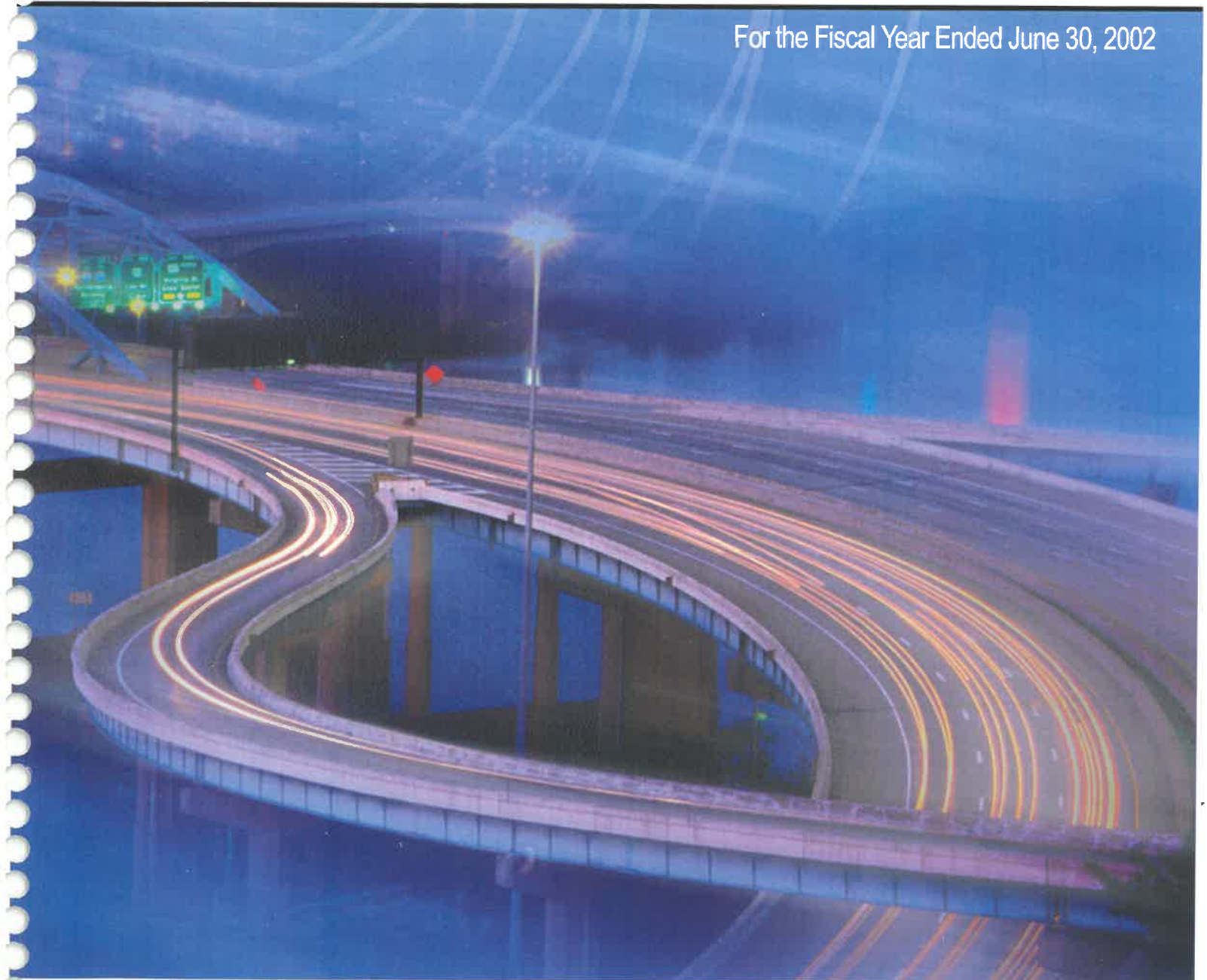


West Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2002



West Virginia

*Comprehensive Annual
Financial Report
For the Fiscal Year
Ended June 30, 2002*



Bob Wise
Governor

Gregory Burton
Cabinet Secretary
Department of Administration

Andrew J. Fizer, CPA
State Comptroller
Department of Administration

*Prepared by the
Financial Accounting
and Reporting Section*



Governor Bob Wise



STATE OF WEST VIRGINIA
OFFICE OF THE GOVERNOR
CHARLESTON 25305

BOB WISE
GOVERNOR

To the Honorable Members of the 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, 2002. 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.state.wv.us/adm/finance.

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.

Very truly yours,

A handwritten signature in blue ink that reads "Bob Wise".

Bob Wise
Governor

BW/lc

ACKNOWLEDGMENTS

Report prepared by:

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Finance Division
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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.

We invite you to visit our web site:
www.state.wv.us/admin/finance

STATE OF WEST VIRGINIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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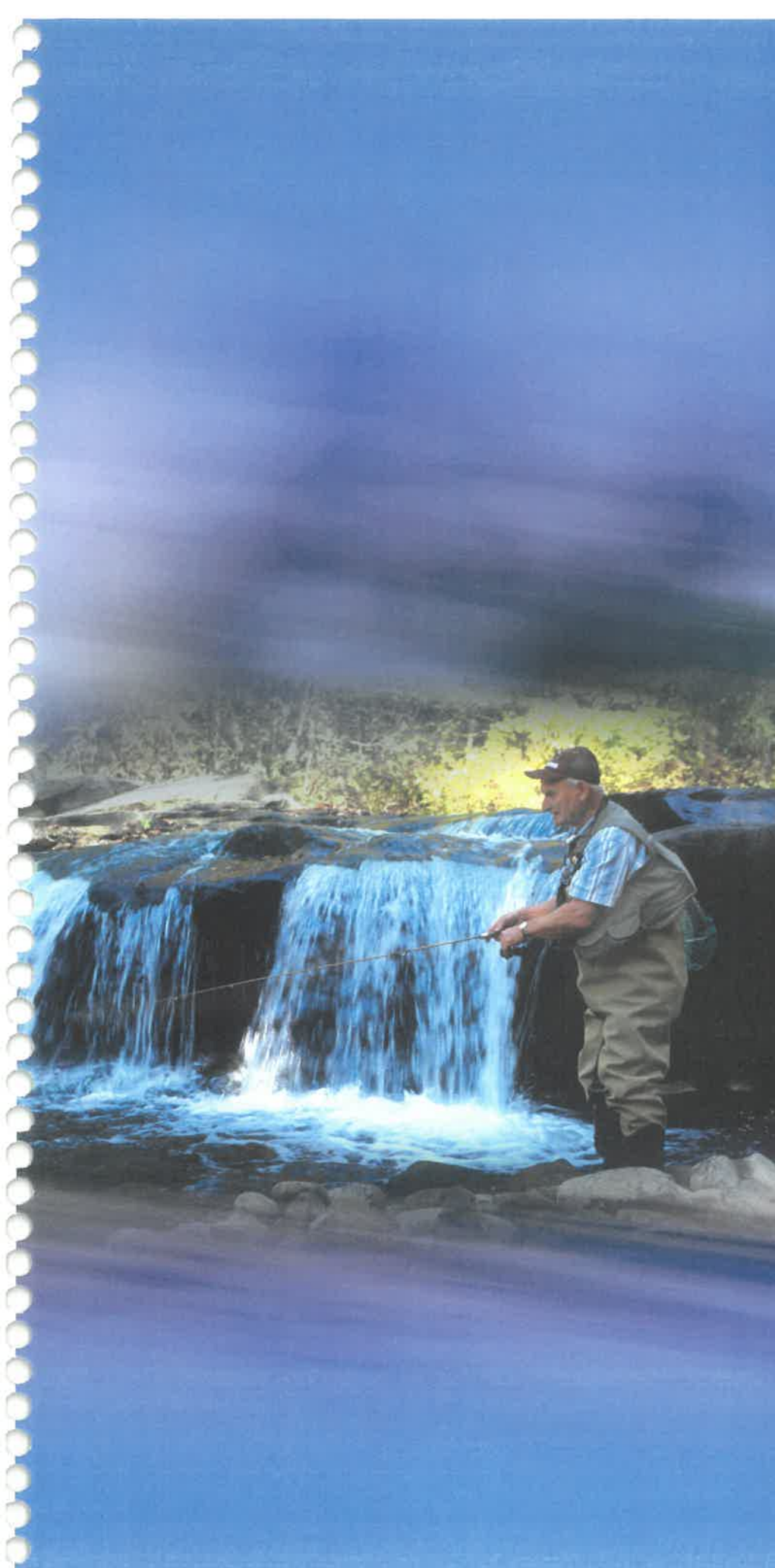


Introductory Section

Transmittal Letter

Certificate of
Achievement
for Excellence in
Financial Reporting

Organization Chart
Principal Officials





STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
DIVISION OF FINANCE

BOB WISE
GOVERNOR

GREGORY A. BURTON
CABINET SECRETARY

December 20, 2002

The Honorable Bob Wise, Governor
The Honorable Members of the West Virginia Legislature
The Citizens of West Virginia

It is my pleasure to submit to you the Comprehensive Annual Financial Report (CAFR) of the State of West Virginia for the fiscal year ended June 30, 2002. 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 outline by the Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35. The objective of this new reporting model is to provide a clear picture of the government as a single, unified entity as well as providing traditional fund-based financial statements.

This report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the State's organizational chart, and a list of principal officials. The financial section includes Management's Discussion and Analysis, Government-wide Financial Statements, and Fund Financial Statements for Governmental Funds, Proprietary Funds, Fiduciary Funds, and Component Units. The Financial Section also includes the Notes to the Financial Statements, and Required Supplementary Information, as well as the report of the independent auditors on the basic financial statements and schedules. The statistical section includes selected financial and demographic information generally presented on a multiyear basis.

This report consists of management's representations concerning the finances 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 accounting principals generally accepted in the United States. 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. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State of West Virginia for the fiscal year ended June 30, 2002, are free of material misstatements. The independent audit involved 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. The independent auditor concluded, based upon their audit and the reports of other auditors, there was a reasonable basis for rendering an unqualified opinion. The State of West Virginia's financial statements for the fiscal year ended June 30, 2002, are fairly presented in conformity with accounting principles generally accepted in the United States of America (GAAP). This independent auditor's report is presented as the first component of the financial section of this report.

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 special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on the administration of federal awards. 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.

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 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 Department of Administration. The Department of Administration compiles the Executive Budget on behalf of the Governor who submits it to the Legislature. After the approval of the budget, the Department of Administration 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. The Department of Administration's Finance Division has completed a project to provide additional information related to budget priorities and goals, including acknowledgment of significant accomplishments of various agency programs.

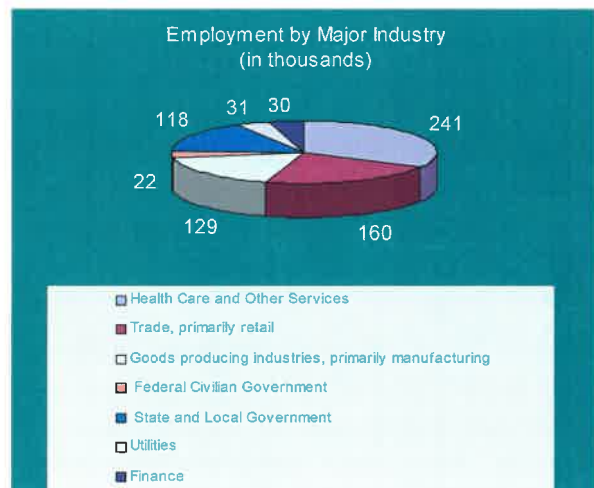
Economic Conditions and Outlook

West Virginia's long-term growth depends in part on the national economy. Twenty years ago the West Virginia economy was driven by coal mining, forestry, and petroleum. Today the State's economy is dominated by service industries while the goods producing sector, which includes manufacturing, construction, and mining, represents 18% of all employment. The following chart depicts employment by industry at June 30, 2002.

Employment by Major Industry (in thousands).

| | 2000 | 2001 | 2002 |
|---|------------|------------|------------|
| Health Care and Other Services | 222 | 233 | 241 |
| Trade, primarily retail | 165 | 162 | 160 |
| Goods producing industries, primarily manufacturing | 136 | 134 | 129 |
| Government: | | | |
| Federal Civilian | 24 | 22 | 22 |
| State and Local | 122 | 119 | 118 |
| Utilities | 38 | 36 | 31 |
| Finance | 30 | 30 | 30 |
| Total | 737 | 736 | 731 |

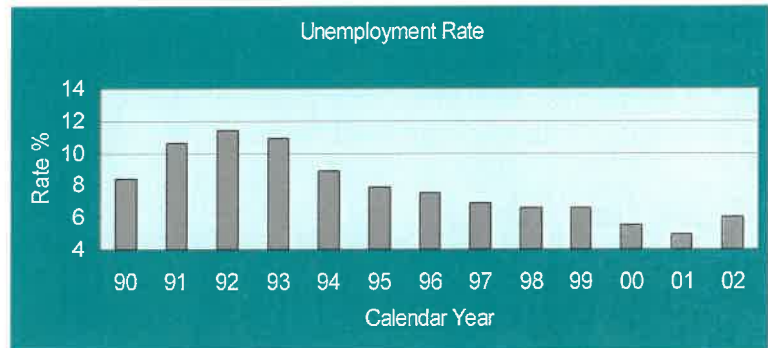
Source: West Virginia Economic Outlook 2001, 2002 and 2003 published by the Bureau of Business & Economic Research of West Virginia University



The West Virginia economy is now less dependent on one or two major industries. Because of this diversity across industries, its job growth rate of 1.0% during the 1996-2001 period lagged slightly behind the national rate of job growth of 2.0%. Additionally, since the late 1970's the State of West Virginia experienced its lowest rate of unemployment during 2000 of 4.7%. The U.S. Bureau of Labor statistics reported that West Virginia led the nation in the decline of the unemployment rate from March – April 1999 to March – April 2000.

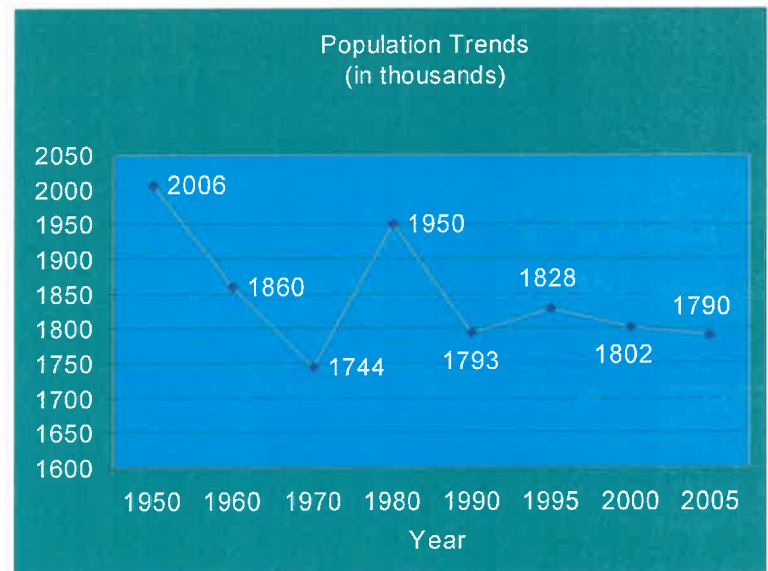
The following charts illustrate positive trends in West Virginia's economy:

Job growth in service industries has outpaced the national rate during the March 2001 to August 2002 period. However, the State has experienced more severe mining job losses than has the nation. Overall the State's unemployment rate has closely followed the national trends.



Population Trends (in thousands)

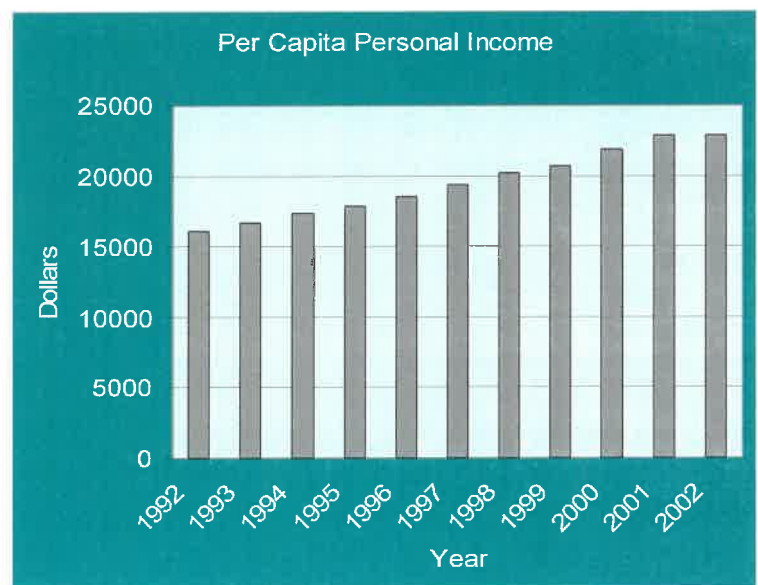
| | | |
|------|-------|--------|
| 1950 | 2,006 | |
| 1960 | 1,860 | <7.3>% |
| 1970 | 1,744 | <6.2>% |
| 1980 | 1,950 | 11.8% |
| 1990 | 1,793 | <8.1>% |
| 1995 | 1,828 | 2.0% |
| 2000 | 1,802 | <1.4>% |
| 2005 | 1,790 | <0.7>% |



Source: West Virginia Economic Outlook 2003, 2002 and 2001 published by the Bureau of Business & Economic Research of West Virginia University.

- Population levels are projected to stabilize and remain near current levels through 2005.

- Real per capita personal income growth for 2002 was 1.9% and is forecast to grow 1.4% annually between 2002 and 2007.



According to the Bureau of Business & Economic Research (BBER) at West Virginia University, continued growth is expected in employment. That growth is fueled by the service sector. This continued positive economic performance is expected to result in a moderate real personal income growth. BBER forecasts that growth in real personal income will continue at an average 1.4% per year over the next five years, but at a slightly slower rate than the national forecast of 1.6%.

Major Initiatives

Tax Increment Financing

On November 5, 2002, West Virginia residents voted to allow tax increment financing for West Virginia counties and municipalities. With tax increment financing, a county or municipality issues a bond to raise the necessary funds to develop a blighted or lagging local area. The development project is expected to increase local investment and raise property values, which would result in higher property tax revenues collected from the developing area. The increment by which the property tax revenue increases is then used to retire the issued bonds.

Education Accountability

The State's long-term commitment to funding education has achieved impressive results especially in providing technology to the State's public schools. West Virginia's educational system ranks tenth in the nation in computer availability with 4.7 students per instructional computer, ranks third in the nation with 57 percent of school computers connected to a local area network and leads the nation in delivering technology to the class room in an equitable way.

Because the State funds approximately 80% of public education, West Virginia ranks second in the country in having an equitable funding mechanism. In addition, West Virginia's expenditures per pupil of \$6,887 ranks fifteenth in the nation and is 10% above the national average. It is noteworthy that many states with higher average expenditures are high cost of living areas, such as Connecticut, New Jersey, and New York.

The State's emphasis on education appears to be affecting the level of educational attainment by our citizens. The percentage of high school graduates enrolling in higher education has increased from 46.9 percent in 1996 to 51.4 percent in 1998 and is estimated to reach more than 53 percent in 1999. Through the use of the Promise Scholarship Program, all West Virginia High School students graduating with at least a B average will be given a tuition waver to attend any instate college or university. This indicates the State is making strides in offering the skilled work force demanded by today's employers.

Cash Management and Investments

Financial resources of the State are managed through the combined efforts of the Department of Administration and the State Treasurer's Office. Daily reports detailing future obligations of the General Revenue Fund, revenue estimates, and revenue collected are prepared by the Department of Administration, Division of Finance, to monitor the cash balance of the General Revenue Fund.

Certain other investments are made on behalf of the State agencies by the West Virginia Investment Management Board (IMB). The IMB, whose members are appointed by the Governor, is a legal nonprofit, nonstock corporation established to invest State operating funds, State pension funds, Workers' Compensation, and pneumoconiosis funds.

Risk Financing

The State operates three significant insurance funds. The general objective of the Workers' Compensation Fund (WCF) is to provide a prompt and equitable system of compensation for injury sustained in the course of, or stemming from, employment. The Board of Risk and Insurance Management (BRIM) provides property liability insurance for the State, county boards of education, local governmental entities, and nonprofit organizations. The Public Employees' Insurance Agency (PEIA) was established to provide basic employee benefit insurance programs which include hospital, surgical, major medical, prescription drug, and basic life and accidental death. PEIA covers State and certain non-State employees and their families.

Pension and Postemployment Benefits

The Consolidated Public Retirement Board (CPRB), administers the State's retirement plans, including the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), the Public Safety Death, Disability and Retirement System (PSDDRF), the Judges' Retirement System (JRS), the Teachers' Defined Contribution Retirement System (TDCRS), the State Police Retirement System, and the West Virginia Deputy Sheriff Death, Disability and Retirement Plan.

The Board obtains annual actuarial reports on the various pension systems. At the most recent actuarial valuation, the unfunded actuarial accrued liability is as follows for the State's single employer plans:

- TRS \$3.7 billion
- PSDDRF \$269 million
- JRS \$41.2 million

Sufficient cash is expected to be provided from operations to fully pay all retirement benefits on a pay-as-you-go basis. In each instance, plans to eliminate the unfunded liability have been initiated which, if followed to completion, should eliminate the liabilities over the next 19 – 35 years. Additional information on the State's pension activity can be found in Note 11 of the notes to the financial statements.

The State also provides postemployment health care benefits for retired employees. As of the end of the current fiscal year, there were approximately 2,300 eligible retirees receiving these benefits. Additional information of the State's postemployment benefits can be found in Note 12 of the notes to the financial statements.

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 Comprehensive Annual Financial Report (CAFR) for the fiscal years ended June 30, 1995 through 2001. 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 BRIM, PEIA, the Department of Transportation, the Housing Development Fund, the Parkways, Economic Development and Tourism Authority, the West Virginia Lottery, and the West Virginia Prepaid College Plan.

Acknowledgments

The annual budget document, prepared by the Department of Administration's Finance Division, 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 2001 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 which provide financial data prepared in conformity with GAAP on a timely basis. The State's continued success directly depends upon their cooperation and support.

Sincerely,

A handwritten signature in blue ink that reads "Andrew Fizer".

Andrew Fizer, CPA
State Comptroller

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, 2001

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.

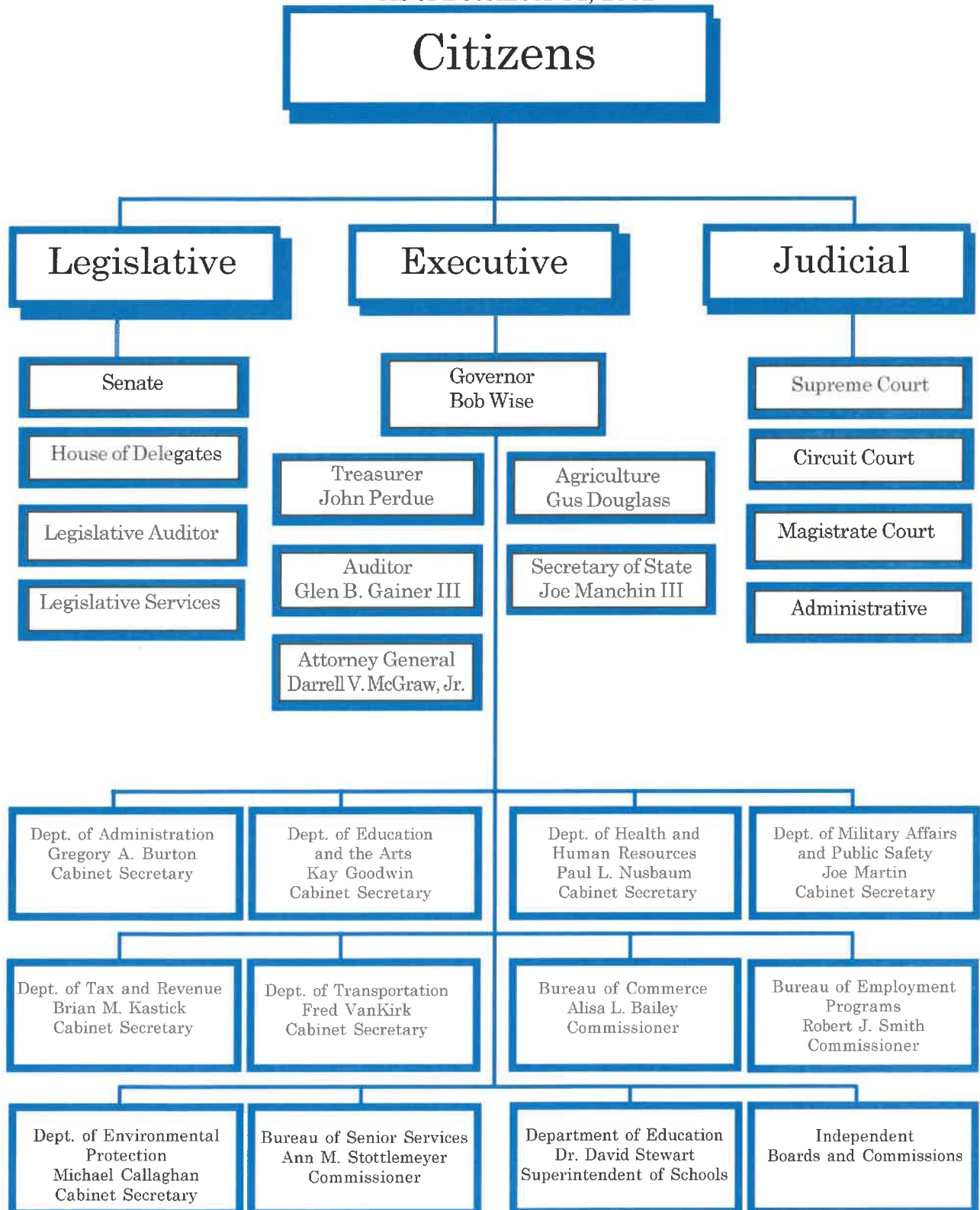


William Patrick Pate
President

Jeffrey L. Escoe
Executive Director

West Virginia

Organization Chart
As of December 31, 2002



State of WEST VIRGINIA

Principal Officials

Executive Branch

Governor
Bob Wise

Agriculture
Commissioner
Gus Douglass

Attorney General
Darrell V. McGraw, Jr.

State Auditor
Glen B. Gainer III

Secretary of State
Joe Manchin III

State Treasurer
John Perdue

Legislative Branch

President of the Senate
Earl Ray Tomblin

Speaker of the House
Robert S. Kiss

Chairman
Senate Finance
Oshel B. Craigo

Chairman
House Finance
Harold K. Michael

Judicial Branch

Supreme Court
Chief Justice
Robin Jean Davis

Supreme Court Justice
Joseph P. Albright

Supreme Court Justice
Elliott E. Maynard

Supreme Court Justice
Warren R. McGraw

Supreme Court Justice
Larry V. Starcher



Financial Section

Report of
Independent
Auditors

Management's
Discussion and
Analysis

December 20, 2002

Report of Independent Auditors

To the Honorable Bob Wise, 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, 2002, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express an opinion 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, the major funds and the aggregate remaining fund information, which represent 65 percent of total assets and 48 percent of total revenues for the governmental activities, 92 percent of total assets and 97 percent of total revenues for the business-type activities, 68 percent of total assets and 85 percent of total revenues for the aggregate discretely presented component units, 69 percent of total assets and 37 percent of total revenues of the major funds, and 86 percent of total assets and 53 percent of 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 governmental activities, business-type activities, aggregate discretely presented component units, major funds and 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of West Virginia as of June 30, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the State of West Virginia adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001.

The management's discussion and analysis on pages 4 through 17 and the Required Budgetary Supplementary Information on pages 120 through 127 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of West Virginia's basic financial statements. The combining financial statements and schedules on pages 130 through 168 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Ernst & Young LLP

December 20, 2002

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, 2002. 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.

During fiscal year 2002, the State implemented Governmental Accounting Standards Board's Statement No. 34, which established significantly different reporting requirements. The content and structure of these financial statements are not easily comparable with previous years. However, in future years comparisons will be more meaningful and will provide better explanations of the State's financial position and results of operations.

FINANCIAL HIGHLIGHTS

Government-wide:

The assets of the primary government exceeded its liabilities at the close of the fiscal year by \$3.6 billion (reported as "net assets"). Governmental activities reported \$5.4 billion in net assets (a \$37.5 million increase, up 0.70% from last year), while the business-type activities reported a deficit of \$1.8 billion, an increase of \$551 million in the deficit.

Fund Level:

For fiscal year 2002, the governmental funds reported a combined ending fund balance of \$1.6 billion, a decrease of \$167.1 million or 11.4% in comparison with the restated prior year.

At the end of June 30, 2002, the unreserved and the reserved fund balance for the general fund was \$251.5 million or 4.8% and \$335.8 million or 6.4% of total general fund expenditures.

Long-Term Obligations:

After payments on long-term obligations and a reduction in contingent liabilities, the net increase in the State's long-term obligations was \$232.4 million, or 10.6%. The key factors in this increase were the issuance of SAFE Road Bonds by the Department of Transportation and the addition of capital leases to fund correctional facilities and other state buildings.

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 changes in net assets 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 further explains and supports the information in the financial statements. In addition to these required elements, we have included an other financial information section with combining statements that provide details about our nonmajor governmental funds, proprietary funds, fiduciary funds and 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, however, additional nonfinancial factors should be considered such as the State's economic outlook, changes in its demographics, and the condition of its capital assets and 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 Workers’ Compensation Fund, Public Employees’ Insurance Agency, and the Board of Risk and Insurance Management, among other funds, are examples of these activities.
- *Component Units* – The State includes several other entities in its report, for which it is financially accountable - such as West Virginia Housing Development, Parkways, Economic Development and Tourism Authority and Higher Education. Separately issued financial statements are also available for these component units.

Fund Financial Statements

The fund financial statements provide more detailed information about the State’s most significant *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 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 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. 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 and 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 are budgetary comparison schedules for major funds with legally adopted budgets and a note with explanatory information. This information further explains and supports the information in the basic financial statements.

Combining Financial Statements and Schedules

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The State's *combined* net assets (governmental and business-type) decreased \$513.4 million over the course of this fiscal year's operations. The net assets of the governmental activities increased \$37.5 million or 0.70% and business-type activities had a decrease of \$551 million or 43.6%.

Net Assets as of June 30, 2002 (Expressed in Thousands)

| | Governmental Activities | Business-type Activities | Total Primary Government |
|--|----------------------------|-----------------------------|--------------------------------|
| Current and Other Assets | \$2,413,136 | \$ 2,483,350 | \$ 4,896,486 |
| Capital Assets | <u>6,155,702</u> | <u>10,168</u> | <u>6,165,870</u> |
| Total Assets | <u>8,568,838</u> | <u>2,493,518</u> | <u>11,062,356</u> |
| Current and Other Liabilities | 890,277 | 979,884 | 1,870,161 |
| Long-Term Liabilities | <u>2,280,338</u> | <u>3,327,185</u> | <u>5,607,523</u> |
| Total Liabilities | <u>3,170,615</u> | <u>4,307,069</u> | <u>7,477,684</u> |
| Net Assets: | | | |
| Invested in Capital Assets, Net of Debt | 5,424,495 | 10,169 | 5,434,664 |
| Restricted | 523,238 | 821,418 | 1,344,656 |
| Unrestricted (Deficit) | <u>(549,510)</u> | <u>(2,645,138)</u> | <u>(3,194,648)</u> |
| Total Net Assets | <u>\$5,398,223</u> | <u>\$(1,813,551)</u> | <u>\$ 3,584,672</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. As of June 30, 2002, unrestricted net assets are in a deficit position of \$3.2 billion. This deficit is the result of, among other things, increased Workers' Compensation expenses, having substantial long-term liabilities related to environmental programs, net pension obligations, and revenue bonds issued to fund local school construction which exceed currently available resources.

Restricted net assets comprise 37.5% 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, and medical and health care programs of the State.

Changes in Net Assets

The charts below and on the next page represent 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 year ended 2002.

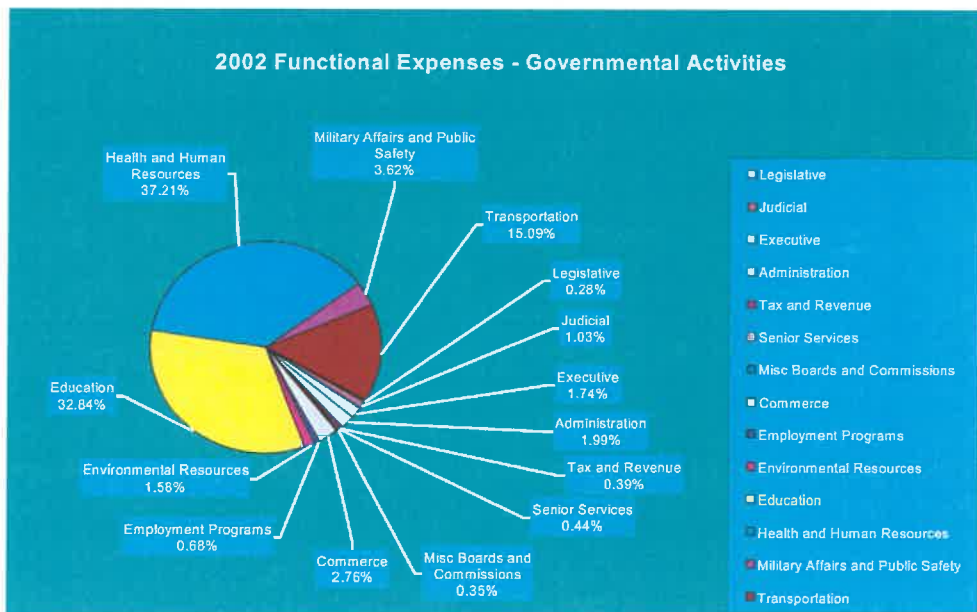
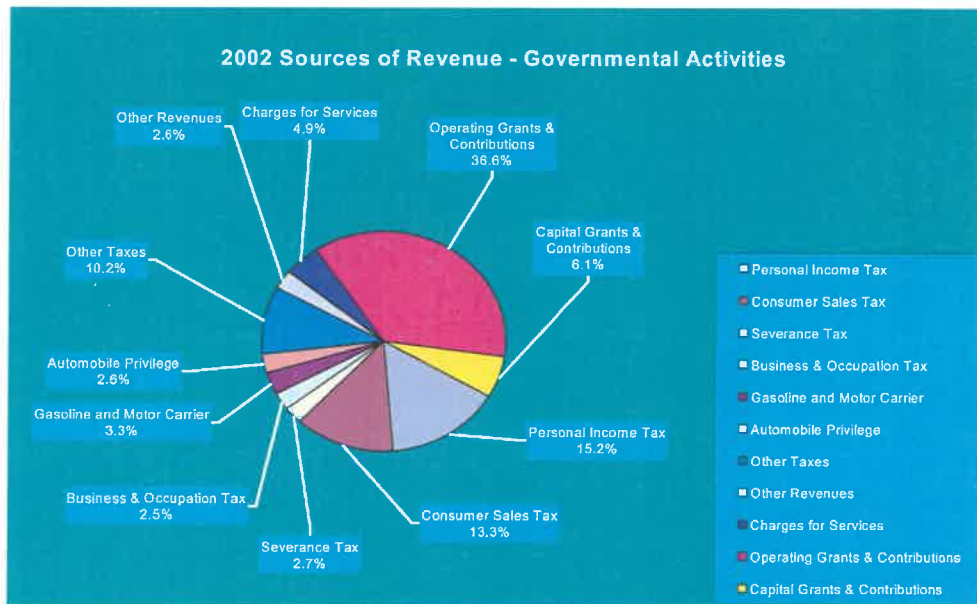
**Changes in Net Assets
For the Year Ended June 30, 2002
(Expressed in Thousands)**

| | Governmental Activities | Business-type Activities | Total Primary Government |
|--|------------------------------------|-------------------------------------|---|
| Revenues | | | |
| Program Revenues: | | | |
| Charges for Services | \$ 339,322 | \$2,005,121 | \$2,344,443 |
| Operating Grants and Contributions | 2,533,338 | 48,613 | 2,581,951 |
| Capital Grants and Contributions | 424,688 | 5,250 | 429,938 |
| General Revenues: | | | |
| Personal Income Tax | 1,052,023 | — | 1,052,023 |
| Consumer Sales Tax | 925,317 | — | 925,317 |
| Severance | 187,970 | — | 187,970 |
| Business and Occupation | 173,839 | — | 173,839 |
| Gasoline and Motor Carrier | 229,650 | — | 229,650 |
| Automobile Privilege | 180,472 | — | 180,472 |
| Other Taxes | 705,465 | — | 705,465 |
| Other Revenues | <u>181,456</u> | <u>86,652</u> | <u>268,108</u> |
| Total Revenues | 6,933,540 | 2,145,636 | 9,079,176 |
| Program Expenses | | | |
| Legislative | 19,742 | — | 19,742 |
| Judicial | 72,387 | — | 72,387 |
| Executive | 121,744 | — | 121,744 |
| Administration | 139,177 | — | 139,177 |
| Commerce | 193,483 | — | 193,483 |
| Environmental Protection | 110,661 | — | 110,661 |
| Employment Programs | 47,520 | — | 47,520 |
| Education | 2,299,817 | — | 2,299,817 |
| Health and Human Resources | 2,605,461 | — | 2,605,461 |
| Military Affairs and Public Safety | 253,806 | — | 253,806 |
| Tax and Revenue | 27,240 | — | 27,240 |
| Transportation | 1,056,651 | — | 1,056,651 |
| Senior Services | 30,538 | — | 30,538 |
| Miscellaneous Board and Commissions | 24,376 | — | 24,376 |
| Interest on Long-term Debt | 75,553 | — | 75,553 |
| West Virginia Lottery | — | 563,078 | 563,078 |
| Workers' Compensation Fund | — | 1,148,221 | 1,148,221 |
| Employment Security | — | 173,934 | 173,934 |
| Water Pollution Control Revolving Fund | — | 1,821 | 1,821 |
| Other Nonmajor Business-type | — | <u>542,130</u> | <u>542,130</u> |
| Total expenses | <u>7,078,156</u> | <u>2,429,184</u> | <u>9,507,340</u> |
| Increase (Decrease) in Net Assets Before | | | |
| Special Items and Transfers | (144,616) | (283,548) | (428,164) |
| Special Items | (85,262) | — | (85,262) |
| Transfers | <u>267,446</u> | <u>(267,446)</u> | — |
| Increase (Decrease) in Net Assets | 37,568 | (550,994) | (513,426) |
| Net Assets, Beginning of Year, as Adjusted | <u>5,360,655</u> | <u>(1,262,557)</u> | <u>4,098,098</u> |
| Net Assets, End of Year | <u>\$5,398,223</u> | <u>\$(1,813,551)</u> | <u>\$3,584,672</u> |

Governmental Activities

The following charts depict revenues and expenditures, respectively, of the governmental activities for the fiscal year. The State's total governmental activities decreased net assets by \$144.6 million before transfers of \$267.4 million from Business-type activities

Approximately 34.3% of the total revenues came from personal income, consumer sales, business occupation and gasoline and automobile taxes while 42.7% was in the form of operating grants and contributions (see chart below). The State's governmental activities expenses include 37.2% for health and human resources and 32.6% for education (see chart below).



