

A stylized orange map of West Virginia is positioned in the upper left corner of the page, partially overlapping the title area.

# West Virginia

Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2014

A scenic photograph of Summit Lake in Greenbrier County, West Virginia, during autumn. The lake is a deep blue, surrounded by hills covered in trees with vibrant fall foliage in shades of red, orange, and yellow. The foreground shows tall grasses and a large rock.

*Summit Lake in Greenbrier County lies within the Monongahela National Forest, 10 miles east of Richwood. The 43-acre impoundment was built in 1955 and is a favorite of anglers seeking trout, largemouth bass and bluegill.*



---

---

# *West Virginia*

*Comprehensive Annual*

*Financial Report*

*For the Fiscal Year*

*Ended June 30, 2014*

---

---



---

*Earl Ray Tomblin*  
Governor

*Jason Pizatella*  
Acting Cabinet Secretary  
Department of Administration

*Ross Taylor*  
State Comptroller  
Department of Administration

*Prepared by the  
Financial Accounting  
and Reporting Section*

---

---



---

---

*Governor Earl Ray Tomblin*

---

---



STATE OF WEST VIRGINIA  
OFFICE OF THE GOVERNOR  
1900 KANAWHA BOULEVARD, EAST  
CHARLESTON, WV 25305  
(304) 558-2000

EARL RAY TOMBLIN  
GOVERNOR

To the Honorable Members of the West Virginia Legislature and the citizens of West Virginia:

I am pleased to provide you with the State of West Virginia's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2014. 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 citizens of West Virginia with the state's financial data. It can be accessed on the Internet at [www.finance.wv.gov](http://www.finance.wv.gov).

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

Sincerely,

A handwritten signature in blue ink that reads "Earl Ray Tomblin".

Earl Ray Tomblin  
Governor

# ***ACKNOWLEDGMENTS***

---

---

## **Report Prepared By:**

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

## **Financial Reporting Team:**

Connie Byrne, CPA  
Susannah Carpenter, CPA  
Jordan Clay  
Melody Duke  
Betsy Frame  
Cheryl Garner  
Dan Nary  
Reneé King  
Jane Shinn  
Michael Powell, CPA  
Kay Walden

## **A Special Thanks To:**

D. Shawn Carper, MBA  
Becky Hayes, CPA  
Christine Sforza, CPA

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

We invite you to visit our website: <http://www.finance.wv.gov>.

## TABLE OF CONTENTS

### INTRODUCTORY SECTION

Letter of Transmittal.....	x
GFOA Certificate of Achievement .....	xix
Organization Chart.....	xx
State of West Virginia Principal Officials .....	xxi

### FINANCIAL SECTION

Report of Independent Auditors.....	1
Management's Discussion and Analysis.....	4

#### *Basic Financial Statements*

Government-wide Financial Statements	
Statement of Net Position .....	20
Statement of Activities .....	22
Governmental Funds Financial Statements	
Balance Sheet.....	26
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	28
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	29
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities .....	30
Proprietary Funds Financial Statements	
Statement of Net Position .....	34
Statement of Revenues, Expenses, and Changes in Fund Net Position.....	36
Statement of Cash Flows.....	38
Fiduciary Funds Financial Statements	
Statement of Fiduciary Net Position .....	43
Statement of Changes in Fiduciary Net Position.....	44
Discretely Presented Component Units Financial Statements	
Combining Statement of Net Position .....	48
Combining Statement of Activities .....	52

Notes to the Financial Statements:

Note 1 - Summary of Significant Accounting Policies .....	55
Note 2 - Restatements and Restricted Balances .....	79
Note 3 - Net Position/Fund Deficits .....	81
Note 4 - Deposits and Investments .....	85
Note 5 - Receivables .....	116
Note 6 - Interfund Balances .....	120
Note 7 - Interfund Transfers.....	122
Note 8 - Restricted Assets.....	125
Note 9 - Capital Assets .....	127
Note 10 - Long-Term Obligations .....	131
Note 11 - Leases .....	145
Note 12 - Retirement Systems.....	147
Note 13 - Other Postemployment Benefits .....	155
Note 14 - Risk Management .....	159
Note 15 - Commitments and Contingencies .....	166
Note 16 - Subsequent Events .....	173

