College Plan, the West Virginia Infrastructure and Jobs Development Council, and Correctional Industries.

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 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 West Virginia Infrastructure and Jobs Development Council coordinates the review and funding of water, wastewater, and economic development projects within the State through proceeds of its bond program, certain mineral severance taxes, repayments of principal and interest, and statutorily dedicated legislative appropriations from the excess lottery revenue fund.

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 report assets held by the State, functioning 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. These funds are taxes that will be remitted to respective local governments, hospital patient and inmate funds, performance bonds, appropriations for the patient injury fund, and interest earnings.

### **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.

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.

### **Major Reserve/Stabilization Funds**

The Revenue Shortfall Reserve Fund (Rainy Day Fund) began when West Virginia Code §11B-2-20 was passed on March 11, 1994 with surplus funds available at the close of FY 1994. According to §11B-2-20, the first 50% of all surplus General Revenue funds accrued during the fiscal year just ended must be deposited into the fund until the aggregate amount of the fund exceeds 13% of the total appropriations from the General Revenue Fund for the fiscal year just ended.

Originally, the Revenue Shortfall Reserve Fund could be used only to offset a shortfall in revenues that would otherwise require the Governor to impose expenditure reductions. In July 1996, the West Virginia Code was amended to allow the Legislature to make appropriations from the fund for emergency revenue needs caused by acts of God or natural disasters or for other fiscal needs as determined by the Legislature. Recent legislation, which became effective June 9, 2006, also permits the fund to be invested and to retain those earnings. The first \$100 million is invested by the West Virginia Board of Treasury Investments and any amounts over \$100 million are invested by the West Virginia Investment Management Board.

Since the fund was created in 1994, \$693.7 million has been deposited into the fund; \$170 million has been appropriated for flood and drought victim assistance, infrastructure, snow removal, and other projects. As of June 30, 2012, the fund contained \$523.7 million, which amounted to 12.6% of FY 2013 total appropriations.

The Legislature also authorized the Governor, by executive order, to borrow funds from the Rainy Day Fund when revenues are inadequate to make timely payments of the State's obligations. The amount borrowed may not exceed 1.5% of the General Revenue Fund estimate for the fiscal year in which the funds are borrowed and shall be repaid to the fund within 90 days of its withdrawal. Because of an expected cash flow shortfall experienced each year in the first quarter of the fiscal year, the Governor has borrowed from the fund each year since August 1996 in order to pay obligations in a timely manner. The loans were repaid before September 30 of each year, all within the 90-day limit allowed by law.

The Revenue Shortfall Reserve Fund—Part B (Rainy Day Fund—Part B) began with the cash balance of the West Virginia Tobacco Settlement Medical Trust Fund on June 9, 2006, the effective date of the bill, West Virginia Code §11B-2-20. The funds are invested

by the West Virginia Investment Management Board and interest and other returns on the invested funds are credited to the fund.

Expenditures may not be made from the Rainy Day Fund—Part B unless all monies in the Revenue Shortfall Reserve Fund have been first expended. After June 30, 2025, interest and other amounts earned on monies held in the Rainy Day Fund—Part B may be appropriated by the Legislature for continued support of the programs offered by the Public Employees' Insurance Agency; funding for expansion of the federal-state Medicaid program; funding for public health programs, services, and agencies; funding for any State owned or operated health facilities; or in instances of revenue shortfalls or fiscal emergencies of an extraordinary nature. On June 30, 2012, the balance in the Rainy Day Fund—Part B was \$327.7 million.

The Income Tax Refund Reserve Fund was established during FY 1990 by West Virginia Code §11-21-93 to pay personal income tax refunds, interest, and penalties to taxpayers in a timely manner. It may also be used by the Legislature to make appropriations from the fund to address other items as the Legislature so desires. Personal income taxes received by the State can be added to this fund, if the state tax commissioner determines the balance in the fund is not enough to ensure the timely payment of income tax refunds. On June 30, 2012, the balance in the Income Tax Refund Reserve Fund was \$45 million which represents about 1.1% of the total FY 2013 General Revenue Fund.

### **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 BTI and IMB, and such deposits are generally available with overnight notice. 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 (FIFO) and average cost methods at year-end. Inventories of governmental funds are recorded using the consumption method. Nonspendable 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 with a purchase price 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. Intangibles include off-the-shelf computer software, patents, easements and mineral rights over \$25,000 and internally generated software over \$1 million.

West Virginia is one of only four states that owns all the paved roads in the State, except for municipal 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 Statement No. 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. No interest was capitalized during fiscal year 2012. 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, Native American, 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 West Virginia College Prepaid Tuition and Saving Program 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.

Capital Leases Payable to Component Units - The Economic Development Authority (EDA) has issued revenue bonds to provide financial assistance to State governmental entities for the acquisition and construction of facilities. The EDA has entered into lease-purchase agreements with the State. A Capital Leases Payable to Component Units has been recorded in the governmental activities at June 30, 2012, of approximately \$275.5 million. There is also an offset of Capital Leases Receivable from Primary Government recorded by the Economic Development Authority.

Advances - The amount of Economic Development Authority loans held by the State's General Fund at June 30, 2012, is approximately \$106.7 million and is recorded as Advances to/from Component Units. There is a revolving loan agreement with the BTI to borrow up to \$175 million (\$100.4 million outstanding) to be reloaned for economic development purposes, with interest equal to the twelve-month average of BTI's yield on its cash liquidity pool, adjusted annually. Monthly payments must be sufficient to repay outstanding principal over ten years, secured by a security interest in the investments derived from the loan. There is also a note payable to the BTI, nonrecourse with right of offset against a note receivable, amount not to exceed \$25 million (\$6.3 million outstanding) interest at 3%, principal due in annual installments through June 2022, unsecured. Note repayments are dependent upon the proceeds received from the investments in venture capital funds. The nonrecourse note has been written down based upon the borrowing agreement with BTI.

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. 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 using the straight-line method.

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.

Pollution Remediation Obligations - In the government-wide statement of net assets, pollution remediation obligations including landfills, mine reclamation, oil and gas wells, and underground storage tanks, are reported in the Accrued and Other Liabilities line item at the current value of expected outlays to fund remediation costs using a technique substantially similar to the expected cash flow technique. The technique uses contracts issued, measuring averages and standard deviations, and variances to all the other sites without contracts. A range of possible estimated amounts is used, as well as, all expectations about possible cash flows on a site-specific basis. Ranges are based on actual remediation cost experience, remediation cost estimates and/or discrete cost remediation treatment possibilities. All reported obligation amounts are estimates and are subject to change resulting from price increases or reductions, technology, or changes in applicable laws or regulations. In cases where remediation activities beyond site investigation/assessment or feasibility studies have not begun, remaining remediation costs are not reasonably estimable and liabilities for such cases are not reported. For a more detailed explanation of the liability, see Note 15, Commitments and Contingencies.

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 are reported in three categories:

- 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 are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments, and in some cases by legally enforceable enabling legislation or constitution of the State.
- Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The fund balance classifications are based primarily on the extent to which the State is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. Fund balances are reported in the following categories:

- Nonspendable fund balances include amounts that cannot be spent because they are in a nonspendable form, such as inventory, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.
- Restricted fund balances are restricted due to legal restriction from creditors, grantors, or laws and regulations of other governments or by legally enforceable enabling legislation or constitution of the State.
- Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by appropriation legislation passed by the State Legislature, which is the highest level of decision-making authority for the State. Those committed amounts cannot be used for any other purpose unless the Legislature passes new legislation concerning those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Assigned fund balances are constrained by the government's intent to use such funds for specific purposes, but are neither restricted nor committed, except for major reserve/stabilization arrangements. The specific purpose for which the funds are intended is expressed within the appropriation requests of the agencies and approved by the State Budget Office, according to the West Virginia State Code. Assigned fund balances include all remaining amounts (except negative amounts) that are reported in the governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed. Amounts in the General Fund that are intended to be used for a specific purpose are also assigned. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the State has assigned those amounts to the purposes of the respective funds.

- Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. Any negative fund balances are unassigned.

Appropriations in the annual budget bill specify the funding source and therefore the order in which restricted or committed fund balances are spent. Agency level assigned and unassigned fund balance spending is at the discretion of the agency, with approval of the State Budget Office. It is the State's overall policy to use restricted balances first, then unrestricted balances in the following order: committed, assigned, and unassigned.

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 restricted 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 restricted fund balance.

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 has 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 are uses of funds that could substantially distort a government's regular operations. They include discounts on debt issued, refunding transactions, and transfers.

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**

In June 2011, the GASB issued Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position," which will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This statement is effective for fiscal year 2013, and management has not yet determined the financial statement impact of the pronouncement.

In March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities" which will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement is effective for fiscal year 2014, and management has not yet determined the financial statement impact of the pronouncement.

GASB issued Statement No. 66, "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62," which resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This statement is effective for fiscal year 2014, and management has not yet determined the financial statement impact of the pronouncement.



In June 2012, the GASB issued Statement No. 67, “Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.” The objective of this Statement is to improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans within its scope. This statement is effective for fiscal year 2014, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 68, “Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.” The objective of this statement is to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. This statement is effective for fiscal year 2015, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 69, “Government Combinations and Disposals of Government Operations” provides specific accounting and financial reporting guidance for combinations in the governmental environment. Decision-usefulness will also be enhanced by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. This statement is effective for fiscal year 2015, and management has not yet determined the financial statement impact of the pronouncement.

## NOTE 2

### RESTATEMENTS AND RESTRICTED BALANCES

#### Restatement of Beginning Balances

For the year ended June 30, 2012, the Racing Commission, in other component units, has restated beginning net assets for the correction of an error related to the over accrual of receivables in previously issued financial statements in the amount of \$748,000.

An immaterial balance was transferred from the General Fund to the Insurance Commission, in the other governmental funds, which resulted in a \$90,000 beginning Fund Balance adjustment.

The following table summarizes the effect of the governmental restatement adjustments (expressed in thousands):

<u>Entity/Reporting Level</u>	<u>Fund Balance or Net Assets</u>		
	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
Governmental Funds:			
General	\$1,400,096	\$ (90)	\$1,400,006
Other Governmental Funds	512,205	90	512,295
Total Governmental Funds	2,850,730	—	2,850,730
Component Units:			
Other Component Units	59,947	(748)	59,199
Total Component Units	2,926,539	(748)	2,925,791
Government-wide:			
Total Component Units	2,926,539	(748)	2,925,791

#### Restricted Net Assets

The following table summarizes by fund the restricted net assets of each of the funds included in “other” columns at June 30, 2012 (expressed in thousands):

<u>Fund Type/Fund</u>	<u>Total Reporting Entity</u>	<u>Restricted For</u>					<u>Other Specific Fund Purposes</u>
		<u>Capital Projects</u>	<u>Lending Activities</u>	<u>Insurance Activities</u>	<u>Government Operations</u>	<u>Nonexpendable</u>	
Enterprise Funds:							
Drinking Water Treatment Revolving Fund	\$121,375	\$ —	\$121,375	\$ —	\$ —	\$ —	\$ —
Alcohol Beverage Control Administration	1,373	—	1,373	—	—	—	—
West Virginia Prepaid College Plan	481	—	—	—	481	—	—
AccessWV	11,124	—	—	11,124	—	—	—
State Entities Workers' Compensation	23,872	—	—	23,872	—	—	—
	<u>158,225</u>	<u>—</u>	<u>122,748</u>	<u>34,996</u>	<u>481</u>	<u>—</u>	<u>—</u>
Internal Service Funds:							
State Building Fund	62,452	62,452	—	—	—	—	—
Discretely Presented Component Units:							
Educational Broadcasting Authority	237	—	—	—	—	237	—
Solid Waste Management Board	4,382	—	—	—	—	—	4,382
	<u>4,619</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>237</u>	<u>4,382</u>
Total	<u>\$225,296</u>	<u>\$62,452</u>	<u>\$122,748</u>	<u>\$34,996</u>	<u>\$481</u>	<u>\$237</u>	<u>\$4,382</u>

The government-wide statement of net assets reports restricted net assets of \$2,226,407 for the primary government of which \$807,722 is restricted by enabling legislation.

**Restricted Fund Balance**

The following table summarizes, by fund, the restricted fund balance of each of the funds included in “other” columns at June 30, 2012 (expressed in thousands):

<b>Fund Type/Fund</b>	<b>Total Reporting Entity</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Development, Tourism, and Recreation</b>	<b>Education</b>	<b>Public Protection</b>
Governmental Funds:						
Special Revenue Funds:						
Environmental Protection	\$ 40,370	\$ —	\$ —	\$ —	\$ —	\$40,370
Public Service Commission	2,744	—	—	—	—	2,744
Wildlife Resources	40,050	—	—	40,050	—	—
	<u>83,164</u>	<u>—</u>	<u>—</u>	<u>40,050</u>	<u>—</u>	<u>43,114</u>
Capital Projects Funds:						
Education, Arts, Sciences, and Tourism Fund	86,377	86,377	—	—	—	—
Lease Purchase Accounts	10,260	10,260	—	—	—	—
	<u>96,637</u>	<u>96,637</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Debt Service:						
West Virginia Infrastructure and Jobs Development Council	8	—	8	—	—	—
Education, Arts, Sciences, and Tourism Fund	1,002	—	1,002	—	—	—
Lease Purchase Accounts	5,556	—	5,556	—	—	—
Economic Development Project Fund	42,440	—	42,440	—	—	—
	<u>49,006</u>	<u>—</u>	<u>49,006</u>	<u>—</u>	<u>—</u>	<u>—</u>
Permanent Funds:						
Irreducible School	555	—	—	—	555	—
<b>Total</b>	<u>\$229,362</u>	<u>\$96,637</u>	<u>\$49,006</u>	<u>\$40,050</u>	<u>\$555</u>	<u>\$43,114</u>

**NOTE 3****FUND DEFICITS**

Individual funds with net asset/fund balance deficits at June 30, 2012, were as follows (expressed in thousands):

	<b>Net Asset/ Fund Balance Deficit</b>
<b>Special Revenue Funds:</b>	
WORKFORCE West Virginia	\$ 7,931
<b>Enterprise Funds:</b>	
Workers' Compensation Fund	679,184
West Virginia Prepaid College Plan	15,778
<b>Discretely Presented Component Units:</b>	
School Building Authority	<u>173,444</u>
Total Deficits	<u>\$876,337</u>

**Special Revenue Funds**

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 non-allowable expenditures. New guidelines have been issued and fiscal training is being conducted. The recent increase in the deficit can be attributed mainly due to the increase in the OPEB liability.

**Enterprise Funds**

The Workers' Compensation Fund deficit of \$679,184,000 is more fully discussed in Note 14, Risk Management. West Virginia Prepaid College Plan (the Plan) has a net assets deficiency of approximately \$15.8 million as of June 30, 2012. This deficiency was largely caused by investment losses in fiscal years 2002, 2008, and 2009, unexpected tuition increases beginning with the 2002-2003 school year, changes in prior years of estimates of future investment rate of return and tuition growth, and significant 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 all benefits due.

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 \$868,894 for the nine years ended June 30, 2012, leaving the account with a balance of \$15,122,902 at June 30, 2012. Because there was an actuarially determined unfunded liability of approximately \$16.3 million in the Plan as of June 30, 2012, an additional \$1,000,000 was transferred from the Fund to the Escrow Account on October 22, 2012, 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, 2013. 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, 2012, is \$173.4 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 will receive \$23 million per year from an allocation from the West Virginia Department of Education through June 30, 2022, for debt service. At that time, the debt service payments dedicated from the Step 7 of the Department of Education's funding formula will 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 \$498.1 million in bonds outstanding, compared to \$503.5 million at June 30, 2011, a decrease of 1.1%. This decrease of \$5.4 million represents the issuance of the Series 2012A bonds with a par value and capitalized interest of \$27.8 million less the maturity of previously issued bonds in the amount of \$34.8 million during the year. 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.





## **NOTE 4**

### **DEPOSITS AND INVESTMENTS**

#### **Deposits**

The State's deposit policy is described in West Virginia's Code §12-2-2 and 3. All monies are to be maintained in the State's 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, 2012, the reported amount of the primary government's deposits was \$6,979,000 and the bank balance was \$276,689,000. Of that bank balance, \$37,309,000 was uninsured and uncollateralized, and \$7,307,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State.

#### Component Units

At June 30, 2012, the reported amount of the component units' deposits was \$430,964,000 and the bank balance was \$269,846,000. Of that bank balance, \$984,000 was uninsured and uncollateralized, \$18,609,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State, and \$2,400,000 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 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 Code, §12-6C, 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 Coal Workers' 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, §12-6C-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, Reserve, and Municipal Bond Commission pools and accounts are, as permissible under Governmental Accounting Standards Board (GASB) Statement No. 31, as amended by GASB Statement No. 59, 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 exceptions to fair value reporting for the other pools as defined in professional standards are as follows:

<u>Pool</u>	<u>Exception</u>
WV Bank	Nonnegotiable certificates of deposit with redemption terms that do not consider market rates
Loan	Loans receivable arising from real estate lending activities
Reserve	Nonparticipating investment contract with redemption terms that do not consider market rates
Municipal Bond Commission	Irrevocable trust meeting the requirements of a legal or in-substance defeasance

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: West Virginia Board of Treasury Investments, 1900 Kanawha Boulevard East, Charleston, WV 25305 or <http://www.wvbt.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. Governmental funds including the Education, Arts, Sciences, and Tourism Fund; West Virginia Infrastructure and Jobs Development Council; Tobacco Settlement Finance Authority; the Department of Health and Human Resources; and the Department of Administration have investments with bond trustees. The West Virginia Infrastructure and Jobs Development Council enterprise fund also has investments with bond trustees. 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; Economic Development Authority; Parkways Authority; Water Development Authority; School Building Authority; and Higher Education Fund. IMB has operating funds in an institutional Treasury Money Market Fund. The Teachers' Defined Contribution Retirement System of the CPRB and the SMART 529 College Savings Plan have their assets held by outside third parties.

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 mutual 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.

### Derivatives

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, 2012, IMB held derivative financial investments that included: Futures Contracts, Option Contracts, Foreign Exchange Forward Contracts, and Interest Rate Swaps. Additionally, the IMB is indirectly exposed to derivative risk through participation in institutional commingled funds. Credit risk and interest rate risk pertaining to Derivatives are disclosed in each participating pool's section in this note. The change in fair value of derivatives is included in the Unrestricted Investment Earnings on the Government-wide Statement of Activities; Interest and Other Investment Income on the Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds; and Net Appreciation in Fair Value of Investments on the Statement of Changes in Fiduciary Net Assets Fiduciary Funds. The fair value of derivatives is included in the Investments and Cash Equivalents on the Government-wide Statement of Net Assets; Investments on the Statement of Net Assets Proprietary Funds; and Investments on the Statement of Fiduciary Net Assets, Fiduciary Funds. More details of the changes in fair value may be obtained from the financial statements of the WV Investment Management Board.

### Repurchase Agreements

In connection with 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 its Total Return Fixed Income Pool and its Large Cap Domestic Equity 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 futures at fair market value as determined by the exchange on which they are traded. Gains or losses on open futures positions are unrealized. The gains and losses become realized when the position is closed. 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. Investment 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. 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 of a counterparty default and generally will require an initial margin deposit of cash or securities.

As of June 30, 2012, the futures contracts had the following open positions denominated in U.S. dollars (summarized and expressed in thousands):

<u>Open Positions/Pool</u>	<u>Expiration</u>	<u>Value Upon Entering Contract (Notional Value)</u>	<u>Fair Value at June 30, 2012</u>	<u>Change in Fair Value</u>
Long:				
Large Cap Domestic Equity	Sept 2012	\$ 5,764	\$ 5,968	\$ 204
Total Return Fixed Income	Sept 2012	6,563	6,674	111
Short:				
Total Return Fixed Income	Sept 2012	(725,207)	(726,718)	(1,511)

At June 30, 2012, the Large Cap Domestic Equity and the Total Return Fixed Income pools have pledged cash of \$253,000 and \$6,055,000, respectively, and the Total Return Fixed Income Pool had pledged securities of \$3,660,000 to cover initial margin requirements on open futures contracts.

### 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 (seller) 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, minus premiums received. Written option contracts are used 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.

The fair value of the options contracts written at June 30, 2012 was \$(34). Below is a summary of the activity in short (written) option positions in the Total Return Fixed Income pool (premiums expressed in thousands):

	Puts		Calls	
	Number of Contracts	Premiums (Received)/Paid	Number of Contracts	Premiums (Received)/Paid
Options Outstanding at June 30, 2011	(2,344)	\$(4,118)	(1,685)	\$(3,307)
Options Written	(2,012)	(615)	(1,654)	(1,136)
Options Closed	2,892	4,509	2,963	4,260
Options Expired	<u>1,464</u>	<u>224</u>	<u>195</u>	<u>93</u>
Options Outstanding at June 30, 2012	<u>—</u>	<u>\$ —</u>	<u>(181)</u>	<u>\$ (90)</u>

### Foreign Exchange Forward Contracts

A foreign exchange 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, 2012, the IMB was party to outstanding foreign exchange forward contracts to purchase foreign currencies with contract amounts of \$28.2 million, collectively. The fair values of these outstanding contracts were \$28.16 million resulting in a change in fair value of approximately \$750,000. The unrealized gain or loss is reclassified to realized gain or loss when the contract expires and deposited at fair value in the International Equity, Private Real Estate, and the Total Return Fixed Income pools.

### Swaps

Interest rate swaps represent agreements between counterparties to exchange cash flows based on the difference between two interest rates, applied to a notional principal amount for a specified period. Interest rate swaps do not involve the exchange of principal between the parties. Interest is paid or received periodically. Total return swaps represent agreements in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes the income it generates and any capital gains. In total return swaps, the underlying asset, referred to as the reference asset, is usually an equity index, loans, or bonds. This is owned by the party receiving the set rate payment.

### 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 closed its securities lending program in July 2011. The BTI does not believe the increased risk of a securities lending program justifies its continuing participation in the program. Since fiscal year 2009, the BTI wound down its securities lending program in a controlled withdrawal from the program to reduce risk and minimize losses. This strategy allowed the BTI to incorporate a more conservative collateral reinvestment policy, cap the program at a more manageable level, and raise cash for liquidity. In July 2011, the BTI directed its securities lending agent, Clearlend Securities (a division of Wells Fargo), to liquidate the collateral reinvestment pool and recall all loans with the securities lending program. The BTI was required to fund the difference between the sale proceeds and the amount of cash collateral received from the borrowers. The realized loss on the transaction

was \$215,000 for the year ended June 30, 2012. The Bank of New York Mellon, IMB's custodial agent, loans 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 loan. For international securities, the collateral is at least 105% of the market value of the securities on loan. Cash collateral received is invested in a collateral pool. Noncash collateral cannot be pledged or sold unless the borrower defaults. 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. Unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the net increase or decrease in the fair value of the investment. The IMB continues 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. The custodial agents indemnify the IMB against operational errors, loss from borrower failure, which means that the IMB will receive the contractual settlement regardless of whether the borrower returns securities loaned. The IMB is exposed to cash reinvestment risk, which is the risk that cash reinvestment assets would not be sufficient to cover the liability due the broker. As of June 30, 2012, the IMB has no credit risk exposure to borrowers because the amounts the IMB owes the borrowers exceed the amounts the borrowers owe the IMB.

IMB had cash collateral for securities lent in a pool containing securities from Sigma Finance. 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. 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. IMB's share of the Sigma loss, as of that date, was approximately \$11.0 million. 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. Additionally, the IMB has recorded a reserve for the full \$10.1 million 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.

At June 30, 2012, the fair value of securities on loan and collateral held by the pools of the IMB are as follows (expressed in thousands). Of the collateral held, \$240 million was received as cash. The collateral received as cash is invested in the Mellon GSL DBT II Funds.

	<b>Fair Value of Securities on Loan</b>	<b>Collateral Held</b>
Large Cap Domestic Equity	\$ 48,316	\$ 46,385
Non-Large Cap Domestic Equity	36,140	34,896
International Equity	113,088	115,664
Total Return Fixed Income	266,126	269,993
Core Fixed Income Pool	84,459	86,180
TIPS Pool	438,717	447,714
Real Estate Pool	<u>3,963</u>	<u>4,200</u>
Total	<u>\$990,809</u>	<u>\$1,005,032</u>

### Commitments

The IMB, with the assistance of its consultant, began implementing its plan to invest in private real estate and private equity partnerships in February of 2008. As of June 30, 2012, the IMB had made commitments to 26 private equity general partnerships totaling \$967 million. The IMB had funded \$427 million of these commitments at June 30, 2012, leaving unfunded commitments of \$540 million. The IMB also committed \$595 million to 18 real estate investment funds/partnerships. At June 30, 2012, the IMB had funded \$287.9 million of these commitments, leaving unfunded commitments of \$307.1 million.

## Investment Pools

### Schedule of Participation

The participant balances below for the Total Return Fixed Income and the Core Fixed Income pools do not include approximately a \$11.3 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. The following schedule details the participation in the various IMB pools exclusive of those pools comprising the Consolidated Fund or Participant Directed Accounts (expressed in thousands):

	Large Cap Domestic	Non-Large Cap Domestic	International		
			Qualified	Nonqualified	Equity
<b>Primary Government:</b>					
Revenue Shortfall Reserve Fund	\$ —	\$ —	\$ —	\$ —	\$ —
Revenue Shortfall Reserve Fund B	23,721	8,033	—	9,880	22,469
Workers' Compensation Old Fund	68,084	23,050	—	29,749	63,582
Workers' Compensation Self-Insured	781	265	—	332	739
Workers' Compensation Uninsured	661	223	—	291	614
Pneumoconiosis	18,692	6,327	—	8,199	17,334
Wildlife Endowment Fund	7,283	2,467	—	3,125	6,847
Prepaid Tuition Trust Fund	20,019	4,532	—	4,304	8,354
Board of Risk & Insurance Management	9,969	3,376	—	4,327	9,310
Public Employees' Insurance Agency	6,562	2,221	—	2,709	6,208
Access WV	—	—	—	—	—
WV Department of Environmental Protection Trust	1,736	590	—	603	1,221
<b>Total Primary Government</b>	<b>157,508</b>	<b>51,084</b>	<b>—</b>	<b>63,519</b>	<b>136,678</b>
Percentage of Ownership	7.61%	7.32%	—%	72.64%	7.09%
<b>Fiduciary Funds:</b>					
Judges' Retirement System	23,121	7,802	9,901	—	21,658
Emergency Medical Services Retirement System	6,360	2,147	2,593	—	6,056
Public Employees' Retirement System	795,984	269,212	343,311	—	742,277
Teachers' Retirement System	908,381	307,418	393,701	—	851,090
Teachers' Employers Contribution Collection Account	—	—	—	—	—
Municipal Police Officers' and Firefighters' Retirement System	31	10	14	—	27
State Police Retirement System	14,200	4,779	5,717	—	13,451
Public Safety Death, Disability and Retirement Fund	86,641	29,507	37,412	—	82,434
Retiree Health Benefit Trust	56,350	19,078	—	23,929	52,944
Deputy Sheriff's Retirement System	21,171	7,158	9,036	—	19,898
<b>Total Fiduciary Funds</b>	<b>1,912,239</b>	<b>647,111</b>	<b>801,685</b>	<b>23,929</b>	<b>1,789,835</b>
Percentage of Ownership	92.39%	92.68%	100%	27.36%	92.91%
<b>Total Amount</b>	<b>\$2,069,747</b>	<b>\$698,195</b>	<b>\$801,685</b>	<b>\$87,448</b>	<b>\$1,926,513</b>
Percentage of Ownership	100%	100%	100%	100%	100%



Short-Term Fixed Income	Total Return Fixed Income	Core Fixed Income	TIPS	TRS Annuity	Private Equity	Real Estate	Hedge Fund	Totals (Memorandum Only)
\$ 29	\$ 136,333	\$ 73,920	\$ 211,804	\$ —	\$ —	\$ —	\$ —	\$ 422,086
24	140,306	75,840	50,344	—	—	—	—	330,617
93,715	370,417	200,247	96,245	—	—	—	—	945,089
534	3,203	1,732	1,107	—	—	—	2,168	10,861
926	2,379	1,288	934	—	—	—	1,819	9,135
12,017	75,557	40,858	26,446	—	—	—	51,312	256,742
126	5,767	2,784	1,033	—	4,032	2,503	4,055	40,022
1,004	—	39,505	—	—	—	—	—	77,718
7,008	40,518	21,908	14,109	—	—	—	27,434	137,959
9,172	71,384	38,603	27,835	—	—	—	18,261	182,955
1	869	471	1,105	—	—	—	—	2,446
2	1,104	596	680	—	—	—	—	6,532
<u>124,558</u>	<u>847,837</u>	<u>497,752</u>	<u>431,642</u>	<u>—</u>	<u>4,032</u>	<u>2,503</u>	<u>105,049</u>	<u>2,422,162</u>
34.13%	36.71%	41.37%	58.22%	0.00%	0.39%	0.39%	8.52%	18.41%
367	17,901	8,623	3,268	—	12,702	7,928	12,917	126,188
230	5,099	2,463	902	—	3,525	2,177	3,579	35,131
26,949	610,968	294,141	113,259	—	435,948	273,496	443,916	4,349,461
67,224	630,620	299,345	129,355	53,023	503,734	312,255	509,625	4,965,771
142,994	—	—	—	—	—	—	—	142,994
22	25	11	4	—	17	11	16	188
1,417	11,146	5,379	1,998	—	7,821	4,829	7,950	78,687
718	68,131	32,774	12,312	—	48,464	29,721	48,974	477,088
15	101,163	54,696	45,634	—	—	—	88,796	442,605
468	16,635	8,022	3,001	—	11,695	7,273	11,851	116,208
<u>240,404</u>	<u>1,461,688</u>	<u>705,454</u>	<u>309,733</u>	<u>53,023</u>	<u>1,023,906</u>	<u>637,690</u>	<u>1,127,624</u>	<u>10,734,321</u>
65.87%	63.29%	58.63%	41.78%	100.00%	99.61%	99.61%	91.48%	81.59%
<u>\$364,962</u>	<u>\$2,309,525</u>	<u>\$1,203,206</u>	<u>\$741,375</u>	<u>\$53,023</u>	<u>\$1,027,938</u>	<u>\$640,193</u>	<u>\$1,232,673</u>	<u>\$13,156,483</u>
100%	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. Intech Investment Management, LCC and State Street Global Advisors manage assets of this pool. This pool holds equity securities of U.S. companies, exchange-traded stock index futures, 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 which is a collective trust fund that invests in equities denominated in foreign currencies. 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. The value of this investment at June 30, 2012, was \$801,731,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

International Nonqualified

Funds of this pool are invested in Silchester International Investors' Value Equity Trust which is a collective trust fund that invests in equities denominated in foreign currencies. 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*). The value of this investment at June 30, 2012, was \$87,453,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

## International Equity

This pool invests in the equities of international companies. Axiom International Investors, LLC, Brandes Investment Partners, LLC, LSV Asset Management, and Pictet Asset Management Limited 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, 2012, consisted of the following (expressed in thousands):

<u>Currency</u>	<u>Equity Securities</u>	<u>Cash</u>	<u>Total</u>
Australian Dollar	\$ 63,284	\$ 143	\$ 63,427
Brazil Real	77,642	3,441	81,083
British Pound	217,785	404	218,189
Canadian Dollar	83,701	75	83,776
Czech Crown	6,230	-	6,230
Danish Krone	6,858	24	6,882
Emirati Dirham	8,048	-	8,048
Euro Currency Unit	289,347	1,256	290,603
Hong Kong Dollar	152,281	697	152,978
Hungarian Forint	7,620	1	7,621
Indian Rupee	35,768	380	36,148
Indonesian Rupiah	8,313	145	8,458
Israeli Shekel	13,413	103	13,516
Japanese Yen	215,250	9,319	224,569
Malaysian Ringgit	5,067	126	5,193
Mexican Peso	22,072	24	22,096
New Taiwan Dollar	47,733	2,300	50,033
New Zealand Dollar	7,513	58	7,571
Norwegian Krone	21,877	28	21,905
Pakistan Rupee	922	-	922
Philippine Peso	7,751	75	7,826
Polish Zloty	6,708	9	6,717
Singapore Dollar	20,786	46	20,832
South African Rand	51,153	57	51,210
South Korean Won	128,548	2,374	130,922
Swedish Krona	16,126	71	16,197
Swiss Franc	62,607	6	62,613
Thailand Baht	17,882	—	17,882
Turkish Lira	42,295	48	42,343
Subtotal	<u>1,644,580</u>	<u>21,210</u>	<u>1,665,790</u>
United States Currency	<u>257,253</u>	<u>—</u>	<u>257,253</u>
Total Assets	<u>\$1,901,833</u>	<u>\$21,210</u>	<u>\$1,923,043</u>

Short-Term Fixed Income

This pool is structured as a money market fund to maintain sufficient liquidity to fund withdrawals by the participant plans and to invest any 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 expected to meet or exceed the Salomon 90 T-bill index plus 15 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, 2012, of the Short-Term Fixed Income pool's investments (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value Prior to Repurchase Collateral Included</u>	<u>Reclassified Repurchase Agreement to Actual Investment Types</u>	<u>Carrying Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>				
Repurchase Agreements	—	—	\$ 80,588	\$(80,588)	\$ —	—%
U.S. Treasury Bills	Aaa	AA+	71,808	—	71,808	19.6%
Agency Discount Notes	Aaa	AA+	169,173	—	169,173	46.2%
Commercial Paper	P-1	A-1	18,279	—	18,279	5.0%
U.S. Treasury Notes	Aaa	AA+	5,029	81,966	86,995	23.7%
Agency Notes	Aaa	AA+	20,096	—	20,096	5.5%
Total Rated Investments			<u>\$364,973</u>	<u>\$ 1,378</u>	<u>\$366,351</u>	<u>100%</u>

*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):

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (Days)</u>
Repurchase Agreements	\$ 80,588	1
U.S. Treasury Bills	71,808	29
Commercial Paper	18,279	8
Agency Discount Notes	169,173	48
Agency Notes	20,096	95
U.S. Treasury Notes	<u>5,029</u>	153
Total Assets	<u>\$364,973</u>	36

## Total Return Fixed Income

The main objective of the Total Return Fixed Income pool is to earn superior returns with low volatility by actively investing in the extended fixed income markets. Dodge & Cox and Western Asset Management Company, LLP manage this pool. The pool's investment performance, net of external investment management fees, is expected to meet or exceed the Barclays Capital U.S. Universal index.