Business-type Activities

Business-type activities decreased the State’s net assets by \$283.5 million before transfers of \$267.4 million to governmental activities. Significant contributors to this change were:

- The Workers’ Compensation Fund and the Board of Risk and Insurance Management have incurred claims in excess of billed premiums, in the amount of \$549.4 million and \$22 million, respectively. \$460.3 million of the Workers’ Compensation Fund increase resulted from changes in management’s assumptions regarding future initiatives and the emergence of data impacting anticipated claims payments contributed to the excess of claims over premium revenue.
- A \$29.2 million increase in net assets of the Water Pollution fund and a \$36.7 million increase in the net assets of Employment Security fund, primarily the result of increased federal funding.
- The five nonmajor proprietary funds include three funds which rely heavily on interest rates to produce income to supplement their appropriations and other funding sources. Since interest rates and the stock markets have been down markedly there are major decreases in the net assets this fiscal year. The Board of Risk and Insurance Management lost \$18.5 million, the Public Employees’ Insurance Agency lost \$15.5 million and the West Virginia Prepaid College Plan lost \$19.4 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.

Governmental Fund Balances at June 30, 2002

| | <u>General Fund</u> | <u>Transportation</u> | <u>West Virginia Infrastructure and Jobs Development Council</u> | <u>Nonmajor Funds</u> | <u>Total</u> |
|------------------------|-------------------------|-----------------------|--|---------------------------|--------------------|
| Reserved | \$335,866 | \$ 31,207 | \$238,475 | \$423,317 | \$1,028,865 |
| Unreserved, designated | — | — | 93,399 | — | 93,399 |
| Unreserved | <u>251,520</u> | <u>142,492</u> | <u>48,883</u> | <u>62,260</u> | <u>505,155</u> |
| Total | <u>\$587,386</u> | <u>\$173,699</u> | <u>\$380,757</u> | <u>\$485,577</u> | <u>\$1,627,419</u> |

At the end of the current fiscal year, the State's governmental funds reported an ending fund balance of \$1.6 billion, a decrease of \$167.1 million in comparison with the prior year. Of this amount, \$96.1 million related to the nonmajor funds, including the capital projects funds which increased \$57.6 million, primarily because of bond proceeds and new capital lease agreements, and the permanent fund's increase of \$32 million, due to an increase in tobacco settlement proceeds. Approximately 36.8% of the total fund balance is unreserved and available for spending in the coming year. The remainder of the fund balance is reserved indicating it is not available for spending because it has been committed to pay debt service (\$93.4 million); to fund capital projects (\$201.7 million); to be held in permanent funds for education and tobacco related health services (\$101.1 million); or for a variety of other specific purposes (\$632.6 million).

The general fund is the chief operating fund of the State. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$251.5 million, while total fund balance reached \$587.4 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 4.8% of total general expenditures, while total fund balance represents 11.1% of the same amount.

Transportation had an unreserved fund balance of \$142.5 million, up 7% from the prior year. The reserved balance of \$31.2 million is primarily for inventory. Transportation revenues were up \$56.3 million primarily due to an increase in automobile privilege tax and increased motor vehicle registrations. Transportation is dependent on revenues generated from the purchase and use of motor fuel, motor vehicle fees, and related federal funding; therefore, it is affected by state and national economic conditions and world events affecting availability and pricing of motor fuel. Despite the weak economy, low interest rates and incentives from car manufacturers have caused increases in both the privilege tax and motor vehicle registration fees. For the sixth straight year, tax and fee revenue collections have increased over the previous year. Expenditures were up \$55.0 million, due to an increase in construction.

The West Virginia Infrastructure and Development Council's total fund balance increased \$15.9 million and the unreserved fund balance decreased \$7.8 million. The reserved fund balance, \$238.5 million (up by \$12.3 million), is money committed but not distributed to entities for loans/grants and loans receivable (\$221.8 million) which are not available for appropriation. The decrease of \$4.1 million in revenues is due to lower investment earnings. Expenditures were only slightly above the previous year.

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 four major enterprise funds include the West Virginia Lottery, Water Pollution, Workers' Compensation Funds, and Employment Security.

The West Virginia Lottery increased revenue by \$266 million, which allowed an additional \$126.6 million (after additional expenses of \$137.8 million) to be distributed to other State agencies. The West Virginia Lottery has a statutory limit on fund balance of \$250,000. Approximately \$315.8 million was transferred out of the West Virginia Lottery during fiscal year 2002 to finance various programs as authorized by the legislature.

Other nonmajor enterprise funds incurred a net decrease in assets of \$45.1 million. This decrease is a result of the cost of coverage provided by the Board of Risk and Insurance Management and the Public Employees Insurance Agency have been in excess of the billed premiums by approximately \$22 million, and \$12.6 million respectively. Furthermore, the West Virginia Prepaid College Plan has incurred estimated tuition benefit expense in excess of contribution revenue of \$17.5 million.

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

GENERAL AND SPECIAL REVENUE FUND BUDGETARY HIGHLIGHTS

General fund differences between the original and final budget was the result of an increase in appropriations of \$12.4 million or 0.4%. The largest components of this increase were supplemental appropriations for the Soil Conservation Commission of \$2 million, Department of Administration of \$4.7 million, Department of Health and Human Resources of \$1 million, and the Development Office \$3.7 million.

Even with these adjustments, the actual charges to appropriations (expenditures) were \$71.9 million below the final budget amounts. The most significant positive variances of \$18.7 and \$15.6 occurred in the Commerce and Military Affairs and Public Safety functions, respectively. The remaining difference is comprised of several differences from the original and final budget including the Judicial, Executive, Health and Human Resources and the Department of Education.

The positive variance between the excess of revenues over expenditures was approximately \$86.5 million and included the positive expenditure variance of \$71.9 million discussed above and significant positive variances in business franchise and severance taxes that offset negative variances in corporate and personal income taxes. Actual federal revenues were approximately \$314.6 million less than budget and expenditures were down \$285.3 million.

Overall, the special revenue fund budget increased \$65 million or 6.7%. Increases were related to budgeted environmental and education increases of \$18.1 million and \$41.1 million, respectively. The special revenue licenses, permits and fees final budget increased \$322 million over the original budget but actual results were slightly less than the original budgeted amount of \$781.9 million.

Resources available for appropriations were \$14.6 million higher than the final budgeted amount. Personal income tax and corporate income tax collections were lower than budgeted by \$14.3 million and \$27.1 million, respectively. However, the business franchise tax and severance tax collections were \$35.8 million and \$12.8 million higher than expected.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2002, the State had invested \$6.2 billion, net of accumulated depreciation, in a broad range of capital assets (see table below). Depreciation charges for the year totaled \$268.9 million.

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

| | Governmental Activities | Business-type Activities | Total Primary Government |
|---------------------------|------------------------------------|-------------------------------------|---|
| Land and Improvements | \$ 668,115 | \$ 611 | \$ 668,726 |
| Building and Improvements | 350,649 | 1,676 | 352,325 |
| Equipment | 104,667 | 7,881 | 112,548 |
| Library Holdings | 1,967 | — | 1,967 |
| Construction in Progress | 312,495 | — | 312,495 |
| Infrastructure | <u>4,717,809</u> | <u>—</u> | <u>4,717,809</u> |
| Totals | <u>\$6,155,702</u> | <u>\$10,168</u> | <u>\$6,165,870</u> |

The total increase in the State's investment in capital assets for the current fiscal year was approximately \$518.4 million. The most significant increase for capital assets during the year resulted from infrastructure assets of \$398.3 million. In addition, the State acquired correctional facilities to house adult and juvenile inmates of approximately \$54 million.

Additional information for the State's capital assets can be found in Note 9 of this report.

Long-term Debt

At year-end the State had \$2.4 billion in bonds, capital leases, claims and judgements, compensated absences, and pension obligations outstanding as shown in the table below. The State's general obligation bonds are rated AA- by Standard and Poor's Corporation and Fitch Investors' Service. The Moody's Investors Service rating is Aa3. More detailed information related to the State's overall debt position is presented in Note 10 to the financial statements.

Outstanding Debt at June 30, 2002
(Expressed in Thousands)

| | Governmental Activities | Business-type Activities | Total Primary Government |
|--------------------------|------------------------------------|-------------------------------------|---|
| General Obligation Bonds | \$ 833,494 | \$ — | \$ 833,494 |
| Revenue Bonds | 439,011 | — | 439,011 |
| Capital Leases | 252,107 | — | 252,107 |
| Claims and Judgements | 395,601 | — | 395,601 |
| Compensated Absences | 283,245 | 6,409 | 289,654 |
| Pension Obligation | <u>221,364</u> | <u>—</u> | <u>221,364</u> |
| Totals | <u>\$2,424,822</u> | <u>\$6,409</u> | <u>\$2,431,231</u> |

New debt resulted from issuing \$110 million of General Obligation Bonds to fund highway and road construction projects. New capital leases of \$177.2 million were originated for facilities to house adult and juvenile inmates, to provide inmate health services, and to provide new state offices.

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 for the purpose of financing capital construction. Neither the West Virginia Constitution nor its statutes establish a general limit on any type of debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State's economy has experienced difficulties over the past year, similar to the national economy. Although the State faces significant financial challenges, our outlook is optimistic. The Governor has submitted a balanced budget for fiscal 2003, with general fund appropriations of \$2.9 billion, up \$100 million from the final 2002 budget. The Governor did enact a 3.4% spending reduction in January 2003 to combat a projected shortfall from the revenue estimate for fiscal year 2003 in the consumer sales tax and business and occupation tax. West Virginia's unemployment rate was up in November (5.8%), consistent with the national trend.

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, 2002 (Expressed in Thousands)

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|-------------------|--------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 844,715 | \$1,602,379 | \$ 2,447,094 | \$ 394,454 |
| Investments | 395,390 | — | 395,390 | 31,570 |
| Receivables, Net | 683,674 | 272,277 | 955,951 | 73,918 |
| Due from Other Governments | 195,399 | 2,216 | 197,615 | — |
| Due from Primary Government | — | — | — | 20,636 |
| Due from Fiduciary Funds | — | 48 | 48 | — |
| Due from Component Units | 930 | 2,765 | 3,695 | — |
| Internal Balances | 60,204 | (60,204) | — | — |
| Inventories | 41,234 | 790 | 42,024 | 7,482 |
| Food Stamps | 48,780 | — | 48,780 | — |
| Other Assets | 5,600 | 987 | 6,587 | 11,484 |
| Restricted Assets: | | | | |
| Cash | 1,478 | — | 1,478 | 153,016 |
| Investments | — | 1,041 | 1,041 | 19,417 |
| Total Current Assets | <u>2,277,404</u> | <u>1,822,299</u> | <u>4,099,703</u> | <u>711,977</u> |
| Noncurrent Assets: | | | | |
| Investments | — | 104,971 | 104,971 | 26,690 |
| Receivables, Net | 2,071 | 275,515 | 277,586 | 238,122 |
| Other Assets | 3,574 | — | 3,574 | 2,186 |
| Advance to Component Units | 113,535 | — | 113,535 | — |
| Restricted Assets: | | | | |
| Cash | 5,357 | 6,132 | 11,489 | 100,817 |
| Investments | 11,195 | 229,552 | 240,747 | 137,675 |
| Receivables, Net | — | 3,369 | 3,369 | 1,134,513 |
| Other | — | 41,512 | 41,512 | 3,211 |
| Land and Other Nondepreciated Capital Assets | 973,726 | 611 | 974,337 | 233,849 |
| Depreciable Capital Assets (Net of Accumulated Depreciation) | <u>5,181,976</u> | <u>9,557</u> | <u>5,191,533</u> | <u>1,600,776</u> |
| Total Noncurrent Assets | <u>6,291,434</u> | <u>671,219</u> | <u>6,962,653</u> | <u>3,477,839</u> |
| Total Assets | <u>8,568,838</u> | <u>2,493,518</u> | <u>11,062,356</u> | <u>4,189,816</u> |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 241,797 | 48,584 | 290,381 | 39,617 |
| Interest Payable | 5,037 | — | 5,037 | 20,097 |
| Accrued Tuition Contract Benefits | — | 1,134 | 1,134 | — |
| Accrued and Other Liabilities | 282,129 | 21,787 | 303,916 | 49,021 |
| Due to Other Governments | 61,606 | 3,798 | 65,404 | — |
| Due to Primary Government | — | — | — | 3,695 |
| Due to Fiduciary Funds | 2,067 | — | 2,067 | 200 |
| Due to Component Units | 19,443 | 1,193 | 20,636 | — |
| Deferred Revenue | 141,385 | 161,068 | 302,453 | 33,406 |
| Insurance and Compensation Benefits Obligations | — | 739,353 | 739,353 | — |
| Liabilities Payable from Restricted Assets | — | 1,222 | 1,222 | 4,449 |
| General Obligation Debt | 28,025 | — | 28,025 | — |
| Revenue Bonds Payable | 29,959 | — | 29,959 | 122,818 |
| Capital Leases | 15,757 | — | 15,757 | 35,360 |
| Compensated Absences | <u>63,072</u> | <u>1,745</u> | <u>64,817</u> | <u>28,327</u> |
| Total Current Liabilities | <u>890,277</u> | <u>979,884</u> | <u>1,870,161</u> | <u>336,990</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 | — | 94,725 | 94,725 | — |
| Accrued and Other Liabilities | 387,930 | — | 387,930 | — |
| Deferred Revenue | — | — | — | 41,584 |
| Insurance and Compensation Benefits Obligations | — | 3,223,973 | 3,223,973 | — |
| Advances from Primary Government | — | — | — | 113,535 |
| Liabilities Payable from Restricted Assets | — | 3,823 | 3,823 | 38,524 |
| General Obligation Debt | 805,469 | — | 805,469 | — |
| Revenue Bonds Payable | 409,052 | — | 409,052 | 1,599,887 |
| Capital Leases | 236,350 | — | 236,350 | 46,229 |
| Net Pension Obligation | 221,364 | — | 221,364 | — |
| Compensated Absences | 220,173 | 4,664 | 224,837 | 62,854 |
| Total Noncurrent Liabilities | <u>2,280,338</u> | <u>3,327,185</u> | <u>5,607,523</u> | <u>1,902,613</u> |
| Total Liabilities | <u>3,170,615</u> | <u>4,307,069</u> | <u>7,477,684</u> | <u>2,239,603</u> |
| Net Assets | | | | |
| Invested in Capital Assets, Net of Related Debt | 5,424,495 | 10,169 | 5,434,664 | 1,289,312 |
| Restricted For: | | | | |
| Capital Projects, Net of Related Debt | 106,199 | — | 106,199 | 61,796 |
| Debt Service | 88,386 | — | 88,386 | 2,695 |
| Permanent Funds: | | | | |
| Nonexpendable | 97,492 | — | 97,492 | 3,774 |
| Expendable | 3,632 | — | 3,632 | — |
| Lending Activities | — | 305,752 | 305,752 | 239,122 |
| Insurance Activities | — | 515,666 | 515,666 | — |
| Other Specific Purposes | 227,529 | — | 227,529 | 98,585 |
| Unrestricted (Deficit) | <u>(549,510)</u> | <u>(2,645,138)</u> | <u>(3,194,648)</u> | <u>254,929</u> |
| Total Net Assets (Deficit) | <u>\$5,398,223</u> | <u>\$(1,813,551)</u> | <u>\$3,584,672</u> | <u>\$1,950,213</u> |

West Virginia

Statement of Activities Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

| Functions | Expenses | Program Revenues | | |
|---|--------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| Legislative | \$ 19,742 | \$ 1,956 | \$ 5,008 | \$ — |
| Judicial | 72,387 | 916 | 136 | — |
| Executive | 121,744 | 7,286 | 34,205 | — |
| Administration | 139,177 | 17,435 | 27,146 | 130 |
| Commerce | 193,483 | 43,772 | 63,335 | — |
| Environmental Protection | 110,661 | 41,911 | 70,221 | — |
| Employment Programs | 47,520 | — | 48,331 | — |
| Education | 2,299,817 | 4,791 | 310,091 | — |
| Health and Human Resources | 2,605,461 | 72,335 | 1,869,026 | — |
| Military Affairs and Public Safety | 253,806 | 6,636 | 92,131 | — |
| Tax and Revenue | 27,240 | 20,249 | 46 | — |
| Transportation | 1,056,651 | 95,673 | — | 424,558 |
| Senior Services | 30,538 | 285 | 12,178 | — |
| Miscellaneous Boards and Commissions | 24,376 | 26,077 | 1,484 | — |
| Interest on Long-Term Debt | 75,553 | — | — | — |
| Total Governmental Activities | 7,078,156 | 339,322 | 2,533,338 | 424,688 |
| Business-type Activities: | | | | |
| West Virginia Lottery | 563,078 | 848,598 | — | 5,250 |
| Workers' Compensation Fund | 1,148,221 | 539,402 | — | — |
| Employment Security | 173,934 | 138,210 | 48,613 | — |
| Water Pollution Control Revolving Fund | 1,821 | 2,369 | — | — |
| Other Business-type Activities | 542,130 | 476,542 | — | — |
| Total Business-type Activities | 2,429,184 | 2,005,121 | 48,613 | 5,250 |
| Total Primary Government | \$9,507,340 | \$2,344,443 | \$2,581,951 | \$429,938 |
| Component Units: | | | | |
| Higher Education | \$1,014,038 | \$ 325,260 | \$ 202,755 | \$ 23,173 |
| Economic Development Authority | 9,562 | 5,081 | — | — |
| Housing Development Fund | 135,382 | 71,379 | 60,811 | — |
| Parkways, Economic Development, and Tourism Authority | 71,604 | 60,636 | — | — |
| Water Development Authority | 15,167 | 19,082 | — | — |
| Regional Jail Authority | 73,585 | 52,964 | — | — |
| Other Component Units | 46,540 | 25,043 | 1,124 | 288 |
| Total Component Units | \$1,365,878 | \$ 559,445 | \$ 264,690 | \$ 23,461 |
| General Revenues: | | | | |
| Taxes: | | | | |
| Personal Income | | | | |
| Consumer Sales | | | | |
| Severance | | | | |
| Corporate Net Income | | | | |
| Business and Occupation | | | | |
| Medicaid | | | | |
| Business Franchise | | | | |
| Gasoline and Motor Carrier | | | | |
| Automobile Privilege | | | | |
| Wholesale Motor Fuel | | | | |
| Other | | | | |
| Unrestricted Investment Earnings | | | | |
| Contributions to Tobacco Settlement and Other Permanent Fund Revenues | | | | |
| Grants and Contributions not Restricted to Specific Programs | | | | |
| Payments from State of West Virginia | | | | |
| Miscellaneous | | | | |
| Special Item | | | | |
| Transfers | | | | |
| Total General Revenues, Special Items, and Transfers | | | | |
| Change in Net Assets | | | | |
| Net Assets, Beginning of Year, as Adjusted | | | | |
| 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 |
| \$ (12,778) | | \$ (12,778) | |
| (71,335) | | (71,335) | |
| (80,253) | | (80,253) | |
| (94,466) | | (94,466) | |
| (86,376) | | (86,376) | |
| 1,471 | | 1,471 | |
| 811 | | 811 | |
| (1,984,935) | | (1,984,935) | |
| (664,100) | | (664,100) | |
| (155,039) | | (155,039) | |
| (6,945) | | (6,945) | |
| (536,420) | | (536,420) | |
| (18,075) | | (18,075) | |
| 3,185 | | 3,185 | |
| <u>(75,553)</u> | | <u>(75,553)</u> | |
| <u>(3,780,808)</u> | | <u>(3,780,808)</u> | |
| | \$ 290,770 | 290,770 | |
| | (608,819) | (608,819) | |
| | 12,889 | 12,889 | |
| | 548 | 548 | |
| | <u>(65,588)</u> | <u>(65,588)</u> | |
| | <u>(370,200)</u> | <u>(370,200)</u> | |
| <u>(3,780,808)</u> | <u>(370,200)</u> | <u>(4,151,008)</u> | |
| | | | \$ (462,850) |
| | | | (4,481) |
| | | | (3,192) |
| | | | (10,968) |
| | | | 3,915 |
| | | | (20,621) |
| | | | <u>(20,085)</u> |
| | | | <u>(518,282)</u> |
| 1,052,023 | — | 1,052,023 | — |
| 925,317 | — | 925,317 | — |
| 187,970 | — | 187,970 | — |
| 93,894 | — | 93,894 | — |
| 173,839 | — | 173,839 | — |
| 146,812 | — | 146,812 | — |
| 129,479 | — | 129,479 | — |
| 229,650 | — | 229,650 | — |
| 180,472 | — | 180,472 | — |
| 71,314 | — | 71,314 | — |
| 263,966 | — | 263,966 | — |
| 55,038 | 3,204 | 58,242 | 42,848 |
| 32,430 | — | 32,430 | — |
| — | — | — | 35,545 |
| — | — | — | 460,852 |
| 93,988 | 83,448 | 177,436 | 20,972 |
| (85,262) | — | (85,262) | 85,262 |
| <u>267,446</u> | <u>(267,446)</u> | <u>—</u> | <u>—</u> |
| <u>3,818,376</u> | <u>(180,794)</u> | <u>3,637,582</u> | <u>645,479</u> |
| 37,568 | (550,994) | (513,426) | 127,197 |
| <u>5,360,655</u> | <u>(1,262,557)</u> | <u>4,098,098</u> | <u>1,823,016</u> |
| <u>\$ 5,398,223</u> | <u>\$(1,813,551)</u> | <u>\$ 3,584,672</u> | <u>\$1,950,213</u> |

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major Funds

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

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

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

Nonmajor governmental funds are presented, by fund type, beginning on page 130.

Balance Sheet
Governmental Funds
June 30, 2002
(Expressed in Thousands)

| | <u>General</u> | <u>Transportation</u> | <u>West Virginia Infrastructure and Jobs Development Council</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|--|--------------------|-----------------------|--|---|--------------------|
| Assets | | | | | |
| Cash and Cash Equivalents | \$ 283,809 | \$127,178 | \$100,874 | \$325,399 | \$ 837,260 |
| Investments | 126,194 | — | 59,063 | 210,133 | 395,390 |
| Receivables, Net | 328,541 | 117,092 | 222,908 | 8,900 | 677,441 |
| Due from Other Governments | 193,334 | — | — | 2,065 | 195,399 |
| Due from Other Funds | 67,680 | 7,460 | — | 1,179 | 76,319 |
| Due from Component Units | 411 | 421 | — | — | 832 |
| Advances to Component Units | 113,535 | — | — | — | 113,535 |
| Inventories | 9,343 | 31,207 | — | 229 | 40,779 |
| Food Stamps | 48,780 | — | — | — | 48,780 |
| Other Assets | 2,603 | 2,793 | — | 4 | 5,400 |
| Restricted Assets: | | | | | |
| Cash | — | — | — | 557 | 557 |
| Total Assets | <u>\$1,174,230</u> | <u>\$286,151</u> | <u>\$382,845</u> | <u>\$548,466</u> | <u>\$2,391,692</u> |
| Liabilities | | | | | |
| Accounts Payable | \$ 133,433 | \$ 81,130 | \$ 1,990 | \$ 21,559 | \$ 238,112 |
| Accrued and Other Liabilities | 216,501 | 20,488 | — | 37,277 | 274,266 |
| Due to Other Governments | 55,325 | 3,255 | — | 3,026 | 61,606 |
| Due to Other Funds | 15,424 | 7,107 | — | 1,002 | 23,533 |
| Due to Component Units | 19,320 | — | 98 | 25 | 19,443 |
| Deferred Revenue | 146,841 | 472 | — | — | 147,313 |
| Total Liabilities | <u>586,844</u> | <u>112,452</u> | <u>2,088</u> | <u>62,889</u> | <u>764,273</u> |
| Fund Balances | | | | | |
| Reserved for: | | | | | |
| Inventories | 9,343 | 31,207 | — | 229 | 40,779 |
| Specific Purposes | 212,988 | — | — | 26,859 | 239,847 |
| Lending Activities | — | — | 238,475 | — | 238,475 |
| Capital Projects | — | — | — | 201,682 | 201,682 |
| Debt Service | — | — | — | 93,423 | 93,423 |
| Trust Fund | — | — | — | 101,124 | 101,124 |
| Loans Receivable | 113,535 | — | — | — | 113,535 |
| Unreserved, Designated | — | — | 93,399 | — | 93,399 |
| Unreserved | 251,520 | 142,492 | 48,883 | 62,260 | 505,155 |
| Total Fund Balance | <u>587,386</u> | <u>173,699</u> | <u>380,757</u> | <u>485,577</u> | <u>1,627,419</u> |
| Total Liabilities and Fund Balances | <u>\$1,174,230</u> | <u>\$286,151</u> | <u>\$382,845</u> | <u>\$548,466</u> | <u>\$2,391,692</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, 2002
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds \$ 1,627,419

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 | \$ 649,527 |
| Construction in Progress | 311,081 |
| Infrastructure Assets | 7,159,902 |
| Buildings, Equipment and Other Depreciable Assets | 820,046 |
| Accumulated Depreciation | <u>(2,849,453)</u> |

Total Capital Assets 6,091,103

Certain tax revenues are earned but not available and therefore are deferred in the funds. 11,889

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. 72,183

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. 3,574

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 | (833,494) |
| Revenue Bonds | (439,011) |
| Capital Leases | (233,107) |
| Compensated Absences | (280,394) |
| Net Pension Obligations | (221,364) |
| Accrued Interest Payable and Other Liabilities | <u>(400,575)</u> |

Total Long-Term Liabilities (2,407,945)

Net Assets of Governmental Activities \$ 5,398,223

**Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)**

| | General | Transportation | Infrastructure and Jobs Development Council | Other Governmental Funds | Total |
|--|-------------------|-------------------|--|--------------------------------|--------------------|
| Revenues: | | | | | |
| Taxes: | | | | | |
| Personal Income | \$1,049,532 | \$ — | \$ — | \$ — | \$1,049,532 |
| Consumer Sales | 922,882 | — | — | — | 922,882 |
| Severance | 187,287 | — | — | — | 187,287 |
| Corporate Net Income | 93,846 | — | — | — | 93,846 |
| Business and Occupation | 173,839 | — | — | — | 173,839 |
| Medicaid | 146,812 | — | — | — | 146,812 |
| Business Franchise | 129,457 | — | — | — | 129,457 |
| Gasoline and Motor Carrier | — | 229,650 | — | — | 229,650 |
| Automobile Privilege | — | 180,472 | — | — | 180,472 |
| Wholesale Motor Fuel | — | 71,314 | — | — | 71,314 |
| Other | 255,372 | 4,397 | — | 3,948 | 263,717 |
| Intergovernmental | 2,189,988 | 410,089 | — | 133,490 | 2,733,567 |
| Licenses, Permits, and Fees | 75,649 | 4,173 | — | 69,302 | 149,124 |
| Motor Vehicle Registration | — | 91,373 | — | — | 91,373 |
| Charges for Services | 104,997 | — | 1,404 | 195 | 106,596 |
| Food Stamp Revenue | 195,245 | — | — | — | 195,245 |
| Investment Earnings | 39,580 | 2,437 | 5,684 | 15,487 | 63,188 |
| Other Operating Revenue | 80,682 | 14,442 | — | 36,901 | 132,025 |
| Total Revenues | 5,645,168 | 1,008,347 | 7,088 | 259,323 | 6,919,926 |
| Expenditures: | | | | | |
| Legislative | 18,462 | — | — | 1,278 | 19,740 |
| Judicial | 73,824 | — | — | — | 73,824 |
| Executive | 125,041 | — | — | 75 | 125,116 |
| Administration | 75,563 | — | — | — | 75,563 |
| Commerce | 197,611 | — | 10,148 | — | 207,759 |
| Environmental Protection | 9,021 | — | — | 100,656 | 109,677 |
| Employment Programs | — | — | — | 49,146 | 49,146 |
| Education | 1,821,493 | — | — | 853 | 1,822,346 |
| Health and Human Resources | 2,612,846 | — | — | — | 2,612,846 |
| Military Affairs and Public Safety | 277,076 | — | — | 3,239 | 280,315 |
| Tax and Revenue | 26,508 | — | — | 354 | 26,862 |
| Transportation | 1,234 | 823,777 | — | — | 825,011 |
| Senior Services | 30,584 | — | — | — | 30,584 |
| Miscellaneous Boards and Commissions | 2,460 | — | — | 22,418 | 24,878 |
| Capital Outlay | — | 149,510 | — | 298,431 | 447,941 |
| Debt Service | — | 12,677 | — | 111,899 | 124,576 |
| Total Expenditures | 5,271,723 | 985,964 | 10,148 | 588,349 | 6,856,184 |
| Excess of Revenues Over (Under) Expenditures | 373,445 | 22,383 | (3,060) | (329,026) | 63,742 |
| Other Financing Sources (Uses): | | | | | |
| Long-Term Debt Issued | — | — | — | 110,000 | 110,000 |
| Premiums on Bonds Issued | — | — | — | 4,172 | 4,172 |
| Capital Lease Acquisition | 8,528 | — | — | 168,742 | 177,270 |
| Transfers In | 245,518 | 20,676 | 24,683 | 179,241 | 470,118 |
| Transfers In Component Unit | 2,593 | — | — | — | 2,593 |
| Transfers Out | (134,436) | (35,859) | (5,698) | (36,995) | (212,988) |
| Transfers Out Component Unit | (447,846) | — | — | — | (447,846) |
| Total Other Financing Sources (Uses) | (325,643) | (15,183) | 18,985 | 425,160 | 103,319 |
| Net Change in Fund Balance | 47,802 | 7,200 | 15,925 | 96,134 | 167,061 |
| Fund Balances, Beginning of Year, as Adjusted | 539,584 | 166,499 | 364,832 | 389,443 | 1,460,358 |
| Fund Balances, End of Year | \$ 587,386 | \$ 173,699 | \$380,757 | \$ 485,577 | \$1,627,419 |

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

West Virginia

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities For the Year Ended June 30, 2002 (Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds \$ 167,061

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 | \$ 358,851 | |
| Depreciation Expense | <u>(259,297)</u> | |
| Excess of Capital Outlay Over Depreciation Expense | | 99,554 |

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. (177,270)

Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from:

| | | |
|---|--|-----------|
| General Obligation Bonds issued, including a premium of \$4,172 | | |
| Total Bond Proceeds | | (114,172) |

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 | 54,831 | |
| Capital Lease Payments | <u>6,028</u> | |
| Total Long-Term Debt Repayment | | 60,859 |

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 revenue of the internal service funds is reported with governmental activities. 530

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 5,928

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:

| | | |
|-------------------------------------|--------------|----------------|
| Accrued Interest | (2,371) | |
| Compensated Absences | (21,992) | |
| Accrued and Other Liabilities | 6,865 | |
| Net Pension Obligation | 11,093 | |
| Amortization of Bond Issuance Costs | 330 | |
| Accretion of Bond Premiums | <u>1,153</u> | |
| Total Additional Expenditures | | <u>(4,922)</u> |

Change in Net Assets of Governmental Activities \$ 37,568

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

PROPRIETARY FUND FINANCIAL STATEMENTS

Major Funds

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

Water Pollution Control Revolving Fund (Water Pollution) Low interest loans are made to communities that need to upgrade an existing wastewater 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 The Fund is responsible for providing a prompt and equitable system of compensation for injury or illness sustained during the course of employment. The Fund, the only entity in the State extending this type of service, is required by statute to provide insurance to all employers in the State. The Fund has discretionary power to alter its premium structure.

Employment Security The Fund is administered by the West Virginia Employment Security Commission. The Fund receives contributions from employers and provides for the payment of benefits to eligible unemployed workers.

Nonmajor proprietary funds are presented beginning on page 150.

West Virginia

Statement of Net Assets Proprietary Funds June 30, 2002 (Expressed in Thousands)

| | Business-type Activities - Enterprise Funds | | | |
|---|--|----------------------------|--|--------------------------------|
| | West Virginia Lottery | Water Pollution | Workers' Compensation Funds | Employment Security |
| Assets | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 72,199 | \$ 67,160 | \$1,057,550 | \$280,394 |
| Receivables, Net | 33,350 | 13,213 | 165,328 | 35,073 |
| Due from Other Governments | — | 90 | — | 2,126 |
| Due from Other Funds | 13 | — | 4,664 | 360 |
| Due from Component Units | — | — | 1,323 | 138 |
| Inventories | 782 | — | — | — |
| Other Assets | 972 | — | — | — |
| Restricted Assets: | | | | |
| Cash | — | — | — | — |
| Investments | <u>1,041</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total Current Assets | <u>108,357</u> | <u>80,463</u> | <u>1,228,865</u> | <u>318,091</u> |
| Noncurrent Assets: | | | | |
| Investments | — | — | — | — |
| Receivables, Net | — | 238,720 | — | — |
| Restricted Assets: | | | | |
| Cash | — | — | 23 | — |
| Investments | 4,541 | — | 210,000 | — |
| Receivables, Net | — | — | — | — |
| Other | — | — | — | — |
| Capital Assets, Net | <u>6,195</u> | <u>—</u> | <u>1,632</u> | <u>—</u> |
| Total Noncurrent Assets | <u>10,736</u> | <u>238,720</u> | <u>211,655</u> | <u>—</u> |
| Total Assets | <u>119,093</u> | <u>319,183</u> | <u>1,440,520</u> | <u>318,091</u> |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | \$ 38,960 | \$ 24 | \$ — | \$ — |
| Interest Payable | — | — | — | — |
| Accrued Tuition Contract Benefits | — | — | — | — |
| Accrued and Other Liabilities | 13,072 | 903 | 5,614 | 1,122 |
| Due to Other Governments | — | — | — | 3,798 |
| Due to Other Funds | 61,243 | 18 | 4,879 | 21 |
| Due to Component Units | 22 | 39 | 1,131 | — |
| Deferred Revenue | — | — | 150,179 | — |
| Insurance and Compensation Benefits Obligations | — | — | 609,500 | 19,569 |
| Liabilities Payable from Restricted Assets | 1,222 | — | — | — |
| Capital Leases | — | — | — | — |
| Compensated Absences | <u>—</u> | <u>—</u> | <u>1,728</u> | <u>—</u> |
| Total Current Liabilities | <u>114,519</u> | <u>984</u> | <u>773,031</u> | <u>24,510</u> |
| Noncurrent Liabilities: | | | | |
| Accrued Tuition Contract Benefits | — | — | — | — |
| Insurance and Compensation Benefits Obligations | — | — | 3,110,666 | — |
| Liabilities Payable from Restricted Assets | 3,823 | — | — | — |
| Capital Leases | — | — | — | — |
| Compensated Absences | <u>501</u> | <u>279</u> | <u>2,323</u> | <u>—</u> |
| Total Noncurrent Liabilities | <u>4,324</u> | <u>279</u> | <u>3,112,989</u> | <u>—</u> |
| Total Liabilities | <u>118,843</u> | <u>1,263</u> | <u>3,886,020</u> | <u>24,510</u> |
| Net Assets | | | | |
| Invested in Capital Assets | 6,195 | — | 1,632 | — |
| Restricted for Capital Projects | — | — | — | — |
| Restricted for Lending Activities | — | 288,717 | — | — |
| Restricted for Insurance Activities | — | — | 207,589 | 293,581 |
| Unrestricted | <u>(5,945)</u> | <u>29,203</u> | <u>(2,654,721)</u> | <u>—</u> |
| Total Net Assets (Deficit) | <u>\$ 250</u> | <u>\$317,920</u> | <u>\$(2,445,500)</u> | <u>\$293,581</u> |

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

| Other Enterprise Funds | Total | Governmental Activities - Internal Service Funds |
|------------------------------|----------------------|--|
| \$125,076 | \$ 1,602,379 | \$ 7,455 |
| 25,313 | 272,277 | 2,343 |
| — | 2,216 | — |
| 1,831 | 6,868 | 5,685 |
| 1,304 | 2,765 | 98 |
| 8 | 790 | 455 |
| 15 | 987 | 200 |
| — | — | 921 |
| — | 1,041 | — |
| <u>153,547</u> | <u>1,889,323</u> | <u>17,157</u> |
| 104,971 | 104,971 | — |
| 36,795 | 275,515 | — |
| 6,109 | 6,132 | 5,357 |
| 15,011 | 229,552 | 11,195 |
| 3,369 | 3,369 | — |
| 41,512 | 41,512 | — |
| <u>2,341</u> | <u>10,168</u> | <u>64,599</u> |
| <u>210,108</u> | <u>671,219</u> | <u>81,151</u> |
| <u>363,655</u> | <u>2,560,542</u> | <u>98,308</u> |
| \$ 9,600 | \$ 48,584 | \$ 3,685 |
| — | — | 63 |
| 1,134 | 1,134 | — |
| 1,076 | 21,787 | 192 |
| — | 3,798 | — |
| 863 | 67,024 | 334 |
| 1 | 1,193 | — |
| 10,889 | 161,068 | — |
| 110,284 | 739,353 | — |
| — | 1,222 | — |
| — | — | 5,579 |
| 17 | 1,745 | — |
| <u>133,864</u> | <u>1,046,908</u> | <u>9,853</u> |
| 94,725 | 94,725 | — |
| 113,307 | 3,223,973 | — |
| — | 3,823 | — |
| — | — | 13,421 |
| <u>1,561</u> | <u>4,664</u> | <u>2,851</u> |
| <u>209,593</u> | <u>3,327,185</u> | <u>16,272</u> |
| <u>343,457</u> | <u>4,374,093</u> | <u>26,125</u> |
| 2,342 | 10,169 | 45,600 |
| — | — | 5,310 |
| 17,035 | 305,752 | 11,241 |
| 14,496 | 515,666 | — |
| <u>(13,675)</u> | <u>(2,645,138)</u> | <u>10,032</u> |
| <u>\$20,198</u> | <u>\$(1,813,551)</u> | <u>\$72,183</u> |

West Virginia

Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

Business-type Activities - Enterprise Funds

| | West Virginia Lottery | Water Pollution | Workers' Compensation Funds | Employment Security |
|---|-----------------------------|--------------------|-----------------------------------|------------------------|
| Operating Revenues: | | | | |
| Charges for Services and Sales | \$ — | \$ — | \$ — | \$138,350 |
| Lottery Games | 848,611 | — | — | — |
| Insurance Premiums | — | — | 539,452 | — |
| Tuition Contracts | — | — | — | — |
| Investment Earnings | — | 1,510 | — | — |
| Licenses, Permits, and Fees | — | 859 | — | — |
| Other | 15,517 | — | 60,791 | 8,038 |
| Total Operating Revenues | <u>864,128</u> | <u>2,369</u> | <u>600,243</u> | <u>146,388</u> |
| Operating Expenses: | | | | |
| Cost of Sales and Services | 401,166 | — | — | — |
| Lottery Prizes | 120,180 | — | — | — |
| Insurance Claims | — | — | 1,088,904 | — |
| Tuition Contract Benefits and Expenses | — | — | — | — |
| General and Administration | 10,617 | 1,821 | 59,163 | — |
| Depreciation and Amortization | 1,659 | — | 324 | — |
| Other | 16,010 | — | — | 173,955 |
| Total Operating Expenses | <u>549,632</u> | <u>1,821</u> | <u>1,148,391</u> | <u>173,955</u> |
| Operating Income (Loss) | 314,496 | 548 | (548,148) | (27,567) |
| Nonoperating Revenues (Expenses): | | | | |
| Entitlements and Grants | 5,250 | — | — | 48,613 |
| Gain on Sale of Equipment | — | — | — | — |
| Interest and Other Investment Income | 2,392 | 1,666 | (23,698) | 15,705 |
| Interest Expense | (453) | — | — | — |
| Other Nonoperating Revenues | — | — | — | — |
| Other Nonoperating Expenses | (5,811) | — | — | — |
| Total Nonoperating Revenues (Expenses) | <u>1,378</u> | <u>1,666</u> | <u>(23,698)</u> | <u>64,318</u> |
| Income (Loss) Before Contributions and Transfers | 315,874 | 2,214 | (571,846) | 36,751 |
| Contributions and Transfers: | | | | |
| Capital Contributions | — | — | — | — |
| Transfers In | — | 26,989 | — | — |
| Transfers Out | (302,868) | — | — | — |
| Transfers to Component Units | (13,006) | — | — | — |
| Total Contributions and Transfers In (Out) | <u>(315,874)</u> | <u>26,989</u> | <u>—</u> | <u>—</u> |
| Change in Net Assets | — | 29,203 | (571,846) | 36,751 |
| Net Assets (Deficit), Beginning of Year, as Adjusted | <u>250</u> | <u>288,717</u> | <u>(1,873,654)</u> | <u>256,830</u> |
| Net Assets (Deficit), End of Year | <u>\$ 250</u> | <u>\$317,920</u> | <u>\$(2,445,500)</u> | <u>\$293,581</u> |