***Required Supplementary Information***

Budgetary Comparison Schedule.....	176
Notes to Required Supplementary Information - Budgetary Reporting.....	179
Budgetary Comparison Schedule, Budget-to-GAAP Reconciliation .....	183
Pension Plans - Schedule of Funding Progress .....	184

***Combining Financial Statements and Schedules***

Nonmajor Governmental Funds

Combining Balance Sheet.....	188
Changes in Fund Balances .....	190

Nonmajor Special Revenue Funds

Combining Balance Sheet .....	194
Changes in Fund Balances .....	196

Nonmajor Debt Service Funds

Combining Balance Sheet .....	199
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances .....	200



Internal Service Funds	
Combining Statement of Fund Net Position .....	203
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position.....	204
Combining Statement of Cash Flows.....	205
Nonmajor Proprietary Funds	
Combining Statement of Net Position .....	210
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position .....	212
Combining Statement of Cash Flows.....	214
Pension Trust and Other Employee Benefit Trust Funds	
Combining Statement of Plan Net Position .....	220
Combining Statement of Changes in Plan Net Position.....	222
Investment Trust Funds	
Combining Statement of Fiduciary Net Position .....	225
Combining Statement of Changes in Fiduciary Net Position .....	225
Agency Funds	
Combining Statement of Assets and Liabilities.....	227
Combining Statement of Changes in Assets and Liabilities .....	228
Nonmajor Discretely Presented Component Units	
Combining Statement of Net Position .....	232
Combining Statement of Activities .....	234

## STATISTICAL SECTION

Index to Statistical Section	
Schedule 1 - Net Position by Component .....	240
Schedule 2 - Changes in Net Position .....	242
Schedule 3 - Fund Balances - Governmental Funds .....	246
Schedule 4 - Changes in Fund Balances - Governmental Funds.....	248
Schedule 5 - Revenue Base .....	250
Schedule 6 - Revenue Rates .....	252
Schedule 7 - Revenue Payers by Industry/Category.....	254
Schedule 8 - Ratios of Outstanding Debt .....	256
Schedule 9 - Pledged Revenue Coverage.....	258
Schedule 10 - Demographics and Economic Indicators .....	264
Schedule 11 - Principal Employers.....	266
Schedule 12 - Education Enrollment.....	267
Schedule 13 - State Employees by Function .....	268
Schedule 14 - Operating Indicators by Function .....	270
Schedule 15 - Capital Assets Statistics by Function .....	272
Schedule 16 - Miscellaneous Statistics.....	274







## INTRODUCTORY SECTION

Transmittal Letter

Certificate of  
Achievement for  
Excellence in  
Financial Reporting

Organization Chart

Principal Officials

*Cheat Lake is 13 miles long and varies from 1 to 3 miles in width. It spans 1,730 surface acres from the Mason-Dixon Line across the northeastern corner of Monongalia County.*



STATE OF WEST VIRGINIA  
DEPARTMENT OF ADMINISTRATION  
FINANCE DIVISION

EARL RAY TOMBLIN  
GOVERNOR

JASON PIZATELLA  
ACTING SECRETARY

March 31, 2015

The Honorable Earl Ray Tomblin, Governor  
The Honorable Members of the West Virginia Legislature  
Citizens of the State of West Virginia

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of West Virginia for the fiscal year ended June 30, 2014. This report has been prepared by the Financial Accounting and Reporting Section (FARS) within the Finance Division of the Department of Administration.

The CAFR has been prepared in conformity with the reporting model outlined by the Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35, and other related statements. This reporting model's objective is to provide a clear picture of the government as a single, unified entity as well as to provide traditional fund-based financial statements. The State of West Virginia's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with generally accepted accounting principles in the United States (GAAP).

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

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



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

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

### **Profile of the Government**

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

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

### **Economic Conditions and Outlook**

Fiscal accountability and unwavering policies that are set in place have enabled the State of West Virginia to operate through challenging national economic times. By staying the course of efficient business practices, West Virginia closed its 2014 fiscal year with a surplus of \$16 million, after successfully closing a mid-year budget gap of \$103 million with a combination of budget cuts and the use of reserve funds.