### Credit Risk

The IMB limits the exposure to credit risk in the Total Return 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 Total Return Fixed Income pool as of June 30, 2012 (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Fair Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>		
Rated:				
Agency Collateralized Mortgage Obligations	Aaa	AA+	\$ 32,536	1.5%
Agency Mortgage-Backed Securities	Aaa	AA+	340,717	15.3%
Corporate Asset-Backed Securities	Aa2	AA-	38,005	1.7%
Corporate Bonds and Notes	Baa2	BBB	754,176	33.7%
Corporate Collateralized Mortgage Obligations	B	B	21,589	1.0%
Corporate Preferred Securities	Ba2	BB	8,572	0.4%
Foreign Government Bonds	Baa1	A-	6,293	0.3%
Municipal Bonds	A1	A	93,246	4.2%
Regulated Investment Companies	Aaa	AAA	184,079	8.2%
U.S. Treasury Bonds and Notes	Aaa	AA+	<u>309,610</u>	<u>13.9%</u>
Total Rated Investments			<u>1,788,823</u>	<u>80.2%</u>
Unrated:				
Commingled Investment Pools			441,868	19.7%
Option Contract Purchased Value			<u>728</u>	<u>0.1%</u>
Total Investment Securities at Fair Value			<u>\$2,231,419</u>	<u>100%</u>

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

*Interest Rate Risk*

The IMB monitors interest rate risk of the Total Return 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 Total Return Fixed Income pool (expressed in thousands):

<u>Security Type</u>	<u>Fair Value</u>	<u>Modified Duration (Years)</u>
Agency Collateralized Mortgage Obligations	\$ 32,536	3.4
Agency Mortgage-Backed Securities	340,717	8.5
Commingled Investment Pools	441,868	2.7
Corporate Asset-Backed Securities	38,005	8.0
Corporate Bonds and Notes	754,176	6.4
Corporate Collateralized Mortgage Obligations	21,589	4.8
Foreign Government Bonds	6,293	7.5
Municipal Bonds	93,246	13.1
Regulated Investment Companies	184,079	0.0
U.S. Treasury Bonds and Notes	<u>309,610</u>	6.7
Total Assets	<u>2,222,119</u>	5.8
Investments with no Interest Rate Risk:		
Option Contract Purchased Value	728	
Corporate Preferred Securities	<u>8,572</u>	
Total Investments with no Interest Rate Risk	<u>9,300</u>	
Total Investment Securities at Fair Value	<u>\$2,231,419</u>	

The Total Return Fixed Income pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. 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, 2012, the Total Return Fixed Income pool held \$432,847,000 of these securities. This represents approximately 20% of the value of the pool's securities.

**Core Fixed Income Pool**

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. JP Morgan Investment Advisors, Inc. manages this pool. This pool's investment performance, net of external investment management fees, is expected to meet or exceed the Barclays Capital US Aggregate index.



*Credit Risk*

The IMB limits the exposure to credit risk in the Core 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 Core Fixed Income pool as of June 30, 2012 (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Fair Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>		
Rated:				
Agency Bonds and Notes	Aaa	AA+	\$ 16,801	1.4%
Agency Collateralized Mortgage Obligations	Aaa	AA+	268,484	22.3%
Agency Mortgage-Backed Securities	Aaa	AA+	173,034	14.4%
U.S. Treasury Bonds and Notes	Aaa	AA+	278,786	23.2%
Corporate Bonds and Notes	A3	A	271,566	22.7%
Corporate Collateralized Mortgage Obligations	A1	AA+	145,724	12.1%
Corporate Asset-Backed Securities	Aa2	AA+	30,397	2.5%
Regulated Investment Companies	Aaa	AAA	11,728	1.0%
Municipal Bonds	Aa3	AA-	<u>4,781</u>	<u>0.4%</u>
Total Rated Investments			<u>\$1,201,301</u>	<u>100%</u>

*Interest Rate Risk*

The IMB monitors interest rate risk of the Core 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 Core Fixed Income pool (expressed in thousands):

<u>Security Type</u>	<u>Fair Value</u>	<u>Modified Duration (Years)</u>
U.S. Treasury Bonds and Notes	\$ 278,786	6.8
Agency Collateralized Mortgage Obligations	268,484	3.6
Corporate Bonds and Notes	271,566	5.7
Agency Mortgage-Backed Securities	173,034	6.9
Corporate Collateralized Mortgage Obligations	145,724	3.1
Regulated Investment Companies	11,728	0.0
Agency Bonds and Notes	16,801	5.0
Corporate Asset-Backed Securities	30,397	1.9
Municipal Bonds	<u>4,781</u>	<u>12.6</u>
Total Assets	<u>\$1,201,301</u>	5.0

The Core Fixed Income pool invests approximately \$618 million in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. At June 30, 2012, this represents approximately 51% of the value of the pool's securities.

TIPS Pool

The pool invests in Treasury Inflation-Protected Securities (TIPS) and its objective is to match the performance of the Barclay’s Capital U.S. TIPS Bond Index on an annualized basis over rolling three-year to five-year periods, gross of fees. Assets are managed by State Street Global Advisors.

*Credit Risk*

The IMB limits the exposure to credit risk in the 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 rated assets in the pool as of June 30, 2012 (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Fair Value</u>	<u>Percent of Assets</u>
	<u>Moody’s</u>	<u>S&amp;P</u>		
Rated:				
U.S. Treasury Issues*	Aaa	AA+	\$738,767	99.9%
Money Market Funds	Aaa	AAA	<u>406</u>	<u>0.1%</u>
Total Rated Investments			<u>\$739,173</u>	<u>100%</u>

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

*Interest Rate Risk*

The IMB monitors interest rate risk of the pool by evaluating 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 pool as of June 30, 2012 (expressed in thousands):

<u>Security Type</u>	<u>Fair Value</u>	<u>Modified Duration (Years)</u>
U.S. Treasury Issues	\$738,767	8.1
Money Market Funds	<u>406</u>	—
Total Assets	<u>\$739,173</u>	8.1

TRS Annuity Pool

The pool holds 100% of investment in an investment contract strictly for the benefit of the Teachers Retirement System (TRS). The IMB assumed responsibility for this investment as part of the restructuring of the Teachers Defined Contribution (TDC) plan, a separate retirement plan outside of the IMB, whereby certain TDC participants elected to transfer the ownership of their individual TDC retirement accounts to the TRS in exchange for current participation in the TRS defined benefit plan. The contract, issued by the Variable Annuity Life Insurance Company (VALIC), could not be liquidated as part of the restructuring, and was transferred in-kind to the IMB on December 10, 2008. The final

amount transferred on the contract was \$248,293,000. Effective April 23, 2009, the IMB elected to liquidate this contract and will receive five equal annual payments of \$55,058,000. The first scheduled payments were received on May 4, 2009, 2010, 2011, and 2012. Final payment will be received on May 4, 2013. The contract and the payments include a guaranteed annual interest yield of 4.5%. VALIC is a wholly-owned subsidiary of American International Group, Inc. (AIG), but is not in bankruptcy.

### Private Equity

This pool was established 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 Standards & Poor's and Aaa by Moody's.

### Real Estate

This pool was established to hold the IMB's investments in real estate funds, real estate limited partnerships and real estate investment trusts (REITs). Courtland Partners, Ltd. has been retained by the IMB to provide consulting services for the real estate funds and limited partnerships. The REITs are managed by European Investors, Inc., CBRE Clarion Securities, LLC., and Security Capital Research & Management Inc.

### *Credit Risk*

The IMB limits the exposure to credit risk in the Real Estate 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 rated assets in the Private Real Estate pool as of June 30, 2012 (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Fair Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>		
Rated:				
Corporate Bonds and Notes	Baa	BBB-	\$114,420	18.0%
Regulated Investment Companies	Aaa	AAA	<u>18,677</u>	<u>3.0%</u>
Total Rated Investments			133,097	21.0%
Unrated Investments:				
Equity Securities			190,797	29.9%
Securities Lending Collateral Funds			4,200	0.6%
Investments in Other Funds			<u>308,863</u>	<u>48.5%</u>
Total Unrated Investments			503,860	79.0%
Total Investments			<u>\$636,957</u>	<u>100%</u>

## West Virginia

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### *Interest Rate Risk*

The IMB monitors interest rate risk of the Real Estate 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 Private Real Estate pool (expressed in thousands):

<u>Security Type</u>	<u>Fair Value</u>	<u>Modified Duration (Years)</u>
Rated:		
Corporate Bonds and Notes	\$114,420	6.0
Regulated Investment Companies	<u>18,677</u>	—
Total Rated Assets	133,097	5.2
Unrated Investments:		
Equity Securities	190,797	
Securities Lending Collateral Funds	4,200	
Investments in Other Funds	<u>308,863</u>	
Total Unrated Assets	503,860	
Total Assets	<u>\$636,957</u>	

### *Foreign Currency Risk*

The pool has real estate investment trusts, shares of an institutional commingled fund, 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 these securities and cash denominated in foreign currencies as of June 30, 2012, consisted of the following (expressed in thousands):

<u>Currency</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>
Australian Dollar	\$ 3,401	\$ —	\$ 3,401
Brazil Real	55	—	55
British Pound	11,622	—	11,622
Canadian Dollar	2,914	—	2,914
Euro Currency Unit	4,516	4	4,520
Hong Kong Dollar	6,843	11	6,854
Japanese Yen	5,662	—	5,662
Polish Zloty	845	—	845
Singapore Dollar	2,152	—	2,152
South Korean Won	549	—	549
Swedish Krona	415	—	415
Thailand Baht	<u>476</u>	<u>—</u>	<u>476</u>
Subtotal	<u>39,450</u>	<u>15</u>	<u>39,465</u>
United States Currency	<u>597,507</u>	<u>(32)</u>	<u>597,475</u>
Total Assets	<u>\$636,957</u>	<u>\$(17)</u>	<u>\$636,940</u>

### Hedge Fund

This pool was established to hold the IMB's investments in hedge funds. Albourne America, LLC has been retained by the IMB to provide consulting services for this investment strategy. This pool holds shares in various commingled institutional funds and shares of a money market that is rated AAA by Standard & Poor's and Aaa by Moody's. Since certain

funds in the pool have funds denominated in foreign currency, approximately 41% of the pool's market value is indirectly exposed to foreign currency risk.

### Consolidated Fund

The Consolidated Fund is a statutory term for the collective investment of those monies not 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 participant-directed accounts comprise the Consolidated Fund and are managed by the BTI.

### **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. 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 credit ratings as of June 30, 2012, of the WV Money Market pool's investments (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>		
Commercial Paper	P1	A-1	\$ 853,470	30.62%
Corporate Bonds/Notes	Aa2	AA-	15,000	0.54%
	Aa3	AA-	13,000	0.47%
	Aa3	A+	<u>8,000</u>	<u>0.29%</u>
Total Corporate Bonds/Notes			<u>36,000</u>	<u>1.30%</u>
U.S. Agency Bonds	Aaa	AA+	189,691	6.80%
U.S. Treasury Notes*	Aaa	AA+	330,865	11.87%
U.S. Treasury Bills*	Aaa	AA+	237,978	8.54%
Negotiable Certificates of Deposit	P1	A-1	110,000	3.95%
U.S. Agency Discount Notes	P1	A-1+	738,706	26.50%
Money Market Funds	Aaa	AAAm	200,054	7.18%
Repurchase Agreements (Underlying Securities)				
U.S. Treasury Notes*	Aaa	AAA	<u>90,204</u>	<u>3.24%</u>
Total			<u>\$2,786,968</u>	<u>100%</u>

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

## West Virginia

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### 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, except for government floating rate notes, which can be up to 731 days. 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):

<u>Security Type</u>	<u>Total Carrying Value</u>	<u>Primary Government</u>	<u>Investment Trust Funds</u>	<u>Agency Funds</u>	<u>Component Units</u>	<u>WAM (Days)</u>
Commercial Paper	\$ 853,470	\$ 615,352	\$21,337	\$12,290	\$204,491	35
U.S. Treasury Bills	237,978	171,582	5,949	3,427	57,020	37
Corporate Bonds/Notes	36,000	25,956	900	518	8,626	48
Negotiable Certificates of Deposit	110,000	79,311	2,750	1,584	26,355	10
U.S. Agency Bonds/Notes	189,691	136,767	4,742	2,732	45,450	68
U.S. Agency Discount Notes	738,706	532,607	18,468	10,637	176,994	44
Money Market Funds	200,054	144,239	5,001	2,881	47,933	1
U.S. Treasury Notes Repurchase Agreements (Underlying Securities):						
U.S. Treasury Notes	90,204	65,037	2,255	1,299	21,613	3
U.S. Agency Notes	—	—	—	—	—	3
Total	<u>\$2,786,968</u>	<u>\$2,009,405</u>	<u>\$69,674</u>	<u>\$40,132</u>	<u>\$667,757</u>	46
Percentage of Ownership	100%	72.10%	2.50%	1.44%	23.96%	

### 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 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, 2012, of the WV Government Money Market pool's investments (expressed in thousands):



<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>		
U.S. Agency Bonds	Aaa	AA+	\$ 23,004	7.68%
U.S. Treasury Notes*	Aaa	AA+	103,324	34.48%
U.S. Treasury Bills	Aaa	AA+	4,999	1.67%
U.S. Agency Discount Notes	P1	A-1+	76,397	25.50%
Money Market Funds	Aaa	AAAm	5	—%
Repurchase Agreements (Underlying Securities)				
U.S. Treasury Notes	Aaa	AAA	46,900	15.65%
U.S. Agency Notes	Aaaa	AAA	<u>45,000</u>	<u>15.02%</u>
Total Repurchase Agreements			<u>91,900</u>	<u>30.67%</u>
Total			<u>\$299,629</u>	<u>100%</u>

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

### *Interest Rate Risk*

The overall weighted-average maturity of the investments of the WV Government Money Market pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 731 days. 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):

<u>Security Type</u>	<u>Total Carrying Value</u>	<u>Primary Government</u>	<u>Investment Trust Funds</u>	<u>Component Units</u>	<u>WAM (Days)</u>
U.S. Agency Discount Notes	\$ 76,397	\$1,635	\$ 63,753	\$11,009	52
U.S. Agency Bonds/Notes	23,004	492	19,197	3,315	9
U.S. Treasury Bills	4,999	107	4,172	720	62
Money Market Funds	5	—	4	1	1
U.S. Treasury Notes	103,324	2,211	86,224	14,889	111
Repurchase Agreements (Underlying Securities)					
U.S. Treasury Notes	46,900	1,004	39,138	6,758	3
U.S. Agency Notes	<u>45,000</u>	<u>962</u>	<u>37,553</u>	<u>6,485</u>	3
Total	<u>\$299,629</u>	<u>\$6,411</u>	<u>\$250,041</u>	<u>\$43,177</u>	54
Percentage of Ownership	100%	2.14%	83.45%	14.41%	

## 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 is managed by Federated Investors.

### *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, 2012, of the WV Short-Term Bond pool's investments (expressed in thousands):

Security Type	Credit Rating		Fair Value	Percent of Assets	
	Moody's	S&P			
Corporate Asset-Backed Securities	Aaa	AAA	\$ 95,628	18.99%	
	Aaa	NR*	38,524	7.64%	
		NR	3,900	0.77%	
	**	B1	CCC	896	0.18%
	**	B3	BB	311	0.06%
	**	B3	BBB-	53	0.01%
	**	B3	CCC	280	0.06%
	**	Caa2	CCC	186	0.04%
	**	Caa3	CCC	243	0.05%
	**	Caa3	D	26	0.01%
	**	Ca	CCC	586	0.12%
		NR	NR	<u>3,786</u>	<u>0.75%</u>
	Total Corporate Asset-Backed Securities			<u>144,419</u>	<u>28.68%</u>
Corporate Bonds/Notes	Aa2	AA+	9,025	1.79%	
	Aa3	AA-	15,666	3.11%	
	Aa3	A	23,032	4.57%	
	A1	AA	12,145	2.41%	
	A1	A+	30,684	6.09%	
	A2	A	39,064	7.76%	
	A3	A-	7,755	1.54%	
	A3	BBB+	3,006	0.60%	
	Baa1	A-	4,162	0.83%	
	Baa2	A-	<u>6,709</u>	<u>1.33%</u>	
Total Corporate Bonds/Notes			<u>151,248</u>	<u>30.03%</u>	
U.S. Agency Bonds	Aaa	AA+	45,024	8.94%	
U.S. Treasury Notes	***	Aaa	44,251	8.79%	
U.S. Agency Mortgage-Backed Securities	****	Aaa	77,065	15.30%	
Money Market Funds	Aaa	AAAm	<u>41,610</u>	<u>8.26%</u>	
Total			<u>\$503,617</u>	<u>100%</u>	

\* NR = Not Rated

\*\* These securities were not in compliance with BTI Investment Policy at June 30, 2012. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

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

\*\*\*\* U.S. Agency Mortgage-Backed securities are explicitly guaranteed by the United States government and are not subject to credit risk.

*Interest Rate Risk*

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

<u>Security Type</u>	<u>Total Carrying Value</u>	<u>Primary Government</u>	<u>Investment Trust Funds</u>	<u>Component Units</u>	<u>Effective Duration (Days)</u>
Corporate Notes	\$151,248	\$142,581	\$ 544	\$ 8,123	242
U.S. Agency Bonds/Notes	45,024	42,444	162	2,418	23
U.S. Treasury Bonds/Notes	44,251	41,715	160	2,376	366
Corporate Asset-Backed Securities	144,419	136,144	520	7,755	250
U.S. Agency Mortgage-Backed Securities	77,065	72,650	277	4,138	13
Money Market Funds	<u>41,610</u>	<u>39,226</u>	<u>150</u>	<u>2,234</u>	1
Total	<u>\$503,617</u>	<u>\$474,760</u>	<u>\$1,813</u>	<u>\$27,044</u>	180
Percentage of Ownership	100%	94.27%	0.36%	5.37%	

**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 \$52.5 million, with maturities ranging from October 2011 to March 2013.

**Loss Amortization**

This pool was closed during the fiscal year. It had been 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. On August 15, 2011, the US Treasury Principal Strip held in the pool matured. At maturity, the proceeds from the investment, approximately \$188,557,000, were transferred to the State Participation Account in the WV Money Market pool in satisfaction of the amounts provided from general operating funds of the State.

**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

\$60,000 with a weighted-average maturity of one day which is rated AAAM 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.

### **Reserve**

This pool is composed of an interest-bearing depository account with funds totaling approximately \$19,034,000 in a bank depository. The pool was created to provide an added layer of security for the WV Money Market and WV Government Money Market Pools. The objective of this pool is to provide support for the WV Money Market and WV Government Money Market Pools to ensure their unit net asset levels do not fall below \$0.9975. The State is the sole participant in this pool.

### **Participant-Directed Accounts**

The BTI also maintains pools for individual state agencies with specific investment needs. These pools include the following: Municipal Bond Commission, School Fund, and Economic Development Authority–American Woodmark (EDA–AW). 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):

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (Days)</u>
U.S. Treasury Strips	\$ 2,909	683
U.S. Treasury Bonds/Notes	4,508	1,821
State and Local Government Securities	<u>137,688</u>	614
Total Assets	<u>\$145,105</u>	653

School Fund

The School Fund account holds an interest in a money market mutual fund valued at \$1,555,000 with a weighted-average maturity of one day. The mutual fund is rated AAAM by Standard & Poor's and Aaa by Moody's as of June 30, 2012 (expressed in thousands):

<u>Security Type</u>	<u>Fair Value</u>	<u>Interest Rate Risk</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
<b>Governmental Activities:</b>					
Money Market	\$1,555	\$1,555	\$—	\$—	\$—

EDA-AW

This account holds a U.S. Treasury bond valued at \$2,099,000 that matures on August 15, 2023. The Economic Development Authority's investment policy limits this account to holding only U.S. Treasury securities with 20-year maturities at time of purchase (expressed in thousands):

<u>Security Type</u>	<u>Fair Value</u>	<u>Interest Rate Risk</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
<b>Component Unit Activities:</b>					
U.S. Treasury Bond	\$2,099	\$—	\$—	\$—	\$2,099

## West Virginia

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, 2012 (expressed in thousands):

	<b>Disclosed Value</b>	<b>Pool Receivables/ (Payables)</b>	<b>Net Asset Values</b>
<b><u>IMB Pools</u></b>			
Large Cap Domestic Equity	\$ 2,070,473	\$ (726)	\$ 2,069,747
Non-Large Cap Domestic Equity	698,625	(430)	698,195
International Qualified	801,731	(46)	801,685
International Nonqualified	87,453	(5)	87,448
International Equity*	1,901,833	24,680	1,926,513
Short-Term Fixed Income	364,973	39	365,012
Total Return Fixed Income*	2,231,419	78,106	2,309,525
Core Fixed Income	1,201,301	1,905	1,203,206
TIPS Pool	739,173	2,202	741,375
TRS Annuity Pool	53,093	(70)	53,023
Private Equity	1,027,697	241	1,027,938
Real Estate*	636,957	3,236	640,193
Hedge Fund	1,033,463	199,210	1,232,673
<b><u>BTI Pools</u></b>			
WV Money Market Pool	2,786,968	1,076	2,788,044
WV Government Money Market Pool	299,629	418	300,047
WV Short-Term Bond Pool	503,617	675	504,292
WV Bank Pool	52,507	83	52,590
Loan Pool	106,731	94	106,825
Municipal Bond Commission Account	145,105	45	145,150
School Fund Account	1,555	—	1,555
Reserve Pool	19,034	7	19,041
EDA-AW	<u>2,099</u>	<u>34</u>	<u>2,133</u>
Total Pooled Investments	<u>16,765,436</u>	<u>310,774</u>	<u>17,076,210</u>
Less EDA	106,671	—	106,671
Less MBC	145,105	45	145,150
Less Nonnegotiable Certificates of Deposits	52,507	83	52,590
Less Reserve Pool in Depository	<u>19,034</u>	<u>7</u>	<u>19,041</u>
Total for Disclosure	<u>\$16,442,119</u>	<u>\$310,639</u>	<u>\$16,752,758</u>

\* Pools had cash denominated in foreign currencies.

## 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, 2012 (expressed in thousands):

Security Type	Fair Value	Credit Rating	
		S&P	Moody's
<b>Primary Government:</b>			
Guaranteed Investment Contracts	\$ 5,758	AAA	Aa3
Money Market/Mutual Funds	18,990	Unrated	Unrated
	10,261	AAAm	AAA-mf
	89,691	AAAm	Unrated
	208,923	AAAm	Aaa-mf
	399	Unrated	Unrated
	31,540	AAAm	Aaa
	5,930	AAA	Aaa
Repurchase Agreement	71,181	AAA	Aaa
U.S. Government and Agency Obligations	<u>99,972</u>	AAAm	Aaa-mf
	<u>\$ 542,645</u>		
<b>Pension &amp; Private Purpose Trust Funds:</b>			
Money Market/Mutual Funds	<u>\$1,934,358</u>	Unrated	Unrated
<b>Component Units:</b>			
Commercial Paper	\$ 1,108	Aaa	AAAm
Common and Preferred Stocks	7,585	Unrated	Unrated
Corporate Bonds	4,929	Unrated	Unrated
Corporate Stock	313	Unrated	Unrated
Fixed Income Fund	4,853	AA+	Aa2
Money Market/Mutual Funds	27,245	AAAm	Aaa-mf
	1,851	AA-	A
	3,684	A+	Unrated
	3,464	Unrated	AA-
	3,886	AAA	Unrated
	965	AA-	Unrated
	6,869	BBB+	Unrated
	727	Unrated	AAA
	1	AAA	Aaa
	3,663	Aaf	AAA
	4,664	Unrated	A+
	251,300	Unrated	Unrated
	343,455	AAAm	Aaa
Mortgages Held for Investment	19,744	Unrated	Unrated
Other Investments	555	Unrated	AA
	128,891	Unrated	Unrated
Repurchase Agreements	1,532	AA+	AA+
	17,305	Unrated	Unrated
State and Local Government Securities	1,540	AA	Aa1
	7	Unrated	A1
	950	A+	Aa3
U.S. Government and Agency Obligations	96,577	AA+	Aaa
	96,378	Unrated	Unrated
	<u>189,184</u>	AA+	Aa3
	<u>\$1,223,225</u>		



## West Virginia

### Concentration of Credit Risk

As of June 30, 2012, 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):

<u>Security Type</u>	<u>Fair Value</u>	<u>Issuer</u>	<u>Percentage of Concentration</u>
<b>Primary Government:</b>			
Repurchase Agreement	\$ 71,181	DEPFA Bank, PLC	13.1%
<b>Component Units:</b>			
Other Investments	123,512	Invested by the Foundations of the Higher Education institutions which are reported under FASB and the information is not available	10.1%

### Interest Rate Risk

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

<u>Security Type</u>	<u>Interest Rate Risk</u>					
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>	<u>N/A</u>
<b>Primary Government:</b>						
Guaranteed Investment Contracts	\$ 24,748	\$ —	\$ 5,758	\$18,990	\$ —	\$ —
Money Market/Mutual Funds	346,744	346,744	—	—	—	—
Repurchase Agreements*	71,181	—	—	—	71,181	—
U.S. Government & Agency Obligations	99,972	99,972	—	—	—	—
<b>Total Primary Government</b>	<u>542,645</u>	<u>446,716</u>	<u>5,758</u>	<u>18,990</u>	<u>71,181</u>	<u>—</u>
<b>Pension &amp; Private Purpose Trust Funds:</b>						
Money Market/Mutual Funds	1,934,358	1,934,358	—	—	—	—
<b>Component Units:</b>						
Commercial Paper	1,108	1,108	—	—	—	—
Common and Preferred Stocks	7,585	—	—	—	7,585	—
Corporate Bonds	4,929	4,929	—	—	—	—
Corporate Stock	313	313	—	—	—	—
Fixed Income Fund	4,853	560	1,923	1,643	727	—
Money Market/Mutual Funds	651,774	572,279	11,744	12,619	1,708	53,424
Mortgages Held for Investment	19,744	—	1,197	1,340	17,207	—
Other Investments	129,446	112,901	1,787	—	—	14,758
Repurchase Agreements**	18,837	17,305	1,532	—	—	—
State and Local Government Securities	2,497	2,490	7	—	—	—
U.S. Government & Agency Obligations	382,139	116,477	151,330	11,389	47,354	55,589
<b>Total Component Units</b>	<u>1,223,225</u>	<u>828,362</u>	<u>169,520</u>	<u>26,991</u>	<u>74,581</u>	<u>123,771</u>
<b>Total Outside Investments</b>	<u>\$3,700,228</u>	<u>\$3,209,436</u>	<u>\$175,278</u>	<u>\$45,981</u>	<u>\$145,762</u>	<u>\$123,771</u>

#### Underlying Securities:

\*Primary Government:

Federal Agency Obligations \$76,068,000

\*\*Component Units:

\$17,305,000 is invested by the Foundations at the Higher Education institutions which are reported under FASB and the information is not available.

\$1,532,021 is invested in:

Governmental National Mortgage Association	\$908,844
Federal Home Loan Mortgage	33,199
US Veterans Affairs Gtd REMIC	828,172

## 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, 2012 (expressed in thousands):

### Deposits:

Cash and Cash Equivalents as Reported on the Statement of Net Assets	\$ 5,149,175
Cash and Cash Equivalents as Reported on the Statement of Fiduciary Net Assets	457,760
Add:	
Restricted Cash and Cash Equivalents as Reported on the Statement of Net Assets	305,281
Restricted Cash and Cash Equivalents as Reported on the Statement of Fiduciary Net Assets	3,941
Nonnegotiable Certificates of Deposit Disclosed as Deposits	96,529
Less:	
Cash Equivalents and Restricted Cash Disclosed as Investments	(5,434,063)
Cash with U.S. Treasury for Unemployment Programs	<u>(140,680)</u>
Reported Value of Deposits as Disclosed in this Footnote	<u>\$ 437,943</u>

### Investments:

Investments as Reported on the Statement of Net Assets	\$ 2,230,731
Investments as Reported on the Statement of Fiduciary Net Assets	12,681,562
Add:	
Restricted Investments as Reported on the Statement of Net Assets	209,137
Cash Equivalents and Restricted Cash Disclosed as Investments	5,434,063
Less:	
Nonnegotiable Certificates of Deposit Disclosed as Deposits	(96,529)
Accrued Interest Disclosed as Investments	<u>( 5,978)</u>
Reported Value of Investments as Disclosed in this Footnote	<u>\$20,452,986</u>

**NOTE 5**

**RECEIVABLES**

(Expressed in Thousands)

Receivables at June 30, 2012, consisted of the following:

	<b>Governmental Funds</b>				<b>Total Governmental Receivables</b>
	<b>General</b>	<b>Transportation</b>	<b>Tobacco Settlement Finance Authority</b>	<b>Other Governmental</b>	
Taxes	\$464,155	\$ 74,865	\$ —	\$ —	\$539,020
Accounts	194,460	87,055	35,703	10,546	327,764
Loans	4,842	—	—	—	4,842
Accrued Interest	<u>4,757</u>	<u>—</u>	<u>2</u>	<u>1,006</u>	<u>5,765</u>
Total Receivables	668,214	161,920	35,705	11,552	877,391
Allowance for Doubtful Accounts	<u>(89,548)</u>	<u>—</u>	<u>—</u>	<u>(2,220)</u>	<u>(91,768)</u>
Receivables, Net	<u>\$578,666</u>	<u>\$161,920</u>	<u>\$35,705</u>	<u>\$ 9,332</u>	<u>\$785,623</u>
As reported on the Fund Financial Statements:					
Current Receivables	\$578,666	\$161,920	\$35,705	\$ 9,332	\$785,623
Noncurrent Receivables	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Receivables, Net	<u>\$578,666</u>	<u>\$161,920</u>	<u>\$35,705</u>	<u>\$ 9,332</u>	<u>\$785,623</u>

	<b>Fiduciary Funds</b>		
	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>SMART 529</b>	<b>Agency Funds</b>
Accounts	\$29,305	\$ —	\$ —
Loans	7,667	—	—
Leases	—	—	—
Contributions Receivable	39,051	2,063	—
Accrued Interest	<u>—</u>	<u>—</u>	<u>192</u>
Total Receivables	76,023	2,063	192
Allowance for Doubtful Accounts	<u>(735)</u>	<u>—</u>	<u>—</u>
Receivables, Net	<u>\$75,288</u>	<u>\$2,063</u>	<u>\$192</u>
As reported on the Fund Financial Statements:			
Current Receivables, Net	\$75,288	\$2,063	\$192
Noncurrent Receivables, Net	<u>—</u>	<u>—</u>	<u>—</u>
Receivables, Net	<u>\$75,288</u>	<u>\$2,063</u>	<u>\$192</u>

Enterprise Funds

Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation	West Virginia Infrastructure and Jobs Development Council	Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise	Total Enterprise	Internal Service Funds
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
383	20,583	59,257	19	17,762	996	1,520	100,520	5,840
491,005	—	—	480,447	—	—	100,283	1,071,735	—
—	—	—	2,063	—	—	107	2,170	—
491,388	20,583	59,257	482,529	17,762	996	101,910	1,174,425	5,840
—	—	—	—	(1,912)	—	—	(1,912)	—
<u>\$491,388</u>	<u>\$20,583</u>	<u>\$59,257</u>	<u>\$482,529</u>	<u>\$15,850</u>	<u>\$996</u>	<u>\$101,910</u>	<u>\$1,172,513</u>	<u>\$5,840</u>
\$ 27,621	\$20,583	\$59,257	\$ 20,965	\$15,850	\$996	\$ 7,152	\$ 152,424	\$5,840
463,767	—	—	461,564	—	—	94,758	1,020,089	—
<u>\$491,388</u>	<u>\$20,583</u>	<u>\$59,257</u>	<u>\$482,529</u>	<u>\$15,850</u>	<u>\$996</u>	<u>\$101,910</u>	<u>\$1,172,513</u>	<u>\$5,840</u>

Discretely Presented Component Units

West Virginia Lottery	Economic Development Authority	Housing Development Fund	Parkways Authority	Water Development Authority	Higher Education	Regional Jail Authority	School Building Authority	Other Component Units	Total Discretely Presented Component Units
\$36,666	\$ —	\$839,062	\$2,548	\$ 20	\$104,153	\$15,547	\$115	\$1,292	\$ 999,403
—	137,033	63,238	—	236,219	66,257	—	—	6,269	509,016
—	22,116	—	—	—	—	—	—	—	22,116
—	—	—	—	—	—	—	—	—	—
—	4,080	272	55	3,451	—	—	250	—	8,108
36,666	163,229	902,572	2,603	239,690	170,410	15,547	365	7,561	1,538,643
—	(5,800)	(97,644)	—	—	(32,670)	—	—	—	(136,114)
<u>\$36,666</u>	<u>\$157,429</u>	<u>\$804,928</u>	<u>\$2,603</u>	<u>\$239,690</u>	<u>\$137,740</u>	<u>\$15,547</u>	<u>\$365</u>	<u>\$7,561</u>	<u>\$1,402,529</u>
\$36,666	\$ 12,353	\$ 7,988	\$2,603	\$ 9,819	\$ 91,112	\$15,547	\$365	\$1,629	\$ 178,082
—	145,076	796,940	—	229,871	46,628	—	—	5,932	1,224,447
<u>\$36,666</u>	<u>\$157,429</u>	<u>\$804,928</u>	<u>\$2,603</u>	<u>\$239,690</u>	<u>\$137,740</u>	<u>\$15,547</u>	<u>\$365</u>	<u>\$7,561</u>	<u>\$1,402,529</u>

**Taxes Receivable**

Taxes receivable at June 30, 2012, consisted of the following:

	<u>Governmental Funds</u>		
	<u>General</u>	<u>Transportation</u>	<u>Total</u>
Taxes Receivable:			
Consumer Sales & Use	\$128,787	\$ —	\$128,787
Personal Income	167,646	—	167,646
Severance	45,455	—	45,455
Business & Occupation	10,721	—	10,721
Automobile Privilege Taxes	—	16,468	16,468
Gasoline Excise	—	55,532	55,532
Registration Fees	—	2,865	2,865
Insurance	35,982	—	35,982
Corporate Net Income	21,398	—	21,398
Medicaid	47,421	—	47,421
Other	<u>6,745</u>	<u>—</u>	<u>6,745</u>
	464,155	74,865	539,020
Refunds Allowance	<u>(27,213)</u>	<u>—</u>	<u>(27,213)</u>
Total	<u>\$436,942</u>	<u>\$74,865</u>	<u>\$511,807</u>

**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:

<u>Year Ended June 30</u>	<u>Direct Financing Leases Amounts Due</u>
2013	\$ 3,259
2014	3,259
2015	2,438
2016	1,852
2017	1,852
2018-2034	<u>14,252</u>
Total Minimum Amount Due	26,912
Less Amount Representing Interest	<u>(4,796)</u>
Present Value of Minimum Lease Amount Due	<u>\$22,116</u>



**NOTE 6**

**INTERFUND BALANCES**

The following table details the interfund balances and activity as of and for the year ended June 30, 2012 (expressed in thousands):

	<u>Due From</u>		
	<u>Governmental</u>		
<u>Due To</u>	<u>General</u>	<u>Transportation</u>	<u>Other Nonmajor</u>
Governmental Funds:			
General	\$ —	\$ 191	\$ —
Transportation	515	—	—
Tobacco Settlement Finance Authority	645,299	—	—
Other Nonmajor Governmental	<u>18</u>	<u>—</u>	<u>—</u>
Total Governmental Funds	<u>645,832</u>	<u>191</u>	<u>—</u>
Proprietary Funds:			
Water Pollution Control Revolving Fund	7	—	—
Unemployment Compensation	379	49	—
Public Employees' Insurance Agency	779	1,920	5
Other Nonmajor Enterprise	1,091	72	48
Internal Service Funds	<u>5,976</u>	<u>1,378</u>	<u>42</u>
Total Proprietary Funds	<u>8,232</u>	<u>3,419</u>	<u>95</u>
Fiduciary Funds:			
Pension and Other Employee Benefit Trust Funds	<u>1,265,575</u>	<u>133,544</u>	<u>22,273</u>
<u>Discretely Presented Component Units</u>			
Major:			
West Virginia Lottery	—	—	—
Economic Development Authority	—	—	—
Parkways Authority	—	—	—
Water Development Authority	—	—	—
Higher Education	35,302	878	13
Regional Jail Authority	36	—	—
Nonmajor:			
Educational Broadcasting Authority	179	—	—
State Rail Authority	<u>36</u>	<u>—</u>	<u>—</u>
Total Discretely Presented Component Units	<u>35,553</u>	<u>878</u>	<u>13</u>
Total	<u>\$1,955,192</u>	<u>\$138,032</u>	<u>\$22,381</u>

The General Fund Due To Other Funds includes \$165 million to the Public Employees' Retirement System (see the Commitments section of Note 15) and \$30.1 million to Higher Education for educational programs.