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

| Other Enterprise Funds | Total | Governmental Activities - Internal Service Funds |
|------------------------------|----------------------|--|
| \$ 53,027 | \$ 191,377 | \$50,077 |
| — | 848,611 | — |
| 413,383 | 952,835 | — |
| 7,502 | 7,502 | — |
| — | 1,510 | — |
| 2,693 | 3,552 | — |
| <u>4,913</u> | <u>89,259</u> | <u>—</u> |
| <u>481,518</u> | <u>2,094,646</u> | <u>50,077</u> |
| 42,270 | 443,436 | 42,018 |
| — | 120,180 | — |
| 447,988 | 1,536,892 | — |
| 24,972 | 24,972 | — |
| 21,148 | 92,749 | 4,196 |
| 295 | 2,278 | 7,769 |
| <u>5,519</u> | <u>195,484</u> | <u>468</u> |
| <u>542,192</u> | <u>2,415,991</u> | <u>54,451</u> |
| (60,674) | (321,345) | (4,374) |
| — | 53,863 | — |
| — | — | 342 |
| 7,139 | 3,204 | 437 |
| — | (453) | (1,036) |
| — | — | 456 |
| <u>—</u> | <u>(5,811)</u> | <u>—</u> |
| <u>7,139</u> | <u>50,803</u> | <u>199</u> |
| (53,535) | (270,542) | (4,175) |
| — | — | 130 |
| 15,921 | 42,910 | 4,700 |
| (7,488) | (310,356) | (125) |
| <u>—</u> | <u>(13,006)</u> | <u>—</u> |
| <u>8,433</u> | <u>(280,452)</u> | <u>4,705</u> |
| (45,102) | (550,994) | 530 |
| <u>65,300</u> | <u>(1,262,557)</u> | <u>71,653</u> |
| <u>\$ 20,198</u> | <u>\$(1,813,551)</u> | <u>\$72,183</u> |

**Statement of Cash Flows
Proprietary Funds
June 30, 2002
(Expressed in Thousands)**

| | Business-type Activities - Enterprise Funds | | | |
|--|--|----------------------------|--|--------------------------------|
| | West Virginia Lottery | Water Pollution | Workers' Compensation Funds | Employment Security |
| Cash Flows From Operating Activities: | | | | |
| Receipts from Customers | \$ 838,883 | \$13,050 | \$ 610,025 | \$136,085 |
| Payments to Suppliers | (12,618) | — | (29,290) | — |
| Payments to Employees | (3,522) | (1,221) | (29,828) | — |
| Payments for Loans Originated | — | (26,449) | — | — |
| Payments to Claimants | — | — | — | (167,930) |
| Other Operating Cash Receipts | — | — | — | 10,670 |
| Other Operating Cash Payments | (530,165) | (443) | (705,317) | — |
| Net Cash Provided by (Used for) Operating Activities | <u>292,578</u> | <u>(15,063)</u> | <u>(154,410)</u> | <u>(21,175)</u> |
| Cash Flows from Noncapital Financing Activities: | | | | |
| Proceeds from Sale of Operating Bonds and Other Debts | — | — | — | — |
| Financing Earnings | — | — | — | — |
| Repayment of Operating Debt | (1,428) | — | — | — |
| Transfers In | — | — | — | — |
| Transfers Out | (317,785) | — | — | — |
| Other Nonoperating Revenues | — | — | — | — |
| Entitlements & Grants | — | <u>27,107</u> | — | <u>48,613</u> |
| Net Cash Provided by (Used for) Noncapital Financing Activities | <u>(319,213)</u> | <u>27,107</u> | <u>—</u> | <u>48,613</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Capital Contributions | — | — | — | — |
| Proceeds from Sale of Capital Bonds and Other Debts | — | — | — | — |
| Repayment of Capital Debt | — | — | — | — |
| Interest Paid on Capital Debt | — | — | — | — |
| Acquisition and Construction of Capital Assets | (6,510) | — | (720) | — |
| Proceeds from Sale of Capital Assets | — | — | — | — |
| Net Cash Used for Capital and Related Financing Activities | <u>(6,510)</u> | <u>—</u> | <u>(720)</u> | <u>—</u> |
| Cash Flows from Investing Activities: | | | | |
| Purchase of Investments | — | — | — | — |
| Proceeds from Sale of Investments | 1,425 | — | — | — |
| Investment Earnings | <u>1,953</u> | <u>1,666</u> | <u>(23,698)</u> | <u>15,705</u> |
| Net Cash Provided by (Used for) Investing Activities | <u>3,378</u> | <u>1,666</u> | <u>(23,698)</u> | <u>15,705</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (29,767) | 13,710 | (178,828) | 43,143 |
| Cash and Cash Equivalents, Beginning of Year, as Adjusted | <u>101,966</u> | <u>53,450</u> | <u>1,236,401</u> | <u>237,251</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 72,199</u> | <u>\$67,160</u> | <u>\$1,057,573</u> | <u>\$280,394</u> |

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

| Other Enterprise Funds | Total | Governmental Activities - Internal Service Funds |
|------------------------------|--------------------|--|
| \$ 483,586 | \$2,081,629 | \$ 48,572 |
| (63,533) | (105,441) | (30,631) |
| (5,765) | (40,336) | (14,003) |
| (8,926) | (35,375) | — |
| — | (167,930) | — |
| — | 10,670 | — |
| <u>(415,956)</u> | <u>(1,651,881)</u> | <u>—</u> |
| | | |
| <u>(10,594)</u> | <u>91,336</u> | <u>3,938</u> |
| | | |
| 500 | 500 | — |
| 44 | 44 | — |
| — | (1,428) | — |
| 15,903 | 15,903 | 4,700 |
| (7,488) | (325,273) | (125) |
| — | — | 333 |
| <u>—</u> | <u>75,720</u> | <u>—</u> |
| | | |
| <u>8,959</u> | <u>(234,534)</u> | <u>4,908</u> |
| | | |
| — | — | 130 |
| — | — | 4,088 |
| — | — | (5,649) |
| — | — | (934) |
| (234) | (7,464) | (8,334) |
| <u>—</u> | <u>—</u> | <u>960</u> |
| | | |
| <u>(234)</u> | <u>(7,464)</u> | <u>(9,739)</u> |
| | | |
| (14,651) | (14,651) | (619) |
| 232 | 1,657 | 323 |
| <u>9,133</u> | <u>4,759</u> | <u>437</u> |
| | | |
| <u>(5,286)</u> | <u>(8,235)</u> | <u>141</u> |
| | | |
| (7,155) | (158,897) | (752) |
| | | |
| <u>138,340</u> | <u>1,767,408</u> | <u>14,485</u> |
| | | |
| <u>\$ 131,185</u> | <u>\$1,608,511</u> | <u>\$ 13,733</u> |

(Continued)

West Virginia

Statement of Cash Flows Proprietary Funds June 30, 2002 (Expressed in Thousands) (Continued)

| | Business-type Activities - Enterprise Funds | | | |
|---|---|--------------------|-----------------------------------|------------------------|
| | West Virginia Lottery | Water Pollution | Workers' Compensation Funds | Employment Security |
| Reconciliation of Operating Income to Net Cash Provided by (Used for) | | | | |
| Operating Activities: | | | | |
| Operating Income (Loss) | \$314,496 | \$ 548 | \$(548,148) | \$(27,567) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities: | | | | |
| Bad Debt Expense | — | — | — | — |
| Depreciation and Amortization | 1,659 | — | 324 | — |
| Changes in Assets and Liabilities: | | | | |
| Receivables | (25,245) | (15,733) | (9,856) | (443) |
| Inventories | (90) | — | — | — |
| Other Assets | 197 | — | — | — |
| Accounts Payable and Accrued Liabilities | 3,725 | 108 | 18,304 | 5,477 |
| Tuition Contract Benefits and Expenses | — | — | — | — |
| Deferred Revenues | — | — | — | — |
| Escrow Deposits | — | — | — | — |
| Due to/from Other Funds | — | 14 | — | 1,358 |
| Unpaid Claims Liabilities | — | — | — | — |
| Other Liabilities | (2,164) | — | 384,966 | — |
| Compensated Absences | — | — | — | — |
| Net Cash Provided by (Used for) Operating Activities | <u>\$292,578</u> | <u>\$(15,063)</u> | <u>\$(154,410)</u> | <u>\$(21,175)</u> |
| Schedule of Noncash Capital and Financing Activities: | | | | |
| Acquisition (Disposal) of Fixed Assets | \$ — | \$ — | \$ — | \$ — |
| Contribution of Fixed Assets | 5,250 | — | — | — |
| Unrealized Gain (Losses) on Investments | — | — | — | — |

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

| Other Enterprise Funds | Total | Governmental Activities- Internal Service Funds |
|------------------------------|------------------|---|
| \$(60,674) | \$(321,345) | \$(4,374) |
| — | — | 468 |
| 295 | 2,278 | 7,769 |
| (10,206) | (61,483) | (1,527) |
| 39 | (51) | 28 |
| 1 | 198 | 85 |
| 8,919 | 36,533 | 909 |
| 24,971 | 24,971 | — |
| 6,044 | 6,044 | — |
| 5,025 | 5,025 | — |
| (2,605) | (1,233) | — |
| 24,229 | 24,229 | — |
| (6,640) | 376,162 | 580 |
| — <u>8</u> | — <u>8</u> | — <u>—</u> |
| <u>\$(10,594)</u> | <u>\$ 91,336</u> | <u>\$ 3,938</u> |
| \$ (23) | \$ (23) | \$ — |
| — | 5,250 | — |
| (2,018) | (2,018) | — |

FIDUCIARY FUND FINANCIAL STATEMENTS

Private Purpose Trust Fund This fund 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- 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 Trust, Investment Trust and Agency Fund descriptions and financial statements begin on page 155.

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2002
(Expressed in Thousands)

| | Pension Trust Funds | Investment Trust Funds | Private Purpose Trust Fund | Agency Funds |
|--|---------------------------|------------------------------|-------------------------------------|-----------------|
| Assets | | | | |
| Cash and Cash Equivalents | \$ 6,396 | \$ — | \$ — | \$22,737 |
| Equity in Pooled Cash Equivalents | — | 212,524 | — | 26,616 |
| Investments: | | | | |
| Equity Pooled Investments | 3,835,717 | — | — | — |
| Mutual Funds | 357,860 | — | 33,698 | — |
| Receivables, Net: | | | | |
| Contributions Receivable | 32,041 | — | 299 | — |
| Participant Loans Receivable | 19,462 | — | — | — |
| Accrued Interest Receivable | — | — | — | 45 |
| Due from Other Funds | 2,067 | — | — | — |
| Due from Component Units | 200 | — | — | — |
| Total Assets | <u>4,253,743</u> | <u>212,524</u> | <u>33,997</u> | <u>\$49,398</u> |
| Liabilities | | | | |
| Accounts Payable | — | — | 82 | \$ 54 |
| Accrued and Other Liabilities | 281 | — | — | — |
| Due to Other Governments | — | — | — | 11,748 |
| Due to Other Funds | 48 | — | — | — |
| Agency Liabilities | — | — | — | <u>37,596</u> |
| Total Liabilities | <u>329</u> | <u>—</u> | <u>82</u> | <u>\$49,398</u> |
| Net Assets: | | | | |
| Held in Trust For: | | | | |
| Pension Benefits, External Investment Pool | | | | |
| Participants, Individuals, and Organizations | <u>4,253,414</u> | <u>212,524</u> | <u>33,915</u> | |
| Total Net Assets | <u>\$4,253,414</u> | <u>\$212,524</u> | <u>\$33,915</u> | |

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

**Statement of Changes in Fiduciary Net Assets
Pension, Investment Trust and Private
Purpose Trust Funds
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)**

| | <u>Pension Trust Funds</u> | <u>Investment Trust Funds</u> | <u>Private Purpose Trust Fund</u> |
|---|------------------------------------|---------------------------------------|---|
| Additions: | | | |
| Contributions: | | | |
| Members | \$ 128,295 | \$ — | \$36,174 |
| Employer | 413,878 | — | — |
| Deposits, Pool Participants | <u>—</u> | <u>594,549</u> | <u>—</u> |
| Total Contributions | <u>542,173</u> | <u>594,549</u> | <u>36,174</u> |
| Investment Income (Loss): | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | (117,127) | 5,656 | (2,161) |
| Interest | 2,780 | — | 72 |
| Investment Expense | (9,427) | — | — |
| Net Accretion (Amortization) | <u>—</u> | <u>—</u> | <u>(22)</u> |
| Net Investment Income | <u>(123,774)</u> | <u>5,656</u> | <u>(2,111)</u> |
| Transfer In | 5,741 | — | — |
| Other | <u>9,927</u> | <u>—</u> | <u>—</u> |
| Total Additions | <u>434,067</u> | <u>600,205</u> | <u>34,063</u> |
| Deductions: | | | |
| Benefits Expense | 450,681 | — | 134 |
| Refunds of Contributions | 16,188 | — | — |
| Withdrawals | — | 558,251 | — |
| Administrative Expenses | <u>5,225</u> | <u>—</u> | <u>14</u> |
| Total Deductions | <u>472,094</u> | <u>558,251</u> | <u>148</u> |
| Change in Net Assets Held in Trust For: | | | |
| Pension Benefits | (38,027) | — | — |
| External Investment Pool Participants | — | 41,954 | — |
| Individuals and Organizations | — | — | 33,915 |
| Net Assets, Beginning of Year | <u>4,291,441</u> | <u>170,570</u> | <u>—</u> |
| Net Assets, End of Year | <u>\$4,253,414</u> | <u>\$212,524</u> | <u>\$33,915</u> |

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



DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS

Major Component Units

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

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

Parkways, Economic Development, and Tourism Authority The Authority is responsible for operation and maintenance of the State turnpike and economic development and tourism for those areas within 75 miles. The Authority is empowered to issue 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.

The 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.

The West Virginia Higher Education Fund The Fund is responsible for providing the delivery of post-secondary 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 is 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.

Nonmajor component units are presented beginning on page 165.

West Virginia

Combining Statement of Net Assets Discretely Presented Component Units June 30, 2002 (Expressed in Thousands)

| | Economic Development Authority | Housing Development Fund | Parkways, Economic Development and Tourism Authority | Water Development Authority |
|---|--------------------------------------|--------------------------------|--|-----------------------------------|
| Assets: | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 23,768 | \$ 24,465 | \$ 650 | \$ 7,515 |
| Investments | — | — | — | — |
| Receivables, Net | 6,070 | 1,256 | 1,291 | 6,316 |
| Due from Other Funds: | | | | |
| Primary Government | — | 5,000 | 149 | 163 |
| Component Units | — | 2 | — | — |
| Inventories | — | — | 2,669 | — |
| Other Assets | — | 7,167 | 2,455 | — |
| Restricted Assets: | | | | |
| Cash | — | 148,567 | — | — |
| Investments | — | — | 19,417 | — |
| Total Current Assets | <u>29,838</u> | <u>186,457</u> | <u>26,631</u> | <u>13,994</u> |
| Noncurrent Assets: | | | | |
| Investments | — | — | — | — |
| Receivables, Net | 153,072 | 40,177 | — | 3,625 |
| Other Assets | — | — | — | — |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 12,092 | 65,618 | 5,450 | 16,294 |
| Investments | — | 101,902 | 18,061 | 17,712 |
| Receivables, Net | — | 935,724 | — | 198,789 |
| Other | — | 2,127 | 445 | — |
| Capital Assets, Net | <u>34,183</u> | <u>293</u> | <u>580,846</u> | <u>914</u> |
| Total Noncurrent Assets | <u>199,347</u> | <u>1,145,841</u> | <u>604,802</u> | <u>237,334</u> |
| Total Assets | <u>229,185</u> | <u>1,332,298</u> | <u>631,433</u> | <u>251,328</u> |
| Liabilities: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | — | — | 2,339 | 98 |
| Interest Payable | — | 8,282 | 883 | 2,740 |
| Accrued and Other Liabilities | 1,196 | 25,345 | 1,979 | — |
| Due to Other Funds: | | | | |
| Primary Government | 188 | 51 | 334 | 2 |
| Component Units | — | — | — | — |
| Deferred Revenue | 4,661 | — | — | — |
| Liabilities Payable from Restricted Assets | — | — | — | — |
| Revenue Bonds Payable | — | 102,325 | 2,625 | 2,913 |
| Capital Leases | 1,328 | 29,640 | — | — |
| Compensated Absences | — | — | — | — |
| Total Current Liabilities | <u>7,373</u> | <u>165,643</u> | <u>8,160</u> | <u>5,753</u> |
| Noncurrent Liabilities: | | | | |
| Deferred Revenue | — | — | — | — |
| Advances from Primary Government | 113,535 | — | — | — |
| Liabilities Payable from Restricted Assets | — | 38,524 | — | — |
| Revenue Bonds Payable | — | 842,527 | 116,191 | 209,240 |
| Capital Leases | 11,087 | — | — | — |
| Compensated Absences | — | 1,798 | 2,284 | 247 |
| Total Noncurrent Liabilities | <u>124,622</u> | <u>882,849</u> | <u>118,475</u> | <u>209,487</u> |
| Total Liabilities | <u>131,995</u> | <u>1,048,492</u> | <u>126,635</u> | <u>215,240</u> |
| Net Assets: | | | | |
| Investment in Capital Assets, Net of Related Debt | 34,183 | — | 462,030 | 914 |
| Restricted for: | | | | |
| Specific Purposes | — | — | 42,069 | — |
| Lending Activities | — | 215,568 | — | 23,554 |
| Capital Projects | — | — | — | — |
| Debt Service | — | — | — | — |
| Nonexpendable | — | — | — | — |
| Loans Receivable | 12,092 | — | — | — |
| Unrestricted | <u>50,915</u> | <u>68,238</u> | <u>699</u> | <u>11,620</u> |
| Total Net Assets | <u>\$ 97,190</u> | <u>\$ 283,806</u> | <u>\$504,798</u> | <u>\$ 36,088</u> |

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

| Higher Education | Regional Jail Authority | Other Component Units | Total |
|-------------------|-------------------------|-----------------------|--------------------|
| \$ 275,607 | \$ 33,717 | \$28,732 | \$ 394,454 |
| 372 | 24,581 | 6,617 | 31,570 |
| 47,790 | 9,061 | 2,134 | 73,918 |
| 6,690 | 5,299 | 3,335 | 20,636 |
| — | — | — | 2 |
| 4,420 | 302 | 91 | 7,482 |
| 587 | — | 1,275 | 11,484 |
| — | — | 4,449 | 153,016 |
| — | — | — | 19,417 |
| <u>335,466</u> | <u>72,960</u> | <u>46,633</u> | <u>711,979</u> |
| 26,690 | — | — | 26,690 |
| 41,248 | — | — | 238,122 |
| 2,186 | — | — | 2,186 |
| — | 234 | 1,129 | 100,817 |
| — | — | — | 137,675 |
| — | — | — | 1,134,513 |
| — | — | 639 | 3,211 |
| <u>1,046,655</u> | <u>128,145</u> | <u>43,589</u> | <u>1,834,625</u> |
| <u>1,116,779</u> | <u>128,379</u> | <u>45,357</u> | <u>3,477,839</u> |
| <u>1,452,245</u> | <u>201,339</u> | <u>91,990</u> | <u>4,189,818</u> |
| 32,778 | 3,814 | 588 | 39,617 |
| 8,192 | — | — | 20,097 |
| 18,798 | 828 | 875 | 49,021 |
| 1,944 | 911 | 465 | 3,895 |
| — | — | 2 | 2 |
| 28,639 | — | 106 | 33,406 |
| — | — | 4,449 | 4,449 |
| 11,535 | 3,420 | — | 122,818 |
| 3,816 | — | 576 | 35,360 |
| <u>26,519</u> | <u>1,746</u> | <u>62</u> | <u>28,327</u> |
| <u>132,221</u> | <u>10,719</u> | <u>7,123</u> | <u>336,992</u> |
| 41,584 | — | — | 41,584 |
| — | — | — | 113,535 |
| — | — | — | 38,524 |
| 330,534 | 101,395 | — | 1,599,887 |
| 25,070 | — | 10,072 | 46,229 |
| <u>55,974</u> | <u>1,086</u> | <u>1,465</u> | <u>62,854</u> |
| <u>453,162</u> | <u>102,481</u> | <u>11,537</u> | <u>1,902,613</u> |
| <u>585,383</u> | <u>113,200</u> | <u>18,660</u> | <u>2,239,605</u> |
| 729,323 | 23,379 | 39,483 | 1,289,312 |
| 53,184 | — | 3,332 | 98,585 |
| — | — | — | 239,122 |
| 18,561 | 43,235 | — | 61,796 |
| 1,513 | 1,182 | — | 2,695 |
| 3,774 | — | — | 3,774 |
| 18,007 | — | — | 30,099 |
| <u>42,500</u> | <u>20,343</u> | <u>30,515</u> | <u>224,830</u> |
| <u>\$ 866,862</u> | <u>\$ 88,139</u> | <u>\$73,330</u> | <u>\$1,950,213</u> |

West Virginia

Combining Statement of Activities Discretely Presented Component Units For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue |
|--|--------------------|----------------------------|---|---|-----------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Economic Development Authority | \$ 9,562 | \$ 5,081 | \$ — | \$ — | \$ (4,481) |
| Housing Development Fund | 135,382 | 71,379 | 60,811 | — | (3,192) |
| Parkways, Economic Development, and Tourism Authority | 71,604 | 60,636 | — | — | (10,968) |
| Water Development Authority | 15,167 | 19,082 | — | — | 3,915 |
| Higher Education | 1,014,038 | 325,260 | 202,755 | 23,173 | (462,850) |
| Regional Jail Authority | 73,585 | 52,964 | — | — | (20,621) |
| Other Component Units | <u>46,540</u> | <u>25,043</u> | <u>1,124</u> | <u>288</u> | <u>(20,085)</u> |
| Total Component Units | <u>\$1,365,878</u> | <u>\$559,445</u> | <u>\$264,690</u> | <u>\$23,461</u> | <u>(518,282)</u> |
| General Revenues: | | | | | |
| Unrestricted Investment Earnings | | | | | 42,848 |
| Miscellaneous | | | | | 20,972 |
| Grants and Contributions not Restricted to Specific Programs | | | | | 35,545 |
| Payments from the State of West Virginia | | | | | 460,852 |
| Special Item | | | | | <u>85,262</u> |
| Total General Revenues and Special Item | | | | | <u>645,479</u> |
| Change in Net Assets | | | | | 127,197 |
| Net Assets, Beginning of Year, as Adjusted | | | | | <u>1,823,016</u> |
| Net Assets, End of Year | | | | | <u>\$1,950,213</u> |

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

**STATE OF WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

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

Individual Component Unit Disclosures

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

Blended Component Units

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

Armory Board

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

Transportation

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

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 and three members are from the State Board of Education. The School Building Authority is blended in the nonmajor special revenue, debt service, and capital projects funds of the State since it exists to facilitate the State's responsibility for funding education. Its activities are designed to provide a financing vehicle for the acquisition, construction and maintenance of school facilities to meet the educational needs 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 by West Virginia Code §12-6-1 to serve as the administrator, investor, and manager of the State's pension and operating 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 Lottery

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

Blended Component Unit Financial Statements

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

Administrative Offices:

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

Transportation
1900 Kanawha Boulevard, E.
Building 5, Room A109
Charleston, WV 25305

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

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

Discretely Presented Component Units

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

The major component units are comprised of the following entities:

Economic Development Authority

The Economic Development Authority (EDA) is administered by a nine-member board composed of the Governor, Secretary of Tax and Revenue, and seven other members appointed by the Governor. The Authority 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. 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.

Parkways, Economic Development and Tourism Authority

The Parkways, Economic Development and Tourism Authority (the Authority) is composed of seven members. The Secretary of the Department of Transportation serves as its chairperson and six 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 for areas within 75 miles of the Turnpike. The Authority can also issue bonds and set the rates for using the Turnpike.

Water Development Authority

The Water Development Authority (the Authority) is governed by a seven-member board consisting of the Director of the Division of Environmental Protection, the Commissioner of the Bureau for Public Health, a state official designated annually by the Governor as the most responsible for economic or community development, and four public members appointed by the Governor. The Authority is responsible for assisting in the preservation, protection, improvement, and management of the State's water resources. The Authority oversees a loan pool program which provides low-interest financing to local governments for water and wastewater projects. The Authority issues bonds to fund the loan pool and uses the proceeds to purchase local government revenue bonds. The revenue bonds are payable solely from the revenues of the projects. The Authority also serves as the financial administrator of the West Virginia Infrastructure and Jobs Development Council (a major governmental fund) and the West Virginia Water Pollution Control Revolving Fund (an Enterprise Fund).

Higher Education

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 nine 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.

The Fund is comprised of the following: Bluefield State College, Concord College, Eastern West Virginia Community and Technical College, Fairmont State College, Glenville State College, Marshall University (and Graduate College), Shepherd College, Southern West Virginia Community and Technical College, West Liberty State College, West Virginia Higher Education Policy Commission, West Virginia Network for Educational Telecomputing, West Virginia Northern Community and Technical College, West Virginia State College, West Virginia School of Osteopathic Medicine, and West Virginia University (including Potomac State College, West Virginia University Institute of Technology, and West Virginia University at Parkersburg regional campuses).

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.

The nonmajor 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. Eight members are appointed by the Governor and the remaining members include the president of West Virginia University, the president of Marshall University, the chancellor of the West Virginia Higher Education Policy Commission, the executive director of the West Virginia Housing Development Fund, and the executive director of the West Virginia Development Office. The Trust is responsible for improving and promoting economic development in the State, primarily through the issuance of loans to businesses that will stimulate economic growth and provide or retain jobs in the State.

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 Article 21, Chapter 29 of the West Virginia Code 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 financial statements of the individual component units can be obtained directly from their respective administrative offices.

Administrative Offices:

Economic Development Authority
1018 Kanawha Boulevard
Suite 501
Charleston, WV 25301

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

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

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

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

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

Educational Broadcasting Authority
600 Capitol Street
Charleston, WV 25301

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

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

Solid Waste Management Board
615 Washington Street, East
Charleston, WV 25311-2126

Racing Commission
106 Dee Drive
Charleston, WV 25311

West Virginia Public
Defender Corporation
1900 Kanawha Boulevard, East
Building 3, Room 330
Charleston, WV 25305

Basis of Presentation

The accompanying basic financial statements of the State of West Virginia (the State) conform to accounting principles generally accepted in the United States (GAAP) for governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting. In addition, GAAP requires that the State's proprietary activities apply GAAP in a similar manner as applied for business activities in the private sector. As a result, the financial statements of certain component units follow the specialized reporting practices of the insurance, housing finance agency and other not-for-profit industries, as prescribed by the GASB and other authoritative sources, including pronouncements of the Financial Accounting Standards Board (FASB).

As allowed by GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds that Use Proprietary Fund Accounting," the primary government and all component units of the State have elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB Statements or Interpretations.

In June 1999 the GASB issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" and Statement No. 35, "Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities." More recently, GASB issued Statement No. 37, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus" and Statement No. 38, "Certain Financial Statement Note Disclosures." These statements, implemented by the State in 2002 as disclosed in Note 2, established new financial reporting requirements for state and local governments and public colleges and universities. They require new information and restructure much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

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, 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.

Certain fund balance and net asset accounts presented for the preceding year have been restated or reclassified. See Note 2 for further explanation.

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 is 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 which are 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 and fiduciary 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.

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. 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 recognized when the related expenditures have been incurred. Receipts and disbursements of U.S. government food stamps are accounted for in the General Fund. Revenues and expenditures are recognized when food stamps are physically given to recipients. All food stamp transactions are recorded at face value. Undistributed food stamps at fiscal year-end are recorded on the balance sheet as food stamps and deferred revenue. 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, and claims and judgments, are recorded only when payments are due.

The State reports the following major governmental funds:

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

Transportation has responsibility for the construction, maintenance, and improvement of all state roads; development of public transportation facilities, services, equipment, and methods; and supervision and control of commercial, state, and municipal airports and ports.

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

The State reports the following major enterprise funds:

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

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

The Workers' Compensation Fund provides compensation for injury or illness sustained during the course of employment.

Employment Security operates local offices throughout the State to serve those seeking and providing employment, through interviewing, testing, counseling and referral to placement, training, and other services designed to ready individuals for employment. Additionally the State reports the following fund types:

Governmental Fund Types

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

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

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

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the State or its citizenry. The Irreducible School Fund was constitutionally established for educational purposes and the earnings on the Tobacco Settlement Medical Trust Fund are to support certain health programs of the State.

Proprietary Fund Types

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

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

Fiduciary Fund Types

Pension Trust Funds report resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit plans and defined contribution plan.

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

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

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

Interfund Activity and Balances

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

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

Interfund receivables and payables have been eliminated from the Statement of Net Assets, except for the residual amounts due between governmental and business-type activities.

Budgetary Basis of Accounting

The State's budget is adopted in accordance with a statutory basis of accounting which does not conform to GAAP. Revenues are generally recognized when cash is received. Expenditures generally are recorded when the related cash disbursement occurs. At year-end, accounts payable and accrued payroll and related benefits are recognized to the extent they are paid as of July 31, if the goods or services have been encumbered by June 30. If encumbered goods or services are not received by July 31, such encumbrances lapse; therefore, no reserve for encumbrances is reported at year-end. See related budgetary comparison schedule and note in Required Supplementary Information for more details on budgetary matters.

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 IMB, and such deposits are generally available with overnight notice. Deposits in the IMB pools that are 2a-7-like pools are reported at amortized cost, which approximates the fair value of underlying securities. Cash deposits in outside bank accounts, are considered to be cash and cash equivalents.

Investments - Amounts reported as investments include certain deposits with the IMB that are maintained in investment pools having long-term investment securities designated to be held to maturity or established to acquire participant directed securities. Such amounts also include other investments maintained outside the IMB's authority. Investments are carried at fair value, with the exception of certain assets, which are reported at amortized cost. The fair value of investments is derived primarily from a third-party pricing service based on asset portfolio pricing models and other sources. 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. The State participates in two external investment pools managed by the West Virginia Investment Management Board (IMB), both are considered 2a-7-like pools and are reported at amortized cost. 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 valued at LIFO, FIFO and average cost at year-end. Inventories of governmental funds are recorded using the consumption method. A reservation of fund balance is recorded for the ending inventory amount, indicating that inventory does not constitute "expendable available financial resources." Proprietary fund and component units' inventories are valued at the lower-of-cost or market, cost being determined on the first-in, first-out method, and are expensed when used.

Tuition Contracts - Revenue related to tuition contracts within the West Virginia Prepaid College Plan (the Plan) is recorded in the year contracts are entered into with the purchaser. Tuition contract revenue is recorded at the present value of future contract payments adjusted for estimated cancellations. Application fees are recognized as revenue when received. An accrued 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, three 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; or 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.

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 fixed assets are recorded at fair market value or estimated fair market value at the time of the donation. In accordance with the capitalization policy adopted by the State for financial reporting, equipment in excess of \$25,000 is capitalized. Certain small blended component units follow other capitalization policies which range from \$5,000 to \$25,000 for equipment. The Higher Education component unit uses a \$1,000 threshold. 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. Infrastructure is capitalized for the first time in fiscal year 2002. The Department of Transportation is using \$1 million as a threshold for capitalization. Other agencies are capitalizing all their infrastructure.

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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. The infrastructure assets are depreciated over a period of 20-50 years.

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

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). WCF is considered an insurance enterprise fund and follows the guidance of the Financial Accounting Standards Board Statement No. 60, "Accounting and Reporting for Insurance Enterprises," as well as the GASB Statements. Each organization has included the required supplemental information (in accordance with GASB Statement No. 30) in its separately audited financial statements.

Advances - The amount of Economic Development Authority loans held by the State's General Fund at June 30, 2002, is approximately \$113.5 million and is recorded as Advances to/from Component Units.

Long-term Liabilities - In the government-wide financial statements and proprietary fund financial statements, long-term obligations, including claims and judgments, environmental obligations and compensated absences, are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Compensated Absences - Employees accumulate annual leave (vacation) balances to maximum amounts ranging from 240 to 320 hours. Most employees receive a 100% termination payment upon separation based upon their final rate of pay. The liability for annual leave is valued at 100% of the balance plus the State's share of Social Security and retirement contributions. In lieu of a cash payment, at retirement an employee can elect to use accumulated annual leave toward their postemployment health care insurance premium. State employees earn sick leave benefits, which accumulate, but do not vest. When separated from employment with the State, an employee's sick leave benefits are considered ended and no reimbursement is provided. However, eligible employees may convert, at the time of retirement, any unused accumulated sick leave to pay a portion of the employee's postemployment health care insurance premium. If this option is not selected, the leave amount may be applied toward an increase in the employee's retirement benefits with such sick leave constituting additional credited service in computation of such benefits. These options and computations may occur for state employees under the State's retirement systems. Currently, the computation of compensated absences does not include the projected unused sick leave portion expected to be elected as additional credited service towards retirement. However, 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 liability for accumulated sick leave for employees has been recorded in accordance with GASB Statement No. 16, "Accounting for Compensated Absences," using the vesting method.

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.

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

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

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

In the governmental fund financial statements, expenditures are reported by character: “Current,” “Intergovernmental Revenue Sharing,” “Capital Outlay,” or “Debt Service.” Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Intergovernmental Revenue Sharing accounts for the distribution of certain tax revenues that are shared with local governments based upon statutory requirements. 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, etc.). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as nonoperating.

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

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

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

Future Adoption of Accounting Pronouncements

The GASB has issued Statement No. 39, "Determining Whether Certain Organizations Are Component Units." This statement amends GASB Statement No. 14, "The Financial Reporting Entity," providing additional guidance on the inclusion of certain affiliated organizations that raise and hold economic resources for the direct benefit of a governmental unit. The State will implement this standard for the fiscal year ending June 30, 2004, and has not yet estimated the impact of adoption of this pronouncement.

NOTE 2

ACCOUNTING CHANGES AND RESTATEMENTS; RESERVED AND RESTRICTED BALANCES

The State implemented the following new accounting standards issued by the Government Accounting Standards Board for the fiscal year ended June 30, 2002: Statement No. 34, “Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments;” Statement No. 35, “Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities;” Statement No. 37, “Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus;” Statement No. 38, “Certain Financial Statement Note Disclosures;” and Interpretation 6, “Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”

Statement No. 34, as amended by Statement No. 37, established new financial reporting standards for state and local governments. The new standards significantly changed the financial reporting model used by state governments, including changes in statement formats, fund types, and criteria for determining fund types. In addition to fund financial statements, government-wide financial statements presenting summarized information for governmental activities, business-type activities, and component units are now required. As discussed in Note 1, the government-wide financial statements are prepared using the accrual basis of accounting rather than the modified accrual basis of accounting used in the governmental fund financial statements. As a result of these new standards, fund reclassifications and adjustments to fund equities reported in the prior financial statements were required. Significant changes due to Statement No. 34 include requiring infrastructure assets (mainly roads and bridges) to be reported as capital assets, and requiring capital assets and general long-term obligations to be reported in the government-wide financial statements rather than in account groups. Infrastructure assets were previously excluded from the financial statements.

Statement No. 35 established new financial reporting standards for public colleges and universities within the reporting guidelines of Statement No. 34. All of the State’s colleges and universities (component units) have adopted Statement No. 35. A significant change for colleges and universities is the requirement to depreciate capital assets. All of the State’s colleges and universities previously did not recognize depreciation on capital assets.

The provisions of these new standards have been incorporated into the financial statements and notes. The following table summarizes the changes to fund equities as previously reported and the beginning fund balances/net assets as restated and reported in these financial statements. These changes resulted primarily from implementing the new accounting standards.