West Virginia's Rainy Day Fund was the third best in the country as a percentage of the State's General Revenue appropriations at 22.83 percent. During the first half of FY 2015, West Virginia revenue collections were approximately 1.7 percent below original estimates.

The State of West Virginia completed twenty-seven construction projects, each with costs in excess of \$5 million, including widening the North Camden Interchange to Staunton (Interstate 77, Wood County), Keyser-McCoole Bridge (Mineral County), Dick Henderson Bridge (St. Albans), Charles Town Race Track Roadway Relocation (Jefferson County), and Stewartstown Road/WV 705 Interchange Reconstruction (Morgantown). In addition, 19 more projects with costs in excess of \$5 million were initiated including sections of the Coalfields expressway, East Beckley Bypass, West Virginia 10, and Corridor H. The 19 new projects have a combined construction cost of \$202 million.

Federal transportation legislation, known as "Moving Ahead for Progress in the 21<sup>st</sup> Century" (MAP-21) was passed by Congress in 2012 to provide dedicated construction funding through September 2014; however, it reduced the State's annual apportionment by approximately \$30 million. MAP-21 expired in September 2014, but has enabled funding to continue through May 2015 through a series of short-term Continuing Resolutions.

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

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

West Virginia's increasingly diverse economy includes industries such as automotive, aerospace, biometric/biomedical, chemicals/polymers, advanced energy, fulfillment/distribution, business services and value-added wood products.

Since 2005, more than \$23 billion worth of new business investments have been made in the State's economy, including more than \$9.3 billion in new business investments since November 2010.

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

- Global consumer products giant Procter & Gamble (P&G) will build a new manufacturing plant in Berkeley County. The new facility is just the second manufacturing location that P&G has built in the United States since 1971 and represents an investment of approximately \$500 million. Company officials expect more than 700 permanent employees will staff the plant when it opens its doors in 2017.
- Toyota Motor Manufacturing of West Virginia (TMMWV) continues to invest in the State. Their recently announced \$90 million investment marks the eighth expansion of the Putnam County facility since it opened in 1996. TMMWV has invested \$1.3 billion to date. Currently, 1,300 people are employed at the facility. In May 2013, TMMWV celebrated the milestone of the production of its 10 millionth powertrain unit.

- In October 2013, Governor Tomblin met with the CEO of the Sogefi Group, a company which agreed to add engine intake manifolds to the product line at its plant in Prichard. The \$20 million expansion will add 250 new jobs. The Alleward Sogefi plant will continue to make its existing line of integrated fluid filtration products.
- Carbonyx, Inc., a Texas-based company, will invest tens of millions of dollars in a new Jackson County plant, creating at least 60 jobs. The new plant will make a carbon alloy replacement for coke, a key ingredient for steelmaking, and rely on coal as the main input for its manufacturing process. After several key elements have been finalized, Carbonyx plans to start construction on its site in Millwood in the near future.
- Gestamp automotive stamping plant, which opened in 2012, continues to grow its operations in South Charleston. The company announced it will invest \$100 million and create a minimum of 400 jobs over the next five years. Currently, Gestamp has created 460 jobs and invested \$61 million.
- Stockmeier Urethanes USA Inc. plans a multi-year expansion of its operations in Clarksburg, an investment of \$9.4 million. Plans call for the office building to be retrofitted and the company's production facility to be enlarged. The expansion is expected to continue into 2015.

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

- Skilled and flexible workforce that has earned a reputation for dedication, loyalty and low absenteeism;
- Low manufacturing-industry employee turnover rate;
- A business cost ranking of 13th lowest in the nation, according to Forbes's Best States for Business and Careers list (2013);
- Utility rates among the lowest in the nation;
- A strategic location within an eight-hour drive to more than half the U.S. population and more than one-third of the Canadian market;
- A Community and Technical College system that is highly responsive to business and workforce needs;
- A State that led the nation in the percentage of growth in exports, reaching a record level of \$11.3 billion; and
- High quality of life, low cost of living and unparalleled outdoor recreational activities.