The Public Employees' Insurance Agency includes \$4.5 million due from the Other Employee Benefit Trust Fund (RHBT) for benefits paid on its behalf.

The Tobacco Settlement Finance Authority records a Due From the General Fund for the deferred revenue related to the sale of MSA tobacco revenues.



**Due From**

Proprietary						Pension and Other Employee Benefit Trust Funds	Discretely Presented Component Units	Total
Water Pollution Control Revolving Fund	West Virginia Infrastructure and Jobs Development Council	Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Nonmajor Enterprise	Internal Service Funds			
\$ —	\$ —	\$232	\$ —	\$ 18	\$ 542	\$ —	\$212,469	\$ 213,452
—	—	32	—	—	—	—	—	547
—	—	—	—	—	—	—	—	645,299
—	—	11	—	—	—	—	1,000	1,029
—	—	275	—	18	542	—	213,469	860,327
—	—	—	—	—	—	—	—	7
—	—	—	—	—	—	4	115	547
—	—	—	—	—	—	4,547	1,596	8,847
—	—	—	—	2	8	—	158	1,379
—	—	116	19	20	446	74	262	8,333
—	—	116	19	22	454	4,625	2,131	19,113
336	—	—	192	2,134	9,403	—	327,050	1,760,507
—	—	5	—	—	—	—	—	5
—	—	1	—	—	—	—	—	1
—	—	2	—	—	—	—	—	2
19	196	—	—	—	—	—	—	215
—	—	60	—	—	9	—	500	36,762
—	—	—	—	—	—	—	—	36
—	—	2	—	—	—	—	—	181
—	—	—	—	—	—	—	—	36
19	196	70	—	—	9	—	500	37,238
<u>\$355</u>	<u>\$196</u>	<u>\$461</u>	<u>\$211</u>	<u>\$2,174</u>	<u>\$10,408</u>	<u>\$4,625</u>	<u>\$543,150</u>	<u>\$2,677,185</u>

Due from discretely presented component units includes \$211 million from the Lottery. The General Fund received \$127 million to be appropriated at a later date. The Legislature also approved the following distributions from the Lottery to the School Building Authority (\$3.7 million), Senior Services (\$20.3 million), Department of Education - Public Education (\$14.5 million), Higher Education (\$29.3 million), and various other general purposes.

The RHBT has not recorded a Due From equal to the Due To recorded at the agencies participating in the 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. The agencies have recorded a Due To RHBT of \$1.6 billion related to these receivables and obligations.

**NOTE 7**

**INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2012, consisted of the following (expressed in thousands):

	<u>Transfers From</u>		
	<u>Governmental</u>		
<u>Transfers To</u>	<u>General</u>	<u>Tobacco Settlement Finance Authority</u>	<u>Other Nonmajor</u>
Governmental Funds:			
General	\$ —	\$21,521	\$22,206
Transportation	22,497	—	—
Other Nonmajor Governmental	<u>70,597</u>	<u>—</u>	<u>9,985</u>
Total Governmental Funds	<u>93,094</u>	<u>21,521</u>	<u>32,191</u>
Proprietary Funds:			
Water Pollution Control Revolving Fund	—	—	43,776
Workers' Compensation Fund	188,035	—	—
West Virginia Infrastructure and Jobs Development Council	—	—	1,005
Public Employees' Insurance Agency	3,500	—	—
Other Nonmajor Enterprise	18,332	—	21,655
Internal Service Funds	<u>11,016</u>	<u>—</u>	<u>—</u>
Total Proprietary Funds	<u>220,883</u>	<u>—</u>	<u>66,436</u>
Total	<u>\$313,977</u>	<u>\$21,521</u>	<u>\$98,627</u>

The deferred charge of the amortization of the future tobacco settlement revenue of the Tobacco Settlement Finance Authority resulted in a transfer of \$21.5 million to the General Fund. The General Fund transferred \$24 million to the West Virginia Infrastructure and Jobs Development Council and \$19 million to the Economic Development Project Fund for bond debt service. The General Fund also transferred certain dedicated taxes, in the amount of \$188 million, to the Workers' Compensation Fund to reduce the unfunded liability for claims prior to June 30, 2005. Of the \$22 million transferred from the General Fund to Transportation, \$13 million

Transfers From				
Proprietary				
Unemployment Compensation	West Virginia Infrastructure and Jobs Development Council	Other Nonmajor Enterprise	Internal Service Funds	Total
\$ —	\$ —	\$15,810	\$ 117	\$ 59,654
—	—	—	—	22,497
<u>2,245</u>	—	—	<u>5,343</u>	<u>88,170</u>
<u>2,245</u>	—	<u>15,810</u>	<u>5,460</u>	<u>170,321</u>
—	9,010	—	—	52,786
—	—	—	—	188,035
—	—	—	—	1,005
—	—	—	—	3,500
—	4,568	—	—	44,555
—	—	—	—	<u>11,016</u>
—	<u>13,578</u>	—	—	<u>300,897</u>
<u>\$2,245</u>	<u>\$13,578</u>	<u>\$15,810</u>	<u>\$5,460</u>	<u>\$471,218</u>

is allocated sales tax, and the balance is miscellaneous legislative appropriations. The EAST Fund debt service fund transferred \$18 million back to the State's General Fund upon payoff of the bonds. The Insurance Commission transferred \$21.7 million to the State Entities Workers' Compensation Program Fund to provide initial funding. The Water Pollution Revolving fund received \$43.8 million in ARRA grants from the West Virginia Department of Environmental Protection. All other transfers are made to finance various programs as authorized by the Legislature.

**NOTE 8**

**RESTRICTED ASSETS**

Restricted assets are held by special revenue funds, a debt service fund, enterprise funds, internal service funds, a fiduciary fund, 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, 2012, are as follows (expressed in thousands):

	<u>Cash</u>	<u>Investments</u>	<u>Other</u>	<u>Totals</u>
Special Revenue:				
Environmental Programs	\$ 365	\$ —	\$ —	\$ 365
Public Service Commission	<u>1,340</u>	<u>—</u>	<u>—</u>	<u>1,340</u>
	<u>1,705</u>	<u>—</u>	<u>—</u>	<u>1,705</u>
Debt Service:				
West Virginia Infrastructure and Jobs Development Council	8	—	—	8
Enterprise:				
Public Employees' Insurance Agency	13,469	—	—	13,469
Board of Risk and Insurance Management	<u>10,850</u>	<u>35,989</u>	<u>201,520</u>	<u>248,359</u>
	<u>24,319</u>	<u>35,989</u>	<u>201,520</u>	<u>261,828</u>
Internal Service:				
State Building Fund	62,452	—	—	62,452
Travel Management	<u>5,940</u>	<u>—</u>	<u>—</u>	<u>5,940</u>
	<u>68,392</u>	<u>—</u>	<u>—</u>	<u>68,392</u>
Fiduciary Funds:				
Other Employee Benefit Trust Fund	3,941	—	—	3,941
Discretely Presented Component Units:				
West Virginia Lottery	2,373	—	—	2,373
Economic Development Authority	9,543	—	—	9,543
Housing Development Fund	108,123	135,959	763,515	1,007,597
Parkways Authority	16,268	35,657	—	51,925
Water Development Authority	16,082	1,532	217,265	234,879
Regional Jail Authority	20,137	—	—	20,137
Educational Broadcasting Authority	—	—	237	237
Solid Waste Management Board	2,488	—	2,094	4,582
Racing Commission	<u>35,843</u>	<u>—</u>	<u>832</u>	<u>36,675</u>
	<u>210,857</u>	<u>173,148</u>	<u>983,943</u>	<u>1,367,948</u>
Total	<u>\$309,222</u>	<u>\$209,137</u>	<u>\$1,185,463</u>	<u>\$1,703,822</u>

### **Special Revenue Funds**

Environmental Protection 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 Public Service Commission (PSC) has restricted cash held in trust in accordance with PSC General Order 250-T. The funds are for Telecommunications Relay Services under the Americans with Disabilities Act.

### **Debt Service**

The West Virginia Infrastructure and Jobs Development Council’s cash is restricted by constraints placed on its use of resources by external creditors, grantors, contributors, or laws or regulations of other governments or by law through constitutional provisions and enabling legislation. Their Debt Service Fund accounts are used for the accumulation of resources for, and the payment of, principal and interest on long term debt.

### **Enterprise Funds**

The Public Employees’ Insurance Agency’s restricted assets are the premium stabilization fund consisting of accumulated dividends and interest on optional life insurance policies to defray future premium increases. 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 \$201 million and \$549 thousand 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.

### **Fiduciary Fund**

Effective June 1, 2010, the Affordable Care Act established the Early Retiree Reinsurance Program (ERRP), earmarking \$5 billion in financial assistance to health plans providing insurance coverage for early retirees age 55 to 65. Other Employee Benefit Trust Fund received \$3.9 million in fiscal year 2011 from ERRP. Other Employee Benefit Trust Fund will use the funds to reduce member premiums in 2013.

### **Discretely Presented Component Units**

The West Virginia Lottery's assets are restricted for the renovation of the recently purchased Lottery building. 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 United States government and agency obligations, investment agreements, and certificates of deposit with maturities greater than 90 days to meet the requirements of bond resolutions. Other restricted assets for the Housing Development Fund of \$764 million include certain foreclosed properties, properties developed for flood activities, other land for restricted housing purposes, and miscellaneous receivables. These assets are restricted subject to the provisions of bond resolutions, or state or federal regulations. The Parkways Authority's assets are restricted 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 \$217 million restricted for revenue bonds receivable net of unamortized discount. The Regional Jail Authority's assets are restricted because of a safekeeping arrangement with inmates and for debt service and compliance with bond covenants. 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 and certain assets are set aside to administer a revolving loan program in accordance with appropriations by the Legislature. The West Virginia Racing Commission's cash is restricted for unclaimed winning tickets and other trust holdings which are mandated by West Virginia Code.

**NOTE 9****CAPITAL ASSETS****Governmental Activities**

(Expressed in Thousands)

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,068,541	\$ 37,061	\$ (20)	\$ 1,105,582
Construction in Progress	<u>1,135,474</u>	<u>305,348</u>	<u>(511,496)</u>	<u>929,326</u>
Total Capital Assets, Not Being Depreciated	<u>2,204,015</u>	<u>342,409</u>	<u>(511,516)</u>	<u>2,034,908</u>
Capital Assets, Being Depreciated:				
Building and Improvements	1,123,427	105,408	(753)	1,228,082
Equipment	410,460	38,951	(19,737)	429,674
Infrastructure	10,827,426	428,059	—	11,255,485
Library Holdings	17,843	391	(175)	18,059
Land Improvements	21,680	966	—	22,646
Intangibles	<u>42,619</u>	<u>438</u>	<u>(7,184)</u>	<u>35,873</u>
Total Capital Assets, Being Depreciated	<u>12,443,455</u>	<u>574,213</u>	<u>(27,849)</u>	<u>12,989,819</u>
Less Accumulated Depreciation for:				
Building and Improvements	(426,251)	(29,864)	549	(455,566)
Equipment	(287,892)	(35,926)	19,637	(304,181)
Infrastructure	(4,749,860)	(293,235)	—	(5,043,095)
Library Holdings	(16,741)	(473)	175	(17,039)
Land Improvements	(9,013)	(1,056)	—	(10,069)
Intangibles	<u>(19,193)</u>	<u>(4,910)</u>	<u>632</u>	<u>(23,471)</u>
Total Accumulated Depreciation	<u>(5,508,950)</u>	<u>(365,464)</u>	<u>20,993</u>	<u>(5,853,421)</u>
Total Capital Assets Being Depreciated, Net	<u>6,934,505</u>	<u>208,749</u>	<u>(6,856)</u>	<u>7,136,398</u>
Governmental Activities Capital Assets, Net	<u>\$9,138,520</u>	<u>\$ 551,158</u>	<u>\$(518,372)</u>	<u>\$ 9,171,306</u>

Depreciation expense was charged to functions as follows:

Legislative	\$ 6
Judicial	244
Executive	3,281
Administration	26,612
Commerce	4,879
Environmental Protection	59
Employment Programs	106
Education	2,289
Health & Human Resources	3,444
Military Affairs and Public Safety	9,772
Revenue	429
Transportation	314,043
Veterans Assistance	80
Regulatory Boards and Commissions	<u>220</u>
Total Governmental Activities Depreciation Expense	<u>\$ 365,464</u>



**Business-type Activities**

(Expressed in Thousands)

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ <u>611</u>	\$ —	\$ —	\$ <u>611</u>
Total Capital Assets, Not Being Depreciated	<u>611</u>	<u>—</u>	<u>—</u>	<u>611</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,661	2	—	1,663
Equipment	6,154	485	(45)	6,594
Intangibles	<u>8,730</u>	<u>—</u>	<u>—</u>	<u>8,730</u>
Total Capital Assets, Being Depreciated	<u>16,545</u>	<u>487</u>	<u>(45)</u>	<u>16,987</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(803)	(52)	—	(855)
Equipment	(5,118)	(325)	42	(5,401)
Intangibles	<u>(5,035)</u>	<u>(1,752)</u>	<u>—</u>	<u>(6,787)</u>
Total Accumulated Depreciation	<u>(10,956)</u>	<u>(2,129)</u>	<u>42</u>	<u>(13,043)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,589</u>	<u>(1,642)</u>	<u>(3)</u>	<u>3,944</u>
Business-type Activities Capital Assets, Net	<u>\$ 6,200</u>	<u>\$(1,642)</u>	<u>\$ (3)</u>	<u>\$ 4,555</u>

Depreciation expense was charged to functions as follows:

Public Employees' Insurance Agency	\$1,866
Alcohol Beverage Control Administration	181
Correctional Industries	<u>82</u>
Total Business-type Activities Depreciation Expense	<u>\$2,129</u>

**Discretely Presented Component Units**

(Expressed in Thousands)

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Discrete Component Unit Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 187,485	\$ 15,711	\$ (110)	\$ 203,086
Construction in progress	<u>135,718</u>	<u>191,695</u>	<u>(162,461)</u>	<u>164,952</u>
Total Capital Assets, Not Being Depreciated	<u>323,203</u>	<u>207,406</u>	<u>(162,571)</u>	<u>368,038</u>
Capital Assets, Being Depreciated:				
Building & Improvements	2,638,190	214,619	(81,828)	2,770,981
Equipment	414,768	45,227	(25,530)	434,465
Infrastructure	1,185,311	93,425	(12,029)	1,266,707
Library Holdings	160,633	7,218	(1,159)	166,692
Land Improvements	68,500	8,964	(26)	77,438
Intangibles	<u>82,912</u>	<u>71,889</u>	<u>(202)</u>	<u>154,599</u>
Total Capital Assets, Being Depreciated	<u>4,550,314</u>	<u>441,342</u>	<u>(120,774)</u>	<u>4,870,882</u>
Less Accumulated Depreciation for:				
Building & Improvements	(760,203)	(59,288)	21,401	(798,090)
Equipment	(279,383)	(33,916)	26,378	(286,921)
Infrastructure	(738,298)	(54,265)	11,768	(780,795)
Library Holdings	(129,228)	(8,129)	944	(136,413)
Land Improvements	(26,706)	(4,157)	87	(30,776)
Intangibles	<u>(71,450)</u>	<u>(9,895)</u>	<u>359</u>	<u>(80,986)</u>
Total Accumulated Depreciation	<u>(2,005,268)</u>	<u>(169,650)</u>	<u>60,937</u>	<u>(2,113,981)</u>
Total Capital Assets Being Depreciated Net	<u>2,545,046</u>	<u>271,692</u>	<u>(59,837)</u>	<u>2,756,901</u>
Discrete Component Unit Activities Capital Assets, Net	<u>\$ 2,868,249</u>	<u>\$ 479,098</u>	<u>\$(222,408)</u>	<u>\$ 3,124,939</u>
Depreciation expense charged to functions as follows:				
Economic Development Authority	\$ 1,160			
Housing Development Fund	352			
Parkways Authority	32,924			
Water Development Authority	542			
Higher Education	107,448			
Educational Broadcasting Authority	1,144			
Jobs Investment Trust	29			
State Rail Authority	19,441			
Solid Waste Management Board	2			
Regional Jail Authority	5,438			
Racing Commission	1			
Lottery	1,067			
Public Defenders Corporation	76			
School Building Authority	<u>26</u>			
Total Discrete Component Unit Depreciation Expense	<u>\$ 169,650</u>			

**NOTE 10**

**LONG-TERM OBLIGATIONS**

**Primary Government:**

Long-term obligations at June 30, 2012, and changes for the fiscal year then ended are as follows (expressed in thousands):

Governmental Activities	Balance June 30, 2011	Additions	Reductions	Other Changes	Balance June 30, 2012	Amount Due Within One Year
General Obligation Bonds:						
Transportation	\$ 305,460	\$ —	\$ (34,865)	\$ —	\$ 270,595	\$ 25,230
Premium/(Discount)	23,670	—	(1,768)	—	21,902	1,726
Total Transportation	329,130	—	(36,633)	—	292,497	26,956
WV Infrastructure and Jobs Development Council	250,517	18,615	(34,155)	4,384	239,361	15,048
Premium/(Discount)	710	1,025	(65)	(224)	1,446	65
Total WV Infrastructure and Jobs Development Council	251,227	19,640	(34,220)	4,160	240,807	15,113
Total General Obligation Bonds	580,357	19,640	(70,853)	4,160	533,304	42,069
Revenue Bonds:						
Transportation	122,795	—	(22,425)	—	100,370	23,370
Premium/(Discount)	5,097	—	(1,019)	—	4,078	1,019
Total Transportation	127,892	—	(23,444)	—	104,448	24,389
Tobacco Settlement Finance Authority	887,962	7,911	(8,515)	—	887,358	20,495
Economic Development Project Fund	190,415	—	(8,495)	—	181,920	8,850
Premium/(Discount)	(908)	—	70	—	(838)	(70)
Total Economic Development Project Fund	189,507	—	(8,425)	—	181,082	8,780
Education, Arts, Sciences, & Tourism Fund	153,705	—	(2,685)	—	151,020	2,770
Premium/(Discount)	7,133	—	(246)	—	6,887	246
Total Education, Arts, Sciences, & Tourism Fund	160,838	—	(2,931)	—	157,907	3,016
Total Revenue Bonds	1,366,199	7,911	(43,315)	—	1,330,795	56,680
Capital Leases - Governmental	887	2,330	(1,524)	—	1,693	1,467
Capital Leases - Internal Service Funds	3,384	—	(97)	—	3,287	101
Capital Leases Payable to Component Units	294,447	232,435	(251,468)	116	275,530	11,888
Total Capital Leases (see Note 11)	298,718	234,765	(253,089)	116	280,510	13,456
Notes Payable	32,004	8,930	(11,889)	—	29,045	12,556
Other Obligations:						
Medicaid*	306,483	15,310	(14)	—	321,779	321,779
Tax Refunds*	295,734	261,247	(296,671)	—	260,310	230,990
Claims and Judgments (see Note 15)*	405,746	130,814	(58,345)	—	478,215	42,020
Other*	58,537	43,711	(40,022)	—	62,226	62,226
Total Accrued and Other Liabilities	1,066,500	451,082	(395,052)	—	1,122,530	657,015
Compensated Absences	98,762	6,804	(1,058)	—	104,508	60,183
Net Pension Obligation (see Note 12)	99,188	16,077	—	—	115,265	—
Total Other Obligations	1,264,450	473,963	(396,110)	—	1,342,303	717,198
Total Governmental Activities Long-Term Obligations	\$3,541,728	\$745,209	\$(775,256)	\$ 4,276	\$3,515,957	\$841,959

Business-type Activities	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amount Due Within One Year
WV Infrastructure and Jobs					
Development Council Revenue Bonds	\$ 118,175	\$ —	\$ (2,465)	\$ 115,710	\$ 2,480
Premium/(Discount)	(1,856)	—	96	(1,760)	(96)
Total WV Infrastructure and Jobs					
Development Council Revenue Bonds	116,319	—	(2,369)	113,950	2,384
Accrued Tuition Contract Benefits	100,357	—	(3,092)	97,265	14,796
Insurance and Compensation Benefits	2,284,614	708,320	(813,645)	2,179,289	346,227
Compensated Absences	586	84	(60)	610	150
Accrued and Other*	9,936	901	(933)	9,904	9,904
Total Business-type Activities Long-Term	<u>\$2,511,812</u>	<u>\$709,305</u>	<u>\$(820,099)</u>	<u>\$2,401,018</u>	<u>\$373,461</u>

\* New to schedule, more detail included

The assets of the general, 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, \$1.7 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, 2012, the debt service reserve funds approximated \$73 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

## West Virginia

general obligation debt. Bonds for veterans' bonuses were authorized in 1973, 1992, and 2004. The bonds authorized were \$40 million, \$4 million, and \$8 million, respectively. General revenue funds were available for these bonuses; therefore, none of these bonds were issued. General obligation bonds outstanding at June 30, 2012, were as follows (expressed in thousands):

	<b>Final Maturity Date</b>	<b>Interest Rate(s)%</b>	<b>Balance</b>
Transportation Bonds:			
Payable from State Road Fund to build roads, issued under:			
1996 SAFE Roads Amendment	2025	3.00-5.50%	\$292,497
Infrastructure Bonds:			
Payable from dedicated severance tax revenues to fund water, wastewater, and economic development projects			
	2027	0.20-7.625%	<u>240,807</u>
Total			<u>\$533,304</u>

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2012, were as follows (expressed in thousands):

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2013	\$ 33,250	\$ 20,759	\$ 54,009
2014	33,195	19,181	52,376
2015	34,875	17,563	52,438
2016	36,655	15,830	52,485
2017	24,975	13,958	38,933
2018-2022	129,475	46,370	175,845
2023-2027	<u>135,470</u>	<u>17,422</u>	<u>152,892</u>
	<u>427,895</u>	<u>151,083</u>	<u>578,978</u>
<b>Premium</b>	<u>23,348</u>	—	<u>23,348</u>
<b>Total</b>	<u>451,243</u>	<u>\$151,083</u>	<u>\$602,326</u>

### Capital Appreciation Bonds

<b>Year Ended June 30</b>	<b>Principal Net of Accreted Amounts</b>	<b>Future Accreted Amounts</b>	<b>Total</b>
2013	7,028	\$ 122	\$ 7,150
2014	6,672	478	7,150
2015	6,284	816	7,100
2016	5,922	1,128	7,050
2017	5,668	1,458	7,126
2018-2022	26,797	13,228	40,025
2023-2027	<u>23,690</u>	<u>22,510</u>	<u>46,200</u>
<b>Total</b>	<u>82,061</u>	<u>\$39,740</u>	<u>\$121,801</u>
<b>Total General Obligation Bonds</b>	<u>\$533,304</u>		

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. The Division of Highways has been authorized to issue revenue bonds in the amount of \$200 million by constitutional amendment. The Division has issued \$186 million, leaving \$14 million in bonds authorized but not issued. The following describes the purpose and dedicated revenue source of revenue bonds outstanding at June 30, 2012:

<u>Agency</u>	<u>Purpose</u>	<u>Revenue Source</u>
Transportation	Highway, road, and bridge construction	Federal reimbursement allowed by Title 23, Section 122
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
WV Infrastructure and Jobs Development Council	To fund water and sewer infrastructure projects	Certain repayment of defined loans

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 2039 have been estimated to be approximately \$2.4 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 million. During FY 2012, \$67.9 million was paid for interest and principal. Actual tobacco receipts of \$67.6 million and interest earnings were used for the payments.

### **Economic Development Grants Fund**

The Economic Development Project Fund bonds, issued by EDA in FY 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 West Virginia Lottery net 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 \$272.9 million with annual requirements ranging from \$19.0 million in FY 2013 to \$7.1 million in the final year. For the current year, principal and interest paid were \$18.8 million and the net profits of the Lottery committed to the debt were \$19 million.

### **EAST Fund**

New Education, Arts, Sciences, and Tourism Fund (EAST) bonds were issued by the Economic Development Authority (EDA) in FY 2011 in the amount of \$155.6 million to provide financing for capital projects which promote education, and tourism, payable through 2040. The State has committed to appropriate each year, from the West Virginia Lottery net 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 new debt is \$279.9 million. For the current year, principal and interest paid were \$10 million and the net profits of the Lottery committed to the debt were \$10 million.

Revenue bonds outstanding at June 30, 2012, were as follows (expressed in thousands):

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Transportation Tobacco Settlement Finance Authority	2006-2009 2007	2016 2047	3.75-5.00 7.47-8.50	\$ 104,448 887,358
Economic Development Project Fund	2004	2027	1.20-6.07	181,082
Education, Arts, Sciences, and Tourism Fund	2010	2040	2.00-5.00	<u>157,907</u>
Subtotal Governmental				1,330,795
WV Infrastructure and Jobs Development Council	2003-2007	2046	2.62-5.50	<u>113,950</u>
Total				<u>\$1,444,745</u>



Future amounts required to pay principal and interest on revenue bonds at June 30, 2012, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 57,965	\$ 85,027	\$ 142,992
2014	61,630	81,693	143,323
2015	65,520	78,090	143,610
2016	69,635	74,267	143,902
2017	46,310	70,723	117,033
2018-2022	227,910	307,438	535,348
2023-2027	332,695	218,113	550,808
2028-2032	358,910	90,771	449,681
2033-2037	61,200	22,436	83,636
2038-2042	47,795	6,645	54,440
2043-2047	<u>7,755</u>	<u>799</u>	<u>8,554</u>
	<u>1,337,325</u>	<u>1,036,002</u>	<u>2,373,327</u>
<b>Premium</b>	<u>8,367</u>	—	<u>8,367</u>
<b>Total</b>	<u>1,345,692</u>	<u>\$1,036,002</u>	<u>\$2,381,694</u>

**Capital Appreciation Bonds**

<u>Year Ended June 30</u>	<u>Principal Net of Accreted Amounts</u>	<u>Future Accreted Amounts</u>	<u>Total</u>
2013	—	\$ 8,598	\$ 8,598
2014	—	9,344	9,344
2015	—	10,155	10,155
2016	—	11,037	11,037
2017	—	11,995	11,995
2018-2022	—	77,520	77,520
2023-2027	—	117,533	117,533
2028-2032	—	173,907	173,907
2033-2037	—	128,594	128,594
2038-2042	<u>99,053</u>	<u>15,326</u>	<u>114,379</u>
<b>Total</b>	<u>99,053</u>	<u>\$564,009</u>	<u>\$663,062</u>
<b>Total Revenue Bonds</b>	<u>\$1,444,745</u>		

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).

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	Final Maturity Date	Interest Rate(s)%	Balance
Information Services and Communications	2013-2017	2.42-2.73	\$10,270
Travel Management	2013-2016	2.29-3.24	<u>18,775</u>
Total Notes Payable			<u>\$29,045</u>

Future amounts required to pay principal and interest on notes payable at June 30, 2012, were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2013	\$12,556	\$505	\$13,061
2014	9,707	269	9,976
2015	4,976	115	5,091
2016	1,796	22	1,818
2017	<u>10</u>	<u>—</u>	<u>10</u>
Total Notes Payable	<u>\$29,045</u>	<u>\$911</u>	<u>\$29,956</u>

## Discretely Presented Component Units

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

	Balance June 30, 2011, as Adjusted*	Debt Issued	Debt Paid	Other Changes	Balance June 30, 2012	Amount Due Within One Year
Revenue Bonds:						
Economic Development Authority	\$ 294,447	\$232,435	\$(251,468)	\$ 116	\$ 275,530	\$ 11,888
Housing Development Fund	700,517	168,620	(287,845)	(514)	580,778	66,245
Parkways Authority	62,965	—	(7,120)	848	56,693	7,895
Water Development Authority	218,576	—	(6,930)	783	212,429	6,403
Higher Education	907,511	519,171	(227,859)	—	1,198,823	33,139
Regional Jail Authority	67,310	—	(5,270)	—	62,040	5,550
School Building Authority	<u>503,499</u>	<u>25,575</u>	<u>(33,980)</u>	<u>2,983</u>	<u>498,077</u>	<u>35,275</u>
Total Discretely Presented Component Unit Revenue Bonds	<u>\$2,754,825</u>	<u>\$945,801</u>	<u>\$(820,472)</u>	<u>\$4,216</u>	<u>\$2,884,370</u>	<u>\$166,395</u>
Capital Leases:						
Parkways Authority	\$ 286	\$ —	\$ (215)	\$ —	\$ 71	\$ 71
Higher Education	<u>68,292</u>	<u>11,046</u>	<u>(40,300)</u>	<u>—</u>	<u>39,038</u>	<u>3,521</u>
Total Discretely Presented Component Unit Capital Leases (see Note 11)	<u>\$ 68,578</u>	<u>\$ 11,046</u>	<u>\$(40,515)</u>	<u>\$ —</u>	<u>\$ 39,109</u>	<u>\$ 3,592</u>
Notes Payable:						
Housing Development Fund	\$ 662	\$ —	\$ (56)	\$ —	\$ 606	\$ —
Economic Development Authority	6,955	—	(414)	—	6,541	594
Higher Education	35,486	2,525	(3,707)	—	34,304	1,690
Job Investment Trust	21,310	1,213	(6,000)	—	16,523	5,696
Public Defender Corporation	<u>148</u>	<u>—</u>	<u>(148)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Discretely Presented Component Unit Notes Payable	<u>\$ 64,561</u>	<u>\$ 3,738</u>	<u>\$(10,325)</u>	<u>\$ —</u>	<u>\$ 57,974</u>	<u>\$ 7,980</u>

\* Revenue Bonds at Economic Development Authority offsetting the capital leases receivable from the primary government were added to be consistent with the capital leases payable to component units on the Government-wide Statement of Net Assets.

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).

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Economic Development Authority	1999-2012	2034	2.07-5.23	\$ 275,530
Housing Development Fund	1998-2012	2041	0.20-6.00	580,778
Parkways Authority	2002-2008	2019	3.50-5.25	56,693
Water Development Authority	2000-2006	2045	2.40-6.375	212,429
Higher Education	1998-2012	2042	3.25-7.65	1,198,823
Regional Jail Authority	1998	2021	5.12-5.35	62,040
School Building Authority	2002-2012	2031	2.00-6.92	<u>498,077</u>
Total Revenue Bonds				<u>\$2,884,370</u>

Future amounts required to pay principal and interest on revenue bonds of the discretely presented component units at June 30, 2012, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 166,405	\$ 116,243	\$ 282,648
2014	135,235	111,851	247,086
2015	131,447	108,276	239,723
2016	124,066	103,788	227,854
2017	125,525	98,765	224,290
2018-2022	697,653	405,912	1,103,565
2023-2027	556,141	294,669	850,810
2028-2032	502,256	176,534	678,790
2033-2037	301,514	68,327	369,841
2038-2042	146,125	14,944	161,069
2043-2047	<u>7,755</u>	<u>800</u>	<u>8,555</u>
	<u>2,894,122</u>	<u>1,500,109</u>	<u>4,394,231</u>
Discount	(30,452)	—	(30,452)
Premium	<u>20,700</u>	<u>—</u>	<u>20,700</u>
Total	<u>\$2,884,370</u>	<u>\$1,500,109</u>	<u>\$4,384,479</u>

Notes payable are issued for various reasons, including construction and the purchase of land, 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, 2012 (expressed in thousands):

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Housing Development Fund	2008-2011	N/A	0.00	\$ 606
Economic Development Authority	2007	2029	3.00	6,541
Higher Education	1997-2012	2031	3.00-6.30	34,304
Jobs Investment Trust	2003-2004	2014	5.40-6.95	<u>16,523</u>
Total Notes Payable				<u>\$57,974</u>

Future amounts required to pay principal and interest on notes payable of the discretely presented component units at June 30, 2012, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 7,979	\$ 2,434	\$10,413
2014	8,561	1,745	10,306
2015	7,680	1,264	8,944
2016	2,528	1,163	3,691
2017	2,627	1,062	3,689
2018-2022	17,719	3,937	21,656
2023-2027	9,939	1,135	11,074
2028-2031	<u>941</u>	<u>289</u>	<u>1,230</u>
Total	<u>\$57,974</u>	<u>\$13,029</u>	<u>\$71,003</u>

### Parkways Authority

In July 2008, the Parkways Authority (Parkways) issued \$54,800,000 of Variable Rate Demand Revenue Refunding Bonds for the express purpose of refunding \$54,800,000 of the Parkways Series 2003 Bonds. This refunding resulted in a \$5,972,000 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 \$569,000 in 2012. Parkways completed the refunding to remove the requirement for bond insurance that was included in the Series 2003 Bonds. In July 2011, Parkways converted the Series 2008 Variable Rate Demand Revenue Refunding Bonds to a LIBOR Index rate and placed the bonds with a direct purchaser. The new supplemental indenture establishes eight distinct registered bonds which mature on the identical schedule as the previous bonds. The Indenture establishes an applicable factor ranging from 67% to 82% of the one-month LIBOR Index with an additional spread ranging from 70 to 100 basis points on each bond. The Interest Rate Swap associated with the Series 2008 Variable Rate Bonds was amended to relate to the new index rate bonds under substantially similar terms. Principal and interest paid on the Series 2008 bonds for the year ended June 30, 2012, was \$6,717,679, and the total pledged revenues were approximately all toll revenues of the Parkways.

Parkways has an interest rate swap derivative instrument to synthetically fix, on a current basis, the Series 2008 Refunding Variable Rate Bonds in order to hedge interest rate fluctuations. The key provisions of the instrument are:

Type	Pay-fixed interest rate swap
Objective	Hedge changes in cash flows on the Series 2008 Refunding Variable Rate Bonds
Notional Amount	\$63,900,000
Effective Date	July 2, 2008
Maturity Date	May 1, 2019
Terms	Pay 4.387%, receive 67% of One-Month LIBOR

The fair value of this interest rate swap is 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.

The fair value balance for the hedging derivative instrument outstanding at June 30, 2012, and the change in fair value of the instrument for the year ended June 30, 2012, were immaterial to the financial statements.

The credit ratings of the counterparty to the interest rate swap are A3 from Moody's, A from Standard & Poor's, and A from Fitch. The interest rate swap agreement requires certain collateralization if the credit rating of the counterparty falls below specific levels. As of June 30, 2012, no collateralization was required by the agreement.

Parkways is exposed to basis risk on the fixed interest rate swap because the variable-rate payments received on this hedging derivative instrument are based on an index other than interest rates Parkways pays on the hedged variable-rate debt. As of June 30, 2012, the weighted-average interest rate on this debt was 1.09%, while 67% of the one-month LIBOR was .16%.

Parkways or the counterparty may terminate the swap if the other party fails to make payments when due, there is a material breach of representations and warranties, an event of illegality occurs, or failure to comply with any other provisions of the agreement after a specified notice period. In addition, if the counterparty fails to maintain ratings of at least Baa3 by Moody's and BBB- by Standard and Poor's, the swap may be terminated by Parkways. If Parkways fails to maintain ratings of at least Baa3 by Moody's and BBB- by Standard and Poor's, the swap may be terminated by the counterparty. The amount of termination payment is determined by market quotation by obtaining pricing levels from at least three reference market makers. Parkways has the right to optionally terminate

the swap agreement at any time. The termination amount owed by either Parkways or the counterparty may be determined by market quotation. If at the time of termination the swap has a negative fair value, Parkways would owe the counterparty a payment equal to the swap's fair value.

Parkways is exposed to rollover risk on the hedging interest rate swap that may be terminated prior to the maturity of the hedged debt.

Using rates as of June 30, 2012, 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.