West Virginia

Accounting Changes and Restatements (Expressed in thousands)

| | June 30, 2001 As Previously Reported | Fund Reclassifications | Adjustments | June 30, 2001 As Restated |
|--|--|---------------------------|--------------------|------------------------------|
| Governmental Funds and Activities | | | | |
| Major Funds: | | | | |
| General Fund | \$ 553,045 | \$ (6,569) | \$ (6,892) | \$ 539,584 |
| Previously Reported as Special Revenue Funds: | | | | |
| Transportation | 166,499 | — | — | 166,499 |
| West Virginia Infrastructure and Jobs Development Council | 364,832 | — | — | 364,832 |
| Nonmajor Funds: | | | | |
| Special Revenue Funds: | | | | |
| Environmental Protection | 52,029 | — | — | 52,029 |
| Water Pollution | 288,951 | (288,951) | — | — |
| Public Service Commission | 3,929 | — | — | 3,929 |
| Crime Victims' Compensation | 5,197 | — | — | 5,197 |
| Insurance Commission | 1,509 | — | — | 1,509 |
| Racing Commission | 14,007 | (14,007) | — | — |
| Armory Board | 2,237 | — | — | 2,237 |
| School Building Authority | 117 | — | — | 117 |
| Drinking Water Treatment Revolving Fund | 17,035 | (17,035) | — | — |
| Employment Programs | 1,137 | — | — | 1,137 |
| Wildlife Resources | — | 22,019 | — | 22,019 |
| Investment Management Board | 3,392 | (3,392) | — | — |
| Children's Fund | — | 991 | — | 991 |
| Public Defender Corporation | 3,298 | (3,298) | — | — |
| Total Nonmajor Special Revenue Funds | 392,838 | (303,673) | — | 89,165 |
| Debt Service Funds: | | | | |
| State Road | 935 | — | — | 935 |
| School Building Authority | 56,943 | — | — | 56,943 |
| Health and Human Resources | 4,295 | (4,295) | — | — |
| West Virginia Infrastructure and Jobs Development Council | 326 | — | — | 326 |
| Education, Arts, Sciences, and Tourism Fund | 23,523 | — | — | 23,523 |
| Lease Purchase Accounts | — | 4,602 | 725 | 5,327 |
| Capitol Parking Garage | 307 | (307) | — | — |
| Total Debt Service Funds | 86,329 | — | 725 | 87,054 |
| Capital Projects Funds: | | | | |
| State Road | 43,082 | — | — | 43,082 |
| School Building Authority | 100,003 | — | — | 100,003 |
| Education, Arts, Sciences, and Tourism Fund | 991 | — | — | 991 |
| Lease Purchase Accounts | — | — | — | — |
| Total Capital Projects Funds | 144,076 | — | — | 144,076 |
| Permanent Funds: | | | | |
| Irreducible School | — | 1,550 | — | 1,550 |
| Tobacco Settlement | — | 67,598 | — | 67,598 |
| Total Permanent Funds | — | 69,148 | — | 69,148 |
| Total Governmental Funds | <u>\$1,707,619</u> | <u>\$ (241,094)</u> | <u>\$ (6,167)</u> | <u>\$1,460,358</u> |
| Adoption of GASB Statement No. 34: | | | | |
| Revenue Recognition | \$ — | \$ — | \$ 6,563 | \$ 6,563 |
| Capital Assets, Net of Depreciation | — | 849,685 | 5,141,864 | 5,991,549 |
| Long-Term Liabilities | — | (1,507,368) | (1,271) | (1,508,639) |
| Compensated Absences | — | (260,133) | 1,770 | (258,363) |
| Accrued and Other Liabilities | — | (559,742) | 157,276 | (402,466) |
| Internal Service Fund Conversion | — | 68,261 | — | 68,261 |
| Reclass Investment Management Board | — | 3,392 | — | 3,392 |
| Total Adoption of GASB Statement No. 34 | — | (1,405,905) | 5,306,202 | 3,900,297 |
| Total Governmental Funds and Activities | <u>\$1,707,619</u> | <u>\$(1,646,999)</u> | <u>\$5,300,035</u> | <u>\$5,360,655</u> |

| | June 30, 2001 As Previously Reported | Fund Reclassifications | Adjustments | June 30, 2001 As Restated |
|--|--|---------------------------|--------------------|------------------------------|
| Proprietary Funds and Business-type Activities | | | | |
| Major Funds: | | | | |
| West Virginia Lottery | \$ 250 | \$ — | \$ — | \$ 250 |
| Workers' Compensation Funds | (1,873,654) | — | — | (1,873,654) |
| Employment Securities | — | 256,830 | — | 256,830 |
| Water Pollution | — | 288,951 | (234) | 288,717 |
| Total Major Funds | <u>(1,873,404)</u> | <u>545,781</u> | <u>(234)</u> | <u>(1,327,857)</u> |
| Nonmajor Funds: | | | | |
| Board of Risk and Insurance Management | (19,387) | — | — | (19,387) |
| Public Employees' Insurance Agency | 57,771 | — | — | 57,771 |
| Drinking Water Treatment Revolving Fund | — | 17,035 | — | 17,035 |
| Alcohol Beverage Control Administration | — | 6,531 | 38 | 6,569 |
| West Virginia Prepaid College Plan | 3,312 | — | — | 3,312 |
| Total Nonmajor Funds | <u>41,696</u> | <u>23,566</u> | <u>38</u> | <u>65,300</u> |
| Total Enterprise Funds | <u>\$(1,831,708)</u> | <u>\$ 569,347</u> | <u>\$ (196)</u> | <u>\$(1,262,557)</u> |
| Internal Service Funds: | | | | |
| Information Services and Communications | \$ 5,766 | \$ (5,766) | \$ — | \$ — |
| State Building Fund | 56,976 | (56,976) | — | — |
| Travel Management Office | 5,519 | (5,519) | — | — |
| Total Internal Service Funds | <u>\$ 68,261</u> | <u>\$ (68,261)</u> | <u>\$ —</u> | <u>\$ —</u> |
| Total Proprietary and Business-type Activities | <u>\$(1,763,447)</u> | <u>\$ 501,086</u> | <u>\$ (196)</u> | <u>\$(1,262,557)</u> |
| Fiduciary Funds: | | | | |
| Expendable Trust | \$ 256,830 | \$ (256,830) | \$ — | \$ — |
| Irreducible School | 1,550 | (1,550) | — | — |
| Wildlife Endowment | 22,019 | (22,019) | — | — |
| Tobacco Settlement | 67,598 | (67,598) | — | — |
| Pension Trust | 4,291,441 | — | — | 4,291,441 |
| Investment Trust | 170,570 | — | — | 170,570 |
| Private Purpose Trust | — | — | — | — |
| Total Fiduciary Funds | <u>\$ 4,810,008</u> | <u>\$ (347,997)</u> | <u>\$ —</u> | <u>\$ 4,462,011</u> |
| Account Groups: | | | | |
| General Fixed Assets | \$ 849,685 | \$ (849,685) | \$ — | \$ — |
| General Long-Term Obligations | (2,327,243) | 2,327,243 | — | — |
| Total Account Groups | <u>\$(1,477,558)</u> | <u>\$ 1,477,558</u> | <u>\$ —</u> | <u>\$ —</u> |
| Discrete Component Units: | | | | |
| Major: | | | | |
| Economic Development Authority | \$ 93,861 | \$ — | \$ — | \$ 93,861 |
| Housing Development Fund | 273,213 | — | — | 273,213 |
| Parkways, Economic Development, & Tourism Authority | 513,299 | — | — | 513,299 |
| Water Development Authority | 32,303 | — | — | 32,303 |
| Higher Education | 1,376,966 | (50,043) | (497,900) | 829,023 |
| Regional Jail Authority | 164,000 | (7,221) | (143,505) | 13,274 |
| Nonmajor: | | | | |
| Educational Broadcasting Authority | 6,608 | — | — | 6,608 |
| Jobs Investment Trust | 10,466 | — | — | 10,466 |
| West Virginia State Rail Authority | 31,530 | — | — | 31,530 |
| Solid Waste Management Board | 2,175 | — | — | 2,175 |
| Racing Commission | — | 14,007 | (41) | 13,966 |
| Public Defender Corporation | — | 3,298 | — | 3,298 |
| Total Discrete Component Units | <u>\$ 2,504,421</u> | <u>\$ (39,959)</u> | <u>\$(641,446)</u> | <u>\$ 1,823,016</u> |

Reserved Fund Balance

The following tables summarize the Reserved Fund Balance of funds included in “other” columns at June 30, 2002, (expressed in thousands):

| Fund Type/ Fund | Total Reporting Entity (Memorandum Only) | Inventory | Other Specific Purposes | Debt Service | Capital Projects | Trust and Agency |
|---|---|----------------------|--------------------------------|-------------------------|--------------------------|--------------------------|
| Governmental Funds | | | | | | |
| Special Revenue Funds: | | | | | | |
| Environmental Protection | \$ 3,944 | \$ — | \$ 3,944 | \$ — | \$ — | \$ — |
| Employment Programs | 1,125 | 229 | 896 | — | — | — |
| Wildlife Endowment | <u>22,019</u> | <u>—</u> | <u>22,019</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| | <u>27,088</u> | <u>229</u> | <u>26,859</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Debt Service Funds: | | | | | | |
| School Building Authority | 59,814 | — | — | 59,814 | — | — |
| West Virginia Infrastructure and Jobs Development Council | 142 | — | — | 142 | — | — |
| Education, Arts, Sciences, and Tourism Fund | 23,963 | — | — | 23,963 | — | — |
| Lease Purchase Accounts | <u>9,504</u> | <u>—</u> | <u>—</u> | <u>9,504</u> | <u>—</u> | <u>—</u> |
| | <u>93,423</u> | <u>—</u> | <u>—</u> | <u>93,423</u> | <u>—</u> | <u>—</u> |
| Capital Projects Funds: | | | | | | |
| State Road | 83,683 | — | — | — | 83,683 | — |
| School Building Authority | 94,184 | — | — | — | 94,184 | — |
| Education, Arts, Sciences, and Tourism Fund | 185 | — | — | — | 185 | — |
| Lease Purchase Accounts | <u>23,630</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>23,630</u> | <u>—</u> |
| | <u>201,682</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>201,682</u> | <u>—</u> |
| Permanent Funds: | | | | | | |
| Irreducible School | 1,453 | — | — | — | — | 1,453 |
| Tobacco Settlement Trust | <u>99,671</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>99,671</u> |
| | <u>101,124</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>101,124</u> |
| Total | \$ <u>423,317</u> | \$ <u>229</u> | \$ <u>26,859</u> | \$ <u>93,423</u> | \$ <u>201,682</u> | \$ <u>101,124</u> |

The General Fund amounts reserved for other specific purposes include the following:

| | |
|-----------------------------------|--------------------------|
| Revenue Shortfall Reserve | \$ 56,178 |
| Other Legally Segregated Accounts | 126,111 |
| Long-Term Receivables | 3,308 |
| Income Tax Reserve Fund | <u>27,391</u> |
| Total | \$ <u>212,988</u> |

Designated Fund Balance

Designation of fund balance in the governmental funds of \$93,399,000 represents tentative management plans of the West Virginia Infrastructure and Jobs Development Council to loan funds to applicants for infrastructure projects.

Restricted Net Assets

The following tables summarize the Restricted Net Assets of funds included in “other” columns at June 30, 2002, (expressed in thousands):

| Fund Type/ Fund | Total Reporting Entity (Memorandum Only) | Capital Projects | Lending Activities | Insurance Activities | Other Specific Purposes |
|---|---|-----------------------------|-------------------------------|---------------------------------|--|
| Enterprise Funds: | | | | | |
| Board of Risk and Insurance Management | \$14,496 | \$ — | \$ — | \$14,496 | \$ — |
| Drinking Water Treatment Revolving Fund | <u>17,035</u> | <u>—</u> | <u>17,035</u> | <u>—</u> | <u>—</u> |
| | <u>31,531</u> | <u>—</u> | <u>17,035</u> | <u>14,496</u> | <u>—</u> |
| Internal Service Funds: | | | | | |
| State Building Fund | <u>16,551</u> | <u>5,310</u> | <u>—</u> | <u>—</u> | <u>11,241</u> |
| Component Units: | | | | | |
| Educational Broadcasting Authority | 2,069 | — | — | — | 2,069 |
| Solid Waste Management Board | <u>1,263</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>1,263</u> |
| | <u>3,332</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>3,332</u> |
| Total | <u>\$51,414</u> | <u>\$5,310</u> | <u>\$17,035</u> | <u>\$14,496</u> | <u>\$14,573</u> |

NOTE 3

FUND DEFICITS

Individual funds with net asset deficits at June 30, 2002, were as follows (expressed in thousands):

| | <u>Net Asset Deficit</u> |
|--|--------------------------|
| Enterprise Funds: | |
| Workers' Compensation Fund | \$2,445,500 |
| Board of Risk and Insurance Management | 37,934 |
| West Virginia College Prepaid Tuition Plan | <u>16,068</u> |
| Total Deficits | <u>\$2,499,502</u> |

Enterprise Funds

Workers' Compensation Fund deficit of \$2,445,500,000 and Board of Risk and Insurance Management deficit of \$37,934,000 are more fully discussed in Note 14, Risk Management.

West Virginia College Prepaid Tuition Plan (the Plan) has a net assets deficiency of \$16,068,000 as of June 30, 2002. This deficiency was largely caused by investment losses, unexpected tuition increases for the 2002-2003 school year, and changes in estimates of future investment rate of return and tuition growth. The Plan's continued existence is dependent on its ability to realize future long-term investment earnings at least equal to its average annual earnings assumptions, to establish prices for contracts that are at least commensurate with the annual increases in average tuition at state public colleges and universities, and to attain satisfactory levels of future cash flows from operations. In response to this situation, the Plan is developing a financial stability plan that is expected to include at least a 10% reserve in future contract prices, an adjustment to contract prices every four months to account for any expected or possible changes in earnings and tuition growth during the year, and additional support from the State.

Although the Plan has a net asset deficit, it is believed that it will continue to have sufficient liquid resources to meet its obligations as they become due through at least June 30, 2003. The accompanying financial statements do not reflect any adjustments that might result should the Plan not be able to meet its obligations.

NOTE 4**CASH AND INVESTMENTS****Cash**

At June 30, 2002, information concerning the amount of deposits with financial institutions, including deposits of the State Treasurer's Office, is as follows (expressed in thousands):

| | <u>Primary Government</u> | <u>Higher Education</u> | <u>Other Discretely Presented Component Units</u> | <u>Total Reporting Entity</u> |
|----------------------------------|-------------------------------|-----------------------------|---|---------------------------------------|
| Carrying Amount of Deposits | \$(114,547) | \$41,857 | \$51,225 | \$(21,465) |
| Bank Balance of Deposits | 81,602 | 29,600 | 38,925 | 150,127 |
| Amount Insured or Collateralized | 34,087 | 29,600 | 38,464 | 102,151 |
| Amount Uninsured | 47,515 | — | 461 | 47,976 |

The bank balance as of June 30, 2002, was approximately \$150 million of which \$102 million was subject to coverage by the Federal Deposit Insurance Corporation (FDIC), or collateralized by securities held by the State or its agents in the State's name, leaving \$47.9 million uninsured and uncollateralized. The primary government carrying amount included fiduciary deposits in the amount of \$19,006,000.

Investments

The State Treasurer's Office has statutory responsibility for the daily cash management activities of the State's agencies, departments, boards and commissions. The State Treasurer's Office is permitted by West Virginia Code §12-1-12A to invest up to \$125 million in overnight repurchase agreements, and holds cash equivalents of \$57 million at June 30, 2002.

The State Treasurer's Office determines which funds to transfer to the Investment Management Board (IMB) for investment in accordance with West Virginia Code, policies set by the IMB, and by provisions of bond indentures and trust agreements, when applicable. The IMB provides fiscal administration, investment and management of the State's pension assets except for the State's defined contribution plan for certain teachers and education personnel who self-direct investments in privately managed funds. In addition, local political subdivisions within the State are permitted to invest in certain pools maintained by the IMB.

The IMB maintains two investment funds, the Consolidated Fund and Consolidated Pension Fund. These two funds include various investment pools to manage the operating funds of the State, funds held in trust by State agencies, and local government funds. Funds not required to meet immediate disbursement needs are invested for longer periods. The Consolidated Fund consists of five investment pools and participant-directed accounts, in which the state and local governmental agencies invest. The Consolidated Pension Fund includes amounts invested in various pools by pension funds of the State, as well as certain operating funds of the Workers' Compensation Fund and other funds. These pools have been structured as multi-participant variable net asset funds to reduce risk and offer investment liquidity diversification to the Fund participants. A more detailed discussion of the IMB's Consolidated Fund and Consolidated Pension Fund pools can be found in the IMB's annual report. 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>.

In addition to amounts invested with the IMB, certain governmental funds and discretely presented component units are permitted to invest bond proceeds with a third-party trustee named in the bond indenture. The governmental funds include the Education, Arts, Sciences, and Tourism Fund; School Building Authority; West Virginia Infrastructure and Jobs Development Council, the Department of Health and Human Resources, the Department of Administration, the Department of Environmental Protection, and the Smart 529 College Savings Plan. The following discretely presented component units have reported investments held with a third-party trustee: Regional Jail Authority; Educational Broadcasting Authority; Jobs Investment Trust; Housing Development Fund; Parkways, Economic Development and Tourism Authority; WV State Rail Authority; Water Development Authority; Solid Waste Management Board; and Higher Education. Assets of the Teachers' Defined Contribution Retirement System of the Consolidated Public Retirement Board are held by an outside third party.

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

The State's investment strategy includes the use of derivatives as a tool in managing market risk and providing an opportunity for enhanced return. The IMB invests in derivative financial investments as authorized by its Board of Trustees. As of June 30, 2002, IMB had five types of derivative financial investments: Future Contracts, Option Contracts, Foreign Exchange Contracts, Credit Default SWAP Agreements, and Asset-Backed Securities. Additionally, the IMB is indirectly exposed to derivative risk through participation in mutual funds or other investment vehicles that use derivatives. Detailed derivative disclosures are not available for indirect derivative participation.

Future Contracts A futures contract is an agreement between a buyer or a seller and the clearinghouse of a futures exchange in which the parties agree to buy or sell a commodity, financial instrument or index at a specified future date and price. The IMB invests in financial futures contracts in the Fixed Income Pool and the Russell 2000 index futures in the Non-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 daily fluctuations of the underlying securities or index. 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. IMB limits its exposure to these risks by establishing and monitoring limits on the type and total value of future contracts that may be held. Credit risk arises from the potential inability of counterparties to meet the terms of the contracts. IMB requires its managers to only utilize future contracts that are traded on major exchanges or are executed with major dealers. The net change in the futures contract value is settled daily in cash with the exchange on which they were traded. Realized net gains or losses resulting from the settlements are included in the Statement of Changes in Net Assets. As of June 30, 2002, the future contracts had the following open positions (expressed in thousands):

| | <u>Value Upon</u> <u>Entering Contract</u> | <u>Value at</u> <u>June 30, 2002</u> | <u>Net Gain</u> <u>or (Loss)</u> |
|----------------------------|---|---|-------------------------------------|
| Long-Equity Futures | \$ 460,000 | \$ 463,000 | \$ 3,000 |
| Long-Fixed Income Futures | 56,188,000 | 56,879,000 | 691,000 |
| Short-Fixed Income Futures | (22,225,000) | (22,588,000) | (363,000) |

Option Contracts IMB may purchase or write equity, bond, currency, or index option contracts that have recognized liquidity and are actively traded on major exchanges or are executed with major dealers. These option contracts give the purchaser of the contract the right to buy (call) or sell (put) the security, or settle cash for an index option, underlying

the contract at an agreed upon price (strike price) during or at the conclusion of a specified period of time. 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. 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 doesn't correlate perfectly with movements of the underlying instrument due to certain market distortions. To limit its exposure to these risks, the Board has established limits on the value and use of option contracts. The net change in the option contract value is settled daily in cash with the exchange on which they were traded. Realized net gains or losses resulting from the settlements are included in the Statement of Changes in Net Assets. As of June 30, 2002, the open option contracts had the following future balances (expressed in thousands):

| | Premiums Received | Value at June 30, 2002 |
|--------------|----------------------|---------------------------|
| Call Options | \$(247,000) | \$(774,000) |

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 International Equity Pools' investment managers enter into such contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. Risk associated with such contracts include movement in the value of the foreign currency related 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, 2002, the IMB was party to outstanding foreign exchange forward contracts to purchase foreign currencies with contract amounts of \$34.16 million, collectively. Market values of these outstanding contracts were \$34.37 million resulting in net unrealized gains of approximately \$204,000. The unrealized gain or loss is reclassified to realized gain or loss when the contract expires and deposited at fair value.

Credit Default SWAP On April 26, 2002, the IMB entered into a credit default swap agreement with Merrill Lynch. Under the terms of this agreement, the IMB would be required to purchase \$2,500,000 of Dynegy notes at par from Merrill Lynch in the instance of certain default events by Dynegy. Merrill Lynch is obligated to pay a premium equal to 3.5% on the face value of the notes. The IMB bears the risk of loss equal to the difference between the par value and the market value of the notes after any such default event. The agreement is scheduled to terminate on May 15, 2003. At June 30, 2002, the IMB had recognized \$15,799 of the premium as income in the Fixed Income Pool. A reversing trade with Merrill Lynch at June 30 could have been executed at \$2,193,358 which approximates the fair value of the SWAP. Accordingly, the Fixed Income Pool reflected an unrealized loss of \$306,642 on the swap.

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 and market value of the underlying assets.

Securities Lending The IMB through its agent, Mellon Bank, loans securities to various brokers on a temporary basis. Each transaction for U.S. securities is secured by initial collateral of at least 102% of the market value of the securities loaned. For international securities, the collateral is at least 105% of the market value of the securities on loan. Cash collateral received is invested in the Mellon GSL DBT II Collateral Fund. The IMB receives a portion of the income from the investment of the collateral and also continues to receive interest or 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 various investment pools.

At June 30, 2002, 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, \$612 million was received as cash.

| | <u>Fair Value of Securities on Loan</u> | <u>Collateral Held</u> |
|-------------------------|---|----------------------------|
| Non-Large Cap Domestic | \$ 4,285 | \$ 4,507 |
| International Equity | 63,996 | 70,494 |
| Fixed Income | 316,380 | 325,377 |
| Cash Liquidity | 142,530 | 144,984 |
| Government Money Market | 56,883 | 57,864 |
| Enhanced Yield | <u>131,026</u> | <u>132,742</u> |
| IMB Total | <u>\$715,100</u> | <u>\$735,968</u> |

In accordance with GASB Statement No. 3, investments are classified as to level of risk by the three categories described below:

Category 1 includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name.

Category 2 includes investments that are uninsured and unregistered, or for which the securities are held by the counterparty's trust department or agent in the State's name.

Category 3 includes uninsured and unregistered investments held by the counterparty or the counterparty's trust department or agent but not in the State's name.

West Virginia

Investments at June 30, 2002, by security type and level of risk category as defined by GASB Statement No. 3, are as follows (expressed in thousands):

Primary Government:

| Security Type | Category | | | Reported Value | Fair Value |
|--|--------------------|-----------------|-------------|--------------------|--------------------|
| | (1) | (2) | (3) | | |
| Categorized: | | | | | |
| U.S. Government and Agencies Obligations | \$ 795,984 | \$ — | \$ — | \$ 795,984 | \$ 796,388 |
| Corporate Bonds | 775,460 | — | — | 775,460 | 774,211 |
| Common and Preferred Stocks | 1,067,026 | — | — | 1,067,026 | 1,067,026 |
| Commercial Paper | 13,053 | — | — | 13,053 | 13,053 |
| Repurchase Agreements | 71,073 | 10,127 | — | 81,200 | 81,200 |
| Investment Contracts | <u>74,023</u> | <u>59,063</u> | <u>—</u> | 133,086 | 133,086 |
| Total Investments Categorized by Security Type | <u>\$2,796,619</u> | <u>\$69,190</u> | <u>\$ —</u> | — | — |
| Uncategorized: | | | | | |
| Institutional Mutual Funds | | | | 2,855,528 | 2,855,528 |
| Money Market Mutual Funds | | | | 1,380,266 | 1,380,266 |
| Security Lending Short-Term Collateral Pool | | | | 611,947 | 611,947 |
| SWAPS | | | | (307) | (307) |
| Investments in Loans and Mortgages | | | | 2,512 | 2,512 |
| Guaranteed Investment Contract | | | | <u>88,696</u> | <u>88,696</u> |
| Total Primary Government Investments | | | | <u>\$7,804,451</u> | <u>\$7,803,606</u> |

Discretely Presented Component Units:

| | | | | | |
|---|-------------------|-----------------|----------------|--------------------|--------------------|
| Categorized: | | | | | |
| U.S. Government and Agencies Obligations | \$ 230,329 | \$16,639 | \$ — | \$ 246,968 | \$ 246,968 |
| Corporate Bonds | 73,071 | — | — | 73,071 | 73,071 |
| Common and Preferred Stocks | 1,002 | — | — | 1,002 | 1,002 |
| Commercial Paper | 1,947 | — | — | 1,947 | 1,947 |
| Repurchase Agreements | 234,144 | 23,882 | 5,451 | 263,477 | 263,477 |
| Investment Contracts | — | 24,580 | — | 24,580 | 24,580 |
| State and Local Government Securities (SLGS) | <u>1,836</u> | <u>—</u> | <u>—</u> | 1,836 | 1,836 |
| Total Investments Categorized by Security Type | <u>\$ 542,329</u> | <u>\$65,101</u> | <u>\$5,451</u> | — | — |
| Uncategorized: | | | | | |
| Money Market Mutual Funds | | | | 135,572 | 135,572 |
| Other Investments | | | | <u>6,617</u> | <u>6,617</u> |
| Total Higher Education and Component Unit Investments | | | | <u>755,070</u> | <u>755,070</u> |
| Total Investments | | | | <u>\$8,559,521</u> | <u>\$8,558,676</u> |

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, 2002, (expressed in thousands):

Deposits:

| | |
|--|--------------------|
| Cash and Cash Equivalents as Reported on the Statement of Net Assets | \$ 2,841,548 |
| Cash and Cash Equivalents as Reported on the Statement of Fiduciary Net Assets | 268,273 |
| Add: | |
| Restricted Cash as Reported | 266,800 |
| Less: | |
| Cash Equivalents and Restricted Cash Disclosed as Investments | (3,124,912) |
| Cash with U.S. Treasury for Unemployment Programs | (273,176) |
| Other | <u>2</u> |
| Reported Value of Deposits as Disclosed in this Footnote | <u>\$ (21,465)</u> |

Investments:

| | |
|--|---------------------|
| Investments as Reported on the Statement of Net Assets | \$ 558,621 |
| Investments as Reported on the Statement of Fiduciary Net Assets | 4,227,275 |
| Add: | |
| Restricted Investments as Reported | 398,880 |
| Investment Pool Receivables and Payables Reported as Cash Equivalents and Investments | 247,203 |
| Cash Equivalents and Restricted Cash Disclosed as Investments | 3,124,912 |
| Accrued Interest Disclosed as Investments | 2,582 |
| Other | <u>48</u> |
| Reported Value of Investments as Disclosed in this Footnote | <u>\$ 8,559,521</u> |

NOTE 5

RECEIVABLES
(Expressed in Thousands)

Receivables

Receivables at June 30, 2002, consisted of the following:

| | Governmental Funds | | | | Total Governmental Receivables |
|---------------------------------|------------------------------------|---|--|-------------------------------|---|
| | General | Transportation | West Virginia Infrastructure and Jobs Development Council | Other Governmental | |
| Taxes | \$314,640 | \$ 56,470 | \$ — | \$ — | \$371,110 |
| Accounts | 65,722 | 60,622 | 36 | 7,944 | 134,324 |
| Loans | 3,763 | — | 221,834 | — | 225,597 |
| Accrued Interest | <u>2,564</u> | <u>—</u> | <u>1,038</u> | <u>989</u> | <u>4,591</u> |
| Total Receivables | 386,689 | 117,092 | 222,908 | 8,933 | 735,622 |
| Allowance for Doubtful Accounts | <u>(58,148)</u> | <u>—</u> | <u>—</u> | <u>(33)</u> | <u>(58,181)</u> |
| Net Receivables | <u>\$328,541</u> | <u>\$117,092</u> | <u>\$222,908</u> | <u>\$8,900</u> | <u>\$677,441</u> |
| <i>As reported on the Fund</i> | | | | | |
| <i>Financial Statements</i> | | | | | |
| Current Receivables | \$328,541 | \$117,092 | \$222,908 | \$8,900 | \$677,441 |
| Noncurrent Receivables | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total Receivables, (Net) | <u>\$328,541</u> | <u>\$117,092</u> | <u>\$222,908</u> | <u>\$8,900</u> | <u>\$677,441</u> |
| Fiduciary Funds | | | | | |
| | Pension Trust Funds | Private Purpose Trust Fund | Agency Funds | | |
| Accounts | \$ — | \$299 | \$ — | | |
| Loans | 19,462 | — | — | | |
| Leases | — | — | — | | |
| Contributions | 32,041 | — | — | | |
| Accrued Interest | <u>—</u> | <u>—</u> | <u>45</u> | | |
| Total Receivables | 51,503 | 299 | 45 | | |
| Allowance for Doubtful Accounts | <u>—</u> | <u>—</u> | <u>—</u> | | |
| Net Receivables | <u>\$51,503</u> | <u>\$299</u> | <u>\$ 45</u> | | |
| <i>As reported on the Fund</i> | | | | | |
| <i>Financial Statements</i> | | | | | |
| Current Receivables | \$51,503 | \$ 299 | \$ 45 | | |
| Noncurrent Receivables | <u>—</u> | <u>—</u> | <u>—</u> | | |
| Total Receivables, (Net) | <u>\$51,503</u> | <u>\$299</u> | <u>\$ 45</u> | | |

Enterprise Funds

| West Virginia Lottery | Workers' Compensation Fund | Employment Securities | Water Pollution Control Revolving Fund | Other Enterprise | Total Enterprise | Internal Service Funds |
|-----------------------|----------------------------|-----------------------|--|------------------|------------------|------------------------|
| \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| 33,350 | 165,328 | 35,073 | 258 | 44,986 | 278,995 | 2,339 |
| — | — | — | 251,675 | 22,077 | 273,752 | — |
| — | — | — | — | 20 | 20 | 4 |
| 33,350 | 165,328 | 35,073 | 251,933 | 67,083 | 552,767 | 2,343 |
| — | — | — | — | (1,606) | (1,606) | — |
| <u>\$33,350</u> | <u>\$165,328</u> | <u>\$35,073</u> | <u>\$251,933</u> | <u>\$65,477</u> | <u>\$551,161</u> | <u>\$2,343</u> |
| 33,350 | 165,328 | 35,073 | \$ 13,213 | \$25,313 | \$272,277 | \$2,343 |
| — | — | — | 238,720 | 40,164 | 278,884 | — |
| <u>\$33,350</u> | <u>\$165,328</u> | <u>\$35,073</u> | <u>\$251,933</u> | <u>\$65,477</u> | <u>\$551,161</u> | <u>\$2,343</u> |

Discretely Presented Component Units

| Economic Development Authority | Housing Development Fund | Parkways, Economic Development & Tourism Authority | Water Development Authority | Higher Education | Regional Jail | Other Component Units | Total Component Units |
|--------------------------------|--------------------------|--|-----------------------------|------------------|----------------|-----------------------|-----------------------|
| \$ — | \$ 955,049 | \$ 1,291 | \$ 198,789 | \$ 37,500 | \$ 9,213 | \$ 1,025 | \$ 1,202,867 |
| 131,723 | 42,612 | — | 9,941 | 59,737 | — | 1,512 | 245,525 |
| 27,613 | — | — | — | — | — | — | 27,613 |
| 642 | — | — | — | — | — | — | 642 |
| 1,854 | 8,161 | — | — | 1,104 | — | 1 | 11,120 |
| 161,832 | 1,005,822 | 1,291 | 208,730 | 98,341 | 9,213 | 2,538 | 1,487,767 |
| (2,690) | (28,665) | — | — | (9,303) | (152) | (404) | (41,214) |
| <u>\$159,142</u> | <u>\$ 977,157</u> | <u>\$ 1,291</u> | <u>\$208,730</u> | <u>\$89,038</u> | <u>\$9,061</u> | <u>\$2,134</u> | <u>\$1,446,553</u> |
| \$ 6,070 | \$ 1,256 | \$ 1,291 | \$ 6,316 | \$ 47,790 | \$ 9,061 | \$ 2,134 | \$ 73,918 |
| 153,072 | 975,901 | — | 202,414 | 41,248 | — | — | 1,372,635 |
| <u>\$159,142</u> | <u>\$ 977,157</u> | <u>\$ 1,291</u> | <u>\$208,730</u> | <u>\$89,038</u> | <u>\$9,061</u> | <u>\$2,134</u> | <u>\$1,446,553</u> |

Taxes Receivable

Taxes Receivable at June 30, 2002, consisted of the following:

| | <u>Governmental Funds</u> | | <u>Total</u> |
|----------------------------|---------------------------|-----------------------|------------------|
| | <u>General</u> | <u>Transportation</u> | |
| Taxes Receivable: | | | |
| Consumer Sales | \$107,221 | \$ — | \$107,221 |
| Personal Income | 105,106 | — | 105,106 |
| Severance | 22,545 | — | 22,545 |
| Business and Occupation | 15,827 | — | 15,827 |
| Automobile Privilege Taxes | — | 28,582 | 28,582 |
| Aviation Fuel Tax | — | 143 | 143 |
| Gasoline Excise | — | 27,745 | 27,745 |
| Insurance | 28,209 | — | 28,209 |
| Corporate Net Income | 12,563 | — | 12,563 |
| Business Franchise | 4,170 | — | 4,170 |
| Other | <u>18,999</u> | <u>—</u> | <u>18,999</u> |
| Total | <u>\$314,640</u> | <u>\$56,470</u> | <u>\$371,110</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> |
|---|--|
| 2003 | \$ 6,112 |
| 2004 | 6,112 |
| 2005 | 6,147 |
| 2006 | 3,301 |
| 2007 | 3,057 |
| 2008-2012 | 11,389 |
| 2013-2017 | <u>519</u> |
| Total Minimum Amount Due | 36,637 |
| Less Amount Representing Interest | <u>(9,024)</u> |
| Present Value of Minimum Lease Amount Due | <u>\$27,613</u> |



NOTE 6

INTERFUND BALANCES

The following table details the interfund balances and activity as of and for the year ended June 30, 2002, (expressed in thousands):

| Due To | Due From | | | |
|---|-----------------|----------------|---|----------------|
| | Governmental | | | |
| | General | Transportation | West Virginia Infrastructure and Jobs Development Council | Other Nonmajor |
| Governmental Funds: | | | | |
| General | \$ — | \$4,368 | \$ — | \$ 54 |
| Transportation | 5,134 | — | — | 135 |
| West Virginia Infrastructure and Jobs Development Council | — | — | — | — |
| Other Nonmajor Governmental | — | 27 | — | — |
| Total Governmental Funds | 5,134 | 4,395 | — | 189 |
| Proprietary Funds: | | | | |
| West Virginia Lottery | — | — | — | — |
| Workers' Compensation Fund | 2,117 | 2,358 | — | 136 |
| Employment Security | 157 | 37 | — | 26 |
| Water Pollution | — | — | — | — |
| Other Nonmajor Proprietary | 1,587 | — | — | 133 |
| Internal Service Funds | 4,362 | 317 | — | 518 |
| Total Proprietary Funds | 8,223 | 2,712 | — | 813 |
| Fiduciary Funds | 2,067 | — | — | — |
| Discretely Presented Component Units | | | | |
| Major: | | | | |
| Housing Development Fund | 5,000 | — | — | — |
| Parkways & Economic Development | — | — | — | — |
| Water Development Authority | — | — | 98 | 25 |
| Higher Education | 5,940 | — | — | — |
| Regional Jail Authority | 5,076 | — | — | — |
| Nonmajor: | | | | |
| Solid Waste Management | — | — | — | — |
| State Rail Authority | 1,234 | — | — | — |
| Educational Broadcasting | 2,070 | — | — | — |
| Economic Development | — | — | — | — |
| Job Investment Trust | — | — | — | — |
| Racing Commission | — | — | — | — |
| Public Defenders Corporation | — | — | — | — |
| Total Discretely Presented Component Units | 19,320 | — | 98 | 25 |
| Total | \$34,744 | \$7,107 | \$98 | \$1,027 |

The general fund Due to Other Funds includes \$5,134,000 to State Road, \$5,000,000 to Housing Development for a loan to the Development Office, and \$5,940,000 to Higher Education for the Promise Scholarship program.

Due From

| Proprietary | | | | | | | | |
|-----------------------|----------------------------|---------------------|-----------------|----------------|------------------------|-----------------|--------------------------------------|------------------|
| West Virginia Lottery | Workers' Compensation Fund | Employment Security | Water Pollution | Other Nonmajor | Internal Service Funds | Fiduciary Funds | Discretely Presented Component Units | Total |
| \$60,207 | \$2,357 | \$ — | \$— | \$690 | \$ 4 | \$— | \$ 411 | \$ 68,091 |
| — | 2,190 | — | — | 1 | — | — | 421 | 7,881 |
| — | — | — | — | — | — | — | — | — |
| <u>1,000</u> | <u>134</u> | <u>—</u> | <u>18</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>1,179</u> |
| 61,207 | 4,681 | — | 18 | 691 | 4 | — | 832 | 77,151 |
| — | 13 | — | — | — | — | — | — | 13 |
| 13 | — | 21 | — | 16 | 3 | — | 1,323 | 5,987 |
| — | 94 | — | — | 46 | — | — | 138 | 498 |
| — | — | — | — | — | — | — | — | — |
| — | 63 | — | — | — | — | 48 | 1,304 | 3,135 |
| <u>23</u> | <u>28</u> | <u>—</u> | <u>—</u> | <u>110</u> | <u>327</u> | <u>—</u> | <u>98</u> | <u>5,783</u> |
| 36 | 198 | 21 | — | 172 | 330 | 48 | 2,863 | 15,416 |
| — | — | — | — | — | — | — | 200 | 2,267 |
| — | — | — | — | — | — | — | 2 | 5,002 |
| — | 149 | — | — | — | — | — | — | 149 |
| — | 1 | — | 39 | — | — | — | — | 163 |
| — | 750 | — | — | — | — | — | — | 6,690 |
| — | 223 | — | — | — | — | — | — | 5,299 |
| — | 1 | — | — | — | — | — | — | 1 |
| — | — | — | — | — | — | — | — | 1,234 |
| 22 | 5 | — | — | — | — | — | — | 2,097 |
| — | — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — | — |
| — | 2 | — | — | 1 | — | — | — | 3 |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| 22 | 1,131 | — | 39 | 1 | — | — | 2 | 20,638 |
| <u>\$61,265</u> | <u>\$6,010</u> | <u>\$21</u> | <u>\$57</u> | <u>\$864</u> | <u>\$334</u> | <u>\$48</u> | <u>\$3,897</u> | <u>\$115,472</u> |

The general fund Due from Other Funds includes \$60,207,000 from the West Virginia Lottery of which \$6,326,000 goes to the General Fund, \$18,353,000 to Education, \$4,792,000 to Library Commission, \$1,770,000 to Division of Natural Resources, \$18,572,000 to Senior Services, \$2,948,000 to Culture and History, and \$6,600,000 to Tourism for promotions.

NOTE 7

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2002, consisted of the following (expressed in thousands):

| Transfers To | Transfers From | | | |
|--|------------------|-----------------|---|-------------------|
| | Governmental | | | |
| | General | Transportation | West Virginia Infrastructure and Jobs Development Council | Other Nonmajor |
| <u>Governmental Funds:</u> | | | | |
| General | \$ — | \$ — | \$ — | \$ 2,947 |
| Transportation | 20,544 | — | — | 132 |
| West Virginia Infrastructure and Jobs Development Council | — | — | — | 5,918 |
| Other Nonmajor Governmental | <u>91,613</u> | <u>35,859</u> | <u>—</u> | <u>5,156</u> |
| Total Governmental Funds | 112,157 | 35,859 | — | 14,153 |
| <u>Proprietary Funds:</u> | | | | |
| Water Pollution | — | — | 4,147 | 22,842 |
| Other Nonmajor Proprietary | 14,370 | — | 1,551 | — |
| Internal Service Funds | <u>2,168</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total Proprietary Funds | 16,538 | — | 5,698 | 22,842 |
| <u>Fiduciary Funds</u> | 5,741 | — | — | — |
| <u>Discretely Presented Component Units:</u> | | | | |
| Major: | | | | |
| Regional Jail Authority | 5,626 | — | — | — |
| Higher Education | 418,621 | — | — | — |
| Nonmajor Component Units | <u>23,599</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total Discretely Presented Component Units | 447,846 | — | — | — |
| Total | <u>\$582,282</u> | <u>\$35,859</u> | <u>\$5,698</u> | <u>\$36,995</u> |

Transportation's special revenue fund transferred \$35.9 million to its debt service fund for the repayment of state road bonds. The Department of Environmental Protection transferred \$22.8 million to Water Pollution Control Revolving Fund for the treatment of water quality within the state. West Virginia Lottery transferred, as mandated by State Code, \$13 million to Higher Education, \$18.8 million to School Building Authority's special revenue fund for debt service and \$18 million to its debt service fund, \$18.8 million to West Virginia Infrastructure and Jobs Development Council, and \$235 million to General Fund.

| Transfers From | | | | |
|------------------------------|-----------------------|-------------------------------|---|------------------|
| Proprietary | | | | |
| <u>West Virginia Lottery</u> | <u>Other Nonmajor</u> | <u>Internal Service Funds</u> | <u>Discretely Presented Component Units</u> | <u>Total</u> |
| \$234,958 | \$7,488 | \$125 | \$2,593 | \$248,111 |
| — | — | | — | 20,676 |
| 18,765 | — | — | — | 24,683 |
| <u>46,613</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>179,241</u> |
| 300,336 | 7,488 | 125 | 2,593 | 472,711 |
| — | — | — | — | 26,989 |
| — | — | — | — | 15,921 |
| <u>2,532</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>4,700</u> |
| 2,532 | — | — | — | 47,610 |
| — | — | — | — | 5,741 |
| — | — | — | — | 5,626 |
| 13,006 | — | — | — | 431,627 |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>23,599</u> |
| 13,006 | — | — | — | 460,852 |
| <u>\$315,874</u> | <u>\$7,488</u> | <u>\$125</u> | <u>\$2,593</u> | <u>\$986,914</u> |

The General Fund transferred \$23 million to School Building Authority’s special revenue fund for debt service and \$30 million to their capital projects fund, \$24 million to the West Virginia Infrastructure and Jobs Development Council’s debt service fund. Higher Education received \$418.6 million which was primarily general revenue dollars appropriated to support the colleges and universities. 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, enterprise funds, internal service funds and 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, 2002, are as follows (expressed in thousands):

| | <u>Cash</u> | <u>Investments</u> | <u>Other</u> | <u>Totals</u> |
|--|------------------|--------------------|--------------------|--------------------|
| Special Revenue: | | | | |
| Environmental Programs | \$ 557 | \$ — | \$ — | \$ 557 |
| Enterprise: | | | | |
| West Virginia Lottery | — | 5,582 | — | 5,582 |
| Workers' Compensation Fund | 23 | 210,000 | — | 210,023 |
| Board of Risk and Insurance Management | <u>6,109</u> | <u>15,011</u> | <u>44,881</u> | <u>66,001</u> |
| | <u>6,132</u> | <u>230,593</u> | <u>44,881</u> | <u>281,606</u> |
| Internal Service: | | | | |
| State Building Fund | 5,357 | 11,195 | — | 16,552 |
| Travel Management | <u>921</u> | <u>—</u> | <u>—</u> | <u>921</u> |
| | <u>6,278</u> | <u>11,195</u> | <u>—</u> | <u>17,473</u> |
| Discretely Presented Component Units: | | | | |
| Economic Development Authority | 12,092 | — | — | 12,092 |
| Housing Development Fund | 214,185 | 101,902 | 937,851 | 1,253,938 |
| Parkways, Economic Development | | | | |
| and Tourism Authority | 5,450 | 37,478 | 445 | 43,373 |
| Water Development Authority | 16,294 | 17,712 | 198,789 | 232,795 |
| Regional Jail Authority | 234 | — | — | 234 |
| West Virginia State Rail Authority | 505 | — | — | 505 |
| Solid Waste Management Board | 624 | — | 639 | 1,263 |
| Racing Commission | <u>4,449</u> | <u>—</u> | <u>—</u> | <u>4,449</u> |
| | <u>253,833</u> | <u>157,092</u> | <u>1,137,724</u> | <u>1,548,649</u> |
| Total | <u>\$266,800</u> | <u>\$398,880</u> | <u>\$1,182,605</u> | <u>\$1,848,285</u> |

Special Revenue Funds

Environmental Programs has restricted cash held as collateral for loans made to solid waste authorities.