## *Major Initiatives*

The State of West Virginia has focused on several major initiatives during FY 2014. Some of these initiatives are outlined below:

### Pro-Growth Tax Reforms

West Virginia eliminated approximately \$40 million of business tax burden in FY 2014 and more than \$545 million during the past eight years.

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

- A series of phased business tax rate reductions has resulted in a current corporate tax rate of 6.5 percent. Businesses, both large and small, are expected to realize a net annual savings of approximately \$53 million associated with the phased-in reduction in tax rate from 8.75 percent in 2008 to 6.5 percent in 2014;
- The business franchise tax rate has been eliminated as of January 2015. From the time the first reduction was made, until the eventual elimination, taxpayers will have saved an estimated \$150 million; and
- West Virginia offers a variety of tax credits, exemptions and special valuations for new and existing companies. Credits for manufacturers and certain other types of businesses that create new jobs can offset up to 100 percent of the State's business taxes. There are special valuations on aircraft, high-tech, pollution abatement equipment and property tied to specified customer supplier relations, which can dramatically reduce property taxes; and exemptions for manufacturers can eliminate sales tax for goods used in manufacturing. There are new tax credit programs that are now available for customer fulfillment and distribution centers as well as ethane cracker facilities.

### Energy Initiatives

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

The State has long been, and remains today, one of America's leading net exporters of electricity. Of the electricity West Virginia generates, 60 percent is exported to the rest of the country. The State ranks fourth in the country in net interstate sales of electricity and remains a leader in low-cost energy.

West Virginia remains the leader in the nation for coal exports with a majority of that supply coming from the southern coalfields.

West Virginia has seen an 80 percent increase in natural gas production since 2010. The State is the second largest natural gas exporter in the region. This substantial increase in production can be

attributed to the discovery of vast gas reserves in the Marcellus and Utica Shale formations beneath portions of the Appalachian region and the utilization of horizontal drilling techniques to access those reserves. The region's 6,000-foot-deep Marcellus Shale gas fields, extending from New York to West Virginia, are believed to contain more than 84 trillion cubic feet of recoverable natural gas, one of the world's largest natural gas fields.

### State Park Enhancements

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

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

Visitor comments have been very positive about the new lodge at Canaan Valley Resort State Park which officially opened in late October 2013. The ski season got off to a wonderful start in early December at Canaan Valley, which can be attributed to the new snowmaking equipment and the cooperation of Mother Nature. Events, activities, and information for all the parks are maintained at [www.wvstateparks.com](http://www.wvstateparks.com).

### Workers' Compensation Reforms

West Virginia continues to reduce its workers' compensation rates. As of November 1, 2014, the rate dropped by 9.1 percent and cumulative rates have decreased 88 percent from pre-reform levels. The latest reduction in rates is projected to reduce employer premiums by \$32 million in the coming year. Employers will have saved \$280 million since the fund privatized in 2006. The workers' compensation market is competitive with more than 200 carriers providing workers' compensation coverage.

Prior to the privatization, the unfunded liability for the State's workers' compensation fund exceeded \$3 billion. A plan was adopted to eliminate the unfunded liability and dedicate revenues from severance taxes, personal income taxes and specific lottery proceeds to eliminate the debt. Annually, the State allocates approximately \$247 million to reduce the unfunded liability. As of July 1, 2014, the unfunded liability for the Old Fund is \$350 million. Projections show the unfunded liability may be eliminated as early as FY 2016.

### Environmental Protection

The Division of Water and Waste Management in the Department of Environmental Protection (DEP) awarded 24 grants totaling \$2.5 million to partner agencies, local governments, universities, watershed associations, and nonprofit organizations to implement watershed related outreach, planning, education, monitoring, and water improvement projects.

Through the Clean Water State Revolving Fund, DEP disbursed more than \$65.1 million to communities for municipal sewer projects under construction; \$2.6 million to nonprofit source pollution control projects; \$88.9 million in closing new loans on 12 municipal construction projects; and issued ten preliminary binding commitment letters for future loans worth \$105.5 million.