<u>Year Ended June 30</u>	<u>Variable-Rate Bonds</u>		<u>Interest Rate Swap, Net</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2013	\$ 5,200	\$ 449	\$1,736	\$ 7,385
2014	5,200	400	1,447	7,047
2015	5,600	347	1,238	7,185
2016	5,900	285	1,012	7,197
2017	6,100	210	774	7,084
2018-2019	<u>13,100</u>	<u>224</u>	<u>798</u>	<u>14,122</u>
	<u>\$41,100</u>	<u>\$1,915</u>	<u>\$7,005</u>	<u>\$50,020</u>

### **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, 2012, no such amounts were transferred to the Municipal Bond Commission under this agreement.

The Hospital Finance Authority (HFA), and the Economic Development Authority (EDA) have issued special limited obligations on behalf of third parties that in no way obligate the State, HFA, 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, 2012, is approximately \$1.5 billion and \$1.49 billion for HFA and EDA, respectively.

The Housing Development Fund (HDF) has an unused \$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, 2012, no advances had been drawn on this line of credit, and accordingly, no balance is outstanding.

### **Current Year Extinguishment of Debt**

The Housing Development Fund redeemed or refunded bonds in the amount of \$267,250,000 at redemption prices that approximated their carrying value.

In September 2011, the State issued Infrastructure General Obligation Refunding Bonds 2011 Series A, in the amount of \$18,615,000 with interest rates ranging from .20 to 3.00% to refund \$7,270,000, \$6,865,000, and \$5,025,000 of the State's outstanding Series 1996B, 1998B, and 1999B general obligation bonds, respectively, with interest rates ranging from 5.00% to 5.90%. The proceeds were used to pay underwriting and other issuance costs relating to the refunding bond issue and to provide for the refunds of the Series 1996B, 1998B, and 1999B general obligations bonds plus accrued interest through November 1, 2011. The State completed the refunding to reduce its total debt service payments over the next 11 years by \$2,863,431 and to obtain an economic gain of \$2,610,927.

In June 2012, Higher Education issued \$124,190,000 of Series A Bonds and \$7,975,000 of Series B Bonds. These Bonds were issued to provide funds to (i) advance refund a portion of the 2004 Series B Higher Education Facilities Bonds, (ii) fund certain projects of the Higher Education Policy Commission, and (iii) pay the costs associated with the issuance of these Bonds. The issuance of the 2012 Series A Bonds resulted in a loss of \$11,884,599 and an economic gain of \$6,026,760.

In June 2012, Fairmont State University, in conjunction with Pierpont Community and Technical College, issued Revenue Refunding Bonds Series A in the amount of \$20,165,000 and Series B in the amount of \$30,160,000. The 2012A Bonds were issued to (1) currently refund in full the outstanding 2002A and 2002B Bonds, and (2) pay the costs of issuance of the Series 2012A Bonds and related costs. The issuance of the 2012A Bonds resulted in a loss of \$561,866 and an economic gain of \$3,866,063. The 2012B Bonds were issued to (1) advance refund in full the outstanding 2003A and 2003B Bonds, and (2) pay the costs of issuance of the Series 2012B Bonds and related costs. The issuance of the 2012B Bonds resulted in a loss of \$1,713,791 and an economic gain of \$3,503,626.

**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, 2012, the following outstanding bonds are considered defeased (expressed in thousands):

	<u>Outstanding Amount</u>
Primary Government	\$20,355
Discretely Presented Component Units	<u>3,660</u>
Total	<u>\$24,015</u>



## NOTE 11

### LEASES

The State has entered into various lease/purchase agreements with the private sector, primarily for buildings, equipment, and intangibles. 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. These capital leases, totaling \$276 million, are shown separately on the government-wide Statement of Net Assets as capital leases payable to component units. More information on the related debt of 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 capital leases, including capital leases between the primary government and the EDA described above, by asset category at June 30, 2012 (expressed in thousands):

	<b>Primary Government Governmental Activities</b>	
<u>Asset Type</u>	<u>Assets Acquired by Capital Lease</u>	<u>Accumulated Depreciation</u>
Land	\$ 2,362	\$ —
Buildings and Improvements	336,393	78,049
Infrastructure	<u>1,175</u>	<u>852</u>
Total	<u>\$339,930</u>	<u>\$78,901</u>

## West Virginia

Future minimum commitments under capital leases as of June 30, 2012, were as follows (expressed in thousands):

Year Ended June 30	Capital Leases		
	Governmental Activities, (Including Payable to EDA)	Discretely Presented Component Units	Total
2013	\$ 25,808	\$ 4,870	\$ 30,678
2014	24,316	4,730	29,046
2015	24,596	4,570	29,166
2016	24,567	3,903	28,470
2017	24,712	9,076	33,788
2018-2022	123,956	14,209	138,165
2023-2027	104,110	4,722	108,832
2028-2032	47,949	—	47,949
2033-2036	<u>5,035</u>	<u>—</u>	<u>5,035</u>
Total Minimum Lease Payments	405,049	46,080	451,129
Less: Interest	<u>(124,539)</u>	<u>(6,971)</u>	<u>(131,510)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 280,510</u>	<u>\$ 39,109</u>	<u>\$ 319,619</u>

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, 2012, was \$34.3 million. Future minimum commitments under operating leases as of June 30, 2012, were as follows (expressed in thousands):

Year Ended June 30	Operating Leases			
	Governmental Activities	Business-type Activities	Discretely Presented Component Units	Total
2013	\$18,155	\$318	\$11,075	\$ 29,548
2014	16,044	139	8,754	24,937
2015	13,414	139	7,188	20,741
2016	8,995	139	6,140	15,274
2017	5,938	—	4,931	10,869
2018-2022	15,373	—	16,470	31,843
2023-2027	6,098	—	12,109	18,207
2028-2032	4,718	—	7,931	12,649
2033-2037	3,796	—	—	3,796
2038-2042	<u>3,796</u>	<u>—</u>	<u>—</u>	<u>3,796</u>
Total Minimum Lease Payments	<u>\$96,327</u>	<u>\$735</u>	<u>\$74,598</u>	<u>\$171,660</u>

## **NOTE 12**

### **RETIREMENT SYSTEMS**

#### **Plan Description**

The West Virginia State Legislature has established eight 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, 2012, amounted to approximately \$115 million, which is an increase of approximately \$16 million from the prior year's obligation. The net pension asset at June 30, 2012, was approximately \$900 million, which is an increase of approximately \$10 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, 2012, was 531, including 105 cities and towns, 371 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 Municipal Police Officers and Firefighters Retirement System (MPFRS) is a multiple-employer, cost-sharing public employee retirement system which was established for any municipality or municipal subdivision employing municipal police officers or firefighters. Participation is voluntary. The MPFRS had twelve participating employers as of June 30, 2012. If there are fewer than 100 members on January 1, 2014, all members will be merged into the Emergency Medical Services Retirement System. The State makes no employer contributions to MPFRS.
- 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, 2012:

**Statutory Contribution Rates as a Percent of Covered Payroll**

<u>System</u>	<u>Member</u>	<u>Employer</u>
PERS	4.5%	14.5%
TRS	6.0%	15.0% State 15.0% Counties 15.0% Other Employers
PSDDRF	9.0%	15.0%
SPRS	13.0%	17.5%
JRS	10.5%	Appropriated by the Legislature

The State Supreme Court has required the State to fund the TRS in an actuarially sound manner to eliminate the unfunded liability over a 40-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, 2012, 2011, and 2010, were \$130,831,239, \$109,448,277, and \$95,914,587 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):

	<u>TRS</u>	<u>PSDDRF</u>	<u>SPRS</u>	<u>JRS</u>
Annual required contribution (ARC)	\$ 458,047	\$ 22,051	\$ 4,327	\$ 2,317
Interest on net pension obligation	(65,645)	7,439	(149)	(988)
Adjustment to ARC	<u>80,993</u>	<u>(12,206)</u>	<u>(200)</u>	<u>2,065</u>
Annual pension cost (APC)	<u>\$ 473,395</u>	<u>\$ 17,284</u>	<u>\$ 3,978</u>	<u>\$ 3,394</u>
ARC related contributions and appropriations	<u>\$ 482,236</u>	<u>\$ 1,207</u>	<u>\$ 4,544</u>	<u>\$ 3,954</u>
Percentage of APC contributed	101.87%	6.98%	114.23%	116.50%
Net pension obligation (asset), July 1, 2011	\$(875,265)	\$ 99,188	\$(1,988)	\$(13,175)
Increase (decrease) in net pension obligation (asset)	<u>(8,841)</u>	<u>16,077</u>	<u>(566)</u>	<u>(560)</u>
Net pension obligation (asset), June 30, 2012	<u>\$(884,106)</u>	<u>\$115,265</u>	<u>\$(2,554)</u>	<u>\$(13,735)</u>

### Three-Year Trend Information

In accordance with GASB Statement No. 27, the single-employer plans disclose the following (expressed in thousands):

	<b>Year Ended June 30</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation (Asset)</b>
<u>TRS</u>				
	2012	\$473,395	101.87%	\$(884,106)
	2011	\$484,959	103.33%	\$(875,265)
	2010	\$501,766	83.19%	\$(859,121)
<u>PSDDRF</u>				
	2012	\$ 17,284	6.98%	\$ 115,265
	2011	\$ 22,603	6.15%	\$ 99,188
	2010	\$ 9,746	15.53%	\$ 77,974
<u>SPRS</u>				
	2012	\$ 3,978	114.23%	\$ (2,554)
	2011	\$ 4,822	94.77%	\$ (1,988)
	2010	\$ 3,588	94.65%	\$ (2,240)
<u>JRS</u>				
	2012	\$ 3,394	116.50%	\$ (13,735)
	2011	\$ 3,267	121.03%	\$ (13,175)
	2010	\$ 3,303	119.71%	\$ (12,488)

### Funded Status and Funding Progress

The funded status of each plan as of June 30, 2012, the most recent actuarial valuation date, is as follows (expressed in thousands):

	<u>TRS</u>	<u>PSDDRF</u>	<u>SPRS</u>	<u>JRS</u>
Actuarial Value of Plan Assets	\$5,074,665	\$481,994	\$70,756	\$124,583
Actuarial Accrued Liability (AAL)	\$9,445,148	\$606,245	\$79,036	\$ 95,591
Unfunded AAL (UAAL)	\$4,370,483	\$124,251	\$ 8,280	\$ (28,992)
Funded Ratio	53.7%	79.5%	89.5%	130.3%
Annual Covered Payroll	\$1,505,749	\$ 8,001	\$24,725	\$ 8,860
UAAL as a Percentage of Covered Payroll	290.3%	1,552.9%	33.5%	0.0%

The schedule of funding progress, presented as Required Supplementary Information (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

	<u>TRS</u>	<u>PSDDRF</u>	<u>SPRS</u>	<u>JRS</u>
Valuation date	July 1, 2011	July 1, 2011	July 1, 2011	July 1, 2011
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	Level dollar	Level dollar	Level % of payroll	Level dollar
Amortization period	Through FY 2034, closed	Through FY 2024, closed	Through FY 2030, closed	Through FY 2021, closed
Actuarial assumptions:				
Investment rate of return	7.50%	7.50%	7.50%	7.50%
Projected salary increases	3.40%-6.50%	4.75%-6.50%	4.75%-6.50%	4.50%
Inflation rate	3.00%	3.00%	3.00%	3.00%
Annual annuity adjustment	None	3.75%	1.00%	4.50%
		Annual cost of living adjustment	Annual cost of living adjustment	

## 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, 2012 (expressed in thousands):

	<u>PERS</u>	<u>TRS</u>	<u>PSDDRF</u>	<u>SPRS</u>	<u>DSRS</u>	<u>JRS</u>	<u>EMSRS</u>	<u>MPFRS</u>
Large Cap Equity	\$ 795,984	\$ 908,381	\$ 86,640	\$14,200	\$ 21,171	\$ 23,121	\$ 6,359	\$ 32
Non-Large Cap Equity	269,212	307,418	29,507	4,779	7,158	7,802	2,147	10
International Qualified	343,311	393,701	37,412	5,717	9,036	9,901	2,593	14
International Equity	742,277	851,090	82,434	13,451	19,898	21,657	6,056	27
Private Equity	435,948	503,734	48,464	7,821	11,695	12,702	3,525	17
Private Real Estate	273,496	312,255	29,722	4,829	7,273	7,928	2,177	11
Total Return Fixed Income	612,542	632,244	68,306	11,174	16,678	17,947	5,113	25
Core Fixed Income	294,910	300,128	32,860	5,393	8,043	8,645	2,470	11
Hedge Fund	443,916	509,625	48,974	7,950	11,851	12,917	3,579	16
TRS Annuity	—	53,023	—	—	—	—	—	—
Short-Term Fixed Income	26,949	210,217	718	1,417	468	367	230	22
TIPS	113,597	129,741	12,349	2,004	3,010	3,278	904	4
Total	<u>\$4,352,142</u>	<u>\$5,111,557</u>	<u>\$477,386</u>	<u>\$78,735</u>	<u>\$116,281</u>	<u>\$126,265</u>	<u>\$35,153</u>	<u>\$189</u>

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, 2012 (expressed in thousands):

PIMCO Total Return Fund	\$ 19,773
Valic Fixed Annuity Option	94,387
Orchard Secured Foundation Balance	26,985
John Hancock Large Equity Cap	43,062
Putnam Equity Income	23,192
Vanguard Large Cap Index	23,304

### **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 5,153 and 5,346 members in the TDCRS plan at June 30, 2012 and 2011, 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 12 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 sixteen 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 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.

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.

*Custodial Credit Risk - Cash Deposits*

The TDCRS' cash deposits with financial institutions were approximately \$310,000 at June 30, 2012. These deposits, which had a bank balance of approximately \$194,000, 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, 2012, the TDCRS had the following investments and maturities (expressed in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Mutual Funds	\$310,188	\$310,188	\$—	\$—

For the year ended June 30, 2012, the approximate payroll of state employees covered by TDCRS was \$151 million, and total covered payroll for both the TDCRS and TRS was approximately \$1.7 billion. Both the employees and employers made the required contributions amounting to \$7 million and \$9.1 million, respectively, or approximately 4.60% and 6.00% 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, 2012, contributions were approximately \$39.7 million from the covered employees and approximately \$39.6 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, 2012, contributions were approximately \$553 thousand from the covered employees and \$553 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 the 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 37,700 retirees and 76,400 active plan members met those eligibility requirements at June 30, 2012.

During February 2012, Senate Bill 469 was passed granting Other Postemployment Benefits Liability relief to the State's fifty-five county boards of education effective July 1, 2012. The law, in effect, requires the State to cover any amount of the respective employers' annual required contribution allocated and billed to the county boards of education on or after July 1, 2012, and any amount of the employer annual required contribution allocated and billed to the county boards of education prior to that date for

employees who are employed as professional employees, as service personnel, or as professional student support personnel within the limits authorized by this law. In compliance with Senate Bill 469 for fiscal year 2012, RHBT transferred \$715 million in annual required contribution liability from the county boards of education to the State.

### **Plan Description**

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 702 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 employers. Members' contributions are recognized in the period in which the contributions are due. Employers' 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.

The State's OPEB liability, including the county school boards, to RHBT at June 30, 2012, is \$1.6 billion. For financial reporting purposes the OPEB liability is reported as follows:

the Governmental portion on the Balance Sheet is recorded in the Due to Other Funds; the Proprietary portion on the Statement of Net Assets is also recorded in the Due to Other Funds; the liability is included in 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 36% 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 \$264 to \$1,055 per month for retiree-only coverage, and from \$529 to \$2,510 per month for retiree and spouse coverage. Medicare covered retirees are charged health care premiums ranging from \$77 to \$401 per month for retiree-only coverage, and from \$127 to \$1,343 per month for retiree and spouse coverage. Monthly premiums vary based on years of service and choice of coverage. The PEIA Finance Board has taken the first steps in addressing the OPEB problem by requiring any employees hired after July 1, 2010, to pay the full cost of premiums when they retire. This change will not have a substantial impact on the unfunded liability in the short-term but will virtually eliminate the unfunded liability in the long-run.

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, 2012, June 30, 2011, and June 30, 2010, were approximately \$922 million, \$816 million, and \$792 million, respectively. The percentages contributed were 16%, 18%, and 16%, respectively.

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 2012, the PEIA reserve did not exceed funding parameters, resulting in zero funds transferred to the RHBT.

Senate Bill 469, effective July 1, 2012, amended West Virginia Code §11-21-96 by dedicating \$30 million to be transferred annually from personal income tax previously collected for payment of the unfunded liability of the Workers' Compensation Fund to the Retiree Health Benefit Trust Fund (RHBT). Transfers will not commence until the Workers' Compensation Fund has been certified by the Governor to the Legislature as paid or provided for in its entirety. Thereafter, transfers will be made until the RHBT unfunded liability has been provided for in its entirety or July 1, 2037, whichever date is later. Presently management estimates that the aforementioned \$30 million transfers will likely commence in 2016.

In December 2011, the PEIA Finance Board passed a finance plan that placed a 3% cap on the amount participating employers will now pay in retiree premium subsidy annual increases. By this action, the employer is no longer exposed to ever-increasing trends in health care costs, significantly reducing future retiree premium subsidy costs.

### **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 years ended June 30, 2012, June 30, 2011, and June 30, 2010, were approximately \$160 million, \$73 million, and \$67 million, respectively; 23%, 22.3%, and 19.3%, of the required amount, respectively. These contributions were approximately \$524 million, \$254 million, and \$280.7 million, respectively, less than the required contributions for each year. The amounts for 2012 include the county boards of education; earlier amounts do not.

Complete RHBT financial statements, including additional detailed disclosures, may be obtained directly from their administrative offices at Retiree Health Benefit Trust, 601 57<sup>th</sup> 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). Due to the federal government's March 23, 2010, enactment of the Patient Protection and Affordable Care Act, insurance carriers will no longer be able to deny coverage to individuals with pre-existing health conditions beginning in 2014. Accordingly, it is anticipated that AccessWV will cease to exist in 2014. AccessWV total unpaid claims and claims adjustment expense liability at June 30, 2012, was \$870,000.

On March 12, 2011, the West Virginia Legislature created the State Entities Workers' Compensation Program Fund (SEWC) to provide a means of managing workers' compensation coverage for persons directly employed by the State of West Virginia. The SEWC functions as an insurance purchasing risk pool and is administered by the Office of the Insurance Commissioner (OIC). On October 1, 2011, the OIC entered into a high deductible insurance coverage policy with Zurich. Pursuant to the policy provisions, the SEWC retains the loss exposure up to \$250,000 per occurrence. The SEWC has provided for these losses by establishing a Loss Reserve Fund with Zurich and advanced \$9 million to this fund in FY 2012. The SEWC had a total of \$6.8 million in unpaid claims and claim adjustment expenses at June 30, 2012.

Based on the composition and characteristics of these funds, the SEWC and AccessWV claim liabilities are not discounted.

The Patient Injury Compensation Fund (PICF) is an agency fund of the State, administered by BRIM. The balance of the PICF does not reflect claims until an award becomes final and all reasonable means of recovery have been exhausted. The PICF works on a "claims filed" basis and a \$262,000 claim was filed and paid in fiscal year 2012. There were no claims pending as of June 30, 2012; accordingly the actuarial estimate of the claims reserve at such date is zero. Since the inception of the PICF, there have been approximately

\$1.67 million in payments through June 30, 2012. The fund balance as of June 30, 2012, is approximately \$3.77 million. The amount of settlements in the major insurance enterprise funds have not exceeded insurance coverage in the past three years.

## **Description of the Funds**

### Board of Risk and Insurance Management

BRIM provides a property and liability self-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 BRIM. 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 1,100 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 \$400 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. BRIM did not have any reinsurance recoveries at June 30, 2012. 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, 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. Life insurance coverage is limited to \$500,000. 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 183,000 individuals, including participants and dependents.

### Workers' Compensation Fund

The Workers' Compensation Commission (WCC) was an agency of the State of West Virginia from 1913 until 2005, which provided for the payment of benefits to all employees sustaining personal injuries in the course of, and as a result of, their covered employment. 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	
	2012	2011	2012	2011	2012	2011
Unpaid claims and claims adjustments expense liabilities, at beginning of year	\$126,227	\$135,428	\$ 58,773	\$ 64,455	\$2,062,900	\$2,180,100
Incurred claims and claims adjustment expense:						
Provision for insured events of the current fiscal year	57,864	53,728	501,073	472,001	821	420
Increase (decrease) in provision for insured events of prior fiscal years	(4,468)	(20,130)	2,430	(1,250)	31,553	57,417
Amortization of discount	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>96,548</u>	<u>102,160</u>
Total incurred claims and claims adjustment expense	<u>53,396</u>	<u>33,598</u>	<u>503,503</u>	<u>470,751</u>	<u>128,922</u>	<u>159,997</u>
Payments:						
Claims and claims adjustment expense attributable to insured events of the current fiscal year	10,156	10,757	444,524	420,768	52	33
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	<u>32,481</u>	<u>32,042</u>	<u>54,974</u>	<u>55,665</u>	<u>263,070</u>	<u>277,164</u>
Total payments	<u>42,637</u>	<u>42,799</u>	<u>499,498</u>	<u>476,433</u>	<u>263,122</u>	<u>277,197</u>
Total unpaid claims and claims adjustment expense liability, end of year	<u>\$136,986</u>	<u>\$126,227</u>	<u>\$ 62,778</u>	<u>\$ 58,773</u>	<u>\$1,928,700</u>	<u>\$2,062,900</u>

The above PEIA payments are net of pharmacy rebates of \$11,913,156 and \$11,141,990 for the years ended June 30, 2012 and 2011, 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 2012 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 \$12 million for fiscal year 2012. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense. At June 30, 2012, the total undiscounted claims liability for WCF approximated \$3.07 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 blended rate of 5% and 3%. If discounting of the WCF claims liability was limited to anticipated investment income, the claims liability would have increased by approximately \$890 million to a claims liability of approximately \$2.82 billion, and the total deficit would have increased to approximately \$1.57 billion at June 30, 2012.

The OIC 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, which was stopped in Senate Bill 185, March 2007, and replaced with \$50.4 million in annual personal income tax proceeds in addition to the personal income tax proceeds already dedicated to the WCF, 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 \$92.2 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 \$46 million annually. 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, if applicable, 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 Offices of the Insurance Commissioner  
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; an 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 remediation efforts to approximate \$358 million at June 30, 2012. Approximately \$7 million is available to pay current remediation costs and is recorded in the governmental funds. Because it is not expected that the remaining estimated remediation costs will be liquidated by expendable available financial resources, an additional \$351.1 million obligation is reported as a liability in the governmental activities on the statement of net assets. As such, the State has recorded in governmental activities the following liabilities related to the above programs at June 30, 2012 (expressed in thousands):

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Amount Due</u> <u>Within</u> <u>One Year</u>
Mine Reclamation Program	\$204,769	\$56,208	\$ —	\$260,977	\$17,985
Oil and Gas Well Program	240	—	90	150	150
Landfill Closure Assistance Program	80,381	8,520	—	88,901	15,017
Underground Storage Tanks	<u>8,365</u>	<u>—</u>	<u>815</u>	<u>7,550</u>	<u>6,522</u>
Total Environmental Liability	<u>\$293,755</u>	<u>\$64,728</u>	<u>\$905</u>	<u>\$357,578</u>	<u>\$39,674</u>

#### Mine Reclamation Program

The Special 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.

Forfeited operator bonds, as well as a tax imposed on clean mined coal, currently 14.4 cents per ton, are set aside to fund this program. The Special Reclamation Fund plans to make expenditures for reclamation and water treatment systems as more 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.

#### 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, two landfills have been added to the original inventory. As of June 30, 2012 the liability is estimated at \$89 million and is projected to be paid through fiscal year 2046. 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 costs.

#### 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 14 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. DEP has entered into formal agreements with 20 of the 48 site owners. The fund balance at June 30, 2012, was \$6.5 million and there were claims paid from the fund in fiscal year 2012 of approximately \$815 thousand. As of June 30, 2012, \$7.5 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 \$358 million in environmental protection claims, the State has recorded an obligation in the amount of \$136 million, of which \$18.2 million is a current obligation, 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.

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 its 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 Senate Bill 1004. 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 involve claims for 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 agencies of the federal government 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 these programs are extremely complex and subject to different interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount. Management believes it is in compliance with all applicable laws and regulations. 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 exclusions. As of June 30, 2012, the State has accrued \$84.4 million related to such matters.

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)

	<u>Amount Committed</u>	<u>Commitment</u>
Governmental Funds:		
General Fund	\$165,000	PERS Settlement
Transportation	583,291	Construction
Enterprise Funds:		
Water Pollution Control Revolving Fund	69,279	Committed for loans
West Virginia Infrastructure and Jobs Development Council	61,164	Funding of water and economic development projects
Drinking Water Treatment Revolving Fund	12,464	Lending consistent with Safe Drinking Water Act
Discretely Presented Component Units:		
West Virginia Lottery	3,193	Capital assets and construction
Economic Development Authority	96,251	Committed for loans
Housing Development Fund	9,713	Committed for loans
Parkways Authority	36,066	Turnpike improvements
Higher Education	97,952	Construction
School Building Authority	263,933	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 18 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 \$9.5 million in 2012. 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 composite score of 22 with a minimum sub-score of 20 in each of the four subject areas, and enrolling in a college or university in West Virginia. The program will pay for tuition and fees, and had \$908 thousand at June 30, 2012, to fund the program obligations. Subsequent to year-end, the program received \$29 million from the Lottery and \$7 million in general revenue.

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 plus interest 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. On January 10, 2010, a settlement agreement was reached and the State has agreed to contribute \$20 million per year, in quarterly installments, for nine years to the PERS. As of June 30, 2012, a \$165 million Due To Fiduciary Funds related to this matter has been recorded.

## **NOTE 16**

### **SUBSEQUENT EVENTS**

On December 19, 2012, the Water Development Authority (WDA) issued bonds in the amount of \$66,855,000 to refund various Water Development Bonds in the amount of \$68,645,000. WDA also issued bonds for the West Virginia Infrastructure and Jobs Development Council in the amount of \$27,435,000 to advance refund bonds in the amount of \$26,750,000.

On August 1, 2012, the Housing Development Fund redeemed various Housing Finance Bonds and General New Issue Bond Program Bonds in advance of the scheduled maturities at a par amount of \$31,265,000 and \$1,200,000, respectively.

On July 26, 2012, West Virginia University (WVU) issued \$13,270,555 of 2012 Series A Taxable Bonds, to purchase the Suncrest Center through the Third Supplement Indenture to the original Bond Trust Indenture, dated November 1, 2004, related to the 2004 bonds. The financing was accomplished through a bid process for a private placement bond issue. The Huntington Investment Company was the successful bidder for a fixed rate of 4.5% over 30 years.

On May 1, 2012, WVU entered into a pre-development agreement with Paradigm Development Group, LLC (Paradigm), which was amended on September 21, 2012, to acquire certain parcels of land close to the WVU downtown campus for the purpose of safe and affordable student housing and associated amenities. Under the agreement, WVU will also engage in a public-private partnership with Paradigm to build and manage student housing and other retail facilities on this land. On October 23, 2012, the WVU Board of Governors approved the acquisition of the land in the amount of \$14.6 million, and the land was purchased on October 26, 2012.

On September 20, 2012, the West Virginia State University (WVSU) Board of Governors adopted a resolution authorizing WVSU administration to refund and redeem the outstanding Board of Governors of West Virginia State College Student Union Revenue Bonds (James C. Wilson College Union Project), 2002 Series A, and the outstanding note issued on behalf of West Virginia State College in connection with the Educational Direct Loan Mortgage Corporation project funding bonds, Series A 1996-1 (West Virginia State College Project). The resolution also approved the design, acquisition, construction, and equipping of proposed capital improvement projects for WVSU and the financing of costs of the refundings and such projects through the issuance of refunding and improvement revenue bonds in the aggregate principal amount of not more than \$12,000,000.

As of January 17, 2013, Moody's Ratings Services downgraded its rating on Assured Guaranty from Aa3 to A2. Assured Guaranty is the insurer for the State's General Obligation Road Bonds Series 2001, and the State's Commissioner of Highways Surface Transportation Improvements Special Obligation Notes, Series 2006 A and Series 2007 A. The State's rating is Aa1, which is higher than the insurer's rating.







# Required Supplementary Information (RSI)

Budgetary  
Comparison  
Schedule

Notes to RSI

Budget-to-GAAP  
Reconciliation

Pension Information



*West Virginia*

**Required Supplementary Information  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)**

	<b>General Revenue Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
Revenues:				
Taxes:				
Personal Income	\$1,646,600	\$1,646,600	\$1,688,963	\$ 42,363
Consumer Sales	1,178,500	1,178,500	1,215,973	37,473
Severance	445,400	445,400	467,902	22,502
Corporate Income/Business Franchise	173,500	173,500	188,086	14,586
Business and Occupation	122,700	122,700	121,031	(1,669)
Gasoline and Motor Fuel	—	—	—	—
Automobile Privilege	—	—	—	—
Other	244,300	244,300	243,640	(660)
Excess Lottery Transfer	127,900	127,900	129,033	1,133
Intergovernmental	—	—	—	—
License, Permits, and Fees	9,721	9,721	10,060	339
Departmental Collections	16,500	16,500	16,541	41
Investment Earnings	31,000	31,000	2,705	(28,295)
Other	19,500	19,500	19,370	(130)
Industrial Access Road Transfer	—	—	—	—
<b>Total Revenue</b>	<b><u>4,015,621</u></b>	<b><u>4,015,621</u></b>	<b><u>4,103,304</u></b>	<b><u>87,683</u></b>
Expenditures:				
Legislative	30,402	57,714	25,865	31,849
Judicial	120,484	120,484	99,468	21,016
Executive	46,636	46,536	38,148	8,388
Administration	74,170	74,170	72,201	1,969
Commerce	65,723	65,823	57,048	8,775
Environmental Protection	8,107	8,107	7,757	350
Education	2,448,327	2,448,327	2,433,603	14,724
Health and Human Resources	807,663	822,187	785,924	36,263
Military Affairs and Public Safety	350,916	350,916	328,123	22,793
Revenue	30,335	29,894	21,526	8,368
Transportation	7,151	7,151	3,465	3,686
Veterans Assistance	11,557	11,564	10,011	1,553
Senior Services	—	—	—	—
Regulatory Boards and Commissions	56	56	34	22
<b>Total Expenditures</b>	<b><u>4,001,527</u></b>	<b><u>4,042,929</u></b>	<b><u>3,883,173</u></b>	<b><u>159,756</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	14,094	(27,308)	220,131	247,439
Expenditures From Prior Year Appropriations	<u>590,230</u>	<u>590,230</u>	<u>260,420</u>	<u>329,810</u>
<b>Total Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(576,136)</b>	<b>(617,538)</b>	<b>(40,289)</b>	<b>577,249</b>
Budgetary Fund Balance, Beginning of Year, as Adjusted	<u>619,120</u>	<u>619,120</u>	<u>619,120</u>	—
<b>Budgetary Fund Balance, End of Year</b>	<b><u>\$ 42,984</u></b>	<b><u>\$ 1,582</u></b>	<b><u>\$ 578,831</u></b>	<b><u>\$577,249</u></b>



<b>Federal Revenue</b>				<b>State Road</b>			
<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	380,700	380,700	387,041	6,341
—	—	—	—	151,114	151,114	186,293	35,179
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
4,152,528	4,406,085	3,498,671	(907,414)	493,400	538,400	449,092	(89,308)
—	—	—	—	90,668	90,668	92,269	1,601
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	39,110	54,110	45,784	(8,326)
—	—	—	—	(3,000)	(3,000)	(3,000)	—
<u>4,152,528</u>	<u>4,406,085</u>	<u>3,498,671</u>	<u>(907,414)</u>	<u>1,151,992</u>	<u>1,211,992</u>	<u>1,157,479</u>	<u>(54,513)</u>
3,000	3,000	1,977	1,023	—	—	—	—
5,500	5,500	510	4,990	—	—	—	—
230,688	244,656	115,807	128,849	—	—	—	—
38,038	48,038	45,647	2,391	—	—	—	—
169,048	183,047	82,113	100,934	—	—	—	—
178,299	225,380	133,598	91,782	—	—	—	—
623,880	628,880	442,528	186,352	—	—	—	—
2,663,894	2,826,038	2,530,530	295,508	—	—	—	—
169,713	170,328	119,072	51,256	—	—	—	—
14,210	14,210	1,815	12,395	—	—	—	—
42,738	42,738	23,722	19,016	—	—	—	—
12,988	12,988	11,761	1,227	1,171,147	1,326,647	1,236,997	89,650
14,534	14,534	12,782	1,752	—	—	—	—
3,435	3,510	1,663	1,847	—	—	—	—
<u>4,169,965</u>	<u>4,422,847</u>	<u>3,523,525</u>	<u>899,322</u>	<u>1,171,147</u>	<u>1,326,647</u>	<u>1,236,997</u>	<u>89,650</u>
(17,437)	(16,762)	(24,854)	(8,092)	(19,155)	(114,655)	(79,518)	35,137
—	—	—	—	—	—	—	—
(17,437)	(16,762)	(24,854)	(8,092)	(19,155)	(114,655)	(79,518)	35,137
83,590	83,590	83,590	—	125,893	125,893	125,893	—
<u>\$ 66,153</u>	<u>\$ 66,828</u>	<u>\$ 58,736</u>	<u>\$ (8,092)</u>	<u>\$ 106,738</u>	<u>\$ 11,238</u>	<u>\$ 46,375</u>	<u>\$ 35,137</u>

(Continued)

**Required Supplementary Information  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)  
(Continued)**

	<u>Special Revenue</u>			<u>Variance With Final Budget</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
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	1,892,660	1,995,626	1,670,042	(325,584)
Investment Earnings	—	—	—	—
Other	—	—	—	—
Industrial Access Road Transfer	—	—	—	—
<b>Total Revenue</b>	<u>1,892,660</u>	<u>1,995,626</u>	<u>1,670,042</u>	<u>(325,584)</u>
Expenditures:				
Legislative	4,014	3,943	1,748	2,195
Judicial	1,000	1,000	1,000	—
Executive	32,913	32,913	24,939	7,974
Administration	91,404	128,568	118,009	10,559
Commerce	51,258	54,003	34,302	19,701
Environmental Protection	64,255	69,748	32,498	37,250
Education	250,667	250,667	225,088	25,579
Health and Human Resources	365,266	368,246	313,326	54,920
Military Affairs and Public Safety	26,903	27,104	20,511	6,593
Revenue	872,398	872,065	521,419	350,646
Transportation	20,341	20,341	5,745	14,596
Veterans Assistance	6,750	6,750	3,954	2,796
Senior Services	74,749	74,749	72,639	2,110
Regulatory Boards and Commissions	138,129	138,656	111,311	27,345
<b>Total Expenditures</b>	<u>2,000,047</u>	<u>2,048,753</u>	<u>1,486,489</u>	<u>562,264</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	(107,387)	(53,127)	183,553	236,680
Expenditures From Prior Year Appropriations	<u>270,764</u>	<u>270,764</u>	<u>108,972</u>	<u>161,792</u>
<b>Total Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(378,151)</b>	<b>(323,891)</b>	<b>74,581</b>	<b>398,472</b>
Budgetary Fund Balance, Beginning of Year, as Adjusted	<u>1,830,577</u>	<u>1,830,577</u>	<u>1,830,577</u>	<u>—</u>
<b>Budgetary Fund Balance, End of Year</b>	<u><u>\$1,452,426</u></u>	<u><u>\$1,506,686</u></u>	<u><u>\$1,905,158</u></u>	<u><u>\$398,472</u></u>

## **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% of the General Revenue Fund surplus for a fiscal year is set aside in a reserve or Rainy Day Fund not to exceed 10% 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. Appropriated Special Revenue and Federal Funds were increased by total supplemental appropriations of \$380.6 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 \$388 million 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 2011 General Revenue were increased approximately \$202.2 million for surplus appropriations. The \$202.2 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 5% 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.