Enterprise Funds

The West Virginia Lottery's assets are restricted to pay the deferred prize claims awarded on an annuity basis. Board of Risk and Insurance Management's cash and investment assets are composed of funds for advancement to a third-party administrator to finance claims, and their other restricted assets of \$41.5 million, are advance deposits with insurance companies, and \$3.3 million is receivables. Workers' Compensation restricted assets consist of funds transferred from the Coal-Workers' Pneumoconiosis Fund to the Workers' Compensation Fund (WCF) which, by statute, cannot be used to satisfy WCF obligations until all other assets of WCF have been expended.

Internal Service Funds

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

Discretely Presented Component Units

The Economic Development Authority's assets are restricted to provide assurance that adequate amounts will be available to repay notes secured by the real estate being leased and to guarantee portions of certain loans made for economic development purposes. The Housing Development Fund's cash and investment assets are restricted on behalf of mortgagors and for payments collected on mortgages for which the fund acts as servicer only. Other restricted assets for the Housing Development Fund of \$938 million include federal program receivables and foreclosed properties from defaulted federal program loans. The Parkways, Economic Development and Tourism Authority's assets are restricted to be used for construction, turnpike maintenance and operation, and debt service. The West Virginia State Rail Authority's assets are restricted for debt service payments. The Solid Waste Management Board's assets are restricted because their use is limited by applicable bond covenants. The cash and investment assets of the Water Development Authority are restricted as part of applicable bond covenants and the other restricted assets are \$199 million restricted for revenue bonds receivable net of unamortized discount and accrued interest receivable. The Regional Jail and Correctional Facility Authority's assets are restricted because of a safekeeping arrangement with inmates. The West Virginia Racing Commission's cash is restricted for the unclaimed winning tickets and other trust holdings which are mandated by West Virginia State Code.

NOTE 9

CAPITAL ASSETS

Governmental Activities
(Expressed in Thousands)

| | <u>Beginning Balance</u> | <u>Adjustments and Reclassifications</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|--|-------------------|--------------------|---------------------------|
| Governmental Activities: | | | | | |
| Capital Assets Not Being Depreciated: | | | | | |
| Land | \$ 83,007 | \$ 515,945 | \$ 62,915 | \$ (636) | \$ 661,231 |
| Construction in Progress | <u>30,942</u> | <u>494,562</u> | <u>179,828</u> | <u>(392,837)</u> | <u>312,495</u> |
| Total Capital Assets Not Being Depreciated | <u>113,949</u> | <u>1,010,507</u> | <u>242,743</u> | <u>(393,473)</u> | <u>973,726</u> |
| Other Capital Assets: | | | | | |
| Buildings and Improvements | 511,488 | (249) | 88,919 | (3,379) | 596,779 |
| Equipment | 355,389 | (41,967) | 28,386 | (10,157) | 331,651 |
| Infrastructure | 6,761,556 | — | 398,346 | — | 7,159,902 |
| Library Holdings | 13,082 | 1,029 | 1,388 | — | 15,499 |
| Land Improvements | <u>—</u> | <u>8,185</u> | <u>1,401</u> | <u>—</u> | <u>9,586</u> |
| Total Capital Assets Being Depreciated | <u>7,641,515</u> | <u>(33,002)</u> | <u>518,440</u> | <u>(13,536)</u> | <u>8,113,417</u> |
| Less Accumulated Depreciation For: | | | | | |
| Buildings and Improvements | (240,843) | — | (13,602) | 8,315 | (246,130) |
| Equipment | (209,461) | — | (26,931) | 9,408 | (226,984) |
| Infrastructure | (2,217,003) | — | (225,090) | — | (2,442,093) |
| Library Holdings | (12,822) | — | (710) | — | (13,532) |
| Land Improvements | <u>—</u> | <u>(2,150)</u> | <u>(552)</u> | <u>—</u> | <u>(2,702)</u> |
| Total Accumulated Depreciation | <u>(2,680,129)</u> | <u>(2,150)</u> | <u>(266,885)</u> | <u>17,723</u> | <u>(2,931,441)</u> |
| Total Depreciated Capital Assets, Net | <u>4,961,386</u> | <u>(35,152)</u> | <u>251,555</u> | <u>4,187</u> | <u>5,181,976</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 5,075,335</u> | <u>\$ 975,355</u> | <u>\$ 494,298</u> | <u>\$(389,286)</u> | <u>\$ 6,155,702</u> |

The provisions of GASB Statement No. 34 have been incorporated into the table summarizing the changes in capital assets. These changes resulted in additions/reclassifications of assets to land and construction in progress.

Depreciation expense was charged to functions as follows:

| | |
|---|----------------------|
| Legislative | \$ 42 |
| Judicial | 516 |
| Executive | 387 |
| Administration | 10,212 |
| Commerce | 2,429 |
| Environmental Protection | 279 |
| Employment Programs | 211 |
| Education | 614 |
| Health and Human Resources | 2,876 |
| Military Affairs and Public Safety | 6,079 |
| Tax and Revenue | 113 |
| Transportation | 242,964 |
| Miscellaneous Boards and Commissions | <u>163</u> |
| Total Governmental Activities Depreciation Expense | <u>\$266,885</u> |

Business-type Activities

(Expressed in Thousands)

| | Beginning Balance | Adjustments and Reclassifications | Increases | Decreases | Ending Balance |
|--|----------------------|---|----------------|-------------|-------------------|
| Business-type Activities: | | | | | |
| Capital Assets Not Being Depreciated: | | | | | |
| Land | \$ — | \$ 611 | \$ — | \$ — | \$ 611 |
| Total Capital Assets Not Being Depreciated | — | 611 | — | — | 611 |
| Other Capital Assets: | | | | | |
| Building and Improvements | 469 | 1,638 | 267 | — | 2,374 |
| Equipment | 8,748 | (606) | 6,393 | (23) | 14,512 |
| Total Other Capital Assets at Historical Cost | 9,217 | 1,032 | 6,660 | (23) | 16,886 |
| Less Accumulated Depreciation For: | | | | | |
| Buildings and Improvements | (254) | (286) | (158) | — | (698) |
| Equipment | (5,601) | 823 | (1,876) | 23 | (6,631) |
| Total Accumulated Depreciation | (5,855) | 537 | (2,034) | 23 | (7,329) |
| Other Capital Assets, Net | 3,362 | 1,569 | 4,626 | — | 9,557 |
| Business-type Activities Capital Assets, Net | <u>\$ 3,362</u> | <u>\$2,180</u> | <u>\$4,626</u> | <u>\$ —</u> | <u>\$10,168</u> |

Depreciation expense was charged to functions as follows:

| | |
|--|----------------|
| West Virginia Lottery | \$1,659 |
| Workers' Compensation Fund | 80 |
| Public Employees' Insurance Agency | 94 |
| Alcohol Beverage Control Administration | 201 |
| Total Business-type Activities Depreciation Expense | <u>\$2,034</u> |

Discretely Presented Component Units

(Expressed in Thousands)

| | <u>Beginning Balance</u> | <u>Adjustments and Reclassifications</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|--|-------------------|--------------------|---------------------------|
| Discrete Component Unit Activities: | | | | | |
| Capital Assets Not Being Depreciated: | | | | | |
| Land | \$ 164,755 | \$(44,677) | \$ 3,169 | \$ (2,228) | \$ 121,019 |
| Construction in Progress | <u>139,019</u> | <u>(5,876)</u> | <u>96,528</u> | <u>(116,841)</u> | <u>112,830</u> |
| Total Capital Assets Not Being Depreciated | <u>303,774</u> | <u>(50,553)</u> | <u>99,697</u> | <u>(119,069)</u> | <u>233,849</u> |
| Other Capital Assets: | | | | | |
| Buildings and Improvements | 1,242,838 | 26,693 | 111,310 | (63,955) | 1,316,886 |
| Equipment | 334,107 | (9,649) | 43,623 | (18,019) | 350,062 |
| Infrastructure | 930,973 | — | 14,859 | (1,575) | 944,257 |
| Library Holdings | 87,617 | 3,307 | 6,713 | (915) | 96,722 |
| Land Improvements | <u>—</u> | <u>18,328</u> | <u>1,506</u> | <u>(1,532)</u> | <u>18,302</u> |
| Total Other Capital Assets at Historical Cost | <u>2,595,535</u> | <u>38,679</u> | <u>178,011</u> | <u>(85,996)</u> | <u>2,726,229</u> |
| Less Accumulated Depreciation For: | | | | | |
| Buildings and Improvements | (376,524) | — | (28,682) | 7,953 | (397,253) |
| Equipment | (207,771) | — | (34,066) | 16,097 | (225,740) |
| Infrastructure | (387,527) | — | (33,862) | 244 | (421,145) |
| Library Holdings | (70,164) | — | (5,098) | 746 | (74,516) |
| Land Improvements | <u>—</u> | <u>(5,890)</u> | <u>(1,113)</u> | <u>204</u> | <u>(6,799)</u> |
| Total Accumulated Depreciation | <u>(1,041,986)</u> | <u>(5,890)</u> | <u>(102,821)</u> | <u>25,244</u> | <u>(1,125,453)</u> |
| Other Capital Assets, Net | <u>1,553,549</u> | <u>32,789</u> | <u>75,190</u> | <u>(60,752)</u> | <u>1,600,776</u> |
| Discrete Component Unit Activities | | | | | |
| Capital Assets, Net | <u>\$ 1,857,323</u> | <u>\$(17,764)</u> | <u>\$ 174,887</u> | <u>\$(179,821)</u> | <u>\$ 1,834,625</u> |

Depreciation expense was charged to Discrete Component Units as follows:

| | |
|---|------------------|
| Economic Development Authority | \$ 1,789 |
| Housing Development Fund | 49 |
| Parkways, Economic Development and Tourism Authority | 29,168 |
| Water Development Authority | 68 |
| Higher Education | 64,677 |
| Educational Broadcasting Authority | 1,357 |
| Jobs Investment Trust | 13 |
| West Virginia State Rail Authority | 1,299 |
| Solid Waste Management Board | 15 |
| Regional Jail Authority | 4,375 |
| Racing Commission | <u>11</u> |
| Total Discrete Component Unit Depreciation Expense | <u>\$102,821</u> |

NOTE 10**LONG-TERM OBLIGATIONS****Primary Government:**

Long-term obligations at June 30, 2002, and changes for the fiscal year then ended are as follows (expressed in thousands):

| | Balance June 30, 2001 <u>As Adjusted</u> | Debt Issued | Debt Paid | Other Changes | Balance June 30, 2002 | Amount Due Within One Year |
|--|---|------------------|-------------------|------------------|-----------------------------|-------------------------------------|
| Governmental Activities | | | | | | |
| General Obligation Bonds: | | | | | | |
| Transportation | \$ 451,025 | \$110,000 | \$(21,485) | \$ — | \$ 539,540 | \$ 22,040 |
| Premium/(Discount) | <u>1,271</u> | <u>4,172</u> | <u>—</u> | <u>(1,153)</u> | <u>4,290</u> | <u>—</u> |
| Total Transportation | 452,296 | 114,172 | (21,485) | (1,153) | 543,830 | 22,040 |
| School Building | 8,000 | — | (4,000) | — | 4,000 | 2,000 |
| WV Infrastructure and Jobs Development Council | <u>289,434</u> | <u>—</u> | <u>(3,770)</u> | <u>—</u> | <u>285,664</u> | <u>3,985</u> |
| | <u>749,730</u> | <u>114,172</u> | <u>(29,255)</u> | <u>(1,153)</u> | <u>833,494</u> | <u>28,025</u> |
| Revenue Bonds: | | | | | | |
| School Building Authority | 342,265 | — | (19,465) | — | 322,800 | 23,405 |
| Education | 2,337 | — | (46) | 5 | 2,296 | 49 |
| WV Infrastructure and Jobs Development Council | 45,000 | — | — | — | 45,000 | 135 |
| Education, Arts, Sciences, and Tourism Fund | <u>74,985</u> | <u>—</u> | <u>(6,070)</u> | <u>—</u> | <u>68,915</u> | <u>6,370</u> |
| | <u>464,587</u> | <u>—</u> | <u>(25,581)</u> | <u>5</u> | <u>439,011</u> | <u>29,959</u> |
| Capital Leases (See Note 11) | <u>82,479</u> | <u>177,270</u> | <u>(12,096)</u> | <u>4,454</u> | <u>252,107</u> | <u>15,757</u> |
| Other Obligations: | | | | | | |
| Accrued and Other Liabilities (See Note 15) | 402,466 | — | — | (6,865) | 395,601 | 7,671 |
| Compensated Absences | 260,695 | — | — | 22,550 | 283,245 | 63,072 |
| Net Pension Obligation (See Note 12) | <u>232,457</u> | <u>—</u> | <u>—</u> | <u>(11,093)</u> | <u>221,364</u> | <u>—</u> |
| | <u>895,618</u> | <u>—</u> | <u>—</u> | <u>4,592</u> | <u>900,210</u> | <u>70,743</u> |
| Total Governmental Activities Long-Term Obligations | <u>\$2,192,414</u> | <u>\$291,442</u> | <u>\$(66,932)</u> | <u>\$ 7,898</u> | <u>\$2,424,822</u> | <u>\$144,484</u> |

The assets of the general fund, special revenue, and internal service funds are used to liquidate the capital lease obligations and accrued and other liabilities of their respective fund types. Compensated absences liabilities will be liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. The net pension obligations will be 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.

General Obligation Bonds – The State has constitutionally limited its ability to incur debt. The State's general obligation debt must be authorized by constitutional amendment. A proposed amendment must be approved by two-thirds of both the Senate and the House of Delegates before it can be ratified or rejected by the voters. Once the amendment has voter approval, the Legislature must pass specific legislation authorizing the issuance of general obligation debt. General obligation bonds outstanding at June 30, 2002, were as follows (expressed in thousands):

| | Final Maturity Date | Interest Rate(s)% | Balance |
|---|------------------------------------|------------------------------|------------------|
| Transportation Bonds: | | | |
| Payable from State Road Fund, | | | |
| Issued Under: | | | |
| 1973 Amendment | 2006 | 2.75-8.70 | \$ 18,660 |
| 1996 SAFE Roads Amendment | 2025 | 4.00-5.75 | <u>525,170</u> |
| | | | 543,830 |
| School Building Bonds: | | | |
| Payable from General Revenue Fund, | | | |
| Issued Under: | | | |
| 1972 Amendment | 2004 | 4.00-7.00 | 4,000 |
| Infrastructure Bonds: | | | |
| Payable from dedicated severance tax revenues | 2028 | 5.81-6.93 | <u>285,664</u> |
| Total | | | <u>\$833,494</u> |

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2002, were as follows (expressed in thousands):

| Year Ended June 30 | Principal | Interest | Total |
|---------------------------|------------------|------------------|--------------------|
| 2003 | \$ 28,025 | \$ 40,238 | \$ 68,263 |
| 2004 | 29,300 | 38,812 | 68,112 |
| 2005 | 28,650 | 37,265 | 65,915 |
| 2006 | 32,862 | 36,799 | 69,661 |
| 2007 | 37,097 | 36,397 | 73,494 |
| 2008-2012 | 208,623 | 159,056 | 367,679 |
| 2013-2017 | 174,971 | 114,470 | 289,441 |
| 2018-2022 | 152,452 | 82,104 | 234,556 |
| 2023-2027 | <u>137,224</u> | <u>50,760</u> | <u>187,984</u> |
| | <u>\$29,204</u> | <u>595,901</u> | <u>1,425,105</u> |
| Premium | 4,290 | — | 4,290 |
| Total | <u>\$833,494</u> | <u>\$595,901</u> | <u>\$1,429,395</u> |

Revenue Bonds – Revenue bonds are issued by various State departments, agencies and authorities which are part of the primary government. Revenue bonds are issued 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 revenues. Revenue bonds do not constitute a general obligation of the State. The following describes the dedicated revenue source of revenue bonds outstanding at June 30, 2002:

- | | | |
|---|---|--|
| School Building Authority | - | Certain net profits of the West Virginia Lottery |
| Department of Education | - | Revenues from Cedar Lakes Conference Center |
| WV Infrastructure and Jobs Development Council | - | Certain repayment of defined loans |
| Education, Arts, Sciences, and Tourism Fund | - | Certain net profits of the West Virginia Lottery |

Revenue bonds outstanding at June 30, 2002, were as follows (expressed in thousands):

| | <u>Issue Date</u> | <u>Final Maturity Date</u> | <u>Interest Rate(s)%</u> | <u>Balance</u> |
|---|-----------------------|------------------------------------|------------------------------|------------------|
| School Building Authority | 1990-1997 | 2004-2022 | 4.30-7.45 | \$322,800 |
| Department of Education | 1996 | 2025 | 5.75-6.00 | 2,296 |
| WV Infrastructure and Jobs Development Council | 2001 | 2039 | 4.50-5.75 | 45,000 |
| Education, Arts, Sciences, and Tourism Fund | 1997 | 2011 | 5.00-5.50 | <u>68,915</u> |
| Total | | | | <u>\$439,011</u> |

Future amounts required to pay principal and interest on revenue bonds at June 30, 2002, were as follows (expressed in thousands):

| <u>Year Ended June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------|------------------|------------------|------------------|
| 2003 | \$29,959 | \$ 23,578 | \$ 53,537 |
| 2004 | 31,727 | 21,947 | 53,674 |
| 2005 | 33,405 | 20,204 | 53,609 |
| 2006 | 17,309 | 18,793 | 36,102 |
| 2007 | 18,287 | 17,802 | 36,089 |
| 2008-2012 | 96,705 | 72,448 | 169,153 |
| 2013-2017 | 83,175 | 49,118 | 132,293 |
| 2018-2022 | 93,681 | 23,497 | 117,178 |
| 2023-2027 | 9,288 | 8,256 | 17,544 |
| 2028-2032 | 8,985 | 5,851 | 14,836 |
| 2033-2037 | 11,240 | 3,055 | 14,295 |
| 2038-2040 | <u>5,250</u> | <u>373</u> | <u>5,623</u> |
| Total | <u>\$439,011</u> | <u>\$264,922</u> | <u>\$703,933</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.

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

| | Balance June 30, 2001 | Debt Issued | Debt Paid | Other Changes | Amount Balance June 30, 2002 | Due Within One Year |
|---|-----------------------------|------------------|--------------------|-------------------|---------------------------------------|---------------------------|
| Revenue Bonds: | | | | | | |
| Housing Development Fund | \$ 862,817 | \$229,761 | \$(148,340) | \$ 614 | \$ 944,852 | \$102,325 |
| Parkways, Economic Development and Tourism Authority | 118,588 | 50,286 | (6,195) | (43,863) | 118,816 | 2,625 |
| Water Development Authority | 251,128 | 8,650 | (41,185) | (6,440) | 212,153 | 2,913 |
| Higher Education | 353,026 | 1 | (10,958) | — | 342,069 | 11,535 |
| Regional Jail Authority | 111,190 | — | (3,110) | (3,265) | 104,815 | 3,420 |
| Solid Waste Management Authority | 2,625 | — | (2,625) | — | — | — |
| Total Discretely Presented Component Unit Revenue Bonds | <u>\$1,699,374</u> | <u>\$288,698</u> | <u>\$(212,413)</u> | <u>\$(52,954)</u> | <u>\$1,722,705</u> | <u>\$122,818</u> |
| Capital Leases: | | | | | | |
| Economic Development Authority | \$ 12,358 | \$ 500 | \$ (336) | \$ (107) | \$ 12,415 | \$ 1,328 |
| Housing Development Fund | 6,695 | 112,790 | (89,845) | — | 29,640 | 29,640 |
| Higher Education | 25,213 | 8,223 | (4,605) | 55 | 28,886 | 3,816 |
| Educational Broadcasting Authority | 2,108 | — | (240) | — | 1,868 | 254 |
| Jobs Investment Trust | 3,113 | 3,109 | — | 303 | 6,525 | — |
| West Virginia State Rail Authority | 2,535 | — | (280) | (16) | 2,239 | 317 |
| Public Defender Corporation | — | 22 | (6) | — | 16 | 5 |
| Total Discretely Presented Component Unit Capital Leases | <u>\$ 52,022</u> | <u>\$124,644</u> | <u>\$(95,312)</u> | <u>\$ 235</u> | <u>\$ 81,589</u> | <u>\$ 35,360</u> |

Discretely Presented Component Units

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

| | Issue Date | Final Maturity Date | Interest Rate(s)% | Balance |
|---|---------------|---------------------------|----------------------|--------------------|
| Housing Development Fund | 1976-2002 | 2037 | 3.50 - 7.20 | \$ 944,852 |
| Parkways, Economic Development and Tourism Authority | 1993-2002 | 2019 | 2.35 - 23.00 | 118,816 |
| Water Development Authority | 1993-2002 | 2040 | 3.40 - 6.375 | 212,153 |
| Higher Education | 1967-2001 | 2031 | 3.0 - 6.26 | 342,069 |
| Regional Jail Authority | 1998 | 2021 | 4.31- 5.35 | 104,815 |
| Total Revenue Bonds | | | | <u>\$1,722,705</u> |

Future amounts required to pay principal and interest on revenue bonds of the discretely presented component units at June 30, 2002, were as follows (expressed in thousands):

| <u>Year Ended June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------|--------------------|--------------------|--------------------|
| 2003 | \$ 123,619 | \$ 97,236 | \$ 220,855 |
| 2004 | 43,700 | 93,443 | 137,143 |
| 2005 | 45,691 | 90,751 | 136,442 |
| 2006 | 48,217 | 88,475 | 136,692 |
| 2007 | 50,042 | 85,496 | 135,538 |
| 2008-2012 | 292,106 | 346,068 | 638,174 |
| 2013-2017 | 311,266 | 285,388 | 596,654 |
| 2018-2022 | 313,696 | 204,393 | 518,089 |
| 2023-2027 | 286,864 | 128,960 | 415,824 |
| 2028-2032 | 177,830 | 57,638 | 235,468 |
| 2033-2037 | 35,973 | 6,739 | 42,712 |
| 2038-2042 | <u>11,992</u> | <u>1,072</u> | <u>13,064</u> |
| | <u>1,740,996</u> | <u>1,485,659</u> | <u>3,226,655</u> |
| Discount | (35,049) | — | (35,049) |
| Premiums | <u>16,758</u> | <u>—</u> | <u>16,758</u> |
| Total | <u>\$1,722,705</u> | <u>\$1,485,659</u> | <u>\$3,208,364</u> |

Special Item

In February 2002, the Department of Administration (Department) paid off an existing liability of the Regional Jail Authority (Authority) in exchange for capital assets. The capital assets acquired by the Department had a net book value of \$54,987,000, and the Department gave \$140,250,000 to the Authority in exchange for the assets, resulting in a loss of \$85,262,000. The loss is reported as a special item on the Statement of Activities.

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, 2002, no such amounts were transferred to the Municipal Bond Commission under this agreement.

The Hospital Finance Authority (HFA), the Public Energy Authority (PEA), and the Economic Development Authority (EDA) have issued bonds on behalf of third parties that in no way obligates the State, HFA, PEA, or EDA, for these debt issuances, unless these entities or the State serve in a third-party role. The obligations become an obligation of the third party when issued, because all rights to payments and/or obligations have been irrevocably assigned to a trustee. Payments are made directly to the trustee from dedicated revenues of the third parties, in accordance with the related bond indentures. The amount of such no-commitment debt outstanding at June 30, 2002, is approximately \$606 million, \$111 million, and \$636 million for HFA, PEA, and EDA, respectively.

Included in the \$636 million EDA current value is \$161 million related to the 2002 Series A and B bonds issued by EDA specifically for the construction of correctional, juvenile, and public safety facilities. The bonds are limited obligations of the EDA, payable solely out of rental derived under the indenture and the contracts of lease-purchase between the EDA and the State. The bonds shall never constitute an indebtedness of the State or the issuer within the meaning of any constitutional provision or statutory limitation, nor are they a charge against the property, general credit or taxing power, if any, of the state or issuer. The State's obligation to pay rentals is subject to and dependent upon yearly appropriations being made by the State Legislature sufficient for such purpose. If the State Legislature does not make an appropriation to pay the lease rentals or the State provides a 30-day notice of cancellation, the contracts of lease-purchase shall be terminated, and the State is to surrender possession of the related facilities. The State has recorded the leasing arrangements as capital lease obligations, included in the lease amounts disclosed in Note 11.

Current Year Extinguishment of Debt

Housing Development Fund

During the fiscal year ended June 30, 2002, the Housing Development Fund redeemed \$126,745,000 of bonds at a redemption price which approximated their carrying value. The impact of the early redemption on the financial statements was not material and there was no debt reissued.

Water Development Authority

On January 29, 2002, the West Virginia Water Development Authority issued \$8,650,000 in revenue refunding bonds with interest rates ranging from 3.50% to 5.125% to refund \$8,155,000 of the remaining balance of the Authority's outstanding Series 1991A refunding

bonds with interest rates ranging from 6.70% to 7.00%. The net proceeds of \$8,626,240 (after original issue discount of \$23,760) were used to pay \$255,913 in underwriting fees, insurance and other issuance costs relating to the refunding bond issue and to purchase U.S. Treasury obligations. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the March 1, 2002, redemption of the bonds. As a result, \$8,155,000 of bonds are considered to be defeased, and the liability for those bonds has been removed from the financial statements.

The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$469,110. Adjusted for 2002 amortization of \$8,230, this difference is being charged to nonoperating expenses through fiscal year 2026 using the straight-line method. The Authority completed the refunding to reduce its total debt service payments over the next 24 years by \$1,872,424 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,209,327.

Parkways, Economic Development and Tourism Authority

In 2002, \$5,695,000 of Raleigh County, West Virginia, Taxable Commercial Development Revenue Refunding Bonds, Series 2001A and \$5,900,000 Commercial Development Revenue Bonds, Series 2001B (the Series 2001 Bonds) were issued pursuant to a bond resolution adopted by the County Commission of Raleigh County, West Virginia (the issuer), and a Trust Indenture, dated December 1, 2001, (the Indenture). The bond proceeds of the Series 2001A were used to advance refund \$1,735,000 of the Series 1994 Bonds and \$4,075,000 of the Series 1996 Bonds, which remain outstanding. The advance refunding resulted in a \$491,000 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 2011, approximated \$27,000 in 2002. The Series 2001B Bonds were issued to construct and furnish an expansion of the Caperton Center. The terms and conditions of the Series 2001 Bonds are similar to those of the Series 1994 Bonds noted above as toll revenues derived by the Authority in connection with the operation of the Turnpike and are not pledged or otherwise available to pay debt service on the Series 2001 Bonds. The Authority completed the advance refunding to remove certain restrictive indenture requirements of the Series 1994 and Series 1996 bonds. The refunding resulted in an economic loss (difference between the present values of the old and new debt service payments) of \$582,582. Interest on the Series 2001 bonds is payable on the first day of each December and June.

Additionally in 2002, \$44,205,000 of Revenue Refunding Bonds were issued for the express purpose of defeasing \$36,036,000 of Series 1993 Bonds, all of which remain outstanding at June 30, 2002. The advance refunding resulted in a \$6,313,000 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 \$155,000 in 2002. The Authority completed the advance refunding to reduce its aggregate debt service payments by almost \$3,003,064 over an 18-year period (life of the refunding bonds) and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,623,705.

Solid Waste Management Board

During the year ended June 30, 2002, the Solid Waste Management Board received notification from the Mercer County Solid Waste Management Authority (the Authority) that it was paying off its existing debt (\$2,625,000) to the Board and refinancing the amount outstanding under different terms from a different lending source. As a result of the loan payoff by the Authority, the Board, in accordance with the redemption methods specified in the Series C Bond Resolution, redeemed the bonds paying a premium of 1% to the bond holders. The difference between actual cash received and the remaining loan receivable from the Authority was \$132,203, resulting in forgiveness of indebtedness for the year ended June 30, 2002.

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, 2002, the following outstanding bonds are considered defeased (expressed in thousands):

| | Outstanding Amount |
|--------------------------------------|--------------------|
| Primary Government | \$ 24,155 |
| Discretely Presented Component Units | <u>120,360</u> |
| Total | <u>\$144,515</u> |

NOTE 11

LEASES

The State has entered into various lease/purchase agreements with the private sector, primarily for buildings and equipment. These agreements, accounted for as capital leases, are for various terms. While most of these agreements contain 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. 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, 2002, was \$16.2 million.

Accounting principles generally accepted in the United States require 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 fixed asset and the incurrence of an obligation by the lessee. For capital leases in governmental funds, other financing sources and expenditures 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.

West Virginia

Future minimum commitments under capital and operating leases as of June 30, 2002, were as follows (expressed in thousands):

| CAPITAL LEASES | | | |
|---|------------------------------------|----------------------------|------------------|
| Year Ended June 30 | Governmental Activities | Component Units | Total |
| 2003 | \$ 26,903 | \$37,759 | \$ 64,662 |
| 2004 | 24,760 | 6,960 | 31,720 |
| 2005 | 22,272 | 7,027 | 29,299 |
| 2006 | 20,228 | 5,176 | 25,404 |
| 2007 | 19,048 | 4,987 | 24,035 |
| 2008-2012 | 85,644 | 29,581 | 115,225 |
| 2013-2017 | 83,959 | 6,926 | 90,885 |
| 2018-2022 | 82,379 | 3,442 | 85,821 |
| 2023-2027 | <u>51,134</u> | <u>1,351</u> | <u>52,485</u> |
| Total Minimum Lease Payment | 416,327 | 103,209 | 519,536 |
| Less: Interest | <u>(164,220)</u> | <u>(21,620)</u> | <u>(185,840)</u> |
| Present Value of Future Minimum Lease Payments | <u>\$ 252,107</u> | <u>\$81,589</u> | <u>\$333,696</u> |

| OPERATING LEASES | | | | |
|-------------------------------|-------------------------|------------------------------------|----------------------------|------------------|
| Year Ended June 30 | General Fund | Business Type Funds | Component Units | Total |
| 2003 | \$ 8,563 | \$2,395 | \$ 4,330 | \$ 15,288 |
| 2004 | 6,335 | 2,228 | 4,141 | 12,704 |
| 2005 | 5,497 | 1,668 | 3,651 | 10,816 |
| 2006 | 4,310 | 741 | 3,214 | 8,265 |
| 2007 | 3,488 | 322 | 2,443 | 6,253 |
| 2008-2012 | 8,832 | 226 | 10,218 | 19,276 |
| 2013-2017 | 2,903 | — | 9,875 | 12,778 |
| 2018-2022 | 1,478 | — | 9,875 | 11,353 |
| 2023-2027 | 650 | — | 9,875 | 10,525 |
| 2028-2032 | — | — | <u>7,900</u> | <u>7,900</u> |
| Total Minimum Lease Payments | <u>\$42,056</u> | <u>\$7,580</u> | <u>\$65,522</u> | <u>\$115,158</u> |

NOTE 12

RETIREMENT SYSTEMS

Plan Description

The West Virginia State Legislature has established six 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.

CPRB prepares separately issued financial statements covering the retirement systems, which can be obtained from Consolidated Public Retirement Board, Building 5, Room 1000, State Capitol Complex, Charleston, WV 25305-0720. 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 for June 30, 2002, amounted to approximately \$221 million, which is a decrease of approximately \$11 million from the prior year's obligation.

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, 2002, was 496, including 190 cities and towns, 251 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 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.

Current Year Actuarial Changes

Significant changes in assumptions included in the July 1, 2001, actuarial valuations are as follows:

The Public Employees' Retirement System, the Teachers' Retirement System, the Public Safety Death, Disability and Retirement Fund, the State Police Retirement System, and the Judges' Retirement System incorporated the assumption that contributions are made periodically throughout the year.

Funding Policy

Funding policies for all 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 the Board. The following schedule summarizes each defined benefit plan's required contribution rates at June 30, 2002:

| Statutory Contribution Rates as a Percent of Covered Payroll | | |
|---|---------------|--|
| System | Member | Employer |
| PERS | 4.5% | 9.5% |
| TRS | 6.0% | 15.0% State 15.0% Counties 15.0% Other Employers |
| PSDDRF | 9.0% | 15.0% |
| SPRS | 12.0% | 12.0% |
| JRS | 9.0% | Appropriated by the Legislature |

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

The Legislature has appropriated funds at a level to meet or exceed the actuarially recommended contributions for the following plans beginning with the fiscal year noted:

| <u>Plan</u> | <u>Year</u> |
|-------------|-------------|
| PSDDRF | 1997 |
| JRS | 1998 |

Annual Pension Cost, Funding and Net Pension Obligation

The State's contributions to PERS for the years ended June 30, 2002, 2001, and 2000 were \$68,090,342, \$65,832,792, and \$61,392,392 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> | <u>Total</u> |
|---|------------------|-----------------|----------------|----------------|------------------|
| Annual required contribution (ARC) | \$237,688 | \$19,742 | \$1,039 | \$5,330 | |
| Interest on net pension obligation | 14,373 | 3,904 | (116) | 48 | |
| Adjustment to ARC | <u>(9,796)</u> | <u>(4,408)</u> | <u>123</u> | <u>(69)</u> | |
| Annual pension cost | <u>\$242,265</u> | <u>\$19,238</u> | <u>\$1,046</u> | <u>\$5,309</u> | |
| Contributions made | <u>\$252,061</u> | <u>\$19,844</u> | <u>\$1,220</u> | <u>\$6,000</u> | |
| Percentage of APC Contributed | 104.04% | 103.15% | 116.63% | 113.02% | |
| Net pension obligation, July 1, 2001 | \$179,659 | \$52,055 | N/A | \$ 743 | \$232,457 |
| Increase (decrease) in net pension obligation | <u>(9,796)</u> | <u>(606)</u> | N/A | <u>(691)</u> | <u>(11,093)</u> |
| Net pension obligation, June 30, 2002 | <u>\$169,863</u> | <u>\$51,449</u> | N/A | <u>\$ 52</u> | <u>\$221,364</u> |

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

The TDCRS financial statements are prepared using the accrual basis of accounting. The TDCRS provides members with their choice of several investment options which include government security mutual funds, common stock mutual funds, guaranteed insurance contract mutual funds and individually allocated annuities, through private investment companies.

For the year ended June 30, 2002, the approximate payroll of State employees covered by TDCRS was \$451 million and total covered payroll for both the TDCRS and TRS was approximately \$1.3 billion. Both the employees and employers made the required contributions amounting to \$21 million and \$36 million respectively, or 4.7% and 8.0% 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 multi-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, 2002, contributions were approximately \$23.7 million from the covered employees and approximately \$23.7 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.

NOTE 13

OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 12, the State provides certain health care 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. The State provides health care credits against monthly health insurance premiums of certain retirees based on various factors, including unused sick leave (see Note 1, "Compensated Absences") at the time of retirement. It is the State's practice to record a liability for expected conversion of sick leave to health care premiums in accordance with GASB Statement No. 16, "Accounting for Compensated Absences."

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. The State has assumed an annual 13% premium increase reduced down to an annual 9% increase over a 20-year period, while the cash flows from the estimated retiree conversions are discounted at 7%, to arrive at a net present value. The obligation associated with retiree health care benefits is financed on a pay-as-you-go basis. Expenditures recognized for the fiscal year ended June 30, 2002, were approximately \$5 million for approximately 2,100 eligible retirees.

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).

Description of the Funds

Board of Risk and Insurance Management

BRIM provides a property and liability insurance program for its member agencies. BRIM has general supervision and control over the insurance of all State property, including that of the institutions of higher education and the discretely presented component units. 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, 1,538 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 the risk of the first \$1 million per property event and purchases excess insurance on losses above that level. Excess coverage, through an outside insurer, under this program is limited to \$200 million per event, subject to limits on certain property. BRIM has a \$1 million per occurrence coverage maximum on all third-party liability claims. There have been no significant reductions in insurance coverage from the prior year. Additionally, the amount of settlements has not exceeded insurance coverage in the past three years.

In December 2001, the West Virginia Legislature passed House Bill 601 which authorized BRIM to provide medical malpractice and general liability coverage to private health care providers. This bill was created as a result of the medical malpractice insurance crisis created by private sector insurance companies not renewing insurance policies for health care providers on a national level, and in the State. BRIM's coverage is provided to health care providers in the State only if the providers attest that they have been unable to obtain coverage in the commercial market. The premiums quoted by BRIM must be at least as high as any insurer with at least 5% of the market in the State on file with the West Virginia Insurance Commissioner's Office. If there is no insurer with at least 5% of the market, then BRIM's rates are not subject to this provision. As of June 30, 2002, there are approximately 288 physicians and four hospitals participating in this program.

Public Employees' Insurance Agency

This agency 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 to be covered by PEIA. PEIA's general objectives are to provide a basic employee benefit insurance program which includes hospital, surgical, major medical, prescription drug, and basic life and accidental death and dismemberment for all participating employers and employees. Underwriting and rate setting policies are established by PEIA. The cost of all coverage, as determined by PEIA, shall be paid by the participants. Coverage under these programs is limited to \$1 million lifetime for health and \$210,000 of life insurance coverage. Premiums are established by PEIA at varying rates dependent upon, among other things, coverage required, number of dependents, State vs. non-State employees and active employee vs. retired employee. PEIA risk pool 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. The risks of the life insurance coverage have been transferred to a third-party insurer. PEIA presently charges equivalent premiums for participants in either the indemnity plan or the MCO plan. Altogether, PEIA insures approximately 219,000 individuals, including participants and dependents.