The Abandoned Mine Lands (AML) program solicited bids for 56 AML reclamation projects at a cost of \$15 million and participated in the construction of nine waterline construction projects at a cost of \$16.7 million. These waterline projects brought drinking water to citizens whose drinking water was affected by mining activity that occurred before the Federal Mining Act in 1977 that requires companies to reclaim the land when mining ceases.

### Strong Financial Performance

Following recent upgrades, West Virginia's bond rating on its general obligation debt has been maintained at a high level enabling the State to borrow money at a lower interest rate. Standard and Poor's rates the State's general obligation debt at AA Stable, while Fitch rates the State's general obligation at AA+, the second highest rating possible. Moody's Investors Service rates the State's general obligation debt at Aa1 and reported that the rating reflects "the State's ongoing trend of fiscal conservatism and disciplined financial management evidenced by consistently strong reserve fund balances for almost a decade."

### *Conclusion*

West Virginia continues to aggressively address the fiscal challenges associated with a changing economy. During FY 2014, the State was able to manage its budgetary demands in a challenging economic environment. Governor Earl Ray Tomblin and the members of the State Legislature worked collaboratively to ensure that financial and strategic decisions are made for the betterment of the State's citizens so that programs and services may continue to operate efficiently. Meanwhile, our State's leadership also maintains a competitive atmosphere for current and future businesses to ignite job growth.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of West Virginia for its CAFR for the fiscal years ended June 30, 1995 through 2013. 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 are again submitting it to the GFOA for consideration.

Other state entities that have been awarded the Certificate of Achievement include the Board of Risk and Insurance Management, the Public Employees' Insurance Agency, the Department of Transportation, the Housing Development Fund, the Parkways Authority, the West Virginia Lottery, the Board of Treasury Investments, and the West Virginia Prepaid College Plan.

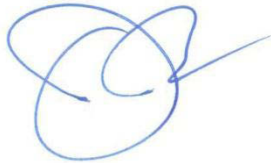


## Acknowledgments

The annual budget document, prepared by the State Budget Office, provides additional information related to budget priorities and goals including acknowledgment of significant accomplishments of various agency programs. The budget document has received the GFOA's Award for Distinguished Budget Presentation Program for the fiscal years 1997 through 2014 budgets.

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

Sincerely,

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Jason Pizatella  
Acting Secretary  
Department of Administration