## 2012 Budgetary Reporting

The State's budgetary General Revenue Fund surplus for the year ended June 30, 2012, is calculated as follows (expressed in thousands):

Preliminary General Revenue Fund current year excess of revenues over expenditures as reflected on Budgetary Comparison Schedule	\$220,131
Less accounts reappropriated for spending in FY 2013	<u>(163,775)</u>
Accumulated surplus	56,356
Less amount to be transferred to Revenue Shortfall Reserve Fund	<u>(28,178)</u>
General Revenue Fund FY 2012 surplus available for appropriation in FY 2013	<u>\$ 28,178</u>

In August 2012 after the close of the fiscal year, \$28.2 million 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 balance at July 1, 2011, has been adjusted as follows (expressed in thousands):

**General Revenue Fund:**

Beginning Fund Balance	\$764,346
Prior Year Refunds	326
Transfer in from Expired Funds	5,116
Less Transfer to Rainy Day Fund	<u>(150,668)</u>
Adjusted Beginning Fund Balance	<u>\$619,120</u>

## 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, 2012, 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, 2012**  
**(Expressed in Thousands)**


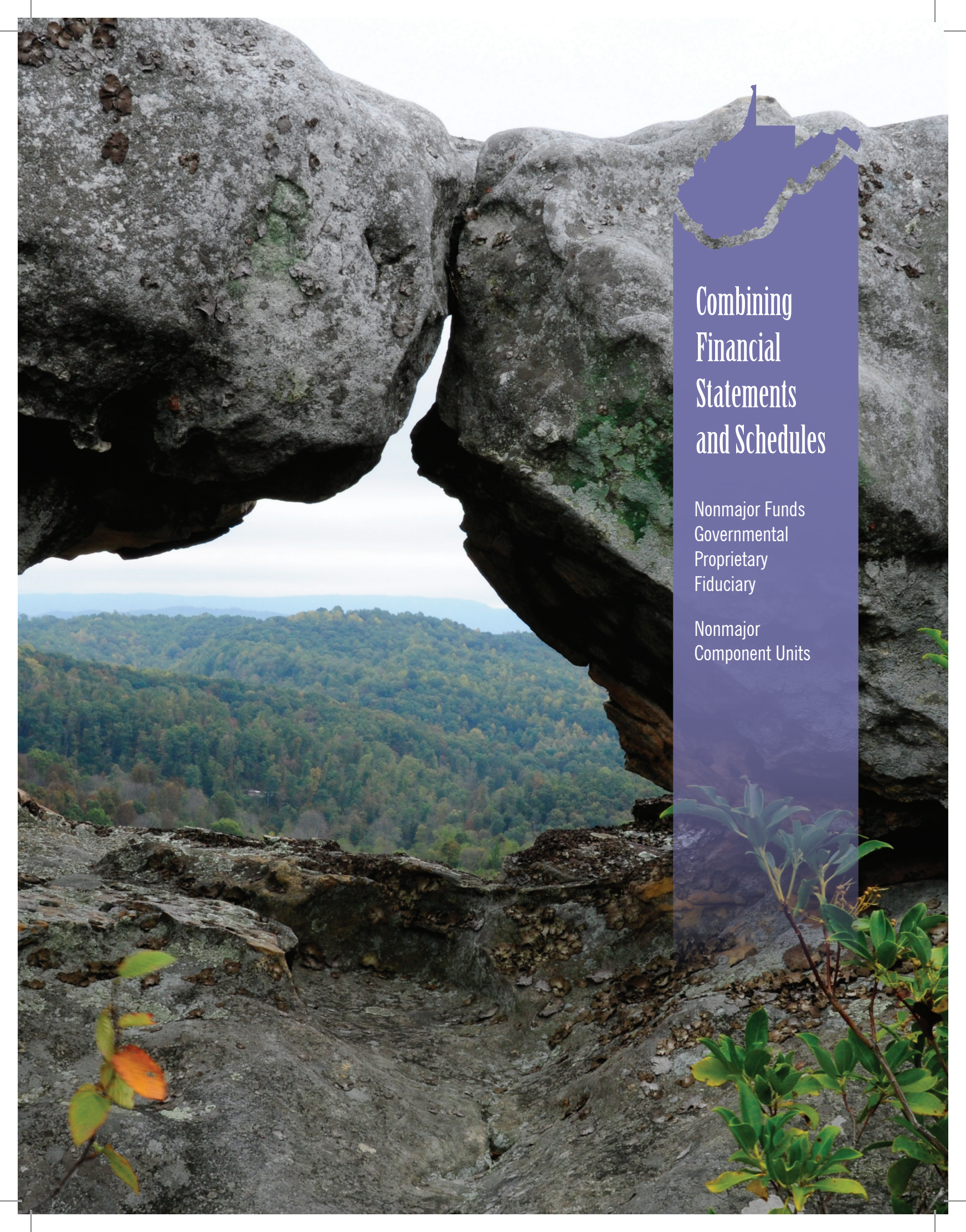
	<b>General Revenue Fund</b>	<b>Federal Fund</b>	<b>Road Fund</b>	<b>Appropriated Special Revenue Fund</b>
<b>SOURCES/INFLOWS OF RESOURCES</b>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 4,103,304	\$ 3,498,671	\$1,157,479	\$ 1,670,042
<b>Differences - Budget to GAAP:</b>				
Intrafund transactions not included in GAAP revenues	(3,819,106)	—	—	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(59,654)	—	(22,497)	—
Other Basis of Accounting Difference	406,027	—	(299,943)	—
<b>Reclassifications:</b>				
Nonappropriated Budgetary Fund's revenue included as revenue/transfers in the GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	4,215,041	—	402,799	—
Budgetary special revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	944,707	—	11,058	(1,670,042)
Budgetary federal funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	<u>3,317,213</u>	<u>(3,498,671)</u>	<u>23,766</u>	—
<b>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds</b>	<u>\$ 9,107,532</u>	<u>\$ —</u>	<u>\$1,272,662</u>	<u>\$ —</u>
<b>USES/OUTFLOWS OF RESOURCES</b>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 4,143,593	\$ 3,523,525	\$1,236,997	\$ 1,595,461
<b>Differences - Budget to GAAP:</b>				
Intrafund transactions not included in GAAP expenditures	(3,819,106)	—	—	—
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(313,977)	—	—	—
Other Basis of Accounting Difference	1,080,478	—	110,495	—
<b>Reclassifications:</b>				
Nonappropriated Budgetary Fund's expenditures/transfers out included as expense in the GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	4,415,480	—	15,481	—
Budgetary general revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	(12,372)	—	5,153	—
Budgetary special revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	863,106	—	7,595	(1,595,461)
Budgetary federal funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	<u>3,346,015</u>	<u>(3,523,525)</u>	<u>23,722</u>	—
<b>Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds</b>	<u>\$ 9,703,217</u>	<u>\$ —</u>	<u>\$1,399,443</u>	<u>\$ —</u>

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

**Pension Plans**

	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Excess of Assets Over) Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
<u>TRS</u>							
	2011	\$5,074,665	\$9,445,148	\$4,370,483	53.7%	\$1,505,749	290.3%
	2010	\$4,143,540	\$8,904,312	\$4,760,772	46.5%	\$1,500,761	317.2%
	2009	\$3,554,771	\$8,607,869	\$5,053,098	41.3%	\$1,499,232	337.0%
<u>PSDDRF</u>							
	2011	\$ 481,994	\$ 606,245	\$ 124,251	79.5%	\$ 8,001	1552.9%
	2010	\$ 404,444	\$ 590,729	\$ 186,285	68.5%	\$ 8,960	2079.1%
	2009	\$ 362,927	\$ 573,579	\$ 210,652	63.3%	\$ 10,215	2062.2%
<u>SPRS</u>							
	2011	\$ 70,756	\$ 79,036	\$ 8,280	89.5%	\$ 24,725	33.5%
	2010	\$ 52,735	\$ 69,171	\$ 16,436	76.2%	\$ 23,635	69.5%
	2009	\$ 40,321	\$ 61,628	\$ 21,307	65.4%	\$ 22,382	95.2%
<u>JRS</u>							
	2011	\$ 124,583	\$ 95,591	\$ (28,992)	130.3%	\$ 8,860	0.0%
	2010	\$ 102,814	\$ 96,008	\$ (6,806)	107.1%	\$ 8,256	0.0%
	2009	\$ 88,310	\$ 93,185	\$ 4,875	94.8%	\$ 8,140	59.9%





# Combining Financial Statements and Schedules

Nonmajor Funds  
Governmental  
Proprietary  
Fiduciary

Nonmajor  
Component Units





# *GOVERNMENTAL FUND TYPES - NONMAJOR*

## **Special Revenue:**

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

## **Debt Service:**

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

## **Capital Projects:**

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. 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 collected and expended for the construction and maintenance of roads.

**Education, Arts, Sciences, and Tourism Fund** This Fund is established to provide public financial support for constructing, equipping, improving, and maintaining capital improvement projects which promote education 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.

## **Permanent Funds:**

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the State's 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.

**West Virginia**

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**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012  
(Expressed in Thousands)**

	<b><u>Special Revenue</u></b>	<b><u>Debt Service</u></b>
Assets:		
Cash and Cash Equivalents	\$323,014	\$29,008
Investments	39,068	18,990
Receivables, Net	9,330	—
Due from Other Governments	1,325	—
Due from Other Funds	29	—
Due from Component Units	—	1,000
Inventories	24	—
Other Assets	11	—
Restricted Assets:		
Cash and Cash Equivalents	<u>1,705</u>	<u>8</u>
Total Assets	<u>\$374,506</u>	<u>\$49,006</u>
Liabilities:		
Accounts Payable	\$ 11,713	\$ —
Accrued and Other Liabilities	10,986	—
Due to Other Governments	14,155	—
Due to Other Funds	22,368	—
Due to Component Units	<u>13</u>	<u>—</u>
Total Liabilities	<u>59,235</u>	<u>—</u>
Fund Balances:		
Nonspendable:		
Inventories	24	—
Permanent Fund	—	—
Restricted for:		
Capital Projects	—	—
Debt Service	—	49,006
Development, Tourism, and Recreation	40,050	—
Education	—	—
Public Protection	43,114	—
Committed to:		
Government Operations	5,504	—
Public Protection	233,177	—
Assigned to:		
Public Protection	1,357	—
Unassigned	<u>(7,955)</u>	<u>—</u>
Total Fund Balances	<u>315,271</u>	<u>49,006</u>
Total Liabilities and Fund Balances	<u>\$374,506</u>	<u>\$49,006</u>

<b>Capital Projects</b>		<b>Permanent Fund</b>	
<b>Education Arts, Sciences, and Tourism Fund</b>	<b>Lease Purchase Account</b>	<b>Irreducible School</b>	<b>Total</b>
\$89,706	\$10,260	\$1,555	\$453,543
—	—	—	58,058
2	—	—	9,332
—	—	—	1,325
—	—	—	29
—	—	—	1,000
—	—	—	24
—	—	—	11
<u>—</u>	<u>—</u>	<u>—</u>	<u>1,713</u>
<u>\$89,708</u>	<u>\$10,260</u>	<u>\$1,555</u>	<u>\$525,035</u>
\$ 3,331	\$ —	\$ —	\$ 15,044
—	—	—	10,986
—	—	—	14,155
—	—	—	22,368
<u>—</u>	<u>—</u>	<u>—</u>	<u>13</u>
<u>3,331</u>	<u>—</u>	<u>—</u>	<u>62,566</u>
—	—	—	24
—	—	1,000	1,000
86,377	10,260	—	96,637
—	—	—	49,006
—	—	—	40,050
—	—	555	555
—	—	—	43,114
—	—	—	5,504
—	—	—	233,177
—	—	—	1,357
<u>—</u>	<u>—</u>	<u>—</u>	<u>(7,955)</u>
<u>86,377</u>	<u>10,260</u>	<u>1,555</u>	<u>462,469</u>
<u>\$89,708</u>	<u>\$10,260</u>	<u>\$1,555</u>	<u>\$525,035</u>

## West Virginia

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### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2012 (Expressed in Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>
Revenues:		
Intergovernmental	\$189,480	\$ —
Licenses, Permits, and Fees	135,507	—
Charges for Services	—	—
Lottery Revenues	—	9,995
Investment Earnings	594	332
Other	<u>10,188</u>	<u>—</u>
Total Revenues	<u>335,769</u>	<u>10,327</u>
Expenditures:		
Current:		
Legislative	3,958	—
Administration	—	1,774
Commerce	—	223
Environmental Protection	139,851	1
Employment Programs	55,969	—
Education	—	—
Health and Human Resources	—	127
Military Affairs and Public Safety	—	1
Revenue	30,373	—
Veterans Assistance	—	1
Regulatory Boards and Commissions	24,143	1
Capital Outlay	—	—
Debt Service:		
Principal	—	275,868
Interest	<u>—</u>	<u>33,096</u>
Total Expenditures	<u>254,294</u>	<u>311,092</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>81,475</u>	<u>(300,765)</u>
Other Financing Sources (Uses):		
Face Value of Long-Term Debt Issued	—	18,615
Premiums on Bond Issued	—	1,025
Payments to Refunded Bond Escrow Agent	—	(20,935)
Capital Lease Acquisitions	—	232,435
Transfers In	8,108	70,416
Transfers Out	<u>(67,420)</u>	<u>(21,788)</u>
Total Other Financing Sources (Uses)	<u>(59,312)</u>	<u>279,768</u>
Net Change in Fund Balances	22,163	(20,997)
Fund Balances, Beginning of Year, as Restated	<u>293,108</u>	<u>70,003</u>
Fund Balances, End of Year	<u>\$315,271</u>	<u>\$ 49,006</u>

Capital Projects		Permanent Fund	
Education Arts, Sciences, and Tourism <u>Fund</u>	Lease Purchase <u>Account</u>	Irreducible <u>School</u>	<u>Total</u>
\$ —	\$ —	\$ —	\$ 189,480
—	—	—	135,507
—	—	9	9
—	—	—	9,995
30	5	—	961
<u>—</u>	<u>—</u>	<u>546</u>	<u>10,734</u>
<u>30</u>	<u>5</u>	<u>555</u>	<u>346,686</u>
—	—	—	3,958
—	—	—	1,774
—	—	—	223
—	—	—	139,852
—	—	—	55,969
30,201	—	—	30,201
—	—	—	127
—	—	—	1
—	—	—	30,373
—	—	—	1
—	—	—	24,144
21,003	—	—	21,003
—	—	—	275,868
<u>—</u>	<u>605</u>	<u>—</u>	<u>33,701</u>
<u>51,204</u>	<u>605</u>	<u>—</u>	<u>617,195</u>
<u>(51,174)</u>	<u>(600)</u>	<u>555</u>	<u>(270,509)</u>
—	—	—	18,615
—	—	—	1,025
—	—	—	(20,935)
—	—	—	232,435
10	9,636	—	88,170
<u>—</u>	<u>(9,033)</u>	<u>(386)</u>	<u>(98,627)</u>
<u>10</u>	<u>603</u>	<u>(386)</u>	<u>220,683</u>
(51,164)	3	169	(49,826)
<u>137,541</u>	<u>10,257</u>	<u>1,386</u>	<u>512,295</u>
<u>\$ 86,377</u>	<u>\$10,260</u>	<u>\$1,555</u>	<u>\$ 462,469</u>

# *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 nonmoving 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.

**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.

**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2012**  
(Expressed in Thousands)

	<b>Environmental Protection</b>	<b>Public Service Commission</b>	<b>Crime Victims' Compensation</b>
Assets:			
Cash and Cash Equivalents	\$232,303	\$28,321	\$5,736
Investments	—	—	—
Receivables, Net	771	8	5
Due from Other Governments	—	1,325	—
Due from Other Funds	—	11	—
Inventories	—	—	—
Other Assets	—	—	—
Restricted Assets:			
Cash and Cash Equivalents	<u>365</u>	<u>1,340</u>	<u>—</u>
Total Assets	<u>\$233,439</u>	<u>\$31,005</u>	<u>\$5,741</u>
Liabilities:			
Accounts Payable	\$ 10,850	\$ 340	\$ 237
Accrued and Other Liabilities	7,830	1,693	—
Due to Other Governments	5,236	7,109	—
Due to Other Funds	—	6,893	—
Due to Component Units	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities	<u>23,916</u>	<u>16,035</u>	<u>237</u>
Fund Balances (Deficits):			
Nonspendable:			
Inventories	—	—	—
Restricted for:			
Development, Tourism, and Recreation	—	—	—
Public Protection	40,370	2,744	—
Committed to:			
Government Operations	—	—	5,504
Public Protection	167,835	12,187	—
Assigned to:			
Public Protection	1,318	39	—
Unassigned	<u>—</u>	<u>—</u>	<u>—</u>
Total Fund Balances (Deficits)	<u>209,523</u>	<u>14,970</u>	<u>5,504</u>
Total Liabilities and Fund Balances	<u>\$233,439</u>	<u>\$31,005</u>	<u>\$5,741</u>

<b>Insurance Commission</b>	<b>WORKFORCE West Virginia</b>	<b>Wildlife Resources Fund</b>	<b>Total</b>
\$55,348	\$ 1,303	\$ 3	\$323,014
—	—	39,068	39,068
7,386	181	979	9,330
—	—	—	1,325
—	18	—	29
—	24	—	24
11	—	—	11
<u>—</u>	<u>—</u>	<u>—</u>	<u>1,705</u>
<u>\$62,745</u>	<u>\$ 1,526</u>	<u>\$40,050</u>	<u>\$374,506</u>
\$ —	\$ 286	\$ —	\$ 11,713
670	793	—	10,986
—	1,810	—	14,155
8,920	6,555	—	22,368
<u>—</u>	<u>13</u>	<u>—</u>	<u>13</u>
<u>9,590</u>	<u>9,457</u>	<u>—</u>	<u>59,235</u>
—	24	—	24
—	—	40,050	40,050
—	—	—	43,114
—	—	—	5,504
53,155	—	—	233,177
—	—	—	1,357
<u>—</u>	<u>(7,955)</u>	<u>—</u>	<u>(7,955)</u>
<u>53,155</u>	<u>(7,931)</u>	<u>40,050</u>	<u>315,271</u>
<u>\$62,745</u>	<u>\$ 1,526</u>	<u>\$40,050</u>	<u>\$374,506</u>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)**

	<b>Environmental Protection</b>	<b>Public Service Commission</b>	<b>Crime Victims' Compensation</b>
Revenues:			
Intergovernmental	\$132,841	\$ 2,522	\$1,977
Licenses, Permits, and Fees	62,235	23,980	1,591
Investment Earnings	205	—	54
Other	<u>10,180</u>	<u>8</u>	<u>—</u>
Total Revenues	<u>205,461</u>	<u>26,510</u>	<u>3,622</u>
Expenditures:			
Legislative	—	—	3,958
Environmental Protection	139,851	—	—
Employment Programs	—	—	—
Revenue	—	—	—
Regulatory Boards and Commissions	<u>—</u>	<u>24,143</u>	<u>—</u>
Total Expenditures	<u>139,851</u>	<u>24,143</u>	<u>3,958</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>65,610</u>	<u>2,367</u>	<u>(336)</u>
Other Financing Sources (Uses):			
Transfers In	5,864	—	—
Transfers Out	<u>(44,383)</u>	<u>(116)</u>	<u>(3)</u>
Total Other Financing Sources (Uses)	<u>(38,519)</u>	<u>(116)</u>	<u>(3)</u>
Net Change in Fund Balances	27,091	2,251	(339)
Fund Balances, Beginning of Year, as Restated	<u>182,432</u>	<u>12,719</u>	<u>5,843</u>
Fund Balances, End of Year	<u>\$209,523</u>	<u>\$14,970</u>	<u>\$5,504</u>

<u>Insurance Commission</u>	<u>WORKFORCE West Virginia</u>	<u>Wildlife Resources Fund</u>	<u>Total</u>
\$ —	\$52,140	\$ —	\$189,480
47,109	—	592	135,507
4	—	331	594
<u>—</u>	<u>—</u>	<u>—</u>	<u>10,188</u>
<u>47,113</u>	<u>52,140</u>	<u>923</u>	<u>335,769</u>
—	—	—	3,958
—	—	—	139,851
—	55,969	—	55,969
30,373	—	—	30,373
<u>—</u>	<u>—</u>	<u>—</u>	<u>24,143</u>
<u>30,373</u>	<u>55,969</u>	<u>—</u>	<u>254,294</u>
<u>16,740</u>	<u>(3,829)</u>	<u>923</u>	<u>81,475</u>
—	2,245	(1)	8,108
<u>(21,655)</u>	<u>—</u>	<u>(1,263)</u>	<u>(67,420)</u>
<u>(21,655)</u>	<u>2,245</u>	<u>(1,264)</u>	<u>(59,312)</u>
(4,915)	(1,584)	(341)	22,163
<u>58,070</u>	<u>(6,347)</u>	<u>40,391</u>	<u>293,108</u>
<u>\$53,155</u>	<u>\$(7,931)</u>	<u>\$40,050</u>	<u>\$315,271</u>

# *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. This Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest for the Council's general obligation debt.

**Education, Arts, Sciences, and Tourism Fund** This Fund is used to account for and report the financial resources that are restricted, committed, or assigned to expenditure for principal and interest on the bonds issued 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 debt service of the lease-purchase agreements are properly recorded.

**Economic Development Project Fund** This Fund is used to account for and report the financial resources that are restricted, committed, or assigned to expenditure for principal and interest on the bonds issued 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, 2012  
(Expressed in Thousands)**

	<b>West Virginia Infrastructure and Jobs Development Council</b>	<b>Education, Arts, Sciences, and Tourism Fund</b>	<b>Lease Purchase Account</b>	<b>Economic Development Project Fund</b>	<b>Total</b>
Assets:					
Cash and Cash Equivalents	\$—	\$ 2	\$5,556	\$23,450	\$29,008
Investments	—	—	—	18,990	18,990
Due from Component Units	—	1,000	—	—	1,000
Restricted Assets:					
Cash	<u>8</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8</u>
Total Assets	<u>\$ 8</u>	<u>\$1,002</u>	<u>\$5,556</u>	<u>\$42,440</u>	<u>\$49,006</u>
Fund Balances:					
Restricted for Debt Service	<u>\$ 8</u>	<u>\$1,002</u>	<u>\$5,556</u>	<u>\$42,440</u>	<u>\$49,006</u>
Total Fund Balances	<u>\$ 8</u>	<u>\$1,002</u>	<u>\$5,556</u>	<u>\$42,440</u>	<u>\$49,006</u>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Debt Service Funds  
For the Fiscal Year Ended June 30, 2012  
(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:					
Lottery Revenues	\$ —	\$ 9,995	\$ —	\$ —	\$ 9,995
Investment Earnings	<u>8</u>	<u>17</u>	<u>7</u>	<u>300</u>	<u>332</u>
Total Revenues	<u>8</u>	<u>10,012</u>	<u>7</u>	<u>300</u>	<u>10,327</u>
Expenditures:					
Administration	—	3	1,771	—	1,774
Commerce	223	—	—	—	223
Environmental Protection	—	—	1	—	1
Health and Human Resources	—	—	127	—	127
Military Affairs and Public Safety	—	—	1	—	1
Veterans Assistance	—	—	1	—	1
Regulatory Boards and Commissions	—	—	1	—	1
Debt Service:					
Principal	13,220	2,685	251,468	8,495	275,868
Interest	<u>8,257</u>	<u>7,310</u>	<u>7,212</u>	<u>10,317</u>	<u>33,096</u>
Total Expenditures	<u>21,700</u>	<u>9,998</u>	<u>260,582</u>	<u>18,812</u>	<u>311,092</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(21,692)</u>	<u>14</u>	<u>(260,575)</u>	<u>(18,512)</u>	<u>(300,765)</u>
Other Financing Sources (Uses):					
Face Value of Long-Term Debt Issued	18,615	—	—	—	18,615
Premiums on Bonds Issued	1,025	—	—	—	1,025
Capital Lease Acquisitions	—	—	232,435	—	232,435
Payments to Refunded Bond Escrow Agent	(20,935)	—	—	—	(20,935)
Transfers In	24,000	—	27,426	18,990	70,416
Transfers Out	<u>(1,005)</u>	<u>(18,327)</u>	<u>(2,456)</u>	<u>—</u>	<u>(21,788)</u>
Total Other Financing Sources (Uses)	<u>21,700</u>	<u>(18,327)</u>	<u>257,405</u>	<u>18,990</u>	<u>279,768</u>
Net Change in Fund Balances	8	(18,313)	(3,170)	478	(20,997)
Fund Balances, Beginning of Year	<u>—</u>	<u>19,315</u>	<u>8,726</u>	<u>41,962</u>	<u>70,003</u>
Fund Balances, End of Year	<u>\$ 8</u>	<u>\$ 1,002</u>	<u>\$ 5,556</u>	<u>\$ 42,440</u>	<u>\$ 49,006</u>



# *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 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, 2012  
(Expressed in Thousands)**

	<b>State Building Fund</b>	<b>Information Services and Communications</b>	<b>Travel Management</b>	<b>Investment Management Board</b>	<b>Board of Treasury Investments</b>	<b>Total</b>
<b>Assets:</b>						
<b>Current Assets:</b>						
Cash and Cash Equivalents	\$ 1,423	\$ 8,814	\$ 2,763	\$ 5,930	\$ 563	\$ 19,493
Receivables, Net	—	134	6	5,257	443	5,840
Due from Other Funds	14	7,754	303	—	—	8,071
Due from Component Units	3	241	18	—	—	262
Inventories	395	370	—	—	—	765
Other Assets	142	—	—	80	—	222
<b>Restricted Assets:</b>						
Cash and Cash Equivalents	—	—	5,940	—	—	5,940
<b>Total Current Assets</b>	<u>1,977</u>	<u>17,313</u>	<u>9,030</u>	<u>11,267</u>	<u>1,006</u>	<u>40,593</u>
<b>Noncurrent Assets:</b>						
<b>Restricted Assets:</b>						
Cash and Cash Equivalents	62,452	—	—	—	—	62,452
Capital Assets, Net	99,861	12,409	22,094	99	7	134,470
<b>Total Noncurrent Assets</b>	<u>162,313</u>	<u>12,409</u>	<u>22,094</u>	<u>99</u>	<u>7</u>	<u>196,922</u>
<b>Total Assets</b>	<u>164,290</u>	<u>29,722</u>	<u>31,124</u>	<u>11,366</u>	<u>1,013</u>	<u>237,515</u>
<b>Liabilities:</b>						
<b>Current Liabilities:</b>						
Accounts Payable	2,535	3,683	519	6,959	469	14,165
Accrued and Other Liabilities	125	313	16	—	—	454
Due to Other Governments	38	97	6	—	—	141
Due to Other Funds	2,891	7,170	338	—	—	10,399
Due to Component Units	—	—	—	—	9	9
Capital Leases and Other Debt	101	5,855	6,701	—	—	12,657
<b>Total Current Liabilities</b>	<u>5,690</u>	<u>17,118</u>	<u>7,580</u>	<u>6,959</u>	<u>478</u>	<u>37,825</u>
<b>Noncurrent Liabilities:</b>						
Capital Leases and Other Debt	3,186	4,415	12,074	—	—	19,675
Compensated Absences	361	1,236	96	—	—	1,693
<b>Total Noncurrent Liabilities</b>	<u>3,547</u>	<u>5,651</u>	<u>12,170</u>	<u>—</u>	<u>—</u>	<u>21,368</u>
<b>Total Liabilities</b>	<u>9,237</u>	<u>22,769</u>	<u>19,750</u>	<u>6,959</u>	<u>478</u>	<u>59,193</u>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	96,573	5,248	3,319	99	7	105,246
Restricted for Capital Projects	62,452	—	—	—	—	62,452
Unrestricted (Deficit)	(3,972)	1,705	8,055	4,308	528	10,624
<b>Total Net Assets</b>	<u>\$155,053</u>	<u>\$ 6,953</u>	<u>\$11,374</u>	<u>\$ 4,407</u>	<u>\$ 535</u>	<u>\$178,322</u>

**Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)**

	<u>State Building Fund</u>	<u>Information Services and Communications</u>	<u>Travel Management</u>	<u>Investment Management Board</u>	<u>Board of Treasury Investments</u>	<u>Total</u>
Operating Revenues:						
Charges for Services	\$ 13,886	\$43,252	\$ 8,616	\$34,426	\$2,565	\$102,745
Operating Expenses:						
Cost of Sales and Services	22,421	37,075	1,962	30,448	2,575	94,481
General and Administration	933	2,215	1,540	3,894	214	8,796
Depreciation and Amortization	<u>3,665</u>	<u>6,822</u>	<u>7,498</u>	<u>20</u>	<u>2</u>	<u>18,007</u>
Total Operating Expenses	<u>27,019</u>	<u>46,112</u>	<u>11,000</u>	<u>34,362</u>	<u>2,791</u>	<u>121,284</u>
Operating Income (Loss)	<u>(13,133)</u>	<u>(2,860)</u>	<u>(2,384)</u>	<u>64</u>	<u>(226)</u>	<u>(18,539)</u>
Nonoperating Revenues (Expenses):						
Entitlements, Grants, and Shared Revenues	1,956	3,100	—	—	—	5,056
Loss on Sale of Equipment	—	(17)	(86)	—	—	(103)
Investment Income	10	—	—	1	—	11
Interest Expense	(179)	(93)	(4)	—	—	(276)
Lottery Revenues	10,752	—	—	—	—	10,752
Other Nonoperating Revenues	<u>—</u>	<u>—</u>	<u>48</u>	<u>—</u>	<u>—</u>	<u>48</u>
Total Nonoperating Revenues (Expenses), Net	12,539	2,990	(42)	1	—	15,488
Income (Loss) Before Transfers	<u>(594)</u>	<u>130</u>	<u>(2,426)</u>	<u>65</u>	<u>(226)</u>	<u>(3,051)</u>
Capital Contribution	2,005	—	—	—	—	2,005
Transfers In	9,334	—	1,682	—	—	11,016
Transfers Out	<u>(5,460)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,460)</u>
Total Transfers	<u>5,879</u>	<u>—</u>	<u>1,682</u>	<u>—</u>	<u>—</u>	<u>7,561</u>
Change in Net Assets	5,285	130	(744)	65	(226)	4,510
Net Assets, Beginning of Year	<u>149,768</u>	<u>6,823</u>	<u>12,118</u>	<u>4,342</u>	<u>761</u>	<u>173,812</u>
Net Assets, End of Year	<u>\$155,053</u>	<u>\$ 6,953</u>	<u>\$11,374</u>	<u>\$ 4,407</u>	<u>\$ 535</u>	<u>\$178,322</u>

**Combining Statement of Cash Flows  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)**

	<b>State Building Fund</b>	<b>Information Services and Communications</b>	<b>Travel Management</b>	<b>Investment Management Board</b>	<b>Board of Treasury Investments</b>	<b>Total</b>
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 14,162	\$ 42,179	\$ 8,527	\$ 33,192	\$ 2,570	\$100,630
Payments to Suppliers	(16,381)	(21,896)	(2,475)	(30,268)	(2,732)	(73,752)
Payments to Employees	<u>(5,857)</u>	<u>(15,814)</u>	<u>(957)</u>	<u>(3,098)</u>	<u>—</u>	<u>(25,726)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(8,076)</u>	<u>4,469</u>	<u>5,095</u>	<u>(174)</u>	<u>(162)</u>	<u>1,152</u>
Cash Flows from Noncapital Financing Activities:						
Transfers In	20,086	—	1,682	—	—	21,768
Transfers Out	(5,460)	—	—	—	—	(5,460)
Entitlements and Grants	<u>1,956</u>	<u>3,100</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,056</u>
Net Cash Provided by Noncapital Financing Activities	<u>16,582</u>	<u>3,100</u>	<u>1,682</u>	<u>—</u>	<u>—</u>	<u>21,364</u>
Cash Flows from Capital and Related Financing Activities:						
Proceeds from Sale of Capital Bonds and Other Debts	—	—	7,610	—	—	7,610
Repayment of Capital Debt	(98)	(6,390)	(5,884)	—	—	(12,372)
Interest Paid on Capital Debt	(179)	(94)	(4)	—	—	(277)
Acquisition and Construction of Capital Assets	<u>(12,747)</u>	<u>(1,125)</u>	<u>(11,142)</u>	<u>(80)</u>	<u>(3)</u>	<u>(25,097)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(13,024)</u>	<u>(7,609)</u>	<u>(9,420)</u>	<u>(80)</u>	<u>(3)</u>	<u>(30,136)</u>
Cash Flows from Investing Activities:						
Purchase of Investments	(1,250)	—	—	—	—	(1,250)
Proceeds from Sale of Investments	1,250	—	—	—	—	1,250
Investment Earnings	<u>10</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>11</u>
Net Cash Provided by Investing Activities	<u>10</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>11</u>
Net Decrease in Cash and Cash Equivalents	(4,508)	(40)	(2,643)	(253)	(165)	(7,609)
Cash and Cash Equivalents, Beginning of Year	<u>68,383</u>	<u>8,854</u>	<u>11,346</u>	<u>6,183</u>	<u>728</u>	<u>95,494</u>
Cash and Cash Equivalents, End of Year	<u>\$ 63,875</u>	<u>\$ 8,814</u>	<u>\$ 8,703</u>	<u>\$ 5,930</u>	<u>\$ 563</u>	<u>\$ 87,885</u>

	<b>State Building Fund</b>	<b>Information Services and Communications</b>	<b>Travel Management</b>	<b>Investment Management Board</b>	<b>Board of Treasury Investments</b>	<b>Total</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for)						
Operating Activities:						
Operating Income (Loss)	\$(13,133)	\$(2,860)	\$(2,384)	\$ 64	\$(226)	\$(18,539)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Depreciation and Amortization	3,665	6,822	7,498	20	2	18,007
Changes in Assets and Liabilities:						
Receivables	276	(1,072)	(89)	(1,234)	5	(2,114)
Inventories	(126)	223	—	—	—	97
Other Assets	—	—	—	39	—	39
Accounts Payable and Accrued Liabilities	518	(453)	(41)	937	57	1,018
Other Liabilities	<u>724</u>	<u>1,809</u>	<u>111</u>	<u>—</u>	<u>—</u>	<u>2,644</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (8,076)</u>	<u>\$ 4,469</u>	<u>\$ 5,095</u>	<u>\$ (174)</u>	<u>\$(162)</u>	<u>\$ 1,152</u>
Schedule of Non-Cash Capital and Financing Activities:						
Contribution of Capital Assets	\$ 2,005	\$ —	\$ —	\$ —	\$ —	\$ 2,005

# *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.

**West Virginia Correctional Industries (WVCI)** WVCI uses the services of inmates to manufacture and produce articles and products to furnish necessities, including furniture, cleaning supplies, institutional products, signs, and printing services, to any government and/or nonprofit organization in West Virginia, units of the federal government, and units of government of other states. The Commissioner of the Division of Corrections has exclusive authority to execute contracts for the sale of products manufactured or serviced at State correctional facilities and shall determine the prices of WVCI articles and products. The prices shall be uniform for all, and as near as is practicable, to the fair market price. The Commissioner may also enter into contracts with private entities under which inmate or resident labor is provided through WVCI for work involving the delivery of products or for service work.