Workers' Compensation Fund

The Workers' Compensation Fund (WCF) is a division of the Bureau of Employment Programs, which is an agency of the State of West Virginia. West Virginia is one of five states operating an exclusive State-managed workers' compensation insurance fund, which means that private insurance companies cannot offer coverage to employers. In accordance with the Workers' Compensation Law (the Law), generally, every employer who has a payroll must have coverage except for employers in the agriculture industry with five or fewer employees, volunteer organizations, domestic workers and employers qualifying for territorial coverage. WCF's general objective is to provide a system of compensation for injury sustained in the course of, and growing out of, employment.

The Compensation Programs Performance Council (the Performance Council) oversees the unemployment compensation system and the workers' compensation system. Among the responsibilities of the Performance Council, as related to WCF, are: recommending legislation and establishing regulations designed to ensure the effective administration and financial viability of WCF; approving premium rates; analyzing opportunities for internal operational improvements; establishing and monitoring performance measurements; making recommendations to the Governor and the Legislature related to the second-injury fund, and establishing vocational standards to be utilized in the decisions on permanent total disability awards; and considering such other matters related to WCF as any member of the Performance Council desires.

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 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. 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):

| | <u>BRIM</u> | | <u>PEIA</u> | | <u>WCF</u> | |
|--|------------------|------------------|------------------|------------------|--------------------|--------------------|
| | <u>2002</u> | <u>2001</u> | <u>2002</u> | <u>2001</u> | <u>2002</u> | <u>2001</u> |
| Unpaid claims and claims adjustment expense liability, beginning of year | \$136,970 | \$131,505 | \$ 52,371 | \$ 41,967 | \$3,335,200 | \$3,324,200 |
| Incurred claims and claims adjustment expense: | | | | | | |
| Provision for insured events of the current fiscal year | 59,732 | 46,507 | 379,582 | 311,989 | 425,283 | 269,939 |
| Increase (Decrease) in provision for insured events of prior fiscal years | 8,998 | 3,133 | 6,918 | (3,012) | 323,138 | 167,605 |
| Amortization of discount | — | — | — | — | 340,483 | 199,054 |
| Total incurred claims and claims adjustment expense | <u>68,730</u> | <u>49,640</u> | <u>386,500</u> | <u>308,977</u> | <u>1,088,904</u> | <u>636,598</u> |
| Payments: | | | | | | |
| Claims and claims adjustment expense attributable to insured events of the current fiscal year | 11,077 | 8,547 | 327,451 | 262,116 | 85,097 | 90,078 |
| Claims and claims adjustment expense attributable to insured events of the prior fiscal year | <u>33,424</u> | <u>35,628</u> | <u>49,028</u> | <u>36,457</u> | <u>621,141</u> | <u>532,020</u> |
| Total payments | <u>44,501</u> | <u>44,175</u> | <u>376,479</u> | <u>298,573</u> | <u>706,238</u> | <u>622,098</u> |
| Change in provision for Disabled Workers' Relief Fund receivable | — | — | — | — | 2,300 | (3,500) |
| Total unpaid claims and claims adjustment expense liability, end of year | <u>\$161,199</u> | <u>\$136,970</u> | <u>\$ 62,392</u> | <u>\$ 52,371</u> | <u>\$3,720,166</u> | <u>\$3,335,200</u> |

Neither BRIM nor PEIA discount their estimated claims liability. At June 30, 2002, the total undiscounted claims liability for WCF approximated \$7.3 billion. Invested assets of WCF are not sufficient at current investment rates to retire the claims liability and WCF has a significant deficit. GASB standards provide that, if discounting is used, the pool should use a rate that is determined by giving consideration to such factors as the pool's expected settlement rate for those liabilities and its expected investment yield rate. Based on the expected investment yields on WCF's investment portfolio, the estimated liability for unpaid claims and claim adjustment expenses (claims liability) has been discounted using a rate of 6.5%. If discounting of the WCF claims liability were limited to anticipated investment income, the claims liability would have increased by approximately \$3.4 billion to a claims liability of approximately \$7.1 billion.

WCF management believes the estimated liability for unpaid claims and claims adjustment expenses is reasonable in the circumstances; however, considerable variability exists due to uncertainty as to whether the WCF incurred claims and claims adjustment expenses and future investment earnings will conform to the assumptions inherent in the determination of the estimated liability.

Fund Deficits

Billed premiums and investment earnings have not been sufficient to cover costs of coverage provided by WCF and BRIM. Because of this situation, the funds have the following deficits at June 30, 2002, (expressed in thousands):

| <u>Insurance Fund</u> | <u>Fund Deficit</u> |
|--|---------------------|
| Workers' Compensation Fund | \$2,445,500 |
| Board of Risk and Insurance Management | <u>37,934</u> |
| Total | <u>\$2,483,434</u> |

Deficit Funding Plans

Workers' Compensation

Due to a history of recurring losses and a significant accumulated deficit, WCF over the past eight years has implemented numerous initiatives, including significant legislative reform for collection of premiums and awarding of claims, premium rate increases and numerous administrative and operational improvements. WCF expects to continue to improve its business processes well into the future so that the WCF will function more efficiently and effectively and reduce the deficit.

WCF expects improvement in operating results so that the deficit will be reduced further and ultimately fully funded. WCF projections include numerous assumptions that must be continually evaluated and revised based upon future changes in experience, legislation, premiums, employment and operations. WCF is currently conducting settlements of claims liabilities and plans to aggressively pursue future settlement activity as well as other alternative deficit funding plans.

Board of Risk and Insurance Management

BRIM's deficiency was largely caused by adverse claim development in the general liability and medical malpractice lines of business. BRIM's continued existence is dependent on its ability to realize future premium increases and collections, State appropriations at least commensurate with the increase being experienced in claims development, and to attain satisfactory levels of future cash flows from operations. In response to this situation, BRIM is developing a financial stability plan conforming with statutory requirements, that is expected to include premium increases, enhancements to the risk management process, and increased appropriations from the State in future years. BRIM's management believes they will have sufficient liquid resources to meet obligations as they become due through June 30, 2003. However, the accompanying financial statements do not reflect any adjustments that might result from the outcome of this uncertainty should such plan fail to be adopted or not be successful.

Required Supplementary Information

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

Complete financial statements of the individual insurance enterprise funds can be obtained directly from their respective administrative offices.

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

Public Employees' Insurance Agency
Building 5, Room 1001
1900 Kanawha Boulevard, East
Charleston, West Virginia 25305

Workers' Compensation Fund
Bureau of Employment Programs
4700 MacCorkle Avenue, S.E.
Charleston, West Virginia 25304

NOTE 15

COMMITMENTS AND CONTINGENCIES

Environmental Protection Claims

The State maintains several environmental protection programs including a bonding program for coal operators for mine reclamation, an underground storage tank insurance fund, an abandoned oil and gas well bonding program, and a Landfill Closure Assistance Program (LCAP). Under such programs, the State charges various fees, premiums, 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. The bonding programs for operators of coal mines and oil and gas wells are maintained as primary insurance programs for substantially all such operators. The insurance fund for the operators of the underground storage tanks is available to operators who otherwise cannot obtain or afford such bonding. The LCAP program was established to provide assistance with closure costs to the landfill owners who do not have the financial viability to meet closure regulations.

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, as well as make administrative changes in its permitting regulations governing the industries and businesses benefiting from the State's maintenance of such environmental protection programs.

To date, the revenues generated, including the forfeited bonds, have been less than the State's estimate of its undiscounted claims liability for such programs, including the estimated cost of claims that have been incurred but not settled and claims that are considered probable. Management obtained further information and legal interpretation that has led it to conclude that an obligation of the State to conduct the necessary reclamation efforts required under these programs exists, even if funds are not available for such programs, and that accounting principles generally accepted in the United States require recognition of such obligation in the State's financial statements.

Accordingly, management has estimated the total cost of these reclamation efforts to approximate \$393 million at June 30, 2002. Because it is not practical to ascertain when such costs will be funded, no consideration has been given to discounting the obligation. At June 30, 2002, approximately \$36 million is available to pay current reclamation costs. Because it is not expected that the remaining estimated reclamation costs will be liquidated by expendable available financial resources, a \$357 million obligation is reported as a

noncurrent liability in the governmental activities on the statement of net assets. The nature of this liability requires the use of estimates and assumptions by management. Actual results could differ materially from management's estimates.

As part of the noncurrent liability, the State currently records a liability for Class I oil and gas wells which represent an immediate threat to the environment. Class II oil and gas wells, which represent a nonimmediate threat to the environment, are mandated to be plugged if resources become available. The plugging of Class III oil and gas wells may be deferred indefinitely. Due to financial resources not being available in the past, or any foreseen availability in the future, the probability of available resources ever being used to plug Class II or III wells is remote. In previous years, Class II wells were included in the reported long-term liability. The State has also made a distinction between orphaned and abandoned wells, since all wells that are abandoned may not be a liability to the State. The re-evaluation of this liability resulted in a decrease of the estimated liability approximating \$157 million, which is reflected as an adjustment to accrued and other liabilities in Note 2, Accounting Changes and Restatements.

The State also currently accrues for active water treatment sites under the special reclamation liability. The State's estimated liability for these water treatment sites assumes a 15-year treatment period until the sites are properly reclaimed. The actual length of water treatment and the actual ultimate liability could differ significantly from this estimate.

In September 2001, the Legislature increased the tax on clean mined coal from three cents to 14 cents per ton, to be reduced to seven cents per ton after no more than 39 months. However, the tax can only be reduced if the Special Reclamation Fund has sufficient funds to meet the State's reclamation responsibilities. In addition, the bonds required of operators have been increased. The Special Reclamation Fund plans to make expenditures for reclamation, including water treatment systems as funding becomes available. The Legislature further established a Special Reclamation Fund Advisory Council (the Council). The Council's role is to develop a financial plan that ensures long-term stability of the special reclamation program. The Legislature further requires actuarial studies of the fund's fiscal soundness every four years.

In addition, the State, through the Solid Waste Management Board (the Board), operated one landfill that was closed in 1993. The Board made an application through the Department of Environmental Protection for closure assistance from the LCAP. The Board's application was accepted by the LCAP and since then the LCAP has paid the landfill closure costs. The Board continues to pay for certain postclosure monitoring costs, estimated to be \$241,000 over the next 29 years, which are recorded as a postclosure care liability of the Board in the financial statements of the State's proprietary discretely presented component units. The remaining liabilities for postclosure assistance under the LCAP are estimated at \$1.3 million.

Other Contingencies

In addition to the \$357 million in environmental protection claims, the State has recorded an obligation in the amount of \$39 million for the payment of other contingencies. Such other contingencies include, but are not limited to, claims assessed against the State for property damage and personal injury, alleged torts, alleged breaches of contract, and other alleged violations of state and federal laws and regulations. These claims are based on management's evaluation of the nature of such claims and consideration of historical loss experience for the respective types of action. Certain other claims may be covered by the State's insurance carrier under its general liability or medical malpractice coverage.

In an action brought by the United States of America versus the State, the United States prevailed on its preemption claim concerning the State's imposition of a health care provider tax related to federal employees. The case is currently in appeal with the Fourth Circuit Court of Appeals. Exposure is hard to quantify at this time, but it is reasonably possible that health care providers may seek a broad interpretation of the decision, which may allow health care providers to obtain refunds. The State intends to vigorously contest the claims; however, the potential exposure should the State be unsuccessful is estimated by management to be in the range of \$0 to \$16 million.

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

Federal Grants

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 and probable of settlement with available expendable financial resources. 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. Any obligations that may arise from cost disallowance or sanctions as a result of those audits are not expected to be material to the financial statements of the State or its component units.

Arbitrage Rebates

The Internal Revenue Code of 1986 (the Code) 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 sufficient amounts for their future payment.

Construction and Other Commitments

| | <u>Amount Committed</u> | <u>Commitment</u> |
|---|-----------------------------|--|
| Governmental Funds: | | |
| Transportation | \$507,817 | Construction |
| School Building Authority | 66,138 | Acquisition, construction and maintenance grants to county school boards |
| Enterprise Funds: | | |
| Water Pollution | 12,517 | Committed for loans |
| Drinking Water Treatment Fund | 12,103 | Lending consistent with Safe Drinking Water Act |
| Discretely Presented Component Units: | | |
| Economic Development Authority | 43,200 | Committed for loans |
| Parkway, Economic Development, and Tourism Authority | 23,100 | Turnpike improvements |
| Regional Jail Authority | 28,582 | Construction |

Workers' Compensation has an unsecured contingent liability for self-insurers who have not defaulted as of June 30, 2002. It is not possible to estimate the likelihood of future self-insurer defaults; therefore, there has been no provision for future self-insurer defaults in the estimated liabilities for unpaid claims and claims adjustment expenses.

West Virginia University has signed an agreement providing for the purchase of steam for a remaining period of 31 years. Under the agreement, West Virginia University has an annual minimum steam purchase requirement, purchased at an operating rate calculated in accordance with the agreement. The total payments for steam purchased under the agreement were approximately \$7.1 million in 2002. 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 and enrolling in a college or university in West Virginia. The program will pay for tuition and books and has \$5.5 million at June 30, 2002, to fund the program obligations.

NOTE 16

SUBSEQUENT EVENTS

On July 1, 2002, the Housing Development Fund redeemed its New Multi-Unit Bonds in advance of their scheduled maturities at a par amount of \$2,115,000, due to the prepayment of a multifamily mortgage loan. On July 17, 2002, the fund fully redeemed the \$17,845,000 Housing Finance Bonds 1992 Series at 103% and the \$57,235,000 Housing Finance Bonds 1992 Series C and D at 102%. On August 1, 2002, the fund redeemed various Housing Finance Bonds in advance of the scheduled maturities at par amount of \$5,580,000. Losses related to the early redemptions were not material.

On July 9, 2002, the Housing Development Fund's Board of Directors approved management's request to open a \$15,000,000 line of credit with the Federal Home Loan Bank of Pittsburgh as an interim method of funding single family loan purchases prior to the issuance of bonds. The line of credit will be secured by investments of the Fund.

The Housing Development Fund has approval from its Board of Directors to issue \$50,000,000 additional single family bonds under a Plan of Finance that was adopted in March 2002. The Fund expects to issue at least part of these bonds by October 2002.

On July 10, 2002, the School Building Authority issued \$32,370,000 of Capital Improvement Refunding Revenue Bonds to refund previously issued bonds. This advance refunding resulted in an economic gain of \$3,101,970.

The Water Pollution Control Revolving Fund applied for additional funding from the EPA under the Clean Water Act in the amount of \$20,782,080 and respective matching funds from the State of West Virginia of \$4,156,416.

On August 1, 2002, West Virginia State College issued Student Union Revenue Bonds 2002 Series A, of serial and term bonds in the amount of \$5.5 million. The bonds mature in intervals through June 2022 and bear interest ranging from 2.0% to 6.2%.

On August 28, 2002, Fairmont State College sold \$9.3 million and \$18.7 million of revenue bonds which bear interest rates from 3.3% to 5.09% and mature commencing in 2003 through 2032.

On January 22, 2003, Shepherd College issued the Shepherd College Board of Governors' Student Fee Revenue Bonds Series 2003 for \$5,990,000. The interest rate is 5.08% and the bonds mature in 2033.

West Virginia University has signed an agreement providing for the purchase of steam for a remaining period of 31 years. Under the agreement, West Virginia University has an annual minimum steam purchase requirement, purchased at an operating rate calculated in accordance with the agreement. The total payments for steam purchased under the agreement were approximately \$7,100,000 in 2002. Payments in future years will be dependent on actual operating costs and other cost indices in those years.

On November 13, 2002, the Economic Development Authority issued \$28.5 million in lease revenue bonds to finance the acquisition and construction of a government office building. The interest rates on the bonds range from 2.6% to 5.5% and mature through 2029.



Required Supplementary Information (RSI)

Budgetary
Comparison
Schedule

Notes to RSI

Budget-to-GAAP
Reconciliation

West Virginia

Required Supplementary Information

Budgetary Comparison Schedule For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands)

| | General Revenue Fund | | | Variance With Final Budget |
|---|----------------------|------------------|-------------------|----------------------------------|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| Taxes: | | | | |
| Personal Income | \$1,049,000 | \$1,049,000 | \$1,034,665 | \$(14,335) |
| Consumer Sales | 878,200 | 878,200 | 885,943 | 7,743 |
| Severance | 153,700 | 153,700 | 166,513 | 12,813 |
| Corporate Net Income | 114,500 | 114,500 | 87,316 | (27,184) |
| Business and Occupation | 174,800 | 174,800 | 173,712 | (1,088) |
| Business Franchise | 97,000 | 97,000 | 132,842 | 35,842 |
| Highway Litter Control | — | — | — | — |
| Gasoline and Motor Carrier | — | — | — | — |
| Wholesale Motor Fuel | — | — | — | — |
| Automobile Privilege | — | — | — | — |
| Other | 222,200 | 231,600 | 235,252 | 3,652 |
| Excess Lottery Transfer | 49,000 | 49,000 | 49,000 | — |
| Intergovernmental | — | — | — | — |
| Licenses, Permits and Fees | 12,200 | 12,200 | 12,784 | 584 |
| Departmental Collections | 12,200 | 12,200 | 9,518 | (2,682) |
| Investment Earnings | 23,000 | 23,000 | 21,708 | (1,292) |
| Other | <u>14,300</u> | <u>14,300</u> | <u>14,864</u> | <u>564</u> |
| Total Revenues | <u>2,800,100</u> | <u>2,809,500</u> | <u>2,824,117</u> | <u>14,617</u> |
| Expenditures: | | | | |
| Legislative | 22,618 | 22,618 | 18,963 | 3,655 |
| Judicial | 73,063 | 73,063 | 66,011 | 7,052 |
| Executive | 49,857 | 52,026 | 44,184 | 7,842 |
| Administration | 43,340 | 48,022 | 45,593 | 2,429 |
| Commerce | 60,606 | 64,322 | 45,546 | 18,776 |
| Environment | 9,188 | 9,188 | 9,182 | 6 |
| Employment Programs | — | — | — | — |
| Education | 1,859,946 | 1,859,946 | 1,854,209 | 5,737 |
| Health and Human Resources | 449,579 | 450,579 | 444,521 | 6,058 |
| Military Affairs and Public Safety | 197,756 | 198,574 | 182,928 | 15,646 |
| Tax and Revenue | 22,596 | 22,596 | 21,053 | 1,543 |
| Transportation | 7,495 | 7,495 | 4,313 | 3,182 |
| Senior Services | 862 | 862 | 862 | — |
| Miscellaneous Boards and Commissions | — | — | — | — |
| Total Expenditures | <u>2,796,906</u> | <u>2,809,291</u> | <u>2,737,365</u> | <u>71,926</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year | 3,194 | 209 | 86,752 | 86,543 |
| Expenditures from Prior Year Appropriations | <u>164,522</u> | <u>164,522</u> | <u>81,105</u> | <u>83,417</u> |
| Total Excess (Deficiency) of Revenues Over (Under) Expenditures | (161,328) | (164,313) | 5,647 | 169,960 |
| Budgetary Fund Balance, Beginning of Year, as Adjusted | <u>164,799</u> | <u>164,799</u> | <u>164,799</u> | <u>—</u> |
| Budgetary Fund Balance, End of Year | <u>\$ 3,471</u> | <u>\$ 486</u> | <u>\$ 170,446</u> | <u>\$169,960</u> |

West Virginia

Required Supplementary Information

Budgetary Comparison Schedule For the Fiscal Year Ended June 30, 2002 (Expressed in Thousands) (Continued)

| | Special Revenue | | | Variance With Final Budget |
|--|--------------------------|--------------------------|-------------------------|----------------------------------|
| | Original Budget | Final Budget | Actual | |
| Revenues: | | | | |
| Taxes: | | | | |
| Personal Income | \$ — | \$ — | \$ — | \$ — |
| Consumer Sales | — | — | — | — |
| Severance | — | — | — | — |
| Corporate Net Income | — | — | — | — |
| Business and Occupation | — | — | — | — |
| Business Franchise | — | — | — | — |
| Highway Litter Control | — | — | — | — |
| Gasoline and Motor Carrier | — | — | — | — |
| Wholesale Motor Fuel | — | — | — | — |
| Automobile Privilege | — | — | — | — |
| Other | — | — | — | — |
| Excess Lottery Transfer | — | — | — | — |
| Intergovernmental | — | — | — | — |
| Licenses, Permits and Fees | 781,972 | 1,104,018 | 746,118 | (357,900) |
| Departmental Collections | — | — | — | — |
| Investment Earnings | — | — | — | — |
| Other | — | — | — | — |
| Total Revenues | <u>781,972</u> | <u>1,104,018</u> | <u>746,118</u> | <u>(357,900)</u> |
| Expenditures: | | | | |
| Legislative | 1,855 | 1,855 | 20 | 1,835 |
| Judicial | — | — | — | — |
| Executive | 14,889 | 17,410 | 13,840 | 3,570 |
| Administration | 67,431 | 68,954 | 66,760 | 2,194 |
| Commerce | 77,558 | 78,018 | 44,202 | 33,816 |
| Environment | 32,881 | 51,016 | 23,655 | 27,361 |
| Employment Programs | 63,295 | 63,295 | 48,128 | 15,167 |
| Education | 222,974 | 264,139 | 152,387 | 111,752 |
| Health and Human Resources | 325,136 | 325,444 | 302,249 | 23,195 |
| Military Affairs and Public Safety | 18,709 | 18,709 | 15,350 | 3,359 |
| Tax and Revenue | 68,583 | 68,925 | 40,411 | 28,514 |
| Transportation | 5,804 | 5,804 | 2,519 | 3,285 |
| Senior Services | 38,271 | 38,361 | 35,411 | 2,950 |
| Miscellaneous Boards and Commissions | 19,182 | 19,247 | 16,737 | 2,510 |
| Total Expenditures | <u>956,568</u> | <u>1,021,177</u> | <u>761,669</u> | <u>259,508</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year | (174,596) | 82,841 | (15,551) | (98,392) |
| Expenditures from Prior Year Appropriations | 101,071 | 101,071 | 48,662 | 52,409 |
| Total Excess (Deficiency) of Revenues Over (Under) Expenditures | (275,667) | (18,230) | (64,213) | (45,983) |
| Budgetary Fund Balance, Beginning of Year, as Adjusted | 914,919 | 914,919 | 914,919 | — |
| Budgetary Fund Balance, End of Year | <u>\$ 639,252</u> | <u>\$ 896,689</u> | <u>\$850,706</u> | <u>\$ (45,983)</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 Department of Administration (Administration) by September 1. Administration conducts budget hearings and reviews revenue estimates for recommendation and preparation of the proposed budget. The Governor presents the proposed budget to the State Legislature in January. Included in that budget proposal is the Governor's official revenue estimate for the upcoming fiscal year. To maintain a balanced budget, the Legislature can appropriate expenditures only to the level of the Governor's official revenue estimate and prior year fund balance.

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

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

Throughout the year, in the event of a budget surplus, supplemental appropriation requests may be made on a special session basis to the Legislature. Appropriations from General Revenue were increased by \$12.4 million for supplemental appropriations, and approximately \$59.8 million for surplus appropriation. Appropriated Special Revenue and Federal Funds were increased by total supplemental appropriations of \$83.8 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.

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

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

Budgetary Control

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

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

Administration 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, Administration 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.

Administration 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.

2002 Budgetary Reporting

The State's budgetary General Revenue Fund surplus for the year ended June 30, 2002, is calculated as follows (expressed in thousands):

| | |
|--|-----------------|
| Preliminary General Revenue Fund current year excess of revenues over expenditures as reflected on Budgetary Comparison Schedule | \$ 86,752 |
| less accounts reappropriated for spending in FY 2003 | <u>(67,008)</u> |
| Accumulated surplus | 19,744 |
| Less amount to be transferred to Revenue Shortfall Reserve Fund | <u>(9,872)</u> |
| General Revenue Fund FY 2002 surplus available for appropriation in FY 2003 | <u>\$ 9,872</u> |

In August 2002 after the close of the fiscal year, \$9,872,000 from the State's General Revenue Fund surplus for the year was transferred to the Reserve Fund, which represents the statutory requirement to transfer 50% of the budgetary surplus at the end of the fiscal year.

The State's budgetary General Revenue Fund, Federal Fund, Road Fund, and Appropriated Special Revenue Fund balances at July 1, 2001, have been restated as follows (expressed in thousands):

General Revenue Fund:

| | |
|---------------------------------|------------------|
| Beginning Fund Balance | \$136,197 |
| Prior Year Refunds | 252 |
| Transfer from Expired Funds | 44,105 |
| Less Transfer to Rainy Day Fund | <u>(15,755)</u> |
| Adjusted Beginning Fund Balance | <u>\$164,799</u> |

Appropriated Special Revenue Fund:

| | |
|--|------------------|
| Beginning Fund Balance | \$914,330 |
| Adjustment to Include Other Appropriated Special Revenue | <u>589</u> |
| Adjusted Beginning Fund Balance | <u>\$914,919</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, 2002, 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

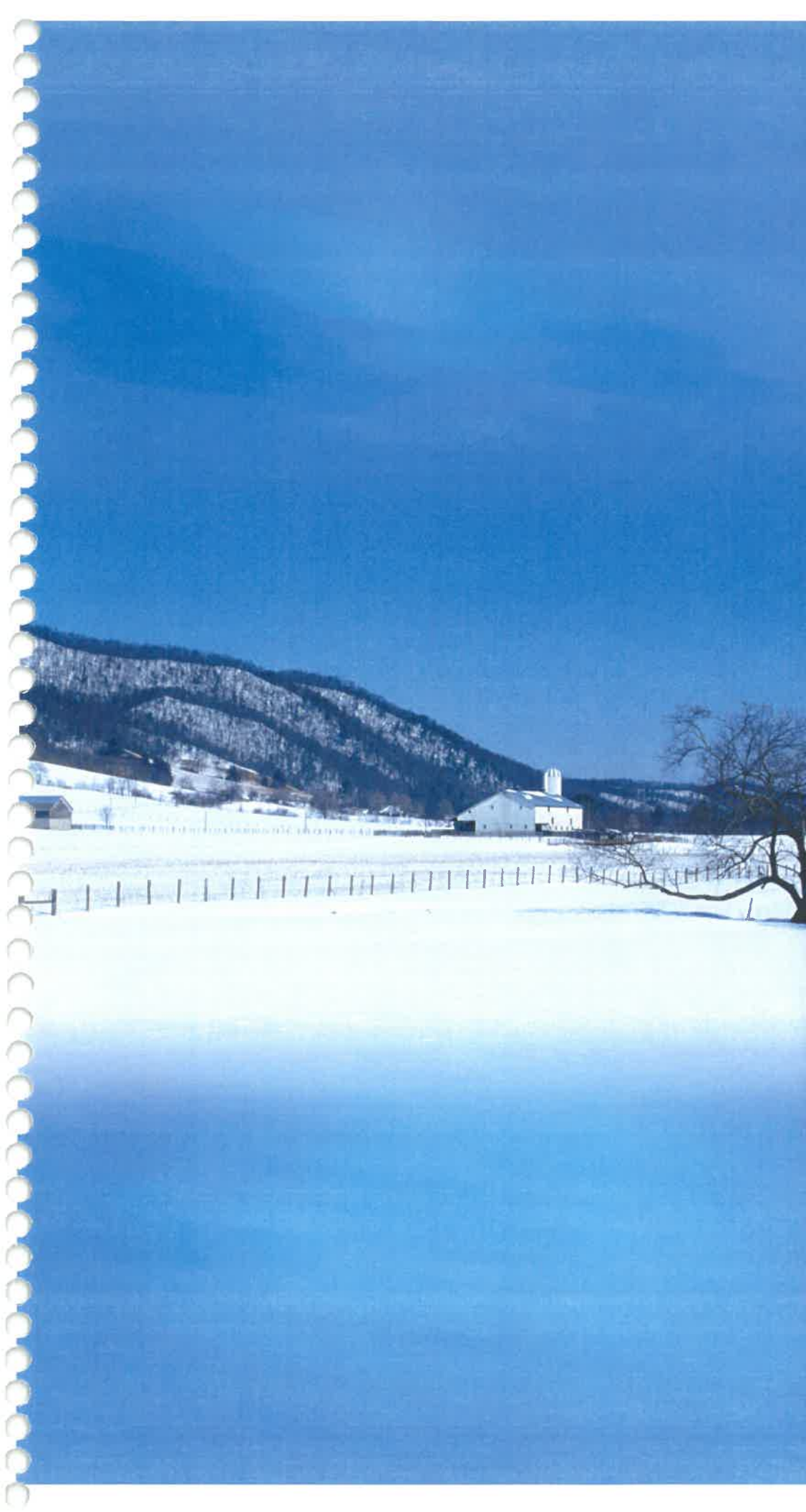
Budget-to-GAAP Reconciliation

Fiscal Year Ended June 30, 2002

(Expressed in Thousands)

| | General Revenue Fund | Federal Fund | Road Fund | Appropriated Special Revenue Fund |
|--|----------------------------|-----------------|--------------------|--|
| SOURCES/INFLOWS OF RESOURCES | | | | |
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule | \$2,824,117 | \$ 2,227,880 | \$ 960,272 | \$746,118 |
| Differences - Budget to GAAP: | | | | |
| Intrafund transactions not included in GAAP revenues | (2,516,353) | — | — | — |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes | (248,111) | — | (20,676) | — |
| Other Basis of Accounting Difference | 141,842 | — | 1,479 | — |
| Reclassifications: | | | | |
| Nonappropriated budgetary Special Revenue and Other Funds expired into the budgetary General Revenue Fund | 44,357 | — | — | — |
| Nonappropriated Budgetary Fund's revenue included as revenue/transfers in the GAAP General, Transportation, West Virginia Infrastructure, and Other Funds | 2,769,445 | — | 48,763 | — |
| Budgetary general revenue funds transferred to GAAP General, Transportation, West Virginia Infrastructure, and Other Funds | — | — | 2,932 | — |
| Budgetary special revenue funds transferred to GAAP General, Transportation, West Virginia Infrastructure, and Other Funds | 495,665 | — | 6,355 | (746,118) |
| Budgetary federal funds transferred to GAAP General, Transportation, West Virginia Infrastructure, and Other Funds | 2,134,206 | (2,227,880) | 9,222 | — |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds | <u>\$5,645,168</u> | <u>\$ —</u> | <u>\$1,008,347</u> | <u>\$ —</u> |
| USES/OUTFLOWS OF RESOURCES | | | | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$2,818,470 | \$ 2,225,035 | \$ 951,115 | \$810,331 |
| Differences - Budget to GAAP: | | | | |
| Intrafund transactions not included in GAAP expenditures | (2,516,353) | — | — | — |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | (582,282) | — | (35,859) | — |
| Other Basis of Accounting Difference | 133,192 | — | (47,711) | — |
| Reclassifications: | | | | |
| Nonappropriated Budgetary Fund's expenditures/transfers out included as expense in the GAAP General, Transportation, West Virginia Infrastructure, and Other Funds | 2,798,249 | — | 103,784 | — |
| Budgetary general revenue funds transferred to GAAP General, Transportation, West Virginia Infrastructure, and Other Funds | — | — | 2,932 | — |
| Budgetary special revenue funds transferred to GAAP General, Transportation, West Virginia Infrastructure, and Other Funds | 489,118 | — | 2,519 | (810,331) |
| Budgetary federal funds transferred to GAAP General, Transportation, West Virginia Infrastructure, and Other Funds | 2,131,329 | (2,225,035) | 9,184 | — |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds | <u>\$5,271,723</u> | <u>\$ —</u> | <u>\$ 985,964</u> | <u>\$ —</u> |





Combining Financial Statements and Schedules

Nonmajor Funds
Governmental
Proprietary
Fiduciary

Component Units

GOVERNMENTAL FUND TYPES - NONMAJOR

Special Revenue:

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

Debt Service:

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

Capital Projects:

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

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

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.

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

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

Permanent Funds:

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

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

West Virginia Tobacco Settlement Medical Trust Fund The Fund, established in the West Virginia State Code 4-11A-2, receives fifty percent of the State's tobacco settlement receipts as a participant in the national master tobacco settlement agreement. The settlement moneys received are placed in investments and may not be expended for any purpose. The earnings received on these investments may be expended upon appropriation of the Legislature for support of the Public Employees' Insurance Agency, expansion of the State's Medicaid program, or funding of the State's owned or operated health facilities.

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2002
(Expressed in Thousands)**

| | | | <u>Capital Projects</u> | |
|---|----------------------------|-------------------------|-------------------------|--|
| | <u>Special Revenue</u> | <u>Debt Service</u> | <u>State Road</u> | <u>School Building Authority</u> |
| Assets: | | | | |
| Cash and Cash Equivalents | \$104,625 | \$ 68,637 | \$89,762 | \$ 36,916 |
| Investments | 22,492 | 22,981 | — | 64,989 |
| Receivables, Net | 6,783 | 805 | 1,280 | — |
| Due from Other Governments | 2,065 | — | — | — |
| Due from Other Funds | 179 | 1,000 | — | — |
| Inventories | 229 | — | — | — |
| Other Assets | 4 | — | — | — |
| Restricted Assets: | | | | |
| Cash | <u>557</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total Assets | <u>\$136,934</u> | <u>\$93,423</u> | <u>\$91,042</u> | <u>\$101,905</u> |
| Liabilities: | | | | |
| Accounts Payable | \$ 6,355 | \$ — | \$ 7,288 | \$ 7,693 |
| Accrued and Other Liabilities | 37,277 | — | — | — |
| Due to Other Governments | 3,026 | — | — | — |
| Due to Other Funds | 903 | — | 71 | 28 |
| Due to Component Units | <u>25</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total Liabilities | <u>47,586</u> | <u>—</u> | <u>7,359</u> | <u>7,721</u> |
| Fund Balances: | | | | |
| Reserved for: | | | | |
| Inventories | 229 | — | — | — |
| Fund Activities | 26,859 | — | — | — |
| Capital Projects | — | — | 83,683 | 94,184 |
| Debt Service | — | 93,423 | — | — |
| Permanent Funds | — | — | — | — |
| Unrestricted | <u>62,260</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total Fund Balance | <u>89,348</u> | <u>93,423</u> | <u>83,683</u> | <u>94,184</u> |
| Total Liabilities and Fund Balance | <u>\$136,934</u> | <u>\$93,423</u> | <u>\$91,042</u> | <u>\$101,905</u> |

| <u>Capital Projects</u> | | <u>Permanent Funds</u> | | |
|--|-------------------------------|---------------------------|--|------------------|
| <u>Education, Arts, Sciences, and Tourism Fund</u> | <u>Lease Purchase Account</u> | <u>Irreducible School</u> | <u>Tobacco Settlement Medical Trust Fund</u> | <u>Total</u> |
| \$ 408 | \$23,600 | \$1,451 | \$ — | \$325,399 |
| — | — | — | 99,671 | 210,133 |
| — | 30 | 2 | — | 8,900 |
| — | — | — | — | 2,065 |
| — | — | — | — | 1,179 |
| — | — | — | — | 229 |
| — | — | — | — | 4 |
| — | — | — | — | 557 |
| <u>\$ 408</u> | <u>\$23,630</u> | <u>\$1,453</u> | <u>\$99,671</u> | <u>\$548,466</u> |
| \$ 223 | \$ — | \$ — | \$ — | \$ 21,559 |
| — | — | — | — | 37,277 |
| — | — | — | — | 3,026 |
| — | — | — | — | 1,002 |
| — | — | — | — | 25 |
| <u>223</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>62,889</u> |
| — | — | — | — | 229 |
| — | — | — | — | 26,859 |
| 185 | 23,630 | — | — | 201,682 |
| — | — | — | — | 93,423 |
| — | — | 1,453 | 99,671 | 101,124 |
| — | — | — | — | 62,260 |
| <u>185</u> | <u>23,630</u> | <u>1,453</u> | <u>99,671</u> | <u>485,577</u> |
| <u>\$ 408</u> | <u>\$ 23,630</u> | <u>\$1,453</u> | <u>\$99,671</u> | <u>\$548,466</u> |

West Virginia

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)**

| | <u>Capital Projects</u> | | | |
|--|----------------------------|-------------------------|-----------------------|--|
| | <u>Special Revenue</u> | <u>Debt Service</u> | <u>State Road</u> | <u>School Building Authority</u> |
| Revenues: | | | | |
| Taxes: | | | | |
| Other | \$ 3,948 | \$ — | \$ — | \$ — |
| Intergovernmental | 118,714 | — | 14,469 | 307 |
| Licenses, Permits, and Fees | 69,302 | — | — | — |
| Charges for Services | 193 | — | — | — |
| Investment Earnings | 2,027 | 3,194 | 5,422 | 4,966 |
| Other | <u>3,943</u> | <u>124</u> | <u>—</u> | <u>—</u> |
| Total Revenues | <u>198,127</u> | <u>3,318</u> | <u>19,891</u> | <u>5,273</u> |
| Expenditures: | | | | |
| Legislative | 1,278 | — | — | — |
| Executive | 75 | — | — | — |
| Environmental Protection | 100,656 | — | — | — |
| Employment Programs | 49,146 | — | — | — |
| Education | 853 | — | — | — |
| Military Affairs and Public Safety | 3,239 | — | — | — |
| Tax and Revenue | 354 | — | — | — |
| Miscellaneous Boards and Commissions | 22,418 | — | — | — |
| Capital Outlay | — | — | 93,462 | 61,411 |
| Debt Service | <u>—</u> | <u>111,899</u> | <u>—</u> | <u>—</u> |
| Total Expenditures | <u>178,019</u> | <u>111,899</u> | <u>93,462</u> | <u>61,411</u> |
| Excess of Revenues Over (Under) Expenditures | <u>20,108</u> | <u>(108,581)</u> | <u>(73,571)</u> | <u>(56,138)</u> |
| Other Financing Sources (Uses): | | | | |
| Long-Term Debt Issued | — | — | 110,000 | — |
| Premiums on Bonds Issued | — | — | 4,172 | — |
| Capital Lease Acquisition | — | — | — | — |
| Transfers In | 5,319 | 123,595 | — | 50,319 |
| Transfers Out | <u>(25,244)</u> | <u>(8,645)</u> | <u>—</u> | <u>—</u> |
| Total Other Financing Sources (Uses) | <u>(19,925)</u> | <u>114,950</u> | <u>114,172</u> | <u>50,319</u> |
| Revenues and Other Sources Over (Under) Expenditures and Other Uses | 183 | 6,369 | 40,601 | (5,819) |
| Fund Balances, Beginning of Year, as Adjusted | <u>89,165</u> | <u>87,054</u> | <u>43,082</u> | <u>100,003</u> |
| Fund Balances, End of Year | <u>\$ 89,348</u> | <u>\$ 93,423</u> | <u>\$ 83,683</u> | <u>\$94,184</u> |

| <u>Capital Projects</u> | | <u>Permanent Funds</u> | | |
|--|-------------------------------|---------------------------|--|-------------------|
| <u>Education, Arts, Sciences, and Tourism Fund</u> | <u>Lease Purchase Account</u> | <u>Irreducible School</u> | <u>Tobacco Settlement Medical Trust Fund</u> | <u>Total</u> |
| \$ — | \$ — | \$ — | \$ — | \$ 3,948 |
| — | — | — | — | 133,490 |
| — | — | — | — | 69,302 |
| — | — | 2 | — | 195 |
| 16 | 181 | 38 | (357) | 15,487 |
| — | — | 404 | 32,430 | 36,901 |
| <u>16</u> | <u>181</u> | <u>444</u> | <u>32,073</u> | <u>259,323</u> |
| — | — | — | — | 1,278 |
| — | — | — | — | 75 |
| — | — | — | — | 100,656 |
| — | — | — | — | 49,146 |
| — | — | — | — | 853 |
| — | — | — | — | 3,239 |
| — | — | — | — | 354 |
| — | — | — | — | 22,418 |
| 802 | 142,756 | — | — | 298,431 |
| — | — | — | — | <u>111,899</u> |
| <u>802</u> | <u>142,756</u> | — | — | <u>588,349</u> |
| (786) | (142,575) | 444 | 32,073 | (329,026) |
| — | — | — | — | 110,000 |
| — | — | — | — | 4,172 |
| — | 168,742 | — | — | 168,742 |
| — | 4 | 4 | — | 179,241 |
| (20) | (2,541) | (545) | — | (36,995) |
| (20) | 166,205 | (541) | — | 425,160 |
| (806) | 23,630 | (97) | 32,073 | 96,134 |
| 991 | — | 1,550 | 67,598 | 389,443 |
| <u>\$ 185</u> | <u>\$ 23,630</u> | <u>\$1,453</u> | <u>\$99,671</u> | <u>\$ 485,577</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.