**Government Finance Officers Association**

**Certificate of  
Achievement  
For Excellence  
In Financial  
Reporting**

Presented to

**State of West Virginia**

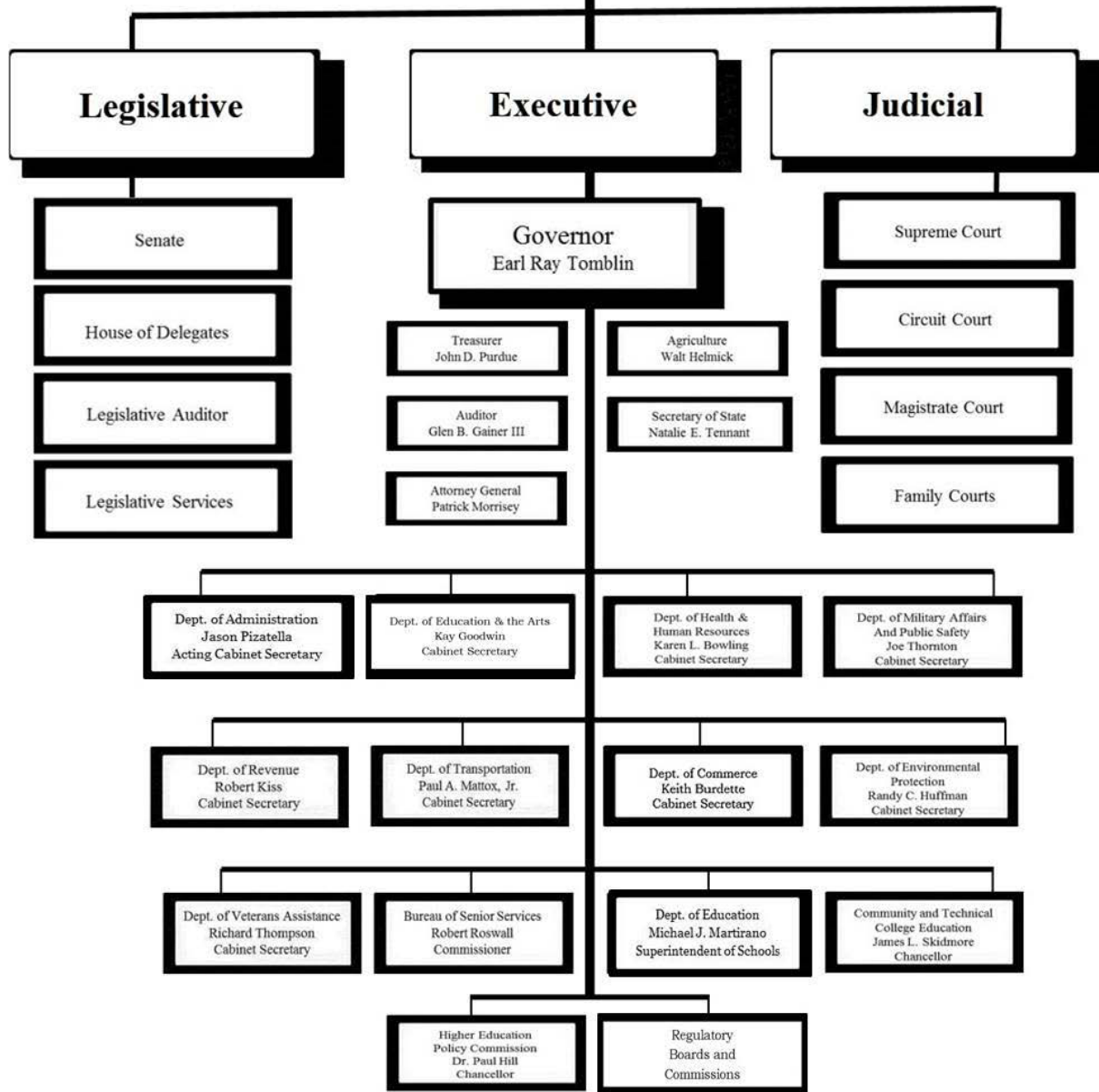
**For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended**

**June 30, 2013**

A handwritten signature in black ink, appearing to read 'Jeffrey R. Eason'.