**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.

**State Entities Workers' Compensation (SEWC)** The Fund is responsible for providing a means of managing workers' compensation coverage for persons directly employed by the State of West Virginia. The West Virginia Offices of the Insurance Commissioner was given the responsibility of administering the SEWC. The SEWC is a public entity risk pool functioning as an insurance purchasing pool.

## West Virginia

### Combining Statement of Net Assets Nonmajor Proprietary Funds June 30, 2012 (Expressed in Thousands)

	Business-type Activities - Enterprise Funds		
	Drinking Water Treatment Revolving Fund	Alcohol Beverage Control Administration	West Virginia Prepaid College Plan
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 22,371	\$10,901	\$ 2,635
Receivables, Net	6,451	174	449
Due from Other Funds	—	—	70
Due from Component Units	—	—	—
Inventories	—	29	—
Other Assets	—	—	—
Total Current Assets	<u>28,822</u>	<u>11,104</u>	<u>3,154</u>
Noncurrent Assets:			
Investments	—	—	77,821
Receivables, Net	92,553	1,425	780
Capital Assets, Net	—	2,036	—
Total Noncurrent Assets	<u>92,553</u>	<u>3,461</u>	<u>78,601</u>
Total Assets	<u>121,375</u>	<u>14,565</u>	<u>81,755</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	—	2,775	22
Accrued Tuition Contract Benefits	—	—	14,796
Accrued and Other Liabilities	—	—	—
Due to Other Funds	—	1,958	181
Insurance and Compensation Benefits Obligations	—	—	—
Insurance Claims Obligations	—	—	—
Compensated Absences	—	—	65
Total Current Liabilities	<u>—</u>	<u>4,733</u>	<u>15,064</u>
Noncurrent Liabilities:			
Accrued Tuition Contract Benefits	—	—	82,469
Insurance and Compensation Benefits Obligations	—	—	—
Compensated Absences	—	253	—
Total Noncurrent Liabilities	<u>—</u>	<u>253</u>	<u>82,469</u>
Total Liabilities	<u>—</u>	<u>4,986</u>	<u>97,533</u>
Net Assets (Deficit):			
Invested in Capital Assets, Net of Related Debt	—	2,036	—
Restricted for:			
Government Operations	—	—	481
Lending Activities	121,375	1,373	—
Insurance Activities	—	—	—
Unrestricted (Deficit)	—	6,170	(16,259)
Total Net Assets (Deficit)	<u>\$121,375</u>	<u>\$ 9,579</u>	<u>\$(15,778)</u>



<b>West Virginia Correctional Industries</b>	<b>AccessWV</b>	<b>State Entities Workers' Compensation</b>	<b>Total</b>
\$2,502	\$12,072	\$20,809	\$ 71,290
78	—	—	7,152
1,151	—	—	1,221
158	—	—	158
2,129	—	—	2,158
<u>—</u>	<u>—</u>	<u>9,949</u>	<u>9,949</u>
<u>6,018</u>	<u>12,072</u>	<u>30,758</u>	<u>91,928</u>
—	—	—	77,821
—	—	—	94,758
<u>464</u>	<u>—</u>	<u>—</u>	<u>2,500</u>
<u>464</u>	<u>—</u>	<u>—</u>	<u>175,079</u>
<u>6,482</u>	<u>12,072</u>	<u>30,758</u>	<u>267,007</u>
373	—	—	3,170
—	—	—	14,796
16	46	50	112
3	32	—	2,174
—	—	2,742	2,742
—	870	—	870
<u>—</u>	<u>—</u>	<u>—</u>	<u>65</u>
<u>392</u>	<u>948</u>	<u>2,792</u>	<u>23,929</u>
—	—	—	82,469
—	—	4,094	4,094
<u>118</u>	<u>—</u>	<u>—</u>	<u>371</u>
<u>118</u>	<u>—</u>	<u>4,094</u>	<u>86,934</u>
<u>510</u>	<u>948</u>	<u>6,886</u>	<u>110,863</u>
464	—	—	2,500
—	—	—	481
—	—	—	122,748
—	11,124	23,872	34,996
<u>5,508</u>	<u>—</u>	<u>—</u>	<u>(4,581)</u>
<u>\$5,972</u>	<u>\$11,124</u>	<u>\$23,872</u>	<u>\$156,144</u>

**Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
Nonmajor Proprietary Funds  
For the Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Drinking Water Treatment Revolving Fund</u>	<u>Alcohol Beverage Control Administration</u>	<u>West Virginia Prepaid College Plan</u>
Operating Revenues:			
Charges for Services and Sales	\$ 781	\$ 88,321	\$ —
Insurance Premiums	—	—	—
Tuition Contracts	—	—	85
Licenses, Permits, and Fees	—	3,853	—
Other	—	88	1,016
Total Operating Revenues	<u>781</u>	<u>92,262</u>	<u>1,101</u>
Operating Expenses:			
Cost of Sales and Services	—	68,530	—
Insurance Claims and Claims Adjustment Provisions	—	—	—
Tuition Contract Benefits and Expenses	—	—	5,968
General and Administration	—	6,174	1,153
Depreciation and Amortization	—	181	—
Other	<u>3,129</u>	<u>—</u>	<u>—</u>
Total Operating Expenses	<u>3,129</u>	<u>74,885</u>	<u>7,121</u>
Operating Income (Loss)	(2,348)	17,377	(6,020)
Nonoperating Revenues:			
Interest and Other Investment Income	23	—	1,634
Other Nonoperating Revenues	<u>—</u>	<u>92</u>	<u>—</u>
Total Nonoperating Revenues, Net	<u>23</u>	<u>92</u>	<u>1,634</u>
Income (Loss) Before Transfers	(2,325)	17,469	(4,386)
Transfers:			
Transfers In	22,553	200	147
Transfers Out	<u>—</u>	<u>(15,810)</u>	<u>—</u>
Total Transfers	<u>22,553</u>	<u>(15,610)</u>	<u>147</u>
Change in Net Assets	20,228	1,859	(4,239)
Net Assets (Deficit), Beginning of Year	<u>101,147</u>	<u>7,720</u>	<u>(11,539)</u>
Net Assets (Deficit), End of Year	<u>\$121,375</u>	<u>\$ 9,579</u>	<u>\$(15,778)</u>

<b>West Virginia Correctional Industries</b>	<b>AccessWV</b>	<b>State Entities Workers' Compensation</b>	<b>Total</b>
\$7,886	\$ 5,096	\$ —	\$102,084
—	—	11,201	11,201
—	—	—	85
—	—	—	3,853
<u>—</u>	<u>155</u>	<u>—</u>	<u>1,259</u>
<u>7,886</u>	<u>5,251</u>	<u>11,201</u>	<u>118,482</u>
4,179	—	—	72,709
—	6,480	8,894	15,374
—	—	—	5,968
3,087	368	90	10,872
82	—	—	263
<u>—</u>	<u>—</u>	<u>—</u>	<u>3,129</u>
<u>7,348</u>	<u>6,848</u>	<u>8,984</u>	<u>108,315</u>
538	(1,597)	2,217	10,167
—	201	—	1,858
<u>—</u>	<u>—</u>	<u>—</u>	<u>92</u>
<u>—</u>	<u>201</u>	<u>—</u>	<u>1,950</u>
538	(1,396)	2,217	12,117
—	—	21,655	44,555
<u>—</u>	<u>—</u>	<u>—</u>	<u>(15,810)</u>
<u>—</u>	<u>—</u>	<u>21,655</u>	<u>28,745</u>
538	(1,396)	23,872	40,862
<u>5,434</u>	<u>12,520</u>	<u>—</u>	<u>115,282</u>
<u>\$5,972</u>	<u>\$11,124</u>	<u>\$23,872</u>	<u>\$156,144</u>

**Combining Statement of Cash Flows  
Nonmajor Proprietary Funds  
For the Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Drinking Water Treatment Revolving Fund</b>	<b>Alcohol Beverage Control Administration</b>	<b>West Virginia Prepaid College Plan</b>
Cash Flows From Operating Activities:			
Receipts from Customers	\$ 4,106	\$ 92,161	\$ 550
Payments to Suppliers	—	(70,454)	(487)
Payments to Employees	—	(4,037)	(622)
Payments to Beneficiaries	—	—	(9,059)
Payments for Loans Originated	(23,139)	—	—
Payments for Premiums	—	—	—
Payments to Claimants	—	—	—
Other Operating Cash Receipts	—	—	1,014
Other Operating Cash Payments	—	—	—
Net Cash Provided by (Used for) Operating Activities	<u>(19,033)</u>	<u>17,670</u>	<u>(8,604)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In	22,553	200	113
Transfers Out	—	(15,810)	—
Entitlements and Grants	—	92	—
Provided from Issuing Liquor Licenses	—	451	—
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>22,553</u>	<u>(15,067)</u>	<u>113</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	—	(249)	—
Net Cash Used for Capital and Related Financing Activities	<u>—</u>	<u>(249)</u>	<u>—</u>
Cash Flows from Investing Activities:			
Purchase of Investments	—	—	(1,475)
Proceeds from Sale of Investments	—	—	8,600
Investment Earnings	22	—	1,478
Net Cash Provided by Investing Activities	<u>22</u>	<u>—</u>	<u>8,603</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,542	2,354	112
Cash and Cash Equivalents, Beginning of Year	<u>18,829</u>	<u>8,547</u>	<u>2,523</u>
Cash and Cash Equivalents, End of Year	<u>\$ 22,371</u>	<u>\$ 10,901</u>	<u>\$ 2,635</u>

<b>West Virginia Correctional Industries</b>	<b>AccessWV</b>	<b>State Entities Workers' Compensation</b>	<b>Total</b>
\$ 7,670	\$ 5,096	\$ 21,645	\$131,228
(4,404)	(333)	(40)	(75,718)
(2,237)	(40)	—	(6,936)
—	—	—	(9,059)
—	—	—	(23,139)
—	—	(12,483)	(12,483)
—	—	(2,058)	(2,058)
—	155	—	1,169
<u>(846)</u>	<u>(6,330)</u>	<u>(7,910)</u>	<u>(15,086)</u>
<u>183</u>	<u>(1,452)</u>	<u>(846)</u>	<u>(12,082)</u>
—	—	21,655	44,521
—	—	—	(15,810)
—	—	—	92
<u>—</u>	<u>—</u>	<u>—</u>	<u>451</u>
<u>—</u>	<u>—</u>	<u>21,655</u>	<u>29,254</u>
<u>(218)</u>	<u>—</u>	<u>—</u>	<u>(467)</u>
<u>(218)</u>	<u>—</u>	<u>—</u>	<u>(467)</u>
—	—	—	(1,475)
—	—	—	8,600
<u>—</u>	<u>201</u>	<u>—</u>	<u>1,701</u>
<u>—</u>	<u>201</u>	<u>—</u>	<u>8,826</u>
(35)	(1,251)	20,809	25,531
<u>2,537</u>	<u>13,323</u>	<u>—</u>	<u>45,759</u>
<u>\$ 2,502</u>	<u>\$12,072</u>	<u>\$ 20,809</u>	<u>\$ 71,290</u>

**Combining Statement of Cash Flows  
 Nonmajor Proprietary Funds  
 For the Fiscal Year Ended June 30, 2012  
 (Expressed in Thousands)  
 (Continued)**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Drinking Water Treatment Revolving Fund</u>	<u>Alcohol Beverage Control Administration</u>	<u>West Virginia Prepaid College Plan</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ (2,348)	\$17,377	\$(6,020)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation and Amortization	—	181	—
Changes in Assets and Liabilities:			
Receivables	(16,685)	(102)	463
Inventories	—	(22)	—
Accounts Payable and Accrued Liabilities	—	(379)	(60)
Tuition Contracts Benefits and Expenses	—	—	(3,091)
Due to/from Other Funds	—	605	73
Other Liabilities	—	—	—
Compensated Absences	—	10	31
Net Cash Provided by (Used for) Operating Activities	<u>\$(19,033)</u>	<u>\$17,670</u>	<u>\$(8,604)</u>
Schedule of Noncash Capital and Financing Activities:			
Loans Originated with Principal Forgiveness Features	\$ 3,129	\$ —	\$ —
Unrealized Gain on Investments	—	—	155

<u>West Virginia Correctional Industries</u>	<u>AccessWV</u>	<u>State Entities Workers' Compensation</u>	<u>Total</u>
\$538	\$(1,597)	\$ 2,217	\$ 10,167
82	—	—	263
(216)	—	(9,949)	(26,489)
(338)	—	—	(360)
113	(15)	6,836	6,495
—	—	—	(3,091)
—	—	—	678
—	160	50	210
<u>4</u>	<u>—</u>	<u>—</u>	<u>45</u>
<u>\$183</u>	<u>\$(1,452)</u>	<u>\$ (846)</u>	<u>\$(12,082)</u>
\$ —	\$ —	\$ —	\$ 3,129
—	—	—	155

# *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 nine plans. There are eight 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 the State's 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. The Municipal Police Officers and Firefighters Retirement System (MPFRS) plan is a multiple-employer defined benefit retirement system. This plan provides for any municipality or municipal subdivision employing municipal police officers or firefighters.



***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 Plan Net Assets  
Pension Trust and Other Employee  
Benefit Trust Funds  
June 30, 2012  
(Expressed in Thousands)**

	<u>Public Employees' Retirement System</u>	<u>Teachers' Retirement System</u>	<u>Public Safety Death, Disability, and Retirement Fund</u>	<u>State Police Retirement System</u>	<u>Judges' Retirement System</u>
Assets:					
Cash and Cash Equivalents	\$ 492	\$ —	\$ 1	\$ —	\$ —
Investments:					
Equity in Pooled Investments	4,352,142	5,111,557	477,386	78,735	126,265
Mutual Funds	—	—	—	—	—
Receivables, Net:					
Contributions	5,465	26,176	—	—	—
Participant Loans	2	6,965	—	—	—
Accounts	—	—	—	—	—
Due from Other Funds	165,125	—	—	—	—
Due from Component Units	189	—	—	—	—
Restricted Assets:					
Cash and Cash Equivalents	—	—	—	—	—
<b>Total Assets</b>	<u>4,523,415</u>	<u>5,144,698</u>	<u>477,387</u>	<u>78,735</u>	<u>126,265</u>
Liabilities:					
Accrued and Other Liabilities	35	301	42	—	—
Due to Other Funds	78	—	—	—	—
Insurance Claims Payable	—	—	—	—	—
Early Retiree Premium Subsidy Funds	—	—	—	—	—
<b>Total Liabilities</b>	<u>113</u>	<u>301</u>	<u>42</u>	<u>—</u>	<u>—</u>
<b>Net Assets Held in trust for Pension and Other Postemployment Benefits</b>	<u>\$4,523,302</u>	<u>\$5,144,397</u>	<u>\$477,345</u>	<u>\$78,735</u>	<u>\$126,265</u>

<b>Teachers' Defined Contribution Retirement System</b>	<b>Deputy Sheriff Retirement System</b>	<b>Emergency Medical Services Retirement System</b>	<b>Municipal Police Officers and Firefighters</b>	<b>Total Pension Trust Funds</b>	<b>Other Employee Benefit Trust Fund</b>	<b>Total Pension and Other Employee Benefit Trust Funds</b>
\$ 7,786	\$ 9	\$ —	\$ —	\$ 8,288	\$ 36,897	\$ 45,185
—	116,281	35,153	189	10,297,708	443,144	10,740,852
310,188	—	—	—	310,188	—	310,188
1,452	719	331	13	34,156	4,160	38,316
183	517	—	—	7,667	—	7,667
—	—	—	—	—	29,305	29,305
—	—	—	—	165,125	—	165,125
—	—	—	—	189	—	189
—	—	—	—	—	3,941	3,941
<u>319,609</u>	<u>117,526</u>	<u>35,484</u>	<u>202</u>	<u>10,823,321</u>	<u>517,447</u>	<u>11,340,768</u>
173	—	1	—	552	5,887	6,439
—	—	—	—	78	4,547	4,625
—	—	—	—	—	10,320	10,320
—	—	—	—	—	3,914	3,914
<u>173</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>630</u>	<u>24,668</u>	<u>25,298</u>
<u>\$319,436</u>	<u>\$117,526</u>	<u>\$35,483</u>	<u>\$202</u>	<u>\$10,822,691</u>	<u>\$492,779</u>	<u>\$11,315,470</u>

**Combining Statement of Changes in Plan Net Assets  
Pension Trust and Other Employee  
Benefit Trust Funds  
For the Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)**

	<b>Public Employees' Retirement System</b>	<b>Teachers' Retirement System</b>	<b>Public Safety Death, Disability, and Retirement Fund</b>	<b>State Police Retirement System</b>	<b>Judges' Retirement System</b>
Additions:					
Contributions:					
Members	\$ 59,200	\$ 91,976	\$ 724	\$ 3,375	\$ 706
Employers	<u>191,012</u>	<u>482,236</u>	<u>1,207</u>	<u>4,544</u>	<u>3,954</u>
Total Contributions	<u>250,212</u>	<u>574,212</u>	<u>1,931</u>	<u>7,919</u>	<u>4,660</u>
Investment Income:					
Net Appreciation (Depreciation) in Fair Value of Investments	24,265	24,355	2,046	467	723
Interest	34,686	36,446	3,751	596	989
Investment Expense	<u>(12,829)</u>	<u>(14,683)</u>	<u>(1,416)</u>	<u>(239)</u>	<u>(461)</u>
Net Investment Income	<u>46,122</u>	<u>46,118</u>	<u>4,381</u>	<u>824</u>	<u>1,251</u>
Transfers to Plan	96	—	—	—	51
Other	<u>1,859</u>	<u>38,874</u>	<u>22,767</u>	<u>79</u>	<u>—</u>
Total Additions	<u>298,289</u>	<u>659,204</u>	<u>29,079</u>	<u>8,822</u>	<u>5,962</u>
Deductions:					
Benefits Expense	304,263	577,427	33,631	477	4,274
Refunds of Contributions	10,844	7,783	47	327	—
Administrative Expenses	4,505	4,209	50	39	6
Transfer from Plan	<u>—</u>	<u>53</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deductions	<u>319,612</u>	<u>589,472</u>	<u>33,728</u>	<u>843</u>	<u>4,280</u>
Change in Net Assets Held in Trust for Pension and Other Postemployment Benefits	(21,323)	69,732	(4,649)	7,979	1,682
Net Assets, Beginning of Year	<u>4,544,625</u>	<u>5,074,665</u>	<u>481,994</u>	<u>70,756</u>	<u>124,583</u>
Net Assets, End of Year	<u>\$4,523,302</u>	<u>\$5,144,397</u>	<u>\$477,345</u>	<u>\$78,735</u>	<u>\$126,265</u>

<b>Teachers' Defined Contribution Retirement System</b>	<b>Deputy Sheriff Retirement System</b>	<b>Emergency Medical Services Retirement System</b>	<b>Municipal Police Officers and Firefighters</b>	<b>Total Pension Trust Funds</b>	<b>Other Employee Benefit Trust Fund</b>	<b>Total Pension and Other Employee Benefit Trust Funds</b>
\$ 7,008	\$ 3,567	\$ 1,838	\$ 72	\$ 168,466	\$ 74,517	\$ 242,983
<u>9,092</u>	<u>5,431</u>	<u>2,272</u>	<u>72</u>	<u>699,820</u>	<u>152,194</u>	<u>852,014</u>
<u>16,100</u>	<u>8,998</u>	<u>4,110</u>	<u>144</u>	<u>868,286</u>	<u>226,711</u>	<u>1,094,997</u>
4,119	647	198	5	56,825	(563)	56,262
—	951	269	—	77,688	6,324	84,012
<u>—</u>	<u>(345)</u>	<u>(106)</u>	<u>(1)</u>	<u>(30,080)</u>	<u>—</u>	<u>(30,080)</u>
<u>4,119</u>	<u>1,253</u>	<u>361</u>	<u>4</u>	<u>104,433</u>	<u>5,761</u>	<u>110,194</u>
—	—	—	—	147	—	147
<u>8</u>	<u>534</u>	<u>—</u>	<u>—</u>	<u>64,121</u>	<u>1,505</u>	<u>65,626</u>
<u>20,227</u>	<u>10,785</u>	<u>4,471</u>	<u>148</u>	<u>1,036,987</u>	<u>233,977</u>	<u>1,270,964</u>
—	5,985	651	—	926,708	201,639	1,128,347
8,266	762	664	10	28,703	—	28,703
646	86	39	1	9,581	11,637	21,218
<u>94</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>147</u>	<u>—</u>	<u>147</u>
<u>9,006</u>	<u>6,833</u>	<u>1,354</u>	<u>11</u>	<u>965,139</u>	<u>213,276</u>	<u>1,178,415</u>
11,221	3,952	3,117	137	71,848	20,701	92,549
308,215	113,574	32,366	65	10,750,843	472,078	11,222,921
<u>\$319,436</u>	<u>\$117,526</u>	<u>\$35,483</u>	<u>\$202</u>	<u>\$10,822,691</u>	<u>\$492,779</u>	<u>\$11,315,470</u>

# *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, 2012  
(Expressed in Thousands)**

	<b>West Virginia Money Market</b>	<b>West Virginia Government Money Market</b>	<b>Total</b>
Assets:			
Cash and Cash Equivalents	\$71,613	\$242,307	\$313,920
Total Assets	<u>\$71,613</u>	<u>\$242,307</u>	<u>\$313,920</u>
Net Assets:			
Held in Trust for External Investment Pool Participants	\$71,613	\$242,307	\$313,920
Total Net Assets	<u>\$71,613</u>	<u>\$242,307</u>	<u>\$313,920</u>

**Combining Statement of Changes in Fiduciary Net Assets  
Investment Trust Funds  
For the Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)**

	<b>West Virginia Money Market</b>	<b>West Virginia Government Money Market</b>	<b>Total</b>
Additions:			
Deposits, Pool Participants	\$311,421	\$438,229	\$749,650
Investment Income:			
Net Appreciation in Fair Value of Investments	<u>86</u>	<u>149</u>	<u>235</u>
Total Additions	<u>311,507</u>	<u>438,378</u>	<u>749,885</u>
Deductions:			
Withdrawals	<u>307,773</u>	<u>421,420</u>	<u>729,193</u>
Change in Net Assets Held in Trust for External Investment Pool Participants	3,734	16,958	20,692
Net Assets, Beginning of Year	<u>67,879</u>	<u>225,349</u>	<u>293,228</u>
Net Assets, End of Year	<u>\$ 71,613</u>	<u>\$242,307</u>	<u>\$313,920</u>

# *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 three funds, the Local Government Fund, the Municipal Pensions 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, the Department of Environmental Protection, and other restricted assets held by the Governor's Office of Community and Industrial Development. 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 Assets and Liabilities**  
**Agency Funds**  
**June 30, 2012**  
(Expressed in Thousands)

	Local Government			Other Agency			Total
	Local Government	Municipal Pensions Agency Fund	Municipal Bond Commission	Consolidated Investment Pool	Patient Injury Compensation Fund	Other Agency Funds	
Assets:							
Current Assets:							
Cash and Cash Equivalents	\$2,210	\$28,672	\$5,608	\$37,980	\$3,773	\$20,412	\$ 98,655
Investments	—	—	—	6,352	—	—	6,352
Accrued Interest Receivable	—	3	—	189	—	—	192
Total Assets	<u>\$2,210</u>	<u>\$28,675</u>	<u>\$5,608</u>	<u>\$44,521</u>	<u>\$3,773</u>	<u>\$20,412</u>	<u>\$105,199</u>
Liabilities:							
Current Liabilities:							
Due to Other Governments	\$2,210	\$28,675	\$5,608	\$ —	\$ —	\$ —	\$ 36,493
Agency Liabilities	—	—	—	44,521	3,773	20,412	68,706
Total Liabilities	<u>\$2,210</u>	<u>\$28,675</u>	<u>\$5,608</u>	<u>\$44,521</u>	<u>\$3,773</u>	<u>\$20,412</u>	<u>\$105,199</u>

**Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)**

	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2012</b>
<b>Local Government</b>				
Assets:				
Cash	\$ 95	\$1,694,327	\$1,692,212	\$ 2,210
Total Assets	<u>\$ 95</u>	<u>\$1,694,327</u>	<u>\$1,692,212</u>	<u>\$ 2,210</u>
Liabilities:				
Accounts Payable	\$ —	\$ 9,985	\$ 9,985	\$ —
Due to Other Governments	95	1,684,342	1,682,227	2,210
Total Liabilities	<u>\$ 95</u>	<u>\$1,694,327</u>	<u>\$1,692,212</u>	<u>\$ 2,210</u>
<b>Municipal Pensions Fund</b>				
Assets:				
Cash and Cash Equivalents	\$ —	\$ 71,480	\$ 42,808	\$28,672
Accrued Interest Receivable	—	3	—	3
Total Assets	<u>\$ —</u>	<u>\$ 71,483</u>	<u>\$ 42,808</u>	<u>\$28,675</u>
Liabilities:				
Accounts Payable	\$ —	\$ 4,725	\$ 4,725	\$ —
Due to Other Governments	—	66,758	38,083	28,675
Total Liabilities	<u>\$ —</u>	<u>\$ 71,483</u>	<u>\$ 42,808</u>	<u>\$28,675</u>
<b>Municipal Bond Commission</b>				
Assets:				
Cash	\$ 5,523	\$ 631,759	\$ 631,674	\$ 5,608
Total Assets	<u>\$ 5,523</u>	<u>\$ 631,759</u>	<u>\$ 631,674</u>	<u>\$ 5,608</u>
Liabilities:				
Accounts Payable	\$ —	\$ 187,360	\$ 187,360	\$ —
Due to Other Governments	5,523	444,399	444,314	5,608
Total Liabilities	<u>\$ 5,523</u>	<u>\$ 631,759</u>	<u>\$ 631,674</u>	<u>\$ 5,608</u>
<b>Consolidated Investment Pool</b>				
Assets:				
Cash	\$ 3,274	\$ 35,813	\$ 33,828	\$ 5,259
Equity in Pooled Cash Equivalents	28,144	11,279	6,702	32,721
Investments	6,564	996	1,208	6,352
Accrued Interest Receivable	—	189	—	189
Total Assets	<u>\$37,982</u>	<u>\$ 48,277</u>	<u>\$ 41,738</u>	<u>\$44,521</u>
Liabilities:				
Accounts Payable	\$ —	\$ 1,563	\$ 1,563	\$ —
Agency Liabilities	37,982	46,714	40,175	44,521
Total Liabilities	<u>\$37,982</u>	<u>\$ 48,277</u>	<u>\$ 41,738</u>	<u>\$44,521</u>

	<b>Balance July 1, 2011</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2012</b>
<b>Patient Injury Compensation Fund</b>				
Assets:				
Cash and Cash Equivalents	\$ 11	\$ 264	\$ 267	\$ 8
Equity in Pooled Cash Equivalents	<u>4,021</u>	<u>4</u>	<u>260</u>	<u>3,765</u>
Total Assets	<u>\$ 4,032</u>	<u>\$ 268</u>	<u>\$ 527</u>	<u>\$ 3,773</u>
Liabilities:				
Accounts Payable	\$ —	\$ 263	\$ 263	\$ —
Agency Liabilities	<u>4,032</u>	<u>5</u>	<u>264</u>	<u>3,773</u>
Total Liabilities	<u>\$ 4,032</u>	<u>\$ 268</u>	<u>\$ 527</u>	<u>\$ 3,773</u>
<b>Other Agency Funds</b>				
Assets:				
Cash and Cash Equivalents	\$14,641	\$ 243,962	\$ 242,055	\$ 16,548
Equity in Pooled Cash Equivalents	<u>4,013</u>	<u>252</u>	<u>401</u>	<u>3,864</u>
Total Assets	<u>\$18,654</u>	<u>\$ 244,214</u>	<u>\$ 242,456</u>	<u>\$ 20,412</u>
Liabilities:				
Accounts Payable	\$ —	\$ 808	\$ 808	\$ —
Agency Liabilities	<u>18,654</u>	<u>243,406</u>	<u>241,648</u>	<u>20,412</u>
Total Liabilities	<u>\$18,654</u>	<u>\$ 244,214</u>	<u>\$ 242,456</u>	<u>\$ 20,412</u>
<b>Total - All Agency Funds</b>				
Assets:				
Cash and Cash Equivalents	\$23,544	\$2,677,605	\$2,642,844	\$ 58,305
Equity in Pooled Cash Equivalents	36,178	11,535	7,363	40,350
Investments	6,564	996	1,208	6,352
Accrued Interest Receivable	<u>—</u>	<u>192</u>	<u>—</u>	<u>192</u>
Total Assets	<u>\$66,286</u>	<u>\$2,690,328</u>	<u>\$2,651,415</u>	<u>\$105,199</u>
Liabilities:				
Accounts Payable	\$ —	\$ 204,704	\$ 204,704	\$ —
Due to Other Governments	5,618	2,195,499	2,164,624	36,493
Agency Liabilities	<u>60,668</u>	<u>290,125</u>	<u>282,087</u>	<u>68,706</u>
Total Liabilities	<u>\$66,286</u>	<u>\$2,690,328</u>	<u>\$2,651,415</u>	<u>\$105,199</u>



# *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, 2012  
(Expressed in Thousands)**

	<b>Educational Broadcasting Authority</b>	<b>Jobs Investment Trust</b>	<b>WV State Rail Authority</b>
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 901	\$ 6,835	\$ 5,945
Investments	413	—	—
Receivables, Net	153	—	42
Due from Primary Government	181	—	36
Inventories	—	—	33
Other Assets	162	—	2
Restricted Assets:			
Cash and Cash Equivalents	—	—	—
Receivables, Net	—	—	—
Total Current Assets	<u>1,810</u>	<u>6,835</u>	<u>6,058</u>
Noncurrent Assets:			
Investments	—	7,585	—
Receivables, Net	—	4,175	—
Other Assets	—	277	—
Restricted Assets:			
Cash and Cash Equivalents	—	—	—
Receivables, Net	—	—	—
Other Restricted Assets	237	—	—
Capital Assets, Net	<u>5,812</u>	<u>227</u>	<u>37,488</u>
Total Noncurrent Assets	<u>6,049</u>	<u>12,264</u>	<u>37,488</u>
Total Assets	<u>7,859</u>	<u>19,099</u>	<u>43,546</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	90	23	77
Accrued and Other Liabilities	—	64	44
Due to Primary Government	2,295	7	480
Unearned Revenue	63	—	3
Capital Leases and Other Debt	—	5,696	—
Compensated Absences	<u>334</u>	<u>—</u>	<u>53</u>
Total Current Liabilities	<u>2,782</u>	<u>5,790</u>	<u>657</u>
Noncurrent Liabilities:			
Accrued and Other Liabilities	—	—	—
Unearned Revenue	—	—	70
Liabilities Payable from Restricted Assets	—	—	—
Capital Leases and Other Debt	—	10,827	—
Compensated Absences	<u>14</u>	<u>—</u>	<u>—</u>
Total Noncurrent Liabilities	<u>14</u>	<u>10,827</u>	<u>70</u>
Total Liabilities	<u>2,796</u>	<u>16,617</u>	<u>727</u>
Net Assets (Deficit):			
Investment in Capital Assets, Net of Related Debt	5,812	227	37,488
Restricted for:			
Nonexpendable	237	—	—
Specific Component Unit Purposes	—	—	—
Unrestricted	<u>(986)</u>	<u>2,255</u>	<u>5,331</u>
Total Net Assets (Deficit)	<u>\$5,063</u>	<u>\$ 2,482</u>	<u>\$42,819</u>

<b>Solid Waste Management Board</b>	<b>Racing Commission</b>	<b>Public Defender Corporation</b>	<b>Total</b>
\$2,668	\$ 6,324	\$6,221	\$ 28,894
—	—	—	413
223	42	—	460
—	—	—	217
—	—	—	33
1	—	55	220
2,488	30,656	—	33,144
<u>337</u>	<u>832</u>	<u>—</u>	<u>1,169</u>
<u>5,717</u>	<u>37,854</u>	<u>6,276</u>	<u>64,550</u>
—	—	—	7,585
—	—	—	4,175
—	—	—	277
—	5,187	—	5,187
1,757	—	—	1,757
—	—	—	237
<u>32</u>	<u>9</u>	<u>775</u>	<u>44,343</u>
<u>1,789</u>	<u>5,196</u>	<u>775</u>	<u>63,561</u>
<u>7,506</u>	<u>43,050</u>	<u>7,051</u>	<u>128,111</u>
138	810	48	1,186
—	76	294	478
288	1,064	4,600	8,734
—	—	—	66
—	—	—	5,696
—	—	786	1,173
<u>426</u>	<u>1,950</u>	<u>5,728</u>	<u>17,333</u>
200	—	—	200
—	—	—	70
—	35,843	—	35,843
—	—	—	10,827
<u>20</u>	<u>185</u>	<u>—</u>	<u>219</u>
<u>220</u>	<u>36,028</u>	<u>—</u>	<u>47,159</u>
<u>646</u>	<u>37,978</u>	<u>5,728</u>	<u>64,492</u>
32	9	775	44,343
—	—	—	237
4,382	—	—	4,382
<u>2,446</u>	<u>5,063</u>	<u>548</u>	<u>14,657</u>
<u>\$6,860</u>	<u>\$ 5,072</u>	<u>\$1,323</u>	<u>\$ 63,619</u>

**Combining Statement of Activities  
Nonmajor Discretely Presented Component Units  
For the Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)**

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Component Units:				
Educational Broadcasting Authority	\$11,184	\$ 1,783	\$1,518	\$ (7,883)
Jobs Investment Trust	2,621	546	6,950	4,875
WV State Rail Authority	4,573	2,889	—	(1,684)
Solid Waste Management Board	2,473	2,641	—	168
Racing Commission	4,373	3,795	—	(578)
Public Defender Corporation	<u>19,123</u>	<u>—</u>	<u>54</u>	<u>(19,069)</u>
Total Component Units	<u>\$44,347</u>	<u>\$11,654</u>	<u>\$8,522</u>	<u>\$(24,171)</u>



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, (Deficit) Beginning of Year, as Restated	Net Assets, End of Year
\$ —	\$738	\$695	\$ 5,104	\$ 6,537	\$(1,346)	\$ 6,409	\$ 5,063
131	—	—	—	131	5,006	(2,524)	2,482
23	—	—	2,457	2,480	796	42,023	42,819
1	—	3	—	4	172	6,688	6,860
—	—	1	—	1	(577)	5,649	5,072
<u>5</u>	<u>—</u>	<u>2</u>	<u>19,431</u>	<u>19,438</u>	<u>369</u>	<u>954</u>	<u>1,323</u>
<u>\$160</u>	<u>\$738</u>	<u>\$701</u>	<u>\$26,992</u>	<u>\$28,591</u>	<u>\$ 4,420</u>	<u>\$59,199</u>	<u>\$63,619</u>







# Statistical Section

Financial Trends

Revenue Capacity

Debt Capacity

Demographics and  
Economic Information

Operating Information

Miscellaneous





**Statistical Section  
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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 Ten Fiscal Years**  
**(Expressed in Thousands)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Governmental Activities</b>				
Invested in Capital Assets, Net of Related Debt	\$ 8,404,751	\$ 8,288,909	\$ 7,909,484	\$ 7,532,883
Restricted	504,680	551,892	435,296	817,524
Unrestricted Assets (Deficit)	<u>298,279</u>	<u>1,347,124</u>	<u>1,407,481</u>	<u>1,725,672</u>
<b>Total Governmental Activities</b>				
<b>Net Assets</b>	<u>\$ 9,207,710</u>	<u>\$10,187,925</u>	<u>\$ 9,752,261</u>	<u>\$10,076,079</u>
<b>Business-type Activities</b>				
Invested in Capital Assets, Net of Related Debt	\$ 4,555	\$ 6,200	\$ 31,428	\$ 11,732
Restricted	1,721,727	1,551,461	1,432,449	1,000,274
Unrestricted Assets (Deficit)	<u>(450,488)</u>	<u>(568,660)</u>	<u>(744,459)</u>	<u>(1,095,509)</u>
<b>Total Business-type Activities</b>				
<b>Net Assets (Deficit)</b>	<u>\$ 1,275,794</u>	<u>\$ 989,001</u>	<u>\$ 719,418</u>	<u>\$ (83,503)</u>
<b>Primary Government</b>				
Invested in Capital Assets, Net of Related Debt	\$ 8,409,306	\$ 8,295,109	\$ 7,940,912	\$ 7,544,615
Restricted	2,226,407	2,103,353	1,867,745	1,817,798
Unrestricted Assets (Deficit)	<u>(152,209)</u>	<u>778,464</u>	<u>663,022</u>	<u>630,163</u>
<b>Total Primary Government</b>				
<b>Net Assets</b>	<u>\$10,483,504</u>	<u>\$11,176,926</u>	<u>\$10,471,679</u>	<u>\$ 9,992,576</u>

Note: 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.