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.

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

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

Insurance Commission Examiners The Fund is responsible for examining the financial condition and business methods of domestic, foreign, and alien insurers to ascertain whether they have complied with all laws and regulations of the State. Additionally, the Fund is authorized to promulgate and adopt such rules and regulations relating to insurance as are deemed necessary to protect and safeguard the interests of policyholders and the public.

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

Bureau of Employment Programs The Bureau includes the Employment Service Division (ES), the Governor's Workforce Investment Office (GWIO), and the administrative activities of the Unemployment Compensation Division (UC). The ES operates local offices throughout the State to serve those seeking and providing employment. The GWIO administers the Workforce Investment Act to coordinate the development of a one-stop delivery system which would include a large number of federally funded programs to provide services for the ES, GWIO, and UC. The UC provides temporary income as partial compensation to unemployed workers from moneys collected under provisions of the Federal Unemployment Tax Act.

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 and principal of this fund shall be used only for the purpose of supporting wildlife conservation programs of the State.

Children's Fund The Fund is for the sole purpose of awarding grants, loans, and loan guaranties for child abuse and neglect prevention activities.

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2002
(Expressed in Thousands)**

| | Environmental Protection | School Building Authority | Public Service Commission |
|---|-------------------------------------|--|--|
| Assets: | | | |
| Cash and Cash Equivalents | \$81,807 | \$74 | \$9,817 |
| Investments | — | — | — |
| Receivables, Net | 4,665 | — | — |
| Due from Other Governments | 2,065 | — | — |
| Due from Other Funds | 169 | — | — |
| Inventories | — | — | — |
| Other Assets | — | 4 | — |
| Restricted Assets: | | | |
| Cash | <u>557</u> | — | — |
| Total Assets | <u>\$89,263</u> | <u>\$78</u> | <u>\$9,817</u> |
| Liabilities: | | | |
| Accounts Payable | \$ 4,247 | \$11 | \$1,530 |
| Accrued and Other Liabilities | 36,715 | — | — |
| Due to Other Governments | — | — | 2,495 |
| Due to Other Funds | 540 | 3 | 56 |
| Due to Component Units | <u>25</u> | — | — |
| Total Liabilities | <u>41,527</u> | <u>14</u> | <u>4,081</u> |
| Fund Balances: | | | |
| Reserved for Inventories | — | — | — |
| Reserved for Fund Activities | 3,944 | — | — |
| Unreserved | <u>43,792</u> | <u>64</u> | <u>5,736</u> |
| Total Fund Balance | <u>47,736</u> | <u>64</u> | <u>5,736</u> |
| Total Liabilities and Fund Balance | <u>\$89,263</u> | <u>\$78</u> | <u>\$9,817</u> |

| Crime Victims' Compensation | Insurance Commission Examiners | Armory Board | Bureau of Employment Programs | Wildlife Resources | Children's Fund | Total |
|--|---|-------------------------|--|-------------------------------|----------------------------|------------------|
| \$6,176 | \$2,135 | \$2,388 | \$1,219 | \$ 2 | \$1,007 | \$104,625 |
| — | — | — | — | 22,492 | — | 22,492 |
| 44 | — | 3 | 2,069 | — | 2 | 6,783 |
| — | — | — | — | — | — | 2,065 |
| — | 3 | 7 | — | — | — | 179 |
| — | — | — | 229 | — | — | 229 |
| — | — | — | — | — | — | 4 |
| — | — | — | — | — | — | 557 |
| <u>\$6,220</u> | <u>\$2,138</u> | <u>\$2,398</u> | <u>\$3,517</u> | <u>\$22,494</u> | <u>\$1,009</u> | <u>\$136,934</u> |
| \$ — | \$ 92 | \$ 52 | \$ 414 | \$ — | \$ 9 | \$ 6,355 |
| — | — | — | 562 | — | — | 37,277 |
| — | — | — | 531 | — | — | 3,026 |
| — | 3 | 13 | 288 | — | — | 903 |
| — | — | — | — | — | — | 25 |
| — | 95 | 65 | 1,795 | — | 9 | 47,586 |
| — | — | — | 229 | — | — | 229 |
| — | — | — | 896 | 22,019 | — | 26,859 |
| 6,220 | 2,043 | 2,333 | 597 | 475 | 1,000 | 62,260 |
| <u>6,220</u> | <u>2,043</u> | <u>2,333</u> | <u>1,722</u> | <u>22,494</u> | <u>1,000</u> | <u>89,348</u> |
| <u>\$6,220</u> | <u>\$2,138</u> | <u>\$2,398</u> | <u>\$3,517</u> | <u>\$22,494</u> | <u>\$1,009</u> | <u>\$136,934</u> |

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)**

| | Environmental Protection | School Building Authority | Public Service Commission |
|---|-------------------------------------|--|--|
| Revenues: | | | |
| Taxes: | | | |
| Other | \$ 3,948 | \$ — | \$ — |
| Intergovernmental | 67,671 | — | 1,312 |
| Licenses, Permits, and Fees | 42,200 | — | 23,754 |
| Charges for Services | 183 | — | — |
| Investment Earnings and Losses | 1,627 | — | — |
| Other | <u>3,887</u> | <u>—</u> | <u>—</u> |
| Total Revenues | <u>119,516</u> | <u>—</u> | <u>25,066</u> |
| Expenditures: | | | |
| Legislature | — | — | — |
| Executive | — | — | — |
| Environmental Protection | 100,656 | — | — |
| Employment Programs | — | — | — |
| Education | — | 853 | — |
| Military Affairs and Public Safety | — | — | — |
| Tax and Revenue | — | — | — |
| Miscellaneous Boards and Commissions | — | — | <u>22,418</u> |
| Total Expenditures | <u>100,656</u> | <u>853</u> | <u>22,418</u> |
| Excess of Revenues Over (Under) Expenditures | <u>18,860</u> | <u>(853)</u> | <u>2,648</u> |
| Other Financing Sources (Uses): | | | |
| Transfers In | 1,234 | 800 | — |
| Transfers Out | <u>(24,387)</u> | <u>—</u> | <u>(841)</u> |
| Total Other Financing Sources (Uses) | <u>(23,153)</u> | <u>800</u> | <u>(841)</u> |
| Net Change in Fund Balance | (4,293) | (53) | 1,807 |
| Fund Balances, Beginning of Year, as Adjusted | <u>52,029</u> | <u>117</u> | <u>3,929</u> |
| Fund Balances, End of Year | <u>\$ 47,736</u> | <u>\$ 64</u> | <u>\$ 5,736</u> |

| <u>Crime Victims' Compensation</u> | <u>Insurance Commission Examiners</u> | <u>Armory Board</u> | <u>Bureau of Employment Programs</u> | <u>Wildlife Resources</u> | <u>Children's Fund</u> | <u>Total</u> |
|--|---|-------------------------|--|-------------------------------|----------------------------|------------------|
| \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 3,948 |
| — | — | — | 49,731 | — | — | 118,714 |
| 1,956 | 887 | — | — | 505 | — | 69,302 |
| — | 3 | 7 | — | — | — | 193 |
| 347 | — | 55 | — | (31) | 29 | 2,027 |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>1</u> | <u>55</u> | <u>3,943</u> |
| <u>2,303</u> | <u>890</u> | <u>62</u> | <u>49,731</u> | <u>475</u> | <u>84</u> | <u>198,127</u> |
| 1,278 | — | — | — | — | — | 1,278 |
| — | — | — | — | — | 75 | 75 |
| — | — | — | — | — | — | 100,656 |
| — | — | — | 49,146 | — | — | 49,146 |
| — | — | — | — | — | — | 853 |
| — | — | 3,239 | — | — | — | 3,239 |
| — | 354 | — | — | — | — | 354 |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>22,418</u> |
| <u>1,278</u> | <u>354</u> | <u>3,239</u> | <u>49,146</u> | <u>—</u> | <u>75</u> | <u>178,019</u> |
| 1,025 | 536 | (3,177) | 585 | 475 | 9 | 20,108 |
| — | — | 3,285 | — | — | — | 5,319 |
| (2) | (2) | (12) | — | — | — | (25,244) |
| (2) | (2) | 3,273 | — | — | — | (19,925) |
| 1,023 | 534 | 96 | 585 | 475 | 9 | 183 |
| <u>5,197</u> | <u>1,509</u> | <u>2,237</u> | <u>1,137</u> | <u>22,019</u> | <u>991</u> | <u>89,165</u> |
| <u>\$6,220</u> | <u>\$2,043</u> | <u>\$ 2,333</u> | <u>\$ 1,722</u> | <u>\$22,494</u> | <u>\$1,000</u> | <u>\$ 89,348</u> |

DEBT SERVICE FUNDS

Nonmajor Funds

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

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.

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

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

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

**Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2002
(Expressed in Thousands)**

| | <u>School Building Authority</u> | <u>West Virginia Infrastructure and Jobs Development Council</u> | <u>Education, Arts, Sciences, and Tourism Fund</u> | <u>Lease Purchase Account</u> | <u>Total</u> |
|------------------------------------|--|--|--|---------------------------------------|-----------------|
| Assets: | | | | | |
| Cash and Cash Equivalents | \$36,051 | \$142 | \$22,945 | \$9,499 | \$68,637 |
| Investments | 22,981 | — | — | — | 22,981 |
| Receivables, Net | 782 | — | 18 | 5 | 805 |
| Due from Other Funds | — | — | 1,000 | — | 1,000 |
| Total Assets | <u>\$59,814</u> | <u>\$142</u> | <u>\$23,963</u> | <u>\$9,504</u> | <u>\$93,423</u> |
| Fund Balances: | | | | | |
| Reserved for Debt Service | <u>\$59,814</u> | <u>\$142</u> | <u>\$23,963</u> | <u>\$9,504</u> | <u>\$93,423</u> |
| Total Liabilities and Fund Balance | <u>\$59,814</u> | <u>\$142</u> | <u>\$23,963</u> | <u>\$9,504</u> | <u>\$93,423</u> |

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)**

| | <u>State Road</u> | <u>School Building Authority</u> | <u>West Virginia Infrastructure and Jobs Development Council</u> | <u>Education, Arts, Sciences, and Tourism Fund</u> | <u>Lease Purchase Account</u> | <u>Total</u> |
|--|-----------------------|--|--|--|---------------------------------------|------------------|
| Revenues: | | | | | | |
| Investment Earnings | \$ 314 | \$ 2,104 | \$ 280 | \$ 423 | \$ 73 | \$ 3,194 |
| Other | — | — | — | — | 124 | 124 |
| Total Revenues | <u>314</u> | <u>2,104</u> | <u>280</u> | <u>423</u> | <u>197</u> | <u>3,318</u> |
| Expenditures: | | | | | | |
| Debt Service | <u>36,976</u> | <u>37,988</u> | <u>18,546</u> | <u>9,851</u> | <u>8,538</u> | <u>111,899</u> |
| Total Expenditures | <u>36,976</u> | <u>37,988</u> | <u>18,546</u> | <u>9,851</u> | <u>8,538</u> | <u>111,899</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(36,662)</u> | <u>(35,884)</u> | <u>(18,266)</u> | <u>(9,428)</u> | <u>(8,341)</u> | <u>(108,581)</u> |
| Other Financing Sources (Uses): | | | | | | |
| Transfers In | 35,859 | 41,346 | 24,000 | 9,868 | 12,522 | 123,595 |
| Transfers Out | <u>(132)</u> | <u>(2,591)</u> | <u>(5,918)</u> | — | <u>(4)</u> | <u>(8,645)</u> |
| Total Other Financing Sources (Uses) | <u>35,727</u> | <u>38,755</u> | <u>18,082</u> | <u>9,868</u> | <u>12,518</u> | <u>114,950</u> |
| Net Change in Fund Balance | (935) | 2,871 | (184) | 440 | 4,177 | 6,369 |
| Fund Balances, Beginning of Year, as Adjusted | <u>935</u> | <u>56,943</u> | <u>326</u> | <u>23,523</u> | <u>5,327</u> | <u>87,054</u> |
| Fund Balances, End of Year | <u>\$ —</u> | <u>\$ 59,814</u> | <u>\$ 142</u> | <u>\$23,963</u> | <u>\$ 9,504</u> | <u>\$ 93,423</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 Purchasing Division of the Department of Administration. User agencies are billed for leasing such vehicles and for use of aircraft.

West Virginia Investment Management Board The Board serves as the Trustee to provide prudent fiscal administration, investment, and management of the Consolidated Pension Fund and the State's operating funds.

**Combining Statement of Net Assets
Internal Service Funds
June 30, 2002
(Expressed in Thousands)**

| | State Building Fund | Information Services and Communications | Travel Management | Investment Management Board | Total |
|---------------------------------|---------------------------|---|----------------------|-----------------------------------|-----------------|
| Assets: | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents | \$ 740 | \$1,893 | \$ 1,049 | \$3,773 | \$ 7,455 |
| Receivables, Net | 11 | 4 | 101 | 2,227 | 2,343 |
| Due from Other Funds | 358 | 4,096 | 1,231 | — | 5,685 |
| Due from Component Units | — | 83 | 15 | — | 98 |
| Inventories | 102 | 353 | — | — | 455 |
| Other Assets | 143 | 10 | 1 | 46 | 200 |
| Restricted Assets: | | | | | |
| Cash | — | — | 921 | — | 921 |
| Total Current Assets | <u>1,354</u> | <u>6,439</u> | <u>3,318</u> | <u>6,046</u> | <u>17,157</u> |
| Noncurrent Assets: | | | | | |
| Restricted Assets: | | | | | |
| Cash | 5,357 | — | — | — | 5,357 |
| Investments | 11,195 | — | — | — | 11,195 |
| Capital Assets, Net | <u>47,884</u> | <u>1,388</u> | <u>15,281</u> | <u>46</u> | <u>64,599</u> |
| Total Noncurrent Assets | <u>64,436</u> | <u>1,388</u> | <u>15,281</u> | <u>46</u> | <u>81,151</u> |
| Total Assets | <u>65,790</u> | <u>7,827</u> | <u>18,599</u> | <u>6,092</u> | <u>98,308</u> |
| Liabilities: | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | 88 | 676 | 292 | 2,629 | 3,685 |
| Interest Payable | — | 1 | 62 | — | 63 |
| Accrued and Other Liabilities | 73 | 108 | 11 | — | 192 |
| Due to Other Funds | 277 | 5 | 52 | — | 334 |
| Capital Leases | <u>1,266</u> | <u>128</u> | <u>4,185</u> | <u>—</u> | <u>5,579</u> |
| Total Current Liabilities | <u>1,704</u> | <u>918</u> | <u>4,602</u> | <u>2,629</u> | <u>9,853</u> |
| Noncurrent Liabilities: | | | | | |
| Capital Leases | 4,582 | — | 8,839 | — | 13,421 |
| Compensated Absences | <u>834</u> | <u>1,796</u> | <u>221</u> | <u>—</u> | <u>2,851</u> |
| Total Noncurrent Liabilities | <u>5,416</u> | <u>1,796</u> | <u>9,060</u> | <u>—</u> | <u>16,272</u> |
| Total Liabilities | <u>7,120</u> | <u>2,714</u> | <u>13,662</u> | <u>2,629</u> | <u>26,125</u> |
| Net Assets: | | | | | |
| Invested in Capital Assets | 42,037 | 1,260 | 2,257 | 46 | 45,600 |
| Restricted for Capital Projects | 5,310 | — | — | — | 5,310 |
| Restricted for Other Purposes | 11,241 | — | — | — | 11,241 |
| Unrestricted | <u>82</u> | <u>3,853</u> | <u>2,680</u> | <u>3,417</u> | <u>10,032</u> |
| Total Net Assets | <u>\$58,670</u> | <u>\$5,113</u> | <u>\$ 4,937</u> | <u>\$3,463</u> | <u>\$72,183</u> |

**Combining Statement of Revenues, Expenses,
and Changes in Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)**

| | State Building Fund | Information Services and Communications | Travel Management | Investment Management Board | Total |
|---|---------------------------|---|----------------------|-----------------------------------|-----------------|
| Operating Revenues: | | | | | |
| Charges for Services | \$ 9,074 | \$20,008 | \$8,534 | \$12,461 | \$50,077 |
| Operating Expenses: | | | | | |
| Cost of Sales and Services | 9,967 | 18,521 | 3,321 | 10,209 | 42,018 |
| General and Administration | 468 | 1,226 | 290 | 2,212 | 4,196 |
| Depreciation and Amortization | 1,905 | 883 | 4,934 | 47 | 7,769 |
| Other | — | 18 | 450 | — | 468 |
| Total Operating Expenses | <u>12,340</u> | <u>20,648</u> | <u>8,995</u> | <u>12,468</u> | <u>54,451</u> |
| Operating Income (Loss) | <u>(3,266)</u> | <u>(640)</u> | <u>(461)</u> | <u>(7)</u> | <u>(4,374)</u> |
| Nonoperating Revenues (Expenses): | | | | | |
| Gain on Sale of Equipment | — | — | 342 | — | 342 |
| Investment Earnings | 353 | — | 6 | 78 | 437 |
| Interest Expense | (431) | (13) | (592) | — | (1,036) |
| Other Nonoperating Revenues | <u>333</u> | <u>—</u> | <u>123</u> | <u>—</u> | <u>456</u> |
| Total Nonoperating Revenues (Expenses) | <u>255</u> | <u>(13)</u> | <u>(121)</u> | <u>78</u> | <u>199</u> |
| Income (Loss) Before Contributions and Transfers | (3,011) | (653) | (582) | 71 | (4,175) |
| Capital Contributions | 130 | — | — | — | 130 |
| Transfers In | 4,700 | — | — | — | 4,700 |
| Transfers Out | <u>(125)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(125)</u> |
| Total Transfers | <u>4,705</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>4,705</u> |
| Change in Net Assets | 1,694 | (653) | (582) | 71 | 530 |
| Net Assets, Beginning of Year, as Adjusted | <u>56,976</u> | <u>5,766</u> | <u>5,519</u> | <u>3,392</u> | <u>71,653</u> |
| Net Assets, End of Year | <u>\$58,670</u> | <u>\$ 5,113</u> | <u>\$4,937</u> | <u>\$ 3,463</u> | <u>\$72,183</u> |

**Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)**

| | State Building Fund | Information Services and Communications | Travel Management | Investment Management Board | Total |
|--|------------------------------------|--|------------------------------|--|------------------|
| Cash Flows from Operating Activities: | | | | | |
| Receipts from Customers | \$ 9,127 | \$ 19,146 | \$ 8,539 | \$ 11,760 | \$ 48,572 |
| Payments to Suppliers | (5,887) | (11,798) | (2,859) | (10,087) | (30,631) |
| Payments to Employees | (4,047) | (7,596) | (786) | (1,574) | (14,003) |
| Net Cash Provided by (Used for) Operating Activities | <u>(807)</u> | <u>(248)</u> | <u>4,894</u> | <u>99</u> | <u>3,938</u> |
| Cash Flows from Noncapital Financing Activities: | | | | | |
| Transfers In | 4,700 | — | — | — | 4,700 |
| Transfers Out | (125) | — | — | — | (125) |
| Other Nonoperating Revenues | <u>333</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>333</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>4,908</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>4,908</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | | |
| Capital Contributions | 130 | — | — | — | 130 |
| Proceeds from Sale of Capital Bonds and Other Debts | — | — | 4,088 | — | 4,088 |
| Repayment of Capital Debt | (1,210) | (53) | (4,386) | — | (5,649) |
| Interest Paid on Capital Debt | (331) | (39) | (564) | — | (934) |
| Acquisition and Construction of Capital Assets | (1,209) | (1,134) | (5,980) | (11) | (8,334) |
| Proceeds from Sale of Capital Assets | <u>960</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>960</u> |
| Net Cash Used for Capital and Related Financing Activities | <u>(1,660)</u> | <u>(1,226)</u> | <u>(6,842)</u> | <u>(11)</u> | <u>(9,739)</u> |
| Cash Flows from Investing Activities: | | | | | |
| Purchase of Investments | (619) | — | — | — | (619) |
| Proceeds from Sale of Investments | 200 | — | 123 | — | 323 |
| Investment Earnings | <u>346</u> | <u>—</u> | <u>6</u> | <u>85</u> | <u>437</u> |
| Net Cash Provided by (Used for) Investing Activities | <u>(73)</u> | <u>—</u> | <u>129</u> | <u>85</u> | <u>141</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 2,368 | (1,474) | (1,819) | 173 | (752) |
| Cash and Cash Equivalents, Beginning of Year, as Adjusted | <u>3,729</u> | <u>3,367</u> | <u>3,789</u> | <u>3,600</u> | <u>14,485</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 6,097</u> | <u>\$ 1,893</u> | <u>\$ 1,970</u> | <u>\$ 3,773</u> | <u>\$ 13,733</u> |

| | State Building Fund | Information Services and Communications | Travel Management | Investment Management Board | Total |
|---|---------------------------|---|----------------------|-----------------------------------|-----------------|
| Reconciliation of Operating Income to Net Cash Provided by (Used for) | | | | | |
| Operating Activities: | | | | | |
| Operating Loss | \$(3,266) | \$(640) | \$(461) | \$ (7) | \$(4,374) |
| Adjustments to Reconcile Operating Loss to Cash Provided by (Used for) | | | | | |
| Operating Activities: | | | | | |
| Bad Debt Expense | — | 18 | 450 | — | 468 |
| Depreciation and Amortization | 1,905 | 883 | 4,934 | 47 | 7,769 |
| Changes in Assets and Liabilities: | | | | | |
| Receivables | 53 | (862) | (17) | (701) | (1,527) |
| Inventories | 22 | 6 | — | — | 28 |
| Other Assets | 64 | 20 | 1 | — | 85 |
| Accounts Payable and Accrued Liabilities | 134 | 163 | (2) | 614 | 909 |
| Other Liabilities | <u>281</u> | <u>164</u> | <u>(11)</u> | <u>146</u> | <u>580</u> |
| Net Cash Provided by (Used for) Operating Activities | <u>\$ (807)</u> | <u>\$(248)</u> | <u>\$4,894</u> | <u>\$ 99</u> | <u>\$ 3,938</u> |

PROPRIETARY FUNDS - NONMAJOR

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.

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.

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.

**Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2002
(Expressed in Thousands)**

| | Business-type Activities - Enterprise Funds | | | | | |
|-------------------------------------|---|---|---|--|--|------------------|
| | Board of Risk and Insurance Management | Public Employees' Insurance Agency | Drinking Water Treatment Revolving Fund | Alcohol Beverage Control Administration | West Virginia Prepaid College Plan | Total |
| Assets | | | | | | |
| Current Assets: | | | | | | |
| Cash and Cash Equivalents | \$ 21,382 | \$ 92,868 | \$ 3,879 | \$6,791 | \$ 156 | \$125,076 |
| Receivables, Net | 103 | 17,389 | 920 | — | 6,901 | 25,313 |
| Due from Other Funds | 51 | 1,753 | — | — | 27 | 1,831 |
| Due from Component Units | 937 | 367 | — | — | — | 1,304 |
| Inventories | — | — | — | 8 | — | 8 |
| Other Assets | — | — | — | 15 | — | 15 |
| Total Current Assets | 22,473 | 112,377 | 4,799 | 6,814 | 7,084 | 153,547 |
| Noncurrent Assets: | | | | | | |
| Investments | 47,736 | — | — | — | 57,235 | 104,971 |
| Receivables, Net | — | — | 21,187 | — | 15,608 | 36,795 |
| Restricted Assets: | | | | | | |
| Cash | 6,109 | — | — | — | — | 6,109 |
| Investments | 15,011 | — | — | — | — | 15,011 |
| Receivables, Net | 3,369 | — | — | — | — | 3,369 |
| Other | 41,512 | — | — | — | — | 41,512 |
| Capital Assets, Net | — | 160 | — | 2,181 | — | 2,341 |
| Total Noncurrent Assets | 113,737 | 160 | 21,187 | 2,181 | 72,843 | 210,108 |
| Total Assets | 136,210 | 112,537 | 25,986 | 8,995 | 79,927 | 363,655 |
| Liabilities | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts Payable | 1,053 | 6,766 | — | 1,680 | 101 | 9,600 |
| Accrued Tuition Contract Benefits | — | — | — | — | 1,134 | 1,134 |
| Accrued and Other Liabilities | 348 | 472 | — | 256 | — | 1,076 |
| Due to Other Funds | 512 | 298 | — | 53 | — | 863 |
| Due to Component Units | — | 1 | — | — | — | 1 |
| Deferred Revenue | 10,889 | — | — | — | — | 10,889 |
| Insurance Claims Obligations | 47,892 | 62,392 | — | — | — | 110,284 |
| Compensated Absences | — | — | — | — | 17 | 17 |
| Total Current Liabilities | 60,694 | 69,929 | — | 1,989 | 1,252 | 133,864 |
| Noncurrent Liabilities: | | | | | | |
| Accrued Tuition Contract Benefits | — | — | — | — | 94,725 | 94,725 |
| Insurance Claims Obligations | 113,307 | — | — | — | — | 113,307 |
| Compensated Absences | 143 | 369 | — | 1,031 | 18 | 1,561 |
| Total Noncurrent Liabilities | 113,450 | 369 | — | 1,031 | 94,743 | 209,593 |
| Total Liabilities | 174,144 | 70,298 | — | 3,020 | 95,995 | 343,457 |
| Net Assets | | | | | | |
| Invested in Capital Assets | — | 161 | — | 2,181 | — | 2,342 |
| Restricted for Lending Activities | — | — | 17,035 | — | — | 17,035 |
| Restricted for Insurance Activities | 14,496 | — | — | — | — | 14,496 |
| Unrestricted | (52,430) | 42,078 | 8,951 | 3,794 | (16,068) | (13,675) |
| Total Net Assets | \$(37,934) | \$ 42,239 | \$25,986 | \$5,975 | \$(16,068) | \$ 20,198 |

**Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)**

| | Business-type Activities - Enterprise Funds | | | | | Total |
|---|---|---|---|--|--|------------------|
| | Board of Risk and Insurance Management | Public Employees' Insurance Agency | Drinking Water Treatment Revolving Fund | Alcohol Beverage Control Administration | West Virginia Prepaid College Plan | |
| Operating Revenues: | | | | | | |
| Charges for Services and Sales | \$ — | \$ — | \$ 160 | \$52,867 | \$ — | \$ 53,027 |
| Insurance Premiums | 46,682 | 366,701 | — | — | — | 413,383 |
| Tuition Contracts | — | — | — | — | 7,502 | 7,502 |
| Licenses, Permits, and Fees | — | — | — | 2,693 | — | 2,693 |
| Other | — | 4,656 | — | 257 | — | 4,913 |
| Total Operating Revenues | 46,682 | 371,357 | 160 | 55,817 | 7,502 | 481,518 |
| Operating Expenses: | | | | | | |
| Cost of Sales and Services | — | — | — | 42,270 | — | 42,270 |
| Insurance Claims | 68,730 | 379,258 | — | — | — | 447,988 |
| Tuition Contract Benefits and Expenses | — | — | — | — | 24,972 | 24,972 |
| General and Administration | 2,976 | 10,918 | — | 6,652 | 602 | 21,148 |
| Depreciation and Amortization | — | 94 | — | 201 | — | 295 |
| Other | — | 5,519 | — | — | — | 5,519 |
| Total Operating Expenses | 71,706 | 395,789 | — | 49,123 | 25,574 | 542,192 |
| Operating Income (Loss) | (25,024) | (24,432) | 160 | 6,694 | (18,072) | (60,674) |
| Nonoperating Revenues (Expenses): | | | | | | |
| Interest and Other | | | | | | |
| Investment Income | 5,411 | 3,100 | 93 | — | (1,465) | 7,139 |
| Total Nonoperating Revenues (Expenses) | 5,411 | 3,100 | 93 | — | (1,465) | 7,139 |
| Income (Loss) Before Transfers | (19,613) | (21,332) | 253 | 6,694 | (19,537) | (53,535) |
| Transfers In | 1,066 | 5,800 | 8,698 | 200 | 157 | 15,921 |
| Transfers Out | — | — | — | (7,488) | — | (7,488) |
| Total Transfers | 1,066 | 5,800 | 8,698 | (7,288) | 157 | 8,433 |
| Change in Net Assets | (18,547) | (15,532) | 8,951 | (594) | (19,380) | (45,102) |
| Net Assets, (Deficit) | | | | | | |
| Beginning of Year, as Adjusted | (19,387) | 57,771 | 17,035 | 6,569 | 3,312 | 65,300 |
| Net Assets, (Deficit) End of Year | <u>\$(37,934)</u> | <u>\$ 42,239</u> | <u>\$25,986</u> | <u>\$ 5,975</u> | <u>\$(16,068)</u> | <u>\$ 20,198</u> |

**Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)**

| | Business-type Activities - Enterprise Funds | | | | | Total |
|--|---|---|---|--|--|-------------------|
| | Board of Risk and Insurance Management | Public Employees' Insurance Agency | Drinking Water Treatment Revolving Fund | Alcohol Beverage Control Administration | West Virginia Prepaid College Plan | |
| Cash Flows From Operating Activities: | | | | | | |
| Receipts from Customers | \$ 52,458 | \$ 364,144 | \$ 586 | \$55,818 | \$ 10,580 | \$ 483,586 |
| Payments to Suppliers | (1,642) | (16,616) | — | (44,902) | (373) | (63,533) |
| Payments to Employees | (859) | (1,455) | — | (3,285) | (166) | (5,765) |
| Payments for Loans Originated | — | — | (8,926) | — | — | (8,926) |
| Other Operating Cash Payments | (39,476) | (376,479) | — | — | (1) | (415,956) |
| Net Cash Provided by (Used for) Operating Activities | <u>10,481</u> | <u>(30,406)</u> | <u>(8,340)</u> | <u>7,631</u> | <u>10,040</u> | <u>(10,594)</u> |
| Cash Flows from Noncapital Financing Activities: | | | | | | |
| Proceeds from Sale of Operating Bonds and Other Debts | 500 | — | — | — | — | 500 |
| Financing Earnings | 44 | — | — | — | — | 44 |
| Transfers In | 1,066 | 5,800 | 8,698 | 200 | 139 | 15,903 |
| Transfers Out | — | — | — | (7,488) | — | (7,488) |
| Net Cash Provided by (Used for) Noncapital Financing Activities | <u>1,610</u> | <u>5,800</u> | <u>8,698</u> | <u>(7,288)</u> | <u>139</u> | <u>8,959</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | | | |
| Acquisition and Construction of Capital Assets | — | (33) | — | (201) | — | (234) |
| Net Cash Used for Capital and Related Financing Activities | <u>—</u> | <u>(33)</u> | <u>—</u> | <u>(201)</u> | <u>—</u> | <u>(234)</u> |
| Cash Flows from Investing Activities: | | | | | | |
| Purchase of Investments | (4,032) | — | — | — | (10,619) | (14,651) |
| Proceeds from Sale of Investments | 232 | — | — | — | — | 232 |
| Investment Earnings | 5,377 | 3,100 | 93 | — | 563 | 9,133 |
| Net Cash Provided by (Used for) Investing Activities | <u>1,577</u> | <u>3,100</u> | <u>93</u> | <u>—</u> | <u>(10,056)</u> | <u>(5,286)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 13,668 | (21,539) | 451 | 142 | 123 | (7,155) |
| Cash and Cash Equivalents, Beginning of Year, as Adjusted | <u>13,823</u> | <u>114,407</u> | <u>3,428</u> | <u>6,649</u> | <u>33</u> | <u>138,340</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 27,491</u> | <u>\$ 92,868</u> | <u>\$ 3,879</u> | <u>\$ 6,791</u> | <u>\$ 156</u> | <u>\$ 131,185</u> |

(Continued)

**Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)
(Continued)**

| | Business-type Activities - Enterprise Funds | | | | | Total |
|---|---|---|--|--|---|-------------------|
| | Board of Risk and Insurance Management | Public Employees' Insurance Agency | Drinking Water Treatment Revolving Fund | Alcohol Beverage Control Administration | West Virginia Prepaid College Plan | |
| Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities: | | | | | | |
| Operating Income (Loss) | \$(25,024) | \$(24,432) | \$ 160 | \$6,694 | \$(18,072) | \$(60,674) |
| Adjustments to Reconcile Operating Income (Loss) to Cash Provided by (Used for) Operating Activities: | | | | | | |
| Depreciation and Amortization | — | 94 | — | 201 | — | 295 |
| Changes in Assets and Liabilities: | | | | | | |
| Receivables | (268) | (4,549) | (8,500) | 1 | 3,110 | (10,206) |
| Inventories | — | — | — | 39 | — | 39 |
| Other Assets | — | — | — | 1 | — | 1 |
| Accounts Payable and Accrued Liabilities | — | 8,201 | — | 695 | 23 | 8,919 |
| Tuition Contracts Benefits and Expenses | — | — | — | — | 24,971 | 24,971 |
| Deferred Revenues | 6,044 | — | — | — | — | 6,044 |
| Escrow Deposits | 5,025 | — | — | — | — | 5,025 |
| Due to/from Other Funds | — | (2,605) | — | — | — | (2,605) |
| Unpaid Claims Liabilities | 24,229 | — | — | — | — | 24,229 |
| Other Liabilities | 475 | (7,115) | — | — | — | (6,640) |
| Compensated Absences | — | — | — | — | 8 | 8 |
| Net Cash Provided by (Used for) Operating Activities | <u>\$ 10,481</u> | <u>\$(30,406)</u> | <u>\$(8,340)</u> | <u>\$7,631</u> | <u>\$ 10,040</u> | <u>\$(10,594)</u> |
| Schedule of Noncash Capital and Financing Activities: | | | | | | |
| Acquisition (Disposal) of Fixed Assets | \$ — | \$ — | \$ — | \$ (23) | \$ — | \$ (23) |
| Unrealized Gain (Losses) on Investments | \$ 10 | \$ — | \$ — | \$ — | \$ (2,028) | \$ (2,018) |

PENSION TRUST FUNDS

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

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

**Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2002
(Expressed in Thousands)**

| | Public Employees' Retirement System | Teachers' Retirement System | Public Safety Death, Disability, and Retirement Fund |
|--|--|--|---|
| Assets | | | |
| Cash and Cash Equivalents | \$ 2 | \$ 126 | \$ 2 |
| Investments: | | | |
| Equity Pooled Investments | 2,585,250 | 1,058,558 | 88,699 |
| Mutual Funds | — | — | — |
| Receivables, Net: | | | |
| Contributions Receivable | 3,420 | 18,470 | 2,396 |
| Participant Loans Receivable | — | 19,329 | — |
| Due from Other Funds | 26 | 2,041 | — |
| Due from Component Units | <u>200</u> | <u>—</u> | <u>—</u> |
| Total Assets | <u>2,588,898</u> | <u>1,098,524</u> | <u>91,097</u> |
| Liabilities | | | |
| Accrued and Other Liabilities | 73 | 83 | 2 |
| Due to Other Funds | <u>48</u> | <u>—</u> | <u>—</u> |
| Total Liabilities | <u>121</u> | <u>83</u> | <u>2</u> |
| Net Assets Held in Trust for Pension Benefits | <u>\$2,588,777</u> | <u>\$1,098,441</u> | <u>\$91,095</u> |

| <u>State Police Retirement System</u> | <u>Judges' Retirement System</u> | <u>Teachers' Defined Contribution Retirement System</u> | <u>Deputy Sheriff Retirement System</u> | <u>Total Consolidated Public Retirement Board</u> |
|---|--|---|---|---|
| \$ — | \$ — | \$ 6,266 | \$ — | \$ 6,396 |
| 11,644 | 47,620 | — | 43,946 | 3,835,717 |
| — | — | 357,860 | — | 357,860 |
| — | — | 7,340 | 415 | 32,041 |
| — | — | — | 133 | 19,462 |
| — | — | — | — | 2,067 |
| — | — | — | — | 200 |
| <u>11,644</u> | <u>47,620</u> | <u>371,466</u> | <u>44,494</u> | <u>4,253,743</u> |
| — | — | — | 123 | 281 |
| — | — | — | — | 48 |
| — | — | — | 123 | 329 |
| <u>\$11,644</u> | <u>\$47,620</u> | <u>\$371,466</u> | <u>\$44,371</u> | <u>\$4,253,414</u> |

**Combining Statement of Changes in Plan Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)**

| | Public Employees' Retirement System | Teachers' Retirement System | Public Safety Death, Disability, and Retirement Fund |
|---|--|--|---|
| Additions: | | | |
| Contributions: | | | |
| Members | \$ 47,191 | \$ 54,748 | \$ 1,359 |
| Employer | <u>96,690</u> | <u>252,061</u> | <u>19,844</u> |
| Total Contributions | <u>143,881</u> | <u>306,809</u> | <u>21,203</u> |
| Investment Income (Loss): | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | (70,395) | (29,212) | (2,168) |
| Interest | — | 2,780 | — |
| Investment Expense | <u>(6,384)</u> | <u>(2,580)</u> | <u>(213)</u> |
| Net Investment Income | <u>(76,779)</u> | <u>(29,012)</u> | <u>(2,381)</u> |
| Transfers from (to) Plans | 404 | (492) | — |
| Transfer In | — | 5,741 | — |
| Other | <u>—</u> | <u>8,951</u> | <u>523</u> |
| Total Additions | <u>67,506</u> | <u>291,997</u> | <u>19,345</u> |
| Deductions: | | | |
| Benefit Expense | 150,847 | 277,293 | 17,304 |
| Refunds of Contributions | 7,012 | 4,746 | 137 |
| Administrative Expenses | <u>2,265</u> | <u>2,180</u> | <u>38</u> |
| Total Deductions | <u>160,124</u> | <u>284,219</u> | <u>17,479</u> |
| Net Increase (Decrease) | (92,618) | 7,778 | 1,866 |
| Net Assets Held in Trust for Pension Benefits: | | | |
| Net Assets, Beginning of Year | 2,681,395 | 1,090,663 | 89,229 |
| Net Assets, End of Year | <u>\$2,588,777</u> | <u>\$1,098,441</u> | <u>\$91,095</u> |

| <u>State Police Retirement System</u> | <u>Judges' Retirement System</u> | <u>Teachers' Defined Contribution Retirement System</u> | <u>Deputy Sheriff Retirement System</u> | <u>Total Consolidated Public Retirement Board</u> |
|---|--|---|---|---|
| \$ 1,220 | \$ 457 | \$ 21,393 | \$ 1,927 | \$ 128,295 |
| <u>1,220</u> | <u>6,000</u> | <u>35,882</u> | <u>2,181</u> | <u>413,878</u> |
| <u>2,440</u> | <u>6,457</u> | <u>57,275</u> | <u>4,108</u> | <u>542,173</u> |
| (283) | (1,276) | (12,654) | (1,139) | (117,127) |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>2,780</u> |
| (28) | (115) | — | (107) | (9,427) |
| <u>(311)</u> | <u>(1,391)</u> | <u>(12,654)</u> | <u>(1,246)</u> | <u>(123,774)</u> |
| <u>—</u> | <u>66</u> | <u>21</u> | <u>1</u> | <u>—</u> |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>5,741</u> |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>453</u> | <u>9,927</u> |
| <u>2,129</u> | <u>5,132</u> | <u>44,642</u> | <u>3,316</u> | <u>434,067</u> |
| 46 | 3,539 | — | 1,652 | 450,681 |
| 252 | — | 3,859 | 182 | 16,188 |
| <u>12</u> | <u>4</u> | <u>696</u> | <u>30</u> | <u>5,225</u> |
| <u>310</u> | <u>3,543</u> | <u>4,555</u> | <u>1,864</u> | <u>472,094</u> |
| 1,819 | 1,589 | 40,087 | 1,452 | (38,027) |
| <u>9,825</u> | <u>46,031</u> | <u>331,379</u> | <u>42,919</u> | <u>4,291,441</u> |
| <u>\$11,644</u> | <u>\$47,620</u> | <u>\$371,466</u> | <u>\$44,371</u> | <u>\$4,253,414</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 Cash Liquidity and Money Market pools. The external portion belongs to local governments and municipalities.