Beginning in FY 2008, the School Building Authority is no longer included in 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.

Beginning in FY 2010, the WV Infrastructure and Jobs Development Council is no longer included in the Governmental Funds and is now accounted for as an Enterprise Fund. Previous amounts have not been restated.

Beginning in FY 2011, the Lottery is no longer included in the business-type activities. It is now accounted for as a discretely presented component unit. Previous amounts have not been restated.

<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
\$ 7,230,626	\$6,934,539	\$ 6,771,494	\$ 6,448,005	\$ 6,196,704	\$ 5,910,605
926,541	861,508	714,802	1,262,989	1,078,859	772,580
<u>1,402,670</u>	<u>846,987</u>	<u>91,573</u>	<u>(817,257)</u>	<u>(667,181)</u>	<u>(548,510)</u>
<u>\$ 9,559,837</u>	<u>\$8,643,034</u>	<u>\$ 7,577,869</u>	<u>\$ 6,893,737</u>	<u>\$ 6,608,382</u>	<u>\$ 6,134,675</u>
\$ 12,330	\$ 4,049	\$ 2,775	\$ 9,361	\$ 9,372	\$ 10,900
1,074,139	1,026,973	944,256	775,140	687,891	809,685
<u>(1,329,576)</u>	<u>(1,704,657)</u>	<u>(2,017,602)</u>	<u>(2,224,984)</u>	<u>(2,897,674)</u>	<u>(3,256,853)</u>
<u>\$ (243,107)</u>	<u>\$ ( 673,635)</u>	<u>\$(1,070,571)</u>	<u>\$(1,440,483)</u>	<u>\$(2,200,411)</u>	<u>\$(2,436,268)</u>
\$ 7,242,956	\$6,938,588	\$ 6,774,269	\$ 6,457,366	\$ 6,206,076	\$ 5,921,505
2,000,680	1,888,481	1,659,058	2,038,129	1,766,750	1,582,265
<u>73,094</u>	<u>(857,670)</u>	<u>(1,926,029)</u>	<u>(3,042,241)</u>	<u>(3,564,855)</u>	<u>(3,805,363)</u>
<u>\$ 9,316,730</u>	<u>\$7,969,399</u>	<u>\$ 6,507,298</u>	<u>\$ 5,453,254</u>	<u>\$ 4,407,971</u>	<u>\$ 3,698,407</u>

**Schedule 2**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**  
**(Expressed in Thousands)**

<b>Governmental Activities</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Expenses:				
Legislative	\$ 36,722	\$ 31,721	\$ 28,896	\$ 29,552
Judicial	140,515	130,104	124,627	106,933
Executive	216,356	325,389	261,764	143,872
Administration	320,377	260,298	163,662	201,469
Commerce	231,178	217,334	204,178	201,901
Environmental Protection	204,158	174,211	141,279	110,652
Employment Programs	51,595	58,312	57,286	45,000
Education	3,757,725	2,839,216	2,850,805	2,821,883
Health and Human Resources	4,402,259	4,317,911	4,088,254	3,737,102
Military Affairs and Public Safety	491,717	441,523	441,068	427,575
Revenue	91,344	82,820	270,870	83,458
Transportation	1,299,400	1,035,601	1,064,417	977,616
Veterans Assistance	27,019	—	—	—
Senior Services	47,561	47,186	46,671	43,729
Regulatory Boards and Commissions	92,662	33,328	36,917	35,079
Interest on Long-Term Debt	<u>125,105</u>	<u>135,443</u>	<u>135,534</u>	<u>141,756</u>
Total Expenses	<u>11,535,693</u>	<u>10,130,397</u>	<u>9,916,228</u>	<u>9,107,577</u>
Program Revenues:				
Charges for Services:				
Legislative	1,591	1,571	1,598	1,644
Judicial	1,024	1,116	929	907
Executive	22,093	22,868	19,787	17,365
Administration	33,180	6,289	29,086	28,337
Commerce	48,928	44,747	46,009	48,685
Environmental Protection	61,188	52,683	49,450	56,016
Employment Programs	—	—	—	—
Education	4,362	4,195	3,352	3,096
Health and Human Resources	90,604	88,737	84,680	81,230
Military Affairs and Public Safety	11,146	10,019	10,352	12,957
Revenue	31,729	73,947	69,800	45,944
Transportation	100,700	101,000	100,533	91,669
Senior Services	1	—	1	—
Regulatory Boards and Commissions	<u>31,254</u>	<u>30,815</u>	<u>30,407</u>	<u>26,121</u>
Total Charges for Services	<u>437,800</u>	<u>437,987</u>	<u>445,984</u>	<u>413,971</u>
Operating Grants and Contributions:				
Legislative	1,977	634	2,135	1,212
Judicial	640	1,049	986	850
Executive	136,752	214,224	164,062	40,551
Administration	45,498	41,426	38,498	37,716
Commerce	70,004	73,424	59,632	34,220
Environmental Protection	142,590	116,378	121,366	67,529
Employment Programs	51,845	58,008	54,460	46,804
Education	446,297	444,269	452,315	377,749
Health and Human Resources	3,045,355	3,252,622	3,077,246	2,783,872
Military Affairs and Public Safety	82,240	52,057	74,472	67,269
Revenue	9	28	12	156
Senior Services	23,351	22,671	20,614	14,310
Regulatory Boards and Commissions	<u>2,747</u>	<u>2,105</u>	<u>2,014</u>	<u>2,598</u>
Total Operating Grants and Contributions	<u>4,049,305</u>	<u>4,278,895</u>	<u>4,067,812</u>	<u>3,474,836</u>
Capital Grants and Contributions:				
Executive	—	3	57,442	—
Administration	2,005	—	—	—
Education	—	—	—	—
Military Affairs and Public Safety	49,854	74,581	18,758	11,518
Transportation	519,768	554,394	558,947	476,779
Veterans Assistance	<u>5,321</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Capital Grants and Contributions	<u>576,948</u>	<u>628,978</u>	<u>635,147</u>	<u>488,297</u>
Total Program Revenues	<u>5,064,053</u>	<u>5,345,860</u>	<u>5,148,943</u>	<u>4,377,104</u>
Total Governmental Activities Net Program Expenses	<u>(6,471,640)</u>	<u>(4,784,537)</u>	<u>(4,767,285)</u>	<u>(4,730,473)</u>

Note: Beginning in FY 2008, the School Building Authority is no longer included in the Governmental Funds and is now accounted for as a discretely presented component unit. In FY 2010, the WV Infrastructure and Jobs Development Council was also removed and is now accounted for as an Enterprise Fund. Beginning in FY 2011, the Lottery is no longer included in the business-type activities. It is now



<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 28,027	\$ 26,154	\$ 25,345	\$ 27,558	\$ 30,623	\$ 28,009
102,738	88,209	77,789	77,668	83,653	77,487
128,261	114,547	104,726	134,506	115,413	127,350
213,546	153,677	147,774	210,434	136,960	148,812
204,448	218,610	235,749	229,216	259,071	225,886
74,827	225,458	125,216	267,544	1,410	71,278
56,122	53,617	72,069	31,445	39,007	35,115
2,646,434	2,454,835	2,669,307	2,418,672	2,399,688	2,373,873
3,451,206	3,254,172	3,119,005	3,221,458	3,056,163	2,683,578
381,104	360,443	417,606	588,409	324,636	296,165
51,242	70,148	71,158	32,718	68,596	39,705
876,073	778,817	780,950	835,813	753,901	755,565
—	—	—	—	—	—
43,701	32,195	30,115	29,373	29,271	28,523
35,168	34,212	33,082	25,671	45,145	30,177
<u>140,208</u>	<u>94,475</u>	<u>93,401</u>	<u>85,402</u>	<u>76,406</u>	<u>74,027</u>
<u>8,433,105</u>	<u>7,959,569</u>	<u>8,003,292</u>	<u>8,215,887</u>	<u>7,419,943</u>	<u>6,995,550</u>
1,654	1,757	1,824	1,859	1,806	1,763
1,014	869	919	901	925	929
15,248	12,024	15,872	1,223	5,274	251
29,115	24,812	49,492	12,390	25,606	6,692
45,684	44,114	41,885	42,115	40,658	37,688
44,720	56,621	54,877	55,254	46,730	50,326
—	—	—	—	283	—
1,698	3,008	4,465	4,133	3,846	3,383
74,960	83,230	84,428	82,325	73,150	56,631
11,097	10,165	5,317	8,884	6,679	5,957
62,352	65,364	44,229	26,303	26,683	25,089
102,561	96,068	97,064	99,532	88,777	93,569
4	—	—	—	—	—
<u>27,897</u>	<u>21,638</u>	<u>26,789</u>	<u>23,017</u>	<u>31,641</u>	<u>27,033</u>
<u>418,004</u>	<u>419,670</u>	<u>427,161</u>	<u>357,936</u>	<u>352,058</u>	<u>309,311</u>
255	1,269	545	646	749	525
813	380	436	—	156	(35)
35,615	38,249	27,138	45,805	39,587	46,974
36,670	37,945	56,748	52,316	46,288	34,987
38,138	47,463	32,749	76,340	74,990	82,009
50,090	53,301	44,255	88,395	88,183	71,934
55,839	54,690	65,303	30,805	36,995	35,594
380,708	388,305	369,428	358,853	324,292	311,847
2,365,068	2,235,552	2,224,260	2,285,865	2,179,003	1,998,922
95,331	52,708	60,756	95,874	81,767	65,847
—	66,214	214	200	30	9
21,244	11,637	11,594	12,634	12,148	11,664
<u>2,937</u>	<u>2,267</u>	<u>4,376</u>	<u>8,306</u>	<u>7,460</u>	<u>2,045</u>
<u>3,082,708</u>	<u>2,989,980</u>	<u>2,897,802</u>	<u>3,056,039</u>	<u>2,891,648</u>	<u>2,662,322</u>
41	—	—	—	—	—
28	4,001	—	—	213	19
1,027	31	233	217	99	—
4,743	5,423	10,127	26,255	38,731	11,303
419,810	410,669	447,727	453,719	438,974	411,280
—	—	—	—	—	—
<u>425,649</u>	<u>420,124</u>	<u>458,087</u>	<u>480,191</u>	<u>478,017</u>	<u>422,602</u>
<u>3,926,361</u>	<u>3,829,774</u>	<u>3,783,050</u>	<u>3,894,166</u>	<u>3,721,723</u>	<u>3,394,235</u>
<u>(4,506,744)</u>	<u>(4,129,795)</u>	<u>(4,220,242)</u>	<u>(4,321,721)</u>	<u>(3,698,220)</u>	<u>(3,601,315)</u>

accounted for as a discretely presented component unit. The previous amounts above have not been restated to reflect these changes in presentation because the necessary information is not readily available. Veterans Assistance was previously included in Military Affairs and Public Safety.

(Continued)

**Schedule 2**  
**Changes in Net Assets**  
**Last Ten Fiscal Years**  
**(Expressed in Thousands)**  
**(Continued)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Revenues and Other Changes in Net Assets				
Taxes:				
Personal Income	1,790,146	1,657,258	1,534,970	1,630,492
Consumer Sales	1,216,561	1,150,887	1,131,075	1,088,901
Business	905,515	977,252	844,405	912,252
Medicaid	190,419	173,103	157,693	165,759
Transportation	594,871	574,949	541,023	533,833
Other	318,938	264,260	277,811	297,644
Entitlements and Grants	5,056	29,995	—	—
Unrestricted Investment Earnings	54,699	63,821	89,635	(33,983)
Tobacco Settlement Revenues	63,270	61,233	66,199	81,703
Federal Appropriations - Jobs Growth Tax Relief	—	—	—	—
Lottery Revenue	497,874	408,974	—	—
Miscellaneous	112,324	103,228	97,791	96,098
Special Item	—	—	—	—
Transfers	(258,248)	(244,759)	279,309	206,287
Excess Reserve Transfer to RHBT	—	—	—	—
Total General Revenue, Special Item, and Transfers	<u>5,491,425</u>	<u>5,220,201</u>	<u>5,019,911</u>	<u>4,978,986</u>
<b>Total Governmental Activities Changes in Net Assets</b>	<b><u>\$ (980,215)</u></b>	<b><u>\$ 435,664</u></b>	<b><u>\$ 252,626</u></b>	<b><u>\$ 248,513</u></b>
<b>Business-type Activities</b>				
Expenses:				
West Virginia Lottery	\$ —	\$ —	\$ 899,247	\$1,022,747
Water Pollution Control Revolving Fund	5,740	26,723	34,796	1,905
Workers' Compensation Fund	147,230	179,803	173,967	36,252
Unemployment Compensation	365,323	444,036	605,272	356,715
WV Infrastructure & Jobs Development Council	18,503	16,024	22,882	—
Public Employees' Insurance Agency	524,789	527,830	437,496	394,616
Board of Risk and Insurance Management	57,288	37,624	35,614	40,498
Other Business-type Activities	<u>108,221</u>	<u>101,937</u>	<u>97,089</u>	<u>69,184</u>
Total Expenses	<u>1,227,094</u>	<u>1,333,977</u>	<u>2,306,363</u>	<u>1,921,917</u>
Program Revenues:				
Charges for Services:				
West Virginia Lottery	—	—	1,358,092	1,493,036
Water Pollution Control Revolving Fund	4,631	4,548	4,509	4,154
Workers' Compensation Fund	54,361	51,015	50,460	49,921
Unemployment Compensation	400,238	467,910	510,048	249,996
WV Infrastructure & Jobs Development Council	4,381	3,162	2,756	—
Public Employees' Insurance Agency	499,236	499,726	481,060	402,377
Board of Risk and Insurance Management	45,587	46,376	51,613	56,337
Other Business-type Activities	<u>117,206</u>	<u>103,143</u>	<u>97,846</u>	<u>90,438</u>
Total Charges for Services	<u>1,125,640</u>	<u>1,175,880</u>	<u>2,556,384</u>	<u>2,346,259</u>
Operating Grants and Contributions:				
Unemployment Compensation	—	—	—	—
Total Operating Grants and Contributions	—	—	—	—
Capital Contributions:				
Water Pollution Control Revolving Fund	—	—	—	11,384
Total Capital Grants and Contributions	—	—	—	11,384
Total Revenues	<u>1,125,640</u>	<u>1,175,880</u>	<u>2,556,384</u>	<u>2,357,643</u>
Total Business-type Activities Net Program Expenses	<u>(101,454)</u>	<u>(158,097)</u>	<u>250,021</u>	<u>435,726</u>
Business-type Activities General Revenues and Other Changes in Net Assets				
Unrestricted Investment Earnings	66,690	160,942	190,159	(86,937)
Tobacco Settlement Revenue	—	—	—	—
Lottery Revenue	57,000	51,000	—	—
Miscellaneous	6,309	7,362	54,718	17,102
Transfers	<u>258,248</u>	<u>244,759</u>	<u>(279,309)</u>	<u>(206,287)</u>
Total Business-type Activities General Revenues and Other Changes in Net Assets	<u>388,247</u>	<u>464,063</u>	<u>(34,432)</u>	<u>(276,122)</u>
<b>Total Business-type Activities Changes in Net Assets</b>	<b><u>\$ 286,793</u></b>	<b><u>\$ 305,966</u></b>	<b><u>\$ 215,589</u></b>	<b><u>\$ 159,604</u></b>
<b>Total Primary Government Change in Net Assets</b>	<b><u>\$ (693,422)</u></b>	<b><u>\$ 741,630</u></b>	<b><u>\$ 468,215</u></b>	<b><u>\$ 408,117</u></b>

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
1,557,957	1,372,646	1,330,913	1,163,211	1,073,512	1,048,172
990,051	1,020,128	981,536	979,357	965,378	917,072
1,040,604	906,022	920,940	726,878	554,734	551,910
161,896	162,692	169,866	154,070	150,335	143,036
564,736	535,979	501,022	502,659	477,159	466,273
394,798	393,400	382,718	377,878	359,341	291,776
—	—	229	912	—	—
89,581	105,317	71,233	54,240	15,753	52,446
73,079	48,294	33,137	56,825	53,850	32,521
—	—	—	—	30,746	30,747
—	—	—	—	—	—
128,940	111,277	74,047	93,281	52,123	127,287
—	—	—	—	—	—
214,864	539,205	438,733	484,308	411,164	355,533
<u>(108,168)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>5,108,338</u>	<u>5,194,960</u>	<u>4,904,374</u>	<u>4,593,619</u>	<u>4,144,095</u>	<u>4,016,773</u>
<u>\$ 601,594</u>	<u>\$1,065,165</u>	<u>\$ 684,132</u>	<u>\$ 271,898</u>	<u>\$ 445,875</u>	<u>\$ 415,458</u>
\$1,087,321	\$1,081,336	\$1,096,893	\$ 839,241	\$ 776,124	\$ 670,041
1,651	1,630	1,718	1,786	1,914	1,752
(161,079)	81,459	392,975	189,753	579,433	1,276,891
175,107	153,663	147,308	143,989	195,359	224,897
—	—	—	—	—	—
444,380	379,742	545,384	506,837	449,905	410,413
47,229	39,441	41,256	60,969	96,658	52,591
<u>77,329</u>	<u>76,785</u>	<u>66,631</u>	<u>58,910</u>	<u>62,202</u>	<u>55,082</u>
<u>1,671,938</u>	<u>1,814,056</u>	<u>2,292,165</u>	<u>1,801,485</u>	<u>2,161,595</u>	<u>2,721,667</u>
1,523,457	1,562,259	1,522,532	1,399,073	1,303,434	1,081,894
3,819	3,744	3,383	2,953	2,843	2,862
44,073	235,664	524,269	718,382	628,682	549,742
141,921	147,091	148,731	144,030	137,872	133,840
—	—	—	—	—	—
360,564	406,311	567,107	525,130	505,995	438,056
66,592	74,097	78,787	85,123	105,435	73,281
<u>83,542</u>	<u>77,553</u>	<u>73,155</u>	<u>67,553</u>	<u>63,754</u>	<u>62,088</u>
<u>2,223,968</u>	<u>2,506,719</u>	<u>2,917,964</u>	<u>2,942,244</u>	<u>2,748,015</u>	<u>2,341,763</u>
—	—	—	—	<u>21,681</u>	<u>30,733</u>
—	—	—	—	21,681	30,733
20,788	12,627	20,241	—	—	—
<u>20,788</u>	<u>12,627</u>	<u>20,241</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>2,244,756</u>	<u>2,519,346</u>	<u>2,938,205</u>	<u>2,942,244</u>	<u>2,769,696</u>	<u>2,372,496</u>
<u>572,818</u>	<u>705,290</u>	<u>646,040</u>	<u>1,140,759</u>	<u>608,101</u>	<u>(349,171)</u>
38,441	189,761	65,758	104,011	51,190	75,250
—	15,000	45,000	—	—	—
—	—	—	—	—	—
32,022	26,090	51,847	(534)	(12,270)	6,737
<u>(214,864)</u>	<u>(539,205)</u>	<u>(438,733)</u>	<u>(484,308)</u>	<u>(411,164)</u>	<u>(355,533)</u>
<u>(144,401)</u>	<u>(308,354)</u>	<u>(276,128)</u>	<u>(380,831)</u>	<u>(372,244)</u>	<u>(273,546)</u>
<u>\$ 428,417</u>	<u>\$ 396,936</u>	<u>\$ 369,912</u>	<u>\$ 759,928</u>	<u>\$ 235,857</u>	<u>\$ (622,717)</u>
<u>\$1,030,011</u>	<u>\$1,462,101</u>	<u>\$1,054,044</u>	<u>\$1,031,826</u>	<u>\$ 681,732</u>	<u>\$ (207,259)</u>

**Schedule 3**  
**Fund Balances**  
**Governmental Funds**  
**Last Ten Fiscal Years**  
**(Expressed in Thousands)**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>General Fund</b>				
Reserved	\$ —	\$ —	\$ —	\$ 400,816
Unreserved	—	—	—	767,100
Nonspendable:				
Inventories	11,143	9,928	11,426	—
Receivables	111,340	153,307	152,911	—
Restricted for:				
Government Operations	17,065	5,936	16,012	—
Development, Tourism, and Recreation	16,162	12,881	12,598	—
Education	2,207	3,582	3,203	—
Health and Social Services	17,399	14,195	9,962	—
Public Protection	7,217	8,435	17,371	—
Committed to:				
Government Operations	946,290	421,296	413,657	—
Development, Tourism, and Recreation	8,745	36,811	46,104	—
Education	14,123	18,376	21,417	—
Health and Social Services	27,501	220,216	227,265	—
Public Protection	—	20,174	20,691	—
Assigned to:				
Government Operations	14,117	22,408	21,227	—
Development, Tourism, and Recreation	—	3,412	3,368	—
Education	—	2,711	2,543	—
Health and Social Services	—	15,926	28,296	—
Public Protection	—	3,395	4,227	—
Unassigned	<u>(640,981)</u>	<u>427,107</u>	<u>270,221</u>	<u>—</u>
<b>Total General Fund</b>	<u>552,328</u>	<u>1,400,096</u>	<u>1,282,499</u>	<u>1,167,916</u>
<b>All Other Governmental Funds</b>				
Reserved				
Special Revenue Funds	\$ —	\$ —	\$ —	\$ 508,529
Permanent Funds	—	—	—	1,309
Capital Projects	—	—	—	67,240
Debt Service	—	—	—	185,540
Unreserved, Reported in:				
Special Revenue Funds	—	—	—	1,415,461
Capital Projects	—	—	—	—
Debt Service	—	—	—	—
Nonspendable:				
Inventories	47,371	40,434	38,676	—
Permanent Fund	1,000	1,000	1,000	—
Receivables	645,301	666,824	—	—
Restricted for:				
Capital Projects	96,637	147,798	28,283	—
Debt Service	151,727	173,097	181,415	—
Development, Tourism, and Recreation	40,050	40,391	34,877	—
Education	555	386	393	—
Public Protection	43,114	31,147	23,363	—
Transportation	17,350	14,584	—	—
Committed to:				
Government Operations	5,504	5,843	6,764	—
Public Protection	233,177	220,245	191,383	—
Assigned to:				
Health and Social Services	—	—	649	—
Public Protection	1,357	1,739	2,568	—
Transportation	—	113,544	23,121	—
Unassigned	<u>(8,425)</u>	<u>(6,398)</u>	<u>862,381</u>	<u>—</u>
<b>Total All Other Governmental Funds</b>	<u>1,274,718</u>	<u>1,450,634</u>	<u>1,394,873</u>	<u>2,178,079</u>
<b>Total Fund Balances, Governmental Funds</b>	<u>\$1,827,046</u>	<u>\$2,850,730</u>	<u>\$2,677,372</u>	<u>\$3,345,995</u>

Notes: GASB 54 was early implemented in fiscal year 2010. This Standard required reclassification of all funds into the categories Nonspendable, Restricted, Committed, Assigned and Unassigned.



# West Virginia

## Schedule 4 Changes in Fund Balances Governmental Funds Last Ten Fiscal Years (Expressed in Thousands)

Revenues	2012	2011	2010	2009
Taxes:				
Personal Income	\$1,790,299	\$1,654,563	\$1,531,867	\$1,612,897
Consumer Sales and Use	1,216,286	1,151,363	1,132,951	1,087,130
Severance	564,327	571,539	530,940	470,266
Corporate Net Income	232,266	263,963	227,693	256,389
Business and Occupation	123,137	127,103	133,245	148,247
Medicaid	176,661	170,079	157,693	165,759
Business Franchise	—	—	—	—
Gasoline and Motor Carrier	408,571	406,347	393,557	391,903
Automobile Privilege	186,300	168,602	147,466	141,930
Wholesale Motor Fuel	—	—	—	—
Other	318,999	266,723	279,444	293,654
Intergovernmental	4,077,933	4,372,908	4,115,677	3,552,545
Licenses, Permits, and Fees	234,984	218,431	214,293	211,932
Motor Vehicle Registration	92,951	96,504	91,902	91,667
Charges for Services	127,806	147,142	135,914	126,317
Lottery Revenue	487,122	398,974	—	—
Investment Earnings	55,931	495,777	100,111	(38,440)
Food Stamp Revenue	491,416	75,594	478,622	372,270
Other	209,490	175,821	184,935	197,669
<b>Total Revenues</b>	<b>10,794,479</b>	<b>10,761,433</b>	<b>9,856,310</b>	<b>9,082,135</b>
Expenditures				
Current:				
Legislative	36,731	31,916	29,022	29,622
Judicial	139,941	130,574	125,184	110,410
Executive	216,268	354,357	256,364	146,181
Administration	190,164	120,881	114,972	127,517
Commerce	226,194	226,931	223,569	214,767
Environmental Protection	152,634	134,515	148,982	117,402
Employment Programs	55,969	61,536	60,483	47,974
Education	3,760,480	2,878,686	2,773,160	2,789,173
Health and Human Resources	4,425,591	4,334,459	4,056,573	3,767,274
Military Affairs and Public Safety	526,654	523,868	462,163	425,488
Revenue	91,349	90,370	263,427	89,042
Transportation	1,009,032	741,384	754,486	695,354
Veterans Assistance	26,600	—	—	—
Senior Services	47,656	47,292	46,727	43,841
Regulatory Boards and Commissions	93,643	34,540	37,161	35,917
Capital Outlay	334,046	571,034	521,480	579,722
Debt Service	—	—	—	—
Principal	341,673	101,978	103,735	103,276
Interest	113,204	123,841	123,670	129,795
<b>Total Expenditures</b>	<b>11,787,829</b>	<b>10,508,162</b>	<b>10,101,158</b>	<b>9,452,755</b>
Excess of Revenues Over (Under) Expenditures	(993,350)	253,271	(244,848)	(370,620)
Other Financing Sources (Uses):				
Face Value of Long-Term Debt Issued	18,615	190,755	—	76,835
Premiums (Discounts) on Bonds Issued	1,025	10,292	—	4,129
Capital Lease Acquisition	234,765	805	—	1,115
Other Nonoperating Revenues	—	—	12,505	—
Payments to Refunded Bonds Escrow Agents	(20,935)	(37,730)	—	—
Transfers In	170,321	134,473	654,340	653,249
Transfers Out	(434,125)	(378,508)	(383,264)	(475,798)
Excess Reserve Transfer to RHBT	—	—	—	—
<b>Total Other Financing Sources (Uses)</b>	<b>(30,334)</b>	<b>(79,913)</b>	<b>283,581</b>	<b>259,530</b>
<b>Net Changes in Fund Balances</b>	<b>\$(1,023,684)</b>	<b>\$ 173,358</b>	<b>\$ 38,733</b>	<b>\$(111,090)</b>
Debt Service as a Percentage of Noncapital Expenditures	3.98%	2.30%	2.40%	2.64%

Note: Beginning in FY 2008, the School Building Authority is no longer included in the Governmental Funds. It is now accounted for as a discretely presented component unit. As of FY 2010, the WV Infrastructure and Jobs Development Council is accounted for as an Enterprise Fund. The previous amounts above have not been restated to reflect these changes in presentation because the necessary information is not readily available. Veterans Assistance was previously included in Military Affairs and Public Safety.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$1,557,352	\$1,370,566	\$1,329,796	\$1,170,202	\$1,070,282	\$1,038,181
989,517	1,019,631	989,642	978,115	963,327	917,072
518,724	340,544	355,680	287,774	211,236	193,680
373,180	384,440	380,287	255,772	166,511	83,311
147,989	180,527	184,364	182,090	176,987	178,364
161,896	162,692	169,866	154,070	150,335	143,036
—	—	—	—	—	96,555
395,641	364,550	330,538	320,891	275,471	227,793
169,095	171,429	170,484	3,005	173,225	169,431
—	—	—	178,763	28,463	69,049
396,772	393,210	380,711	371,667	359,341	291,776
3,183,463	3,033,765	3,037,432	3,235,199	3,119,073	2,868,461
214,655	216,504	194,681	173,181	176,513	157,864
96,592	92,422	92,681	93,144	84,977	88,967
117,360	117,970	121,420	120,759	108,387	90,817
—	—	—	—	—	—
91,030	184,957	101,736	79,534	40,562	67,843
293,439	273,227	265,344	252,097	228,000	211,218
<u>205,820</u>	<u>136,117</u>	<u>121,654</u>	<u>156,780</u>	<u>112,585</u>	<u>151,272</u>
<u>8,912,525</u>	<u>8,442,551</u>	<u>8,226,316</u>	<u>8,013,043</u>	<u>7,445,275</u>	<u>7,044,690</u>
28,163	26,389	25,322	27,594	30,634	28,901
108,075	90,829	82,381	84,283	81,577	77,816
131,404	118,550	122,576	122,415	115,418	113,661
111,866	106,020	95,227	150,333	87,834	87,109
214,102	228,570	243,092	224,147	273,748	234,672
69,882	114,482	109,829	98,576	118,592	103,566
58,563	58,488	75,438	36,609	40,183	38,401
2,688,399	3,616,732	2,690,459	2,423,094	2,323,733	2,316,665
3,472,108	3,251,403	3,135,884	3,237,580	3,056,762	2,709,057
382,372	353,445	389,909	609,215	338,907	293,611
86,496	76,257	42,725	60,630	44,765	40,845
579,982	520,281	531,848	573,184	531,214	541,219
—	—	—	—	—	—
43,719	32,315	30,118	29,455	29,230	28,676
36,469	34,691	33,345	27,561	44,680	31,213
535,538	502,232	550,415	490,195	573,295	535,008
—	—	—	—	—	—
92,338	134,464	74,427	95,400	65,780	64,176
<u>129,705</u>	<u>86,237</u>	<u>89,788</u>	<u>80,777</u>	<u>74,386</u>	<u>72,678</u>
<u>8,769,181</u>	<u>9,351,385</u>	<u>8,322,783</u>	<u>8,371,048</u>	<u>7,830,738</u>	<u>7,317,274</u>
143,344	(908,834)	(96,467)	(358,005)	(385,463)	(272,584)
—	1,349,893	54,800	463,005	294,895	32,370
—	5,126	697	73,388	(1,719)	(1,039)
3,235	190	13,359	—	15,050	60,428
—	—	—	—	—	—
—	(242,616)	(56,062)	(321,405)	—	(31,325)
497,811	749,215	875,203	667,841	589,701	517,171
(347,579)	(222,642)	(457,190)	(197,357)	(188,799)	(166,256)
<u>(108,168)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>45,299</u>	<u>1,639,166</u>	<u>430,807</u>	<u>685,472</u>	<u>709,128</u>	<u>411,349</u>
<u>\$ 188,643</u>	<u>\$ 730,332</u>	<u>\$ 334,340</u>	<u>\$ 327,467</u>	<u>\$ 323,665</u>	<u>\$ 138,765</u>
2.70%	2.50%	2.12%	2.22%	1.93%	2.01%

**Schedule 5**

**Revenue Base**

**Last Ten Years**

(Expressed in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Personal Income by Industry - (Calendar Year)</b>				
Farm Earnings	\$ (40,920)	\$ (51,659)	\$ (46,725)	\$ (134,000)
Agricultural/Forestry, Fishing, and Other	97,810	74,187	104,000	111,000
Mining	3,440,574	2,753,612	2,958,000	3,410,000
Construction	2,513,975	2,408,107	2,301,000	2,453,000
Manufacturing	3,565,688	3,376,006	3,334,000	3,919,000
Transportation, Warehousing and Public Utilities	2,034,076	1,943,157	1,990,000	1,989,000
Wholesale Trade	1,477,230	1,413,039	1,442,000	1,513,000
Retail Trade	2,867,136	2,754,166	2,832,000	2,720,000
Finance, Insurance, and Real Estate	1,769,826	1,649,776	1,591,000	1,619,000
Service Industries	13,908,974	13,261,227	12,808,000	11,998,000
Federal, Civilian	2,469,552	2,431,677	2,496,000	2,181,000
Military	466,154	522,277	535,000	436,000
State and Local Government	6,376,291	6,104,522	7,252,000	6,082,000
<b>Tax Revenue - (Fiscal Year)</b>				
Consumer Sales	1,148,200	1,095,700	1,110,000	1,109,800
Personal Income	1,593,200	1,446,900	1,557,400	1,518,700
Severance	440,900	400,600	359,600	338,200
Corporate Income and Business Franchise	303,000	232,900	270,200	388,000
Motor Fuel	397,700	390,900	384,500	404,200
Automobile Privilege	168,602	147,466	141,930	169,095

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 2011.

Sources: Bureau of Economic Analysis, State of West Virginia Executive Budget, and Department of Highways.

This schedule has been revised.



<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ (78,000)	\$ (61,000)	\$ (24,000)	\$ (2,000)	\$ (24,000)	\$ (8,000)
118,000	123,000	116,000	112,000	117,000	147,000
2,871,000	2,682,000	2,363,000	2,050,000	1,784,000	1,626,000
2,362,000	2,393,000	2,079,000	1,868,000	1,676,000	1,752,000
3,925,000	3,951,000	3,932,000	3,917,000	3,776,000	3,720,000
3,925,000	1,813,000	1,722,000	1,672,000	1,588,000	1,578,000
1,478,000	1,453,000	1,327,000	1,223,000	1,122,000	1,118,000
2,658,000	2,611,000	2,493,000	2,417,000	2,307,000	2,268,000
1,551,000	1,492,000	1,409,000	1,355,000	1,323,000	1,340,000
11,272,000	11,041,000	10,362,000	9,914,000	9,250,000	8,988,000
2,100,000	1,956,000	1,892,000	1,794,000	1,646,000	1,561,000
405,000	419,000	436,000	367,000	334,000	158,000
5,763,000	5,368,000	5,182,000	4,987,000	4,788,000	4,660,000
1,129,500	1,125,800	960,200	928,000	894,500	885,900
1,360,500	1,297,700	1,170,100	1,068,200	1,055,500	1,034,700
312,200	314,700	248,100	184,400	162,300	166,500
358,400	347,600	280,800	181,500	181,200	220,200
349,200	320,700	311,600	309,300	289,200	230,100
171,429	170,484	178,763	173,225	169,431	180,472

**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)**

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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**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Corporate Net Income	8.50%	8.50%	8.50%	8.50%
Severance Tax:				
Timber	1.22%	Temporarily Discontinued	Temporarily Discontinued	1.22%
Oil/Gas	5%	5%	5%	5%
Coal	Various	Various	Various	Various
Consumer Sales Tax	6%	6%	6%	6%
Food Tax*	3%/2%	3%	3%	3%
Motor Fuel Excise and Sales Tax** (cents per gallon)	32.2/33.4	32.2	32.2	32.2
Automobile Privilege Tax	5%	5%	5%	5%

\*The tax rate on food declined from 3% to 2% effective January 1, 2012.

\*\*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. As of January 1, 2012, the variable sales and use rate of 11.7 cents per invoiced gallon increased to 12.9 cents per invoiced gallon.

All rates are set by the Legislature.

Sources: State Tax Department and Division of Motor Vehicles.

**Married Filing Separately (Unchanged Over Last Ten Years)**

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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	

<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>2003</u></b>
8.75%	8.75%	9%	9%	9%	9%
1.22%	1.22%	3.22%	3.22%	3.22%	3.22%
5% Various	5% Various	5% Various	5% Various	5% Various	5% Various
6%	6%	6%	6%	6%	6%
4%	5%	5%	6%	6%	6%
32.2	31.5	27.0	27.0	20.5	20.5
5%	5%	5%	5%	5%	5%

**Schedule 7**  
**Revenue Payers by Industry/Category**  
**Most Current Available Year and**  
**Historical Comparison**  
(Dollars Expressed in Thousands)

**Consumers Sales and Service Tax and Use Tax**

<b>Tax Year 2011</b>				
<b>Industry</b>	<b>Remittance</b>	<b>Percent of Total</b>	<b>Accounts</b>	<b>Percent of Total</b>
Agriculture, Forestry, Fishing and Hunting	\$ 3,887	0.3%	666	1.57%
Mining, Quarrying, and Oil and Gas Extraction	12,034	1.0%	365	0.86%
Construction	33,792	2.7%	4,068	9.56%
Manufacturing	57,484	4.6%	2,615	6.15%
Wholesale Trade	114,436	9.2%	2,229	5.24%
Retail Trade	641,090	51.4%	10,471	24.62%
Finance and Insurance	3,739	0.3%	357	0.84%
Services	301,131	24.2%	18,905	44.45%
Other	<u>78,080</u>	<u>6.3%</u>	<u>2,855</u>	<u>6.71%</u>
<b>Total</b>	<b><u>\$1,245,673</u></b>	<b><u>100%</u></b>	<b><u>42,531</u></b>	<b><u>100%</u></b>

<b>Tax Year 2002</b>				
<b>Industry</b>	<b>Remittance</b>	<b>Percent of Total</b>	<b>Accounts</b>	<b>Percent of Total</b>
Agriculture, Forestry, Fishing and Hunting	\$ 3,964	0.4%	1,532	2.20%
Mining, Quarrying, and Oil and Gas Extraction	4,284	0.4%	1,548	2.22%
Construction	28,868	2.9%	11,865	17.00%
Manufacturing	48,364	4.9%	4,009	5.75%
Wholesale Trade	80,935	8.2%	3,235	4.64%
Retail Trade	530,716	53.8%	16,701	23.94%
Finance and Insurance	3,065	0.3%	511	0.73%
Services	230,532	23.5%	25,664	36.79%
Other	<u>54,891</u>	<u>5.6%</u>	<u>4,698</u>	<u>6.73%</u>
<b>Total</b>	<b><u>\$985,619</u></b>	<b><u>100%</u></b>	<b><u>69,763</u></b>	<b><u>100%</u></b>

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 2010**

<b>Income Level (Actual)</b>	<b>Tax Liability</b>	<b>Percent of Total</b>	<b>Returns</b>	<b>Percent of Total</b>
\$0 - \$10,000	\$ 957	0.06%	156,661	19.38%
\$10,000 - \$20,000	27,807	1.87%	145,199	17.96%
\$20,000 - \$40,000	141,618	9.51%	180,871	22.38%
\$40,000 - \$60,000	189,191	12.71%	111,903	13.84%
Over \$60,000	<u>1,129,388</u>	<u>75.85%</u>	<u>213,736</u>	<u>26.44%</u>
Total	<u>\$1,488,961</u>	<u>100%</u>	<u>808,370</u>	<u>100%</u>

**Tax Year 2001**

<b>Income Level (Actual)</b>	<b>Tax Liability</b>	<b>Percent of Total</b>	<b>Returns</b>	<b>Percent of Total</b>
\$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	<u>598,590</u>	<u>60.85%</u>	<u>125,281</u>	<u>16.96%</u>
Total	<u>\$983,706</u>	<u>100%</u>	<u>738,295</u>	<u>100%</u>

**Schedule 8**  
**Ratios of Outstanding Debt**  
**Last Ten Fiscal Years**  
**(Dollars Expressed in Thousands)**

	<b>Primary Government - Debt</b>			
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Governmental Activities:				
General Obligation Bonds	\$ 533,304	\$ 580,357	\$ 622,928	\$ 665,294
Revenue Bonds	1,330,795	1,366,199	1,243,106	1,405,645
Capital Leases and Notes Payable	34,025	330,722	336,143	322,776
Capital Leases Payable to Component Units	<u>275,530</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Governmental Activities	<u>2,173,654</u>	<u>2,277,278</u>	<u>2,202,177</u>	<u>2,393,715</u>
Enterprise Activities:				
Revenue Bonds	<u>113,950</u>	<u>116,319</u>	<u>118,612</u>	<u>—</u>
Total Primary Government Debt	<u>\$2,287,604</u>	<u>\$2,393,597</u>	<u>\$2,320,789</u>	<u>\$2,393,715</u>

Note: The Infrastructure and Jobs Development Council revenue bonds were previously included in the governmental activities. Beginning in 2012, “capital leases payable to component units” is separately presented from “capital leases and notes payable” in Schedule 8. This reclassification is so the presentation of capital leases payable to component units is consistent in the government-wide Statement of Net Assets.

**Governmental Activities Tax Income**

<b>Year</b>	<b>Personal Income</b>	<b>Consumer Sales and Use</b>	<b>Business</b>	<b>Transportation</b>	<b>Other</b>	<b>Total</b>
2012	\$1,790,146	\$1,216,561	\$ 905,515	\$594,871	\$509,357	\$5,016,450
2011	1,657,258	1,150,887	977,252	574,949	437,363	4,797,709
2010	1,534,970	1,131,075	844,405	541,023	435,504	4,486,977
2009	1,630,492	1,088,901	912,252	533,833	297,644	4,463,122
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

**General Obligation Bond Debt Ratios**

<b>Year</b>	<b>General Obligation Bond Debt</b>	<b>Percent of Tax Income</b>	<b>Percent of Personal Income</b>	<b>Amount of Debt Per Capita*</b>
2012	\$533,304	10.63%	0.86%	\$0.29
2011	580,357	12.10%	0.98%	0.31
2010	622,928	13.88%	1.08%	0.34
2009	665,294	14.91%	1.16%	0.37
2008	705,955	15.52%	1.30%	0.39
2007	744,790	17.61%	1.44%	0.41
2006	772,912	18.77%	1.61%	0.43
2005	798,490	21.29%	1.72%	0.44
2004	774,660	22.58%	1.77%	0.43
2003	804,635	24.57%	1.86%	0.45

**Primary Government - Debt**

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 705,955	\$ 744,790	\$ 772,912	\$ 798,490	\$ 774,660	\$ 804,635
1,362,022	1,742,647	726,249	763,761	670,789	409,106
338,603	343,813	354,000	354,337	300,227	300,899
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>2,406,580</u>	<u>2,831,250</u>	<u>1,853,161</u>	<u>1,916,588</u>	<u>1,745,676</u>	<u>1,514,640</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$2,406,580</u>	<u>\$2,831,250</u>	<u>\$1,853,161</u>	<u>\$1,916,588</u>	<u>\$1,745,676</u>	<u>\$1,514,640</u>

**Total Debt Ratios**

<u>Year</u>	<u>Total Debt</u>	<u>Percent of Tax Income</u>	<u>Percent of Personal Income</u>	<u>Amount of Debt Per Capita*</u>
2012	\$2,287,604	45.60%	3.68%	\$1.23
2011	2,393,597	49.89%	4.03%	1.29
2010	2,320,789	51.72%	4.03%	1.28
2009	2,393,715	53.63%	4.16%	1.32
2008	2,406,580	52.91%	4.45%	1.33
2007	2,831,250	66.96%	5.46%	1.57
2006	1,853,161	45.01%	3.85%	1.03
2005	1,916,588	51.11%	4.12%	1.06
2004	1,745,676	50.89%	3.98%	0.97
2003	1,514,640	46.25%	3.50%	0.84

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.

\*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.

Beginning in FY 2008, the School Building Authority is no longer included in the Governmental Funds. It is now accounted for as a discretely presented component unit. The 2003-2007 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**

(Dollars 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
2012	\$27,588	\$—	\$27,588	\$22,425	\$5,163	\$27,588	1.00
2011	27,575	—	27,575	21,520	6,055	27,575	1.00
2010	27,591	—	27,591	20,845	6,746	27,591	1.00
2009	14,692	—	14,692	10,550	4,200	14,750	1.00
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.

2012	\$50,861	\$26,532	\$24,329	\$2,465	\$5,476	\$7,941	3.06
2011	48,900	18,101	30,799	2,390	5,563	7,953	3.87
2010	43,671	20,913	22,758	2,310	5,644	7,954	2.86
2009	79,414	16,309	63,105	15,035	19,987	35,022	1.80
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



### **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.

<b>Fiscal Year</b>	<b>Operating Revenue</b>	<b>Direct Operating Expense</b>	<b>Net Revenue Available for Debt Service</b>	<b>Current Year Debt Service Requirements</b>			
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
2012	\$67,599	\$34	\$67,565	\$8,515	\$59,425	\$67,940	0.99
2011	66,382	27	66,355	6,690	59,925	66,615	1.00
2010	70,404	21	70,383	10,070	60,677	70,747	0.99
2009	83,205	58	83,147	19,910	62,237	82,147	1.01
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.

2012	\$19,290	\$—	\$19,290	\$8,495	\$10,317	\$18,812	1.03
2011	19,569	—	19,569	8,175	10,655	18,830	1.04
2010	19,411	—	19,411	7,890	10,955	18,845	1.03
2009	19,698	—	19,698	7,645	11,220	18,865	1.04
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	—	—	—	—

(Continued)

**Schedule 9**

**Pledged Revenue Coverage**

**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

(Continued)

**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 2004 and 2012.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2012	\$10,012	\$ 3	\$10,009	\$2,685	\$7,310	\$ 9,995	1.00
2011	8,001	315	7,686	9,605	6,285	15,890	0.48
2010	8,242	3	8,239	9,115	643	9,758	0.84
2009	10,046	3	10,043	8,660	1,109	9,769	1.03
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

**Economic Development Authority**

The Economic Development Authority (EDA) has issued Revenue Bonds to provide financial assistance to State governmental entities for the acquisition and construction of facilities deemed to be in the public interest. The EDA has lease-purchase agreements with the State and the State makes the payments to the trustee. Upon repayment of the bonds, ownership of the acquired facilities transfers to the governmental entity served by the bond issuance.

2012	\$ —	\$ —	\$259,285	\$251,468	\$7,817	\$259,285	1.00
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**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.

<b>Fiscal Year</b>	<b>Operating Revenue</b>	<b>Direct Operating Expense</b>	<b>Net Revenue Available for Debt Service</b>	<b>Current Year Debt Service Requirements</b>			
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
2012	\$144,583	\$9,462	\$135,121	\$20,651	\$25,694	\$46,345	2.92
2011	125,325	9,325	116,000	16,594	30,479	47,073	2.46
2010	130,282	6,009	124,273	19,198	33,963	53,161	2.34
2009	136,802	7,367	129,435	21,816	37,681	59,497	2.18
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

### **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 \$400 million, the Legislature must pass a resolution authorizing this action. An additional aggregate principal amount of \$180 million may be issued for the limited purpose of providing grants for capital improvements for designated projects in the Chesapeake Bay and Greenbrier Watershed areas. 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. Fiscal year 2004 includes retirement of revenue bonds.

2012	\$14,715	\$2,166	\$12,549	\$6,930	\$11,334	\$18,264	0.69
2011	15,274	2,283	12,991	7,160	11,616	18,776	0.69
2010	15,355	1,091	14,264	6,930	11,874	18,804	0.76
2009	15,731	809	14,922	6,685	12,110	18,795	0.79
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

(Continued)

**Schedule 9**

**Pledged Revenue Coverage**

**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

(Continued)

**Higher Education Fund**

Various individual institutions, as well as the Fund, have issued bonds which are generally payable from tuition and registration fees. Several bond issues, including 2004 Series B, 2009 Series A, 2010 Series A, B and C, and a 2012 Series A and B are to be repaid using certain Lottery funds. During fiscal years 2004, 2005, 2011, and 2012, Higher Education had a series of revenue bond refinancings that resulted in an increase in principal and interest payments.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2012	\$1,596,324	\$1,664,940	\$ (68,616)	\$226,945	\$57,079	\$284,024	(0.24)
2011	1,554,057	1,620,575	(66,518)	71,574	32,361	103,935	(0.64)
2010	1,467,996	1,547,741	(79,745)	25,184	30,716	55,900	(1.43)
2009	1,447,422	1,409,047	38,375	24,169	31,745	55,914	0.69
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

**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.

2012	\$102,043	\$77,064	\$24,979	\$5,270	\$3,592	\$8,862	2.82
2011	88,773	77,797	10,976	5,015	3,975	8,990	1.22
2010	75,434	79,054	(3,620)	4,770	4,097	8,867	(0.41)
2009	97,048	79,508	17,540	4,550	4,320	8,870	1.98
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

Note: Details regarding the State's debt can be found in Note 10 to the basic financial statements.

### 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.

<u>Fiscal Year</u>	<u>Operating Revenue</u>	<u>Direct Operating Expense</u>	<u>Net Revenue Available for Debt Service</u>	<u>Current Year Debt Service Requirements</u>			
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
2012	\$62,068	\$ —	\$62,068	\$33,980	\$17,077	\$51,057	1.22
2011	59,003	—	59,003	31,620	17,972	49,592	1.19
2010	52,931	—	52,931	29,850	18,877	48,727	1.09
2009	47,636	—	47,636	14,940	16,743	31,683	1.50
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	1.00
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

### Parkways Authority

Revenue bonds are secured by a pledge of substantially all Parkways Authority operating revenues and all monies deposited into accounts created by the Trust Indentures. Only total debt service is available.

<u>Fiscal Year</u>	<u>Operating Revenue</u>	<u>Direct Operating Expense</u>	<u>Net Revenue Available for Debt Service</u>	<u>Total Debt Service</u>	<u>Coverage</u>
2012	\$83,574	\$35,043	\$48,531	\$10,541	4.60
2011	82,440	35,891	46,549	10,515	4.43
2010	79,188	33,134	46,054	10,670	4.32
2009	53,541	30,908	22,633	12,218	1.85
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

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 Authority; Tobacco Settlement Finance Authority; and bond indentures.

**Schedule 10**  
**Demographics and Economic Indicators**  
**Last Ten Calendar Years**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Population</b>				
West Virginia	1,855,364	1,852,994	1,819,777	1,814,873
Change	0.13%	1.83%	0.27%	0.20%
National	311,591,917	308,745,538	307,006,550	304,374,846
Change	0.92%	0.57%	0.86%	0.93%
<b>Total Personal Income (Dollars in Millions)</b>				
West Virginia	\$62,178	\$59,417	\$57,535	\$57,576
Change	4.65%	3.27%	(0.07)%	6.43%
National	\$12,981,741	\$12,353,577	\$11,916,773	\$12,451,660
Change	5.08%	3.67%	(4.30)%	4.63%
<b>Per Capita Personal Income* (In Dollars)</b>				
West Virginia	\$33,513	\$32,042	\$31,137	\$31,286
Change	4.59%	2.91%	(0.48)%	6.07%
National	\$41,663	\$39,937	\$38,846	\$40,947
Change	4.32%	2.81%	(5.13)%	3.65%
<b>Median Age</b>	41.1	41.3%	40.5	40.6
<b>Educational Attainment</b>				
9th Grade or Less	6.8%	6.1%	6.5%	6.6%
Some High School, No Diploma	11.3%	10.7%	10.7%	11.1%
High School Diploma	41.3%	41.6%	41.0%	40.9%
Some College, No Degree	17.6%	18.3%	18.5%	18.5%
Associate, Bachelor's or Graduate Degree	23.0%	23.3%	23.2%	22.9%
<b>Labor Force and Employment</b>				
<b>(People in Thousands)</b>				
Civilian Labor Force	799.9	782.3	797.9	806.0
Employed	736.1	711.1	734.6	772.0
Unemployed	63.8	71.2	63.3	34.0
Unemployment Rate	8.0%	9.1%	7.9%	4.3%
Nonfarm Wage and Salary Workers Employed in West Virginia Goods Producing Industries:				
Mining	33.6	29.9	29.6	30.7
Construction	33.0	32.6	34.1	38.4
Manufacturing-Durable Goods	30.0	29.6	30.9	35.2
Manufacturing-Nondurable Goods	<u>19.5</u>	<u>19.5</u>	<u>19.8</u>	<u>21.1</u>
Total Goods Producing Industries	116.1	111.6	114.4	125.4
Non-Goods Producing Industries:				
Trade	109.9	109.2	110.0	114.4
Service	376.2	372.5	369.9	374.0
State and Local Government	128.3	128.3	126.3	123.7
Federal Government	<u>23.5</u>	<u>24.3</u>	<u>23.6</u>	<u>22.9</u>
Total Non-Goods Producing Industries	<u>637.9</u>	<u>634.3</u>	<u>629.8</u>	<u>635.0</u>
Total Nonfarm Wage and Salary Employment	754.0	745.9	744.2	760.4

The most current period available is 2011.

\*Per capita personal income is calculated by dividing total personal income by population.

Various population, personal income, and per capita personal income figures have been amended from last year's schedule.

Sources: WORKFORCE West Virginia Research, Information, and Analysis Office, the Census, and the Survey of Current Business.

This schedule has been revised.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
1,811,198	1,807,237	1,803,920	1,803,302	1,802,238	1,799,411
0.22%	0.18%	0.03%	0.06%	0.16%	0.05%
301,579,895	298,593,212	295,753,151	293,045,739	290,326,418	287,803,914
1.00%	0.96%	0.92%	0.97%	0.99%	1.01%
\$54,100	\$51,862	\$48,139	\$46,497	\$43,841	\$43,312
4.32%	7.73%	3.53%	6.06%	1.22%	3.36%
\$11,900,562	\$11,256,516	\$10,476,669	\$9,928,790	\$9,150,320	\$8,872,871
5.72%	7.44%	5.52%	8.51%	3.13%	1.79%
\$29,497	\$28,372	\$26,443	\$25,784	\$24,217	\$24,002
3.97%	7.29%	2.55%	6.00%	0.90%	3.19%
\$39,506	\$37,725	\$35,452	\$33,881	\$31,461	\$30,810
4.72%	6.41%	4.64%	7.50%	2.11%	0.77%
40.4	40.7	40.7	40.2	39.9	39.5
7.0%	7.1%	10.0%	10.0%	10.0%	10.0%
11.8%	11.9%	14.8%	14.8%	14.8%	14.8%
41.1%	42.7%	39.4%	39.4%	39.4%	39.4%
16.7%	16.1%	16.6%	16.6%	16.6%	16.6%
23.4%	22.2%	19.2%	19.2%	19.2%	19.2%
813.0	810.0	798.0	788.0	790.0	796.0
778.0	773.0	759.0	747.0	742.0	749.0
35.0	37.0	39.0	41.0	48.0	47.0
4.3%	4.6%	4.9%	5.3%	6.0%	5.9%
27.5	28.1	25.9	23.8	22.0	23.1
38.7	39.2	36.8	34.6	32.7	33.4
37.2	38.4	38.8	39.2	39.7	42.2
<u>21.8</u>	<u>22.6</u>	<u>23.0</u>	<u>23.8</u>	<u>24.9</u>	<u>26.5</u>
125.2	128.3	124.5	121.4	119.3	125.2
116.2	115.5	113.6	111.9	110.4	111.3
369.5	367.8	364.9	360.5	355.5	353.7
122.6	122.4	121.7	121.4	120.6	120.9
<u>22.5</u>	<u>22.1</u>	<u>21.9</u>	<u>21.8</u>	<u>21.9</u>	<u>21.9</u>
<u>630.8</u>	<u>627.8</u>	<u>622.1</u>	<u>615.6</u>	<u>608.4</u>	<u>607.8</u>
756.0	756.1	746.6	737.0	727.7	733.0

## West Virginia

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### Schedule 11 Principal Employers Current Year and Nine Years Ago

Estimated as of June 30, 2012

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<b>Major West Virginia Employers</b>	<b>Number of Employees</b>	<b>Percentage of Total Employed</b>
Local Government	75,000 - 79,999	10.47%
State Government	40,000 - 44,999	5.77%
Federal Government	20,000 - 24,999	3.14%
Wal-Mart Associates, Inc.	10,000 - 13,000	1.56%
West Virginia United Health System	7,000 - 9,999	1.15%
Charleston Area Medical Center, Inc.	5,000 - 6,999	0.82%
Kroger	3,000 - 4,999	0.54%
Consolidation Coal Company	3,000 - 4,999	0.54%
Lowe's Home Centers, Inc	1,000 - 2,999	0.27%
Mylan Pharmaceuticals, Inc.	1,000 - 2,999	0.27%
Mentor Management, Inc.	1,000 - 2,999	0.27%
St. Mary's Hospital	1,000 - 2,999	0.27%
American Electric Power	1,000 - 2,999	0.27%

As of June 30, 2003

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<b>Major West Virginia Employers</b>	<b>Number of Employees</b>	<b>Percentage of Total Employed</b>
Local Government	70,000 - 74,999	9.55%
State Government	40,000 - 44,999	5.51%
Federal Government	20,000 - 24,999	2.93%
Wal-Mart Associates, Inc.	9,000 - 11,999	1.40%
West Virginia United Health System	5,000 - 6,999	0.80%
Charleston Area Medical Center, Inc.	5,000 - 6,999	0.80%
Kroger	3,000 - 4,999	0.53%
Weirton Steel Corporation	3,000 - 4,999	0.53%
CSX Corporation	3,000 - 4,999	0.53%
E I Dupont De Nemours and Company	1,000 - 2,999	0.27%
Verizon	1,000 - 2,999	0.27%
Allegheny Energy Service Corporation	1,000 - 2,999	0.27%
St. Mary's Hospital	1,000 - 2,999	0.27%

Source: WORKFORCE West Virginia Research, Information, and Analysis Office.

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**Schedule 12**  
**Education Enrollment**  
**Last Ten Fiscal Years**

**Public School Enrollment Grades Pre-K Through 12**

<b>Year</b>	<b>Elementary (Pre-K to 6)</b>	<b>Secondary (7 to 12)</b>	<b>Total All Grades</b>
2011-12	160,571	121,517	282,088
2010-11	160,015	122,115	282,130
2009-10	159,205	122,623	281,828
2008-09	157,520	124,388	281,908
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

**Higher Education Enrollment**  
**Colleges and Universities**

<b>Year</b>	<b>Public</b>		<b>Independent</b>	
	<b>Enrollment</b>	<b>Number of Certificates and Degrees</b>	<b>Enrollment</b>	<b>Number of Certificates and Degrees</b>
2011-12	96,573	16,512	8,758	2,991
2010-11	96,555	15,733	11,496	2,879
2009-10	94,952	15,185	12,168	2,678
2008-09	89,280	14,917	11,279	2,560
2007-08	88,276	15,040	11,131	2,686
2006-07	86,972	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

Sources: West Virginia Board of Education and West Virginia Higher Education Policy Commission.

This schedule has been revised.

**Schedule 13**  
**State Employees by Function**  
**Last Ten Fiscal Years**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Executive*	958	946	921	927
Legislative	221	216	218	216
Judicial	1,069	1,042	1,010	961
Administration	683	693	679	696
Commerce				
Natural Resources (Parks)	756	752	798	836
Tourism and Development	162	160	155	162
WORKFORCE West Virginia	396	409	440	399
Other	439	400	400	391
Environmental Protection	842	832	823	804
Education and the Arts				
Department of Education	584	601	576	579
School for the Deaf and the Blind	193	182	195	202
Rehabilitation Services	564	555	563	542
Higher Education	11,575	11,431	10,965	10,762
Other	279	285	274	286
Revenue	1,094	1,080	1,067	1,057
Health and Human Resources	5,621	5,535	5,562	5,495
Military Affairs and Public Safety				
Corrections	1,758	1,725	1,700	1,692
Juvenile Services	712	718	681	640
State Police	1,067	1,043	1,033	1,026
Regional Jail Authority	912	883	886	896
Other	556	530	511	486
Veterans Assistance	240	227	213	181
Transportation	5,834	5,776	5,346	5,658
Miscellaneous	<u>506</u>	<u>509</u>	<u>497</u>	<u>488</u>
Total	<u>37,021</u>	<u>36,530</u>	<u>35,513</u>	<u>35,382</u>

Notes:

Executive includes the offices of the Governor, Treasurer, Secretary of State, Auditor, Attorney General, and Agriculture.

The Workers' Compensation Commission was included under Commerce - Other from 2003 to 2005. In 2006, the Workers' Compensation Commission was privatized and approximately 300 of the employees moved to the Insurance Commission under Revenue.

Juvenile Services added 134 employees between 2003 and 2004 to staff new facilities.

Veterans' Assistance was previously included under Military Affairs and Public Safety – Other.

Sources: Leave system data warehouse reports, Higher Education Policy Commission, Housing Development Fund, and the Supreme Court of Appeals.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
916	896	881	902	898	889
213	208	204	203	201	200
912	936	882	876	876	884
659	663	573	598	620	540
844	844	813	812	816	830
164	166	182	218	212	195
397	372	405	445	457	552
379	364	353	1,068	1,173	1,144
821	820	843	862	851	852
560	519	511	531	516	504
192	192	204	193	200	204
518	544	694	721	716	723
10,383	10,165	9,959	9,746	9,450	9,432
272	261	272	267	265	284
1,087	1,042	1,024	774	768	762
5,556	5,596	5,588	5,771	5,524	5,593
1,684	1,648	1,632	1,592	1,555	1,562
610	615	601	601	565	431
1,011	1,011	987	980	972	949
903	938	869	876	858	760
525	450	433	407	398	395
161	134	87	84	84	82
5,499	5,490	5,296	5,767	5,836	5,983
<u>490</u>	<u>496</u>	<u>503</u>	<u>530</u>	<u>529</u>	<u>450</u>
<u>34,756</u>	<u>34,370</u>	<u>33,796</u>	<u>34,824</u>	<u>34,340</u>	<u>34,200</u>

## West Virginia

### Schedule 14 Operating Indicators by Function Last Ten Fiscal Years

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Transportation</b>				
Total highway construction projects authorized	1,305	1,070	1,231	702
Number of roadway resurfacing projects	775	508	584	208
Number of roadway miles resurfaced	1,716	995	1,328	479
<b>WORKFORCE West Virginia (Employment Programs)</b>				
Applications for job search services (in thousands)	145	141	175	150
Filled job openings	4,943	4,673	4,673	7,003
<b>Education</b>				
Schools receiving exemplary accreditation status	7.98%	9.06%	8.36%	8.17%
Schools receiving full accreditation status	72.08%	71.57%	69.73%	71.08%
School districts receiving full approval status	87.27%	89.09%	89.09%	89.09%
<b>Health and Human Resources</b>				
Number of food stamp recipients	339,258	338,665	326,730	288,500
Number of food stamps issued	40,951,366	41,314,740	39,885,163	31,098,046
Medicaid enrollees	415,030	414,935	405,178	393,187
Counties enrolled in managed care*	100%	100%	100%	95%
Child support collections (in millions)	\$213	\$222	\$201	\$204
Students served by school-based health clinics	28,436	27,076	24,992	20,380
<b>Natural Resources</b>				
Attendance at State Parks (in millions)	6.8	6.5	6.3	5.9
Hunting and Fishing License Sales (calendar year)	N/A	879,678	914,474	1,005,953
Individuals whitewater rafting on rivers (calendar year)	142,036	156,962	155,712	164,325
<b>Environmental Protection</b>				
<b>Division of Air Quality</b>				
Number of air quality inspections	2,457	2,236	1,503	1,795
Average Days Open per Complaint	10.80	11.06	12.87	15.30
<b>Division of Land Restoration Programs</b>				
Organizations that adopted highways	1,186	1,867	1,536	1,879
<b>Division of Mining and Reclamation</b>				
Surface mine blasting examinations and certifications	125	109	118	149
Surface mine mineral extraction inspections	20,530	21,243	20,812	13,391
Number of acres reclaimed through reclamation and restoration of land	7,842	5,887	2,784	2,298
<b>Office of Miners Health and Safety (calendar year)</b>				
Total safety inspections	6,432	5,413	5,873	5,980
Violations issued by mine inspectors	15,705	18,708	15,306	14,804
Lost time injuries of mining personnel**	648	784	801	809
<b>Military Affairs and Public Safety</b>				
<b>Division of Corrections</b>				
Adult inmate housing capacity	5,242	5,185	5,114	5,113
Inmate employment (Correctional Industries)	253	243	242	247
Youth successfully completed programs/returned to community	163	148	159	159
<b>Veterans' Home</b>				
Average daily number of residents	98	100	97	97
Average daily cost per resident	\$87.05	\$77.32	\$76.53	\$70.78
<b>Senior Services</b>				
Persons served under Medicaid aged and disabled waiver	8,530	8,029	5,950	6,449

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.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
1,169	874	1,105	1,232	1,165	1,064
527	324	481	490	488	384
1,557	944	1,239	1,208	1,070	1,040
141	128	100	97	152	163
8,380	9,517	11,069	20,511	24,400	27,072
10%	10%	17%	4%	7%	10%
80%	80%	68%	76%	85%	77%
96%	93%	93%	96%	93%	82%
245,931	235,772	261,577	255,281	249,227	235,420
24,555,462	22,869,066	21,982,039	20,986,880	20,563,342	19,266,926
307,686	305,054	311,289	321,158	316,668	306,185
93%	89%	89%	85%	62%	42%
\$201	\$192	\$188	\$187	\$177	\$179
20,224	26,800	25,950	25,780	24,155	23,826
6.7	6.5	6.7	7.3	6.4	7.6
983,544	955,737	968,954	1,058,821	1,151,623	1,418,479
181,105	170,266	201,358	209,542	227,752	218,444
2,096	1,584	1,565	1,401	1,156	778
32.41	37.34	25.96	19.43	26.68	35.39
1,834	1,882	1,891	1,456	1,518	1,481
123	159	191	144	94	151
21,183	22,092	21,891	20,085	20,193	18,885
2,483	7,261	12,655	10,963	9,893	9,470
5,709	5,508	5,816	5,727	5,984	5,787
16,130	12,488	12,258	10,749	8,454	6,539
973	929	1,089	965	875	1,129
5,017	4,931	4,520	4,070	4,070	3,880
245	238	230	260	259	244
156	115	160	180	196	148
95	89	96	95	79	112
\$71.19	\$68.74	\$64.00	\$61.54	\$60.28	\$57.36
5,300	4,737	4,571	4,901	5,760	5,760

**Schedule 15**  
**Capital Assets Statistics by Function**  
**Last Ten Fiscal Years**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Vehicles				
Executive	192	178	185	171
Judicial	15	14	14	12
Administration				
Agency-Owned	7	6	6	6
Leased to other agencies	<u>2,035</u>	<u>1,743</u>	<u>1,731</u>	<u>1,685</u>
Total Administration	2,042	1,749	1,737	1,691
Revenue	1	1	—	—
Commerce				
Division of Natural Resources (Parks)	571	510	582	584
Division of Forestry	96	132	136	133
Others	<u>17</u>	<u>8</u>	<u>7</u>	<u>7</u>
Total Commerce	684	650	725	724
Environmental Protection	11	10	11	11
Education	42	44	51	58
Health and Human Services	25	28	68	72
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	852	947	992	999
Division of Corrections	42	36	40	40
Regional Jail	27	40	94	99
Others	<u>32</u>	<u>34</u>	<u>34</u>	<u>31</u>
Total MAPS	953	1,057	1,160	1,169
Veterans Assistance	75	70	72	59
Regulatory Boards and Commissions	2	2	2	2
Boats				
Commerce	92	93	90	95
Environmental Protection	7	7	7	6
Buildings				
Executive	29	28	28	28
Administration	78	78	72	70
Revenue	3	2	2	2
Commerce				
Division of Natural Resources (Parks)	905	889	889	889
Division of Forestry	5	5	5	5
Others	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>
Total Commerce	918	902	902	902
Environmental Protection	7	8	7	7
Education	82	81	91	91
Health and Human Services	108	108	108	109
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	90	85	85	85
Division of Corrections	55	53	55	55
Armory Board	154	157	158	167
Others	<u>55</u>	<u>51</u>	<u>50</u>	<u>46</u>
Total MAPS	354	346	348	353
Veterans Assistance	10	9	9	9
Regulatory Boards and Commissions	3	3	3	3

Sources: Financial Accounting and Reporting Section; West Virginia Financial Information Management System; Fixed Asset detailed ledger.

This schedule has been revised.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
169	171	140	123	116	121
10	10	5	6	4	4
4	4	5	6	6	6
<u>1,648</u>	<u>1,857</u>	<u>1,623</u>	<u>1,588</u>	<u>1,455</u>	<u>1,570</u>
1,652	1,861	1,628	1,594	1,461	1,576
1	1	1	3	3	3
570	581	581	572	543	557
130	135	137	137	137	137
<u>7</u>	<u>5</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>14</u>
707	721	724	715	685	708
11	13	12	12	10	9
42	41	41	44	44	44
68	69	68	65	58	59
1,110	916	811	952	960	939
38	28	25	21	21	23
104	90	87	67	67	71
<u>30</u>	<u>28</u>	<u>24</u>	<u>23</u>	<u>23</u>	<u>17</u>
1,282	1,062	947	1,063	1,071	1,050
56	51	53	32	32	21
2	2	2	2	—	—
94	93	92	93	89	89
5	5	4	4	3	3
28	28	28	28	28	28
68	66	60	52	50	46
2	2	2	2	2	2
884	885	893	888	887	881
5	4	4	4	4	4
<u>8</u>	<u>7</u>	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>
897	896	903	898	897	891
7	7	7	7	4	4
90	90	90	90	89	88
109	157	147	147	145	144
83	82	81	81	80	78
54	53	53	50	47	46
165	167	171	171	168	167
<u>43</u>	<u>40</u>	<u>31</u>	<u>30</u>	<u>28</u>	<u>27</u>
345	342	336	332	323	318
9	9	9	9	9	7
3	3	3	2	2	2

**Schedule 16**  
**Miscellaneous Statistics**  
**June 30, 2012**

Date of Statehood	June 20, 1863
<p>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.</p>	
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 - 4,861 feet above sea level
Lowest Elevation Point	Harpers Ferry - 247 feet above sea level
Miles of Public Roads and Streets	38,646
Miles Maintained by the State	35,896
State Police Protection:	
Number of State Police Detachments	60
Number of State Police Troopers	680
Higher Education (State Supported):	
Number of Campuses	22
Number of Students	92,140
Recreation:	
Number of State Parks	34
Area of State Parks	76,960 acres
Number of State Forests	8
Area of State Forests	71,415 acres
Number of State Owned and Operated Rail Trails	2
Distance of Rail Trails	150 miles
Wildlife Fish and Game Management Areas	98
Acreage of Wildlife Management Areas (Owned and Leased)	371,121 acres

Sources: Division of Highways, Division of Public Safety, Higher Education Policy Commission, and Division of Natural Resources.