Combining Statement of Fiduciary Net Assets
Investment Trust Funds
June 30, 2002
(Expressed in Thousands)

| | Cash Liquidity | Money Market | Total |
|--|---------------------------|-------------------------|------------------|
| Assets | | | |
| Equity in Pooled Cash Equivalents | \$89,726 | \$122,798 | \$212,524 |
| Total Assets | <u>\$89,726</u> | <u>\$122,798</u> | <u>\$212,524</u> |
| Net Assets: | | | |
| Held in Trust for External Investment Pool Participants | \$89,726 | \$122,798 | \$212,524 |
| Total Net Assets | <u>\$89,726</u> | <u>\$122,798</u> | <u>\$212,524</u> |

Combining Statement of Changes in Plan Net Assets
Investment Trust Funds
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)

| | Cash Liquidity | Money Market | Total |
|--|---------------------------|-------------------------|------------------|
| Additions | | | |
| Deposits, Pool Participants | \$209,278 | \$385,271 | \$594,549 |
| Investment Income (Loss): | | | |
| Net Appreciation (Depreciation) in Fair Value of Investments | <u>1,687</u> | <u>3,969</u> | <u>5,656</u> |
| Total Additions | <u>210,965</u> | <u>389,240</u> | <u>600,205</u> |
| Deductions: | | | |
| Withdrawals | <u>173,535</u> | <u>384,716</u> | <u>558,251</u> |
| Change in Net Assets Held in Trust for External Investment Pool Participants: | 37,430 | 4,524 | 41,954 |
| Net Assets, Beginning of Year | <u>52,296</u> | <u>118,274</u> | <u>170,570</u> |
| Net Assets, End of Year | <u>\$ 89,726</u> | <u>\$122,798</u> | <u>\$212,524</u> |

AGENCY FUNDS

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

Local Government The Fund accounts for taxes collected by the State which are to be remitted to respective local governments.

Other The Fund accounts for various assets and liabilities generated through agency relationships. These include patient and inmate funds and other amounts collected on behalf of third parties, performance bonds required by the Department of Energy and Labor, and other restricted assets held by the Governor's Office of Community and Industrial Development and the Department of Natural Resources.

Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2002
(Expressed in Thousands)

| | Local Government | | Other Agency | | Total |
|-----------------------------------|------------------|---------------------------|------------------------------|--------------------|-----------------|
| | Local Government | Municipal Bond Commission | Consolidated Investment Pool | Other Agency Funds | |
| Assets | | | | | |
| Current Assets: | | | | | |
| Cash and Cash Equivalents | \$620 | \$11,131 | \$ 2,042 | \$8,944 | \$22,737 |
| Equity in Pooled Cash Equivalents | — | — | 21,769 | 4,847 | 26,616 |
| Receivables, Net | — | — | 37 | 8 | 45 |
| Total Assets | <u>\$620</u> | <u>\$11,131</u> | <u>\$23,848</u> | <u>\$13,799</u> | <u>\$49,398</u> |
| Liabilities | | | | | |
| Current Liabilities: | | | | | |
| Accounts Payable | \$ — | \$ 3 | \$ — | \$ 51 | \$ 54 |
| Due to Other Governments | 620 | 11,128 | — | — | 11,748 |
| Agency Liabilities | — | — | 23,848 | 13,748 | 37,596 |
| Total Liabilities | <u>\$620</u> | <u>\$11,131</u> | <u>\$23,848</u> | <u>\$13,799</u> | <u>\$49,398</u> |

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2002
(Expressed in Thousands)**

| | Balance July 1, 2001 As Adjusted | Additions | Deductions | Balance June 30, 2002 |
|-----------------------------------|--|--------------------|--------------------|--------------------------|
| Local Government | | | | |
| Assets: | | | | |
| Cash | \$ 202 | \$1,673,938 | \$1,662,389 | \$11,751 |
| Due from Other Funds | <u>7,820</u> | <u>—</u> | <u>7,820</u> | <u>—</u> |
| Total Assets | <u>\$ 8,022</u> | <u>\$1,673,938</u> | <u>\$1,670,209</u> | <u>\$11,751</u> |
| Liabilities: | | | | |
| Accounts Payable | \$ 532 | \$ 178,349 | \$ 178,878 | \$ 3 |
| Due to Other Governments | <u>7,490</u> | <u>1,852,816</u> | <u>1,848,558</u> | <u>11,748</u> |
| Total Liabilities | <u>\$ 8,022</u> | <u>\$2,031,165</u> | <u>\$2,027,436</u> | <u>\$11,751</u> |
| Other Agency | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$15,688 | \$1,571,498 | \$1,576,200 | \$10,986 |
| Equity in Pooled Cash Equivalents | 27,145 | 12,615 | 13,144 | 26,616 |
| Accrued Interest Receivable | <u>106</u> | <u>45</u> | <u>106</u> | <u>45</u> |
| Total Assets | <u>\$42,939</u> | <u>\$1,584,158</u> | <u>\$1,589,450</u> | <u>\$37,647</u> |
| Liabilities: | | | | |
| Accounts Payable | \$ 24 | \$ 2,568 | \$ 2,541 | \$ 51 |
| Agency Liabilities | <u>42,915</u> | <u>1,586,699</u> | <u>1,592,018</u> | <u>37,596</u> |
| Total Liabilities | <u>\$42,939</u> | <u>\$1,589,267</u> | <u>\$1,594,559</u> | <u>\$37,647</u> |
| Total - All Agency Funds | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$43,035 | \$3,258,051 | \$3,251,733 | \$49,353 |
| Accrued Interest Receivable | 106 | 45 | 106 | 45 |
| Due from Other Funds | <u>7,820</u> | <u>—</u> | <u>7,820</u> | <u>—</u> |
| Total Assets | <u>\$50,961</u> | <u>\$3,258,096</u> | <u>\$3,259,659</u> | <u>\$49,398</u> |
| Liabilities: | | | | |
| Accounts Payable | \$ 556 | \$ 180,917 | \$ 181,419 | \$ 54 |
| Due to Other Governments | 7,490 | 1,852,816 | 1,848,558 | 11,748 |
| Agency Liabilities | <u>42,915</u> | <u>1,586,699</u> | <u>1,592,018</u> | <u>37,596</u> |
| Total Liabilities | <u>\$50,961</u> | <u>\$3,620,432</u> | <u>\$3,621,995</u> | <u>\$49,398</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, 2002
(Expressed in Thousands)**

| | Educational Broadcasting Authority | Jobs Investment Trust | WV State Rail Authority |
|--|---|--------------------------------------|--|
| Assets: | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 1,304 | \$ 6,185 | \$ 439 |
| Investments | — | 6,617 | — |
| Receivables, Net | 303 | 1,512 | 41 |
| Due from Other Funds: | | | |
| Primary Government | 2,097 | — | 1,234 |
| Inventories | — | — | 91 |
| Other Assets | 153 | 367 | 12 |
| Restricted Assets: | | | |
| Cash | — | — | — |
| Total Current Assets | <u>3,857</u> | <u>14,681</u> | <u>1,817</u> |
| Noncurrent Assets: | | | |
| Restricted Assets: | | | |
| Cash and Cash Equivalents | — | — | 505 |
| Other | — | — | — |
| Capital Assets, Net | <u>7,488</u> | <u>1,560</u> | <u>34,455</u> |
| Total Noncurrent Assets | <u>7,488</u> | <u>1,560</u> | <u>34,960</u> |
| Total Assets | <u>11,345</u> | <u>16,241</u> | <u>36,777</u> |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Accounts Payable | 6 | 4 | 279 |
| Accrued and Other Liabilities | — | 194 | 118 |
| Due to Other Funds: | | | |
| Primary Government | 7 | 2 | 422 |
| Component Units | — | 2 | — |
| Deferred Revenue | 106 | — | — |
| Liabilities Payable from Restricted Assets | — | — | — |
| Capital Leases | 254 | — | 317 |
| Compensated Absences | — | — | 62 |
| Total Current Liabilities | <u>373</u> | <u>202</u> | <u>1,198</u> |
| Noncurrent Liabilities: | | | |
| Capital Leases | 1,614 | 6,525 | 1,922 |
| Compensated Absences | <u>592</u> | — | <u>137</u> |
| Total Noncurrent Liabilities | <u>2,206</u> | <u>6,525</u> | <u>2,059</u> |
| Total Liabilities | <u>2,579</u> | <u>6,727</u> | <u>3,257</u> |
| Net Assets: | | | |
| Investment in Capital Assets | 5,620 | 1,560 | 32,217 |
| Restricted for Other Specific Purposes | 2,069 | — | — |
| Unrestricted | <u>1,077</u> | <u>7,954</u> | <u>1,303</u> |
| Total Net Assets | <u>\$ 8,766</u> | <u>\$ 9,514</u> | <u>\$33,520</u> |

| <u>Solid Waste Management Board</u> | <u>Racing Commission</u> | <u>Public Defender Corporation</u> | <u>Total</u> |
|---|------------------------------|--|-----------------|
| \$1,823 | \$17,085 | \$1,896 | \$28,732 |
| — | — | — | 6,617 |
| — | 278 | — | 2,134 |
| 1 | 3 | — | 3,335 |
| — | — | — | 91 |
| — | 2 | 741 | 1,275 |
| — | <u>4,449</u> | — | <u>4,449</u> |
| <u>1,824</u> | <u>21,817</u> | <u>2,637</u> | <u>46,633</u> |
| 624 | — | — | 1,129 |
| 639 | — | — | 639 |
| 69 | 17 | — | 43,589 |
| <u>1,332</u> | <u>17</u> | — | <u>45,357</u> |
| 3,156 | 21,834 | 2,637 | 91,990 |
| 30 | 240 | 29 | 588 |
| 441 | — | 122 | 875 |
| 4 | 3 | 27 | 465 |
| — | — | — | 2 |
| — | — | — | 106 |
| — | 4,449 | — | 4,449 |
| — | — | 5 | 576 |
| — | — | — | 62 |
| <u>475</u> | <u>4,692</u> | <u>183</u> | <u>7,123</u> |
| — | — | 11 | 10,072 |
| 39 | 153 | 544 | 1,465 |
| 39 | 153 | 555 | 11,537 |
| 514 | 4,845 | 738 | 18,660 |
| 69 | 17 | — | 39,483 |
| 1,263 | — | — | 3,332 |
| <u>1,310</u> | <u>16,972</u> | <u>1,899</u> | <u>30,515</u> |
| <u>\$2,642</u> | <u>\$16,989</u> | <u>\$1,899</u> | <u>\$73,330</u> |

Table 1
Expenditures By Function
All Governmental Fund Types
For the Last Ten Fiscal Years
(Expressed in Thousands)

| <u>Function</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> |
|--|--------------------|--------------------|--------------------|--------------------|
| Legislative | \$ 19,740 | \$ 37,860 | \$ 20,056 | \$ 21,267 |
| Judicial | 73,824 | 65,270 | 60,326 | 55,657 |
| Executive | 125,116 | 110,349 | 108,915 | 103,452 |
| Administration | 75,563 | 75,329 | 49,602 | 39,986 |
| Commerce* | 207,759 | 323,831 | 318,929 | 299,439 |
| Environmental Protection* | 109,677 | — | — | — |
| Employment Programs* | 49,146 | — | — | — |
| Education | 1,822,346 | 1,775,773 | 1,721,402 | 1,596,285 |
| Health and Human Resources | 2,612,846 | 2,322,313 | 2,276,733 | 2,093,493 |
| Military Affairs and Public Safety | 280,315 | 238,627 | 216,189 | 224,876 |
| Tax and Revenue | 26,862 | 100,551 | 82,994 | 86,235 |
| Transportation | 825,011 | 407,736 | 400,893 | 386,229 |
| Senior Services | 30,584 | — | — | — |
| Miscellaneous Boards and Commissions | 24,878 | 46,975 | 44,829 | 77,522 |
| Capital Outlay | 447,941 | 814,191 | 725,123 | 593,753 |
| Debt Service | <u>124,576</u> | <u>115,687</u> | <u>123,080</u> | <u>134,597</u> |
| Total Expenditures - All Governmental Fund Types | <u>\$6,856,184</u> | <u>\$6,434,492</u> | <u>\$6,149,071</u> | <u>\$5,712,791</u> |

Prior to fiscal year 2002, this table included expenditures of the State's governmental fund types, which included the General, Special Revenue, Debt Service and Capital Projects Funds. Beginning in fiscal year 2002, this table includes expenditures of the State's major and nonmajor governmental funds. These changes were necessary due to the implementation of GASB Statement No. 34. The comparability of 2002 expenditure amounts to the 2001 and prior amounts is affected.

*Employment Programs and Environmental Protection were previously reported in Commerce, Labor and Environmental Resources which is now Commerce.

| <u>1998</u> | <u>1997</u> | <u>1996</u> | <u>1995</u> | <u>1994</u> | <u>1993</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 18,340 | \$ 17,805 | \$ 17,548 | \$ 18,709 | \$ 12,802 | \$ 14,828 |
| 51,257 | 48,967 | 42,324 | 38,929 | 37,130 | 36,082 |
| 104,687 | 95,161 | 65,204 | 49,459 | 31,436 | 30,134 |
| 41,764 | 36,285 | 42,304 | 25,641 | 25,816 | 19,517 |
| 279,592 | 287,026 | 272,911 | 246,034 | 212,869 | 261,859 |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| 1,562,866 | 1,482,875 | 1,452,287 | 1,319,190 | 1,331,283 | 1,320,829 |
| 2,127,728 | 2,028,874 | 2,028,868 | 2,056,346 | 1,763,430 | 1,627,316 |
| 184,831 | 160,700 | 150,266 | 110,598 | 97,482 | 78,053 |
| 75,322 | 72,323 | 75,688 | 66,658 | 68,681 | 108,673 |
| 364,950 | 394,555 | 367,288 | 328,768 | 285,088 | 260,818 |
| — | — | — | — | — | — |
| 69,906 | 83,028 | 85,715 | 159,243 | 198,960 | 92,677 |
| 586,367 | 595,910 | 432,319 | 464,470 | 553,449 | 494,755 |
| <u>100,143</u> | <u>98,497</u> | <u>100,945</u> | <u>92,207</u> | <u>102,612</u> | <u>99,970</u> |
| <u>\$5,567,753</u> | <u>\$5,402,006</u> | <u>\$5,133,667</u> | <u>\$4,976,252</u> | <u>\$4,721,038</u> | <u>\$4,445,511</u> |

Table 2
Revenues By Source
All Governmental Fund Types
For the Last Ten Fiscal Years
(Expressed in Thousands)

| <u>Sources</u> | <u>2002</u> | <u>2001</u> | <u>2000</u> | <u>1999</u> | <u>1998</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Taxes: | | | | | |
| Personal Income | \$1,049,532 | \$1,023,536 | \$ 985,976 | \$ 917,765 | \$ 871,803 |
| Consumer Sales | 922,882 | 878,355 | 878,690 | 852,815 | 817,406 |
| Severance | 187,287 | 194,223 | 169,914 | 180,775 | 204,891 |
| Corporate Net Income | 93,846 | 106,974 | 123,271 | 159,475 | 143,716 |
| Business and Occupation | 173,839 | 178,860 | 166,883 | 182,268 | 180,475 |
| Medicaid | 146,812 | 146,053 | 134,274 | 127,497 | 124,458 |
| Business Franchise | 129,457 | 100,551 | 100,465 | 93,744 | 81,036 |
| Insurance | 88,631 | 80,834 | 69,110 | 71,765 | 70,349 |
| Other | <u>166,741</u> | <u>169,044</u> | <u>165,924</u> | <u>170,164</u> | <u>147,394</u> |
| Total Taxes | <u>2,959,027</u> | <u>2,878,430</u> | <u>2,794,507</u> | <u>2,756,268</u> | <u>2,641,528</u> |
| Department of Highways: | | | | | |
| Gasoline and Motor Carrier Tax | 300,964 | 299,326 | 292,402 | 295,166 | 291,013 |
| License Fees | 91,373 | 82,333 | 88,517 | 85,446 | 84,823 |
| Automobile Privilege Tax | 180,472 | 155,623 | 153,927 | 143,356 | 134,354 |
| Other | <u>8,345</u> | <u>438</u> | <u>437</u> | <u>300</u> | <u>529</u> |
| Total Department of Highways | <u>581,154</u> | <u>537,720</u> | <u>535,283</u> | <u>524,268</u> | <u>510,719</u> |
| Federal Grants | <u>2,733,567</u> | <u>2,527,788</u> | <u>2,284,824</u> | <u>1,959,378</u> | <u>2,021,678</u> |
| Other Revenue | <u>646,178</u> | <u>650,206</u> | <u>705,920</u> | <u>684,599</u> | <u>700,983</u> |
| Total Revenues - All Governmental Fund Types | <u>\$6,919,926</u> | <u>\$6,594,144</u> | <u>\$6,320,534</u> | <u>\$5,924,513</u> | <u>\$5,874,908</u> |

Prior to fiscal year 2002, this table included revenues of the State's governmental fund types, which included the General, Special Revenue, Debt Service and Capital Projects Funds. Beginning in fiscal year 2002, this table includes revenues of the State's major and nonmajor governmental funds. These changes were necessary due to the implementation of GASB Statement No. 34. The comparability of 2002 revenue amounts to the 2001 and prior amounts is affected.

| <u>1997</u> | <u>1996</u> | <u>1995</u> | <u>1994</u> | <u>1993</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 810,350 | \$ 756,367 | \$ 713,563 | \$ 666,325 | \$ 643,267 |
| 797,575 | 762,927 | 738,547 | 689,899 | 660,083 |
| 187,997 | 180,238 | 170,773 | 155,677 | 184,605 |
| 163,210 | 159,239 | 123,363 | 132,698 | 97,947 |
| 183,393 | 188,920 | 192,707 | 210,459 | 184,054 |
| 122,439 | 115,510 | 111,987 | 103,053 | — |
| 90,675 | 82,197 | 65,323 | 75,046 | 68,476 |
| 71,061 | 68,818 | 65,087 | 62,264 | 60,231 |
| <u>142,518</u> | <u>130,023</u> | <u>126,196</u> | <u>121,062</u> | <u>21,490</u> |
| <u>2,569,218</u> | <u>2,444,239</u> | <u>2,307,546</u> | <u>2,216,483</u> | <u>1,920,153</u> |
| 275,400 | 268,240 | 276,311 | 275,190 | 230,438 |
| 77,436 | 79,571 | 76,755 | 79,799 | 76,328 |
| 126,157 | 120,455 | 123,723 | 111,882 | 96,703 |
| <u>283</u> | <u>331</u> | <u>397</u> | <u>618</u> | <u>472</u> |
| <u>479,276</u> | <u>468,597</u> | <u>477,186</u> | <u>467,489</u> | <u>403,941</u> |
| <u>1,932,627</u> | <u>1,868,401</u> | <u>1,988,496</u> | <u>1,892,430</u> | <u>1,791,533</u> |
| <u>724,850</u> | <u>716,939</u> | <u>522,569</u> | <u>390,697</u> | <u>513,380</u> |
| <u>\$5,705,971</u> | <u>\$5,498,176</u> | <u>\$5,295,797</u> | <u>\$4,967,099</u> | <u>\$4,629,007</u> |

Table 3
Ratio of Outstanding General Obligation Bonds to
Assessed Value and Net Debt Per Capita
For the Last Ten Fiscal Years
 (Expressed in Thousands - Except for Ratio and Per Capita Data)

| For the Year Ended June 30 | Popu- lation | Assessed Property Value | General Obligation Bonds | | | Per Capita | Ratio of Bonds to Assessed Value |
|----------------------------------|-----------------|-------------------------------|--------------------------|------------------------------|-----------|---------------|---|
| | | | Total | Less Debt Service Fund | Net | | |
| 2002 | 1,802 | \$49,413,867 | \$833,494 | \$59,956 | \$773,538 | \$429.27 | 1.57% |
| 2001 | 1,808 | 47,830,428 | 748,459 | 58,204 | 690,255 | 381.78 | 1.44% |
| 2000 | 1,802 | 46,957,023 | 666,544 | 59,577 | 606,967 | 336.83 | 1.29% |
| 1999 | 1,807 | 45,509,542 | 593,999 | 60,235 | 533,764 | 295.39 | 1.17% |
| 1998 | 1,811 | 44,550,033 | 321,450 | 51,918 | 269,532 | 148.83 | .61% |
| 1997 | 1,815 | 42,639,651 | 267,165 | 57,050 | 210,115 | 115.77 | .49% |
| 1996 | 1,820 | 40,242,214 | 250,115 | 60,737 | 189,378 | 104.05 | .47% |
| 1995 | 1,821 | 39,319,967 | 233,170 | 62,128 | 171,042 | 93.93 | .44% |
| 1994 | 1,818 | 31,148,820 | 279,955 | 42,496 | 237,459 | 130.62 | .76% |
| 1993 | 1,816 | 29,780,888 | 327,685 | 33,945 | 293,740 | 161.75 | .99% |

Note: All population numbers are estimates from the U.S. Census Bureau.

Source: West Virginia State Treasurer's Office, Department of Tax and Revenue, Survey of Current Business, Bureau of Economic Analysis, U.S. Department of Commerce, and West Virginia University Bureau of Business Research.

Table 4
Ratio of Annual Debt Service Expenditures
for General Bonded Debt to General Fund
Revenues and Expenditures
For the Last Ten Fiscal Years
 (Expressed in Thousands)

| <u>For the Year</u> <u>Ended June 30</u> | <u>Debt</u> <u>Service</u> | <u>Total</u> <u>Revenue</u> | <u>Ratio</u> | <u>Total</u> <u>Expenditures</u> | <u>Ratio</u> |
|---|-------------------------------|--------------------------------|--------------|-------------------------------------|--------------|
| 2002 | \$70,524 | \$5,615,628 | 1.26% | \$5,271,723 | 1.34% |
| 2001 | 64,201 | 5,326,298 | 1.21% | 4,886,306 | 1.31% |
| 2000 | 69,261 | 5,103,826 | 1.36% | 4,692,979 | 1.48% |
| 1999 | 50,436 | 4,801,308 | 1.05% | 4,391,088 | 1.15% |
| 1998 | 52,428 | 4,750,405 | 1.10% | 4,305,422 | 1.22% |
| 1997 | 54,992 | 4,559,978 | 1.21% | 4,140,777 | 1.33% |
| 1996 | 54,834 | 4,444,846 | 1.23% | 4,039,005 | 1.36% |
| 1995 | 60,919 | 4,414,401 | 1.38% | 4,045,711 | 1.51% |
| 1994 | 64,370 | 4,967,099 | 1.30% | 4,721,038 | 1.36% |
| 1993 | 70,798 | 4,629,007 | 1.53% | 4,445,511 | 1.59% |

Table 5
Revenue Bond Coverage
For the Last Ten Fiscal Years
 (Expressed in Thousands)

Housing Development Fund*

| Fiscal Year | Operating Revenue | Direct Operating Expense | Net Revenue Available For Debt Service | Current Year Debt Service Requirements | | | |
|-------------|-------------------|--------------------------|--|--|----------|----------|----------|
| | | | | Principal | Interest | Total | Coverage |
| 2002 | \$172,139 | \$7,434 | \$164,705 | \$21,595 | \$53,329 | \$74,924 | 2.20 |
| 2001 | 138,058 | 6,743 | 131,315 | 19,185 | 48,359 | 67,544 | 1.94 |
| 2000 | 127,353 | 6,367 | 120,986 | 16,805 | 46,777 | 63,582 | 1.90 |
| 1999 | 147,976 | 6,307 | 141,669 | 14,790 | 52,635 | 67,425 | 2.10 |
| 1998 | 126,659 | 5,355 | 121,304 | 18,130 | 47,745 | 65,875 | 1.84 |
| 1997 | 116,750 | 4,866 | 111,884 | 17,260 | 43,254 | 60,514 | 1.85 |
| 1996 | 111,276 | 3,687 | 107,589 | 17,960 | 43,287 | 61,247 | 1.76 |
| 1995 | 108,243 | 5,139 | 103,104 | 18,015 | 43,954 | 61,969 | 1.66 |
| 1994 | 152,132 | 3,665 | 148,467 | 19,432 | 47,756 | 67,188 | 2.21 |
| 1993 | 146,542 | 5,601 | 140,941 | 20,852 | 60,777 | 81,629 | 1.73 |

Solid Waste Management Board

| | | | | | | | |
|------|---------|---------|--------|------|-------|-------|-------|
| 2002 | \$3,136 | \$2,494 | \$ 642 | # | # | # | # |
| 2001 | 2,174 | 1,899 | 275 | \$90 | \$217 | \$307 | .90 |
| 2000 | 2,217 | 1,617 | 600 | 80 | 224 | 304 | 1.97 |
| 1999 | 2,168 | 1,493 | 675 | 75 | 230 | 305 | 2.21 |
| 1998 | 1,786 | 1,834 | (48) | 70 | 236 | 306 | (.16) |
| 1997 | 1,835 | 1,857 | (22) | 65 | 239 | 304 | (.07) |
| 1996 | 1,808 | 1,662 | 146 | 60 | 245 | 305 | .48 |
| 1995 | 1,202 | 633 | 569 | 55 | 249 | 304 | 1.87 |
| 1994 | 1,652 | 1,286 | 366 | 0 | 348 | 348 | 1.05 |
| 1993 | 5,645 | 2,069 | 3,576 | 335 | 699 | 1,034 | 3.46 |

Water Development Authority*

| | | | | | | | |
|------|----------|-------|----------|-----------|----------|----------|------|
| 2002 | \$19,225 | \$629 | \$18,596 | \$49,340@ | \$14,028 | \$63,368 | 0.29 |
| 2001 | 22,525 | 513 | 22,012 | 3,645 | 15,293 | 18,938 | 1.16 |
| 2000 | 21,154 | 462 | 20,692 | 3,120 | 13,773 | 16,893 | 1.23 |
| 1999 | 18,774 | 494 | 18,280 | 4,285 | 12,063 | 16,348 | 1.12 |
| 1998 | 17,548 | 398 | 17,150 | 2,780 | 12,543 | 15,323 | 1.12 |
| 1997 | 17,291 | 378 | 16,913 | 2,765 | 12,696 | 15,461 | 1.09 |
| 1996 | 16,723 | 377 | 16,346 | 2,180 | 12,238 | 14,418 | 1.13 |
| 1995 | 16,217 | 346 | 15,871 | 2,075 | 12,156 | 14,231 | 1.12 |
| 1994 | 15,116 | 370 | 14,746 | 3,665 | 11,214 | 14,879 | 0.99 |
| 1993 | 13,618 | 447 | 13,171 | 1,095 | 9,563 | 10,658 | 1.24 |

Parkways, Economic Development and Tourism Authority**

| <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> |
|--------------------|--------------------------|---------------------------------|---|---------------------------|-----------------|
| 2002 | \$54,821 | \$27,366 | \$27,455 | \$11,240 | 2.44 |
| 2001 | 54,116 | 26,292 | 27,824 | 11,176 | 2.49 |
| 2000 | 54,410 | 26,211 | 28,199 | 11,249 | 2.51 |
| 1999 | 53,437 | 24,948 | 28,489 | 11,115 | 2.56 |
| 1998 | 52,898 | 28,330 | 24,568 | 11,125 | 2.21 |
| 1997 | 49,441 | 25,321 | 24,120 | 11,136 | 2.17 |
| 1996 | 47,327 | 24,051 | 23,276 | 11,138 | 2.09 |
| 1995 | 45,973 | 21,479 | 24,494 | 11,150 | 2.20 |
| 1994 | 43,032 | 21,147 | 21,885 | 11,157 | 1.96 |
| 1993 | 41,014 | 19,574 | 21,440 | 13,350 | 1.61 |

*Operating revenue includes revenues and principal loan repayments. Both are used for bond repayment.

#These bonds were paid in full during FY 2002.

@This includes retirement of revenue bonds.

**Only total debt service available.

Note: Information is unavailable for Higher Education revenue bonds.

Source: Water Development Authority, Housing Development Fund, Solid Waste Management Board, and Parkways, Economic Development and Tourism Authority.

Table 6
Demographic Statistics
For the Last Ten Calendar Years

| <u>Calendar Year</u> | <u>Total Population</u> | <u>Per Capita Personal Income</u> | <u>Unemployment Rate</u> | <u>Median Age</u> |
|----------------------|-------------------------|-----------------------------------|--------------------------|-------------------|
| 2001 | 1,802,000 | \$22,881 | 4.9% | n/a |
| 2000 | 1,807,000 | 21,861 | 5.5% | 38.9 |
| 1999 | 1,812,000 | 20,691 | 6.6% | 38.9 |
| 1998 | 1,816,000 | 20,234 | 6.6% | 38.6 |
| 1997 | 1,819,000 | 19,351 | 6.9% | 38.1 |
| 1996 | 1,823,000 | 18,527 | 7.5 % | 37.7 |
| 1995 | 1,824,000 | 17,882 | 7.9 % | 37.3 |
| 1994 | 1,820,000 | 17,395 | 8.9 % | 37.0 |
| 1993 | 1,816,000 | 16,712 | 10.9 % | 36.6 |
| 1992 | 1,806,000 | 16,109 | 11.4 % | 36.3 |

Source: Bureau of Employment Programs, West Virginia Development Office, U.S. Bureau of Economic Analysis and Bureau of the Census.

This table has been revised.

Table 7
Economic Characteristics
For the Last Ten Calendar Years

| <u>Calendar Year</u> | <u>Gross State Product</u> | <u>Personal Income</u> |
|----------------------|----------------------------|------------------------|
| 2001 | \$39,715,000,000 | \$41,230,000,000 |
| 2000 | 42,271,000,000 | 39,506,000,000 |
| 1999 | 40,626,000,000 | 37,488,000,000 |
| 1998 | 39,024,000,000 | 36,738,000,000 |
| 1997 | 38,281,000,000 | 35,202,000,000 |
| 1996 | 37,220,000,000 | 33,771,000,000 |
| 1995 | 36,315,000,000 | 32,611,000,000 |
| 1994 | 34,774,000,000 | 31,666,000,000 |
| 1993 | 32,240,000,000 | 30,375,000,000 |
| 1992 | 30,901,000,000 | 29,101,000,000 |

Source: U.S. Bureau of Economic Analysis, West Virginia University Bureau of Business Research.

This table has been revised.

Table 8
Property Values, Retail Sales,
Bank Deposits, and Bank Loans
For the Last Ten Calendar Years
(Expressed in Millions, Except for Bank Number Data)

| <u>Calendar Year Ended</u> | <u>Assessed Property Values</u> | <u>Retail Sales</u> | <u>Banks</u> | | | |
|--------------------------------|---|-------------------------|---------------|-----------------|--------------|---------------|
| | | | <u>Number</u> | <u>Deposits</u> | <u>Loans</u> | <u>Assets</u> |
| 2001 | \$49,414 | \$15,300* | 75 | \$14,317 | \$10,810 | \$18,117 |
| 2000 | 47,830 | 15,000* | 70 | 13,844 | 11,291 | 17,455 |
| 1999 | 46,957 | 14,619 | 82 | 17,291 | 14,792 | 23,088 |
| 1998 | 45,509 | 15,077 | 89 | 18,758 | 15,518 | 23,552 |
| 1997 | 44,550 | 14,484 | 100 | 17,452 | 13,408 | 21,590 |
| 1996 | 42,640 | 14,177 | 113 | 18,011 | 14,742 | 22,267 |
| 1995 | 40,242 | 13,616 | 118 | 17,138 | 13,481 | 21,265 |
| 1994 | 39,320 | 13,056 | 122 | 16,561 | 12,315 | 20,238 |
| 1993 | 31,149 | 11,586 | 148 | 16,575 | 11,101 | 19,881 |
| 1992 | 29,781 | 10,651 | 164 | 16,349 | 10,353 | 19,362 |

Source: West Virginia Department of Tax and Revenue and West Virginia Division of Banking, and U.S. Department of Commerce.

*Estimated

This table has been revised.

Table 9

Twenty-five Largest Private Sector Employers in West Virginia

Company

1. Wal-Mart Associates, Inc.
2. West Virginia University Hospitals
3. Charleston Area Medical Center, Inc.
4. Weirton Steel Corporation
5. Kroger Company
6. CSX Corporation
7. E. I. DuPont de Nemours and Company
8. Verizon
9. American Electric Power
10. Dominion Transmission, Inc.
11. Allegheny Energy Service Corporation
12. Wheeling Hospital, Inc.
13. Rite Aid of West Virginia, Inc.
14. St. Mary's Hospital
15. Consolidation Coal Company
16. Eldercare Resources Corporation
17. K-Mart Corporation
18. Pilgrim's Pride Corporation
19. CDG Management, LLC
20. Res-Care, Inc.
21. Lowe's Home Centers, Inc.
22. BB&T Corporation
23. Union Carbide Corporation/Dow Corporation
24. Eastern Associated Coal Corporation
25. Bob Evans Farms, Inc.

Source: West Virginia Bureau of Employment Programs, Office of Labor and Economic Research.

Table 10
Miscellaneous Public Education Statistics
For the Last Ten School Years

| <u>School Year</u> | <u>Number of Schools</u> | <u>Net Enrollment</u> | <u>Number of Teachers</u> | <u>Pupil-Teacher Ratio</u> |
|--------------------|--------------------------|-----------------------|---------------------------|----------------------------|
| 2001-02 | 808 | 283,033 | 19,986* | 14.2* |
| 2000-01 | 818 | 285,785 | 20,764 | 13.8 |
| 1999-00 | 824 | 290,944 | 20,923 | 13.9 |
| 1998-99 | 834 | 296,559 | 20,849 | 14.2 |
| 1997-98 | 839 | 301,314 | 20,819 | 14.5 |
| 1996-97 | 867 | 304,424 | 20,888 | 14.6 |
| 1995-96 | 873 | 307,508 | 20,915 | 14.7 |
| 1994-95 | 884 | 311,008 | 20,869 | 14.9 |
| 1993-94 | 901 | 313,997 | 21,048 | 14.9 |
| 1992-93 | 954 | 318,372 | 20,988 | 15.2 |

| <u>School Year</u> | <u>Expenditure on Education Per Pupil in Daily Attendance</u> | | | <u>% Revenue From State Government</u> | | |
|--------------------|---|-----------|----------------|--|-----------|----------------|
| | <u>U.S.</u> | <u>WV</u> | <u>WV Rank</u> | <u>U.S.</u> | <u>WV</u> | <u>WV Rank</u> |
| 2001-02 | \$7,425 | \$8,245 | 14 | 50.1%* | 60.1%* | 14 |
| 2000-01 | 7,640 | 8,440 | 16 | 50.2% | 60.1% | 14 |
| 1999-00 | 7,316 | 7,992 | 16 | 50.2% | 60.8% | 13 |
| 1998-99 | 6,251 | 6,887 | 14 | 49.8 % | 62.2 % | 13 |
| 1997-98 | 6,548 | 7,110 | 14 | 49.1 % | 61.6 % | 11 |
| 1996-97 | 6,335 | 6,902 | 14 | 48.7 % | 62.8 % | 12 |
| 1995-96 | 6,133 | 6,556 | 15 | 48.1 % | 62.8 % | 11 |
| 1994-95 | 5,894 | 6,285 | 16 | 46.0 % | 64.2 % | 8 |
| 1993-94 | 5,717 | 5,902 | 18 | 46.0 % | 64.6 % | 5 |
| 1992-93 | 5,550 | 5,698 | 19 | 46.9 % | 66.7 % | 5 |

Source: West Virginia Department of Education and National Education Association (NEA), "Rankings of the States;" West Virginia Research League.

*Estimated

This table has been revised.

Table 11
Miscellaneous Higher Education Statistics
For the Last Ten School Years

Public Institutions

| <u>School Year</u> | <u>Net Enrollment</u> | <u>Degrees Awarded</u> | | |
|--------------------|-----------------------|------------------------|-----------------|--------------|
| | | <u>Undergraduate</u> | <u>Graduate</u> | <u>Total</u> |
| 2001-02 | 78,315 | 9,632 | 2,670 | 12,302 |
| 2000-01 | 76,050 | 9,439 | 2,825 | 12,264 |
| 1999-00 | 76,751 | 9,277 | 2,831 | 12,108 |
| 1998-99 | 76,307 | 9,206 | 2,818 | 12,024 |
| 1997-98 | 75,920 | 9,057 | 2,918 | 11,975 |
| 1996-97 | 74,836 | 9,197 | 2,626 | 11,823 |
| 1995-96 | 74,816 | 9,484 | 2,549 | 12,033 |
| 1994-95 | 76,064 | 9,610 | 2,667 | 12,277 |
| 1993-94 | 77,488 | 10,084 | 2,409 | 12,493 |
| 1992-93 | 79,386 | 9,786 | 2,242 | 12,028 |

Private Institutions

| <u>School Year</u> | <u>Net Enrollment</u> | <u>Degrees Awarded</u> | | |
|--------------------|-----------------------|------------------------|-----------------|--------------|
| | | <u>Undergraduate</u> | <u>Graduate</u> | <u>Total</u> |
| 2001-02 | 10,066 | 1,860 | 161 | 2,021 |
| 2000-01 | 9,808 | 1,758 | 167 | 1,925 |
| 1999-00 | 9,837 | 1,761 | 162 | 1,923 |
| 1998-99 | 10,064 | 1,857 | 173 | 2,030 |
| 1997-98 | 10,271 | 1,796 | 196 | 1,992 |
| 1996-97 | 10,156 | 1,658 | 136 | 1,794 |
| 1995-96 | 10,366 | 1,799 | 122 | 1,921 |
| 1994-95 | 10,193 | 1,728 | 125 | 1,853 |
| 1993-94 | 10,451 | 1,756 | 116 | 1,872 |
| 1992-93 | 10,087 | 1,576 | 112 | 1,688 |

Source: Higher Education Policy Commission.

This table has been revised.

Table 12
Miscellaneous Statistics
June 30, 2002

| | |
|--|--|
| Date of Statehood | June 20, 1863 |
| Form of Government | Constitutional Representative Government |
| Branches of Government | Legislative - Executive - Judicial |
| Land Area | 24,282 square miles |
| Miles of State Highway | 34,610 |
| State Police Protection: | |
| Number of State Police Detachments | 71 |
| Number of State Police Troopers | 595 |
| Higher Education (State Supported): | |
| Number of Campuses | 27 |
| Number of Students | 78,315 |
| Recreation: | |
| Number of State Parks | 36 |
| Area of State Parks | 75,616 acres |
| Number of State Forests | 9 |
| Area of State Forests | 79,041 acres |
| Number of Rail Trails | 2 |
| Distance of Rail Trails | 137 miles |
| Wildlife Fish and Game Management Areas | 71 |
| Acreage of Wildlife Management Areas (Owned and Leased) | 355,527 acres |

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