**Executive Director/CEO**

**ORGANIZATION CHART**



*As of December 31, 2014*

# State of WEST VIRGINIA

## Principal Officials

### Executive Branch

Governor  
Earl Ray Tomblin

Agriculture Commissioner  
Walt Helmick

Attorney General  
Patrick Morrisey

State Auditor  
Glen B. Gainer III

Secretary of State  
Natalie E. Tennant

State Treasurer  
John D. Perdue

### Legislative Branch

Senate President  
William P. Cole, III

Speaker of the House  
Tim Armstead

Chairman  
Senate Finance  
Mike Hall

Chairman  
House Finance  
Eric Nelson

### Judicial Branch

Supreme Court  
Chief Justice  
Margaret L. Workman

Supreme Court Justice  
Brent D. Benjamin

Supreme Court Justice  
Robin Jean Davis

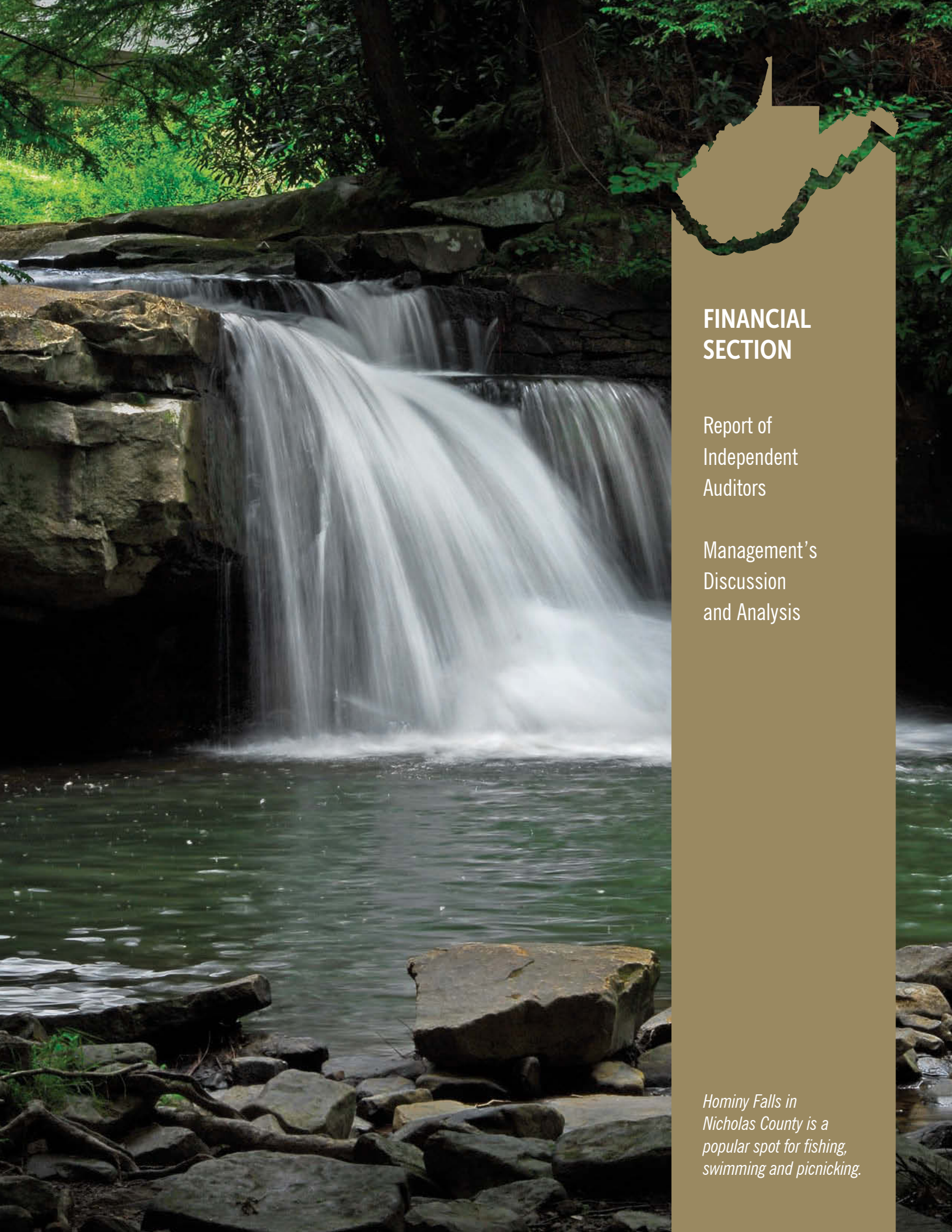
Supreme Court Justice  
Menis E. Ketchum, II

Supreme Court Justice  
Allen H. Loughry, II

As of December 31, 2014







## FINANCIAL SECTION

Report of  
Independent  
Auditors

Management's  
Discussion  
and Analysis

*Hominy Falls in  
Nicholas County is a  
popular spot for fishing,  
swimming and picnicking.*





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

Tel: +1 304 343 8971  
Fax: +1 304 357 5994  
ey.com

## Report of Independent Auditors

The Honorable Earl Ray Tomblin, Governor of the State of West Virginia

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

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, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain entities or funds within the governmental activities, the business-type activities, the aggregate discretely presented component units, certain major funds, and the aggregate remaining fund information, which represent 60 percent of total assets, 85 percent of net position, and 13 percent of total revenues for the governmental activities; 67 percent of total assets, 54 percent of net position, and 50 percent of total revenues for the business-type activities; 100 percent of total assets, net position, and revenues for the aggregate discretely presented component units; 87 percent of total assets, 77 percent of fund balance, and 98 percent of revenues of Transportation Special Revenue Fund; 100 percent of total assets, fund balance/net position, and revenues of each of the following major funds—Tobacco Settlement Finance Authority, Workers' Compensation, Unemployment Compensation, and West Virginia Infrastructure and Jobs Development Council; and 89 percent of total assets, 90 percent of net position/fund balance, and 67 percent of the total revenues/additions for the aggregate remaining fund information, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain entities or funds within the governmental activities, business-type activities, aggregate discretely presented component units, certain major funds, and certain entities or funds within the aggregate remaining fund information, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards





generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of West Virginia as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that management's discussion and analysis and budgetary comparison information and pension funding information on pages 176 through 184 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.





### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements, and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

*Ernst + Young LLP*

March 31, 2015

## 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, 2014. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and the State's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

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

The assets and deferred outflows of resources of the primary government exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$11 billion, reported as net position. Governmental activities reported \$9.1 billion in net position, a \$42 million decrease, down 0.5% from last year, while the business-type activities reported net position of \$1.9 billion, a \$284 million increase.

#### **Fund Level:**

At year-end, the governmental funds reported combined fund balances of \$1.26 billion, a decrease of \$300 million, or 19.2% lower than the prior year. The unrestricted fund balance, including the committed, assigned, and unassigned balances, was \$170 million. The nonspendable balance was \$790 million, and \$303 million was restricted to capital projects, debt service, general government operations, development tourism and recreation, education, health and social services, public protection, and transportation.

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

There was a net decrease in the State's long-term obligations of \$166 million. The Governmental Activities decreased by \$81 million and the Business-type Activities decreased by \$85 million. The net decrease of \$81 million consisted of a reduction of payments on bonds, capital leases, and notes payable in the amount of \$98 million, and an increase of \$28 million in accrued and other liabilities. The increase in accrued and other liabilities is related to \$9 million additional for mine reclamation, \$84 million additional for a new Medicaid program related to eligible acute care for hospitals, and an increase in tax refunds of \$18 million, and an offset of \$83 million in claims and judgments.

The insurance and compensation benefits liability decreased \$85 million primarily due to the privatization of the workers' compensation fund and the stabilization of revenue to satisfy the declining liability for claims incurred on or before June 30, 2005. See Note 14 for a more detailed explanation about the privatization and funding plan.

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

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The statement of net position 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, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term debt, are reported at the entity level.

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

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

- *Governmental activities* – Most of the State’s basic services are included under these activities, such as education, health and human resources, military affairs and public safety, judicial, and administration. Personal income taxes and consumer sales taxes finance most of these activities.
- *Business-type activities* – The State charges fees to customers to help it cover all or a significant portion of the costs of certain services it provides. The Public Employees’ Insurance Agency and the Board of Risk and Insurance Management, among other funds, are examples of these activities.
- *Component units* – The State includes several other entities in its report for which it is financially accountable, such as the West Virginia Housing Development Authority; West Virginia Lottery; Parkways Authority; and Higher Education. Separately issued financial statements are also available for these component units.

### **Fund Financial Statements**

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

The State has three kinds of funds:

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

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

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

### **Reconciliation Between Government-wide and Fund Statements**

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

- Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements.
- Capital outlay spending results in expenditures on the governmental fund statements; however, on the statement of activities, the cost of capital assets is allocated over their useful lives as depreciation expense. The excess of capital outlay over depreciation expense is included on the government-wide statement of activities.
- Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces the long-term liabilities on the government-wide statement of net position.
- Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflow of resources, liabilities, deferred inflows of resources, 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 inflows of resources on the governmental fund statements.
- Some revenues and expenses reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues and expenditures in the funds.

### **Notes to the Financial Statements**

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

### **Required Supplementary Information**

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

### **Combining Financial Statements and Schedules**

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

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The State's combined net position, governmental and business-type, increased \$242 million over the course of this fiscal year's operations. The net position of the governmental activities decreased \$42 million and the net position of the business-type activities increased \$284 million. The overall increase in the State's net position is primarily a result of the decrease of \$37 million in highway maintenance, offset by the reduction of the Workers' Compensation Fund deficit of \$257 million (see Note 14 for more information).

**Net Position as of June 30**  
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013*	2014	2013	2014	2013*
Current and Other Assets	\$4,995,864	\$ 5,163,404	\$4,153,152	\$3,935,102	\$ 9,149,016	\$ 9,098,506
Capital Assets	<u>9,416,555</u>	<u>9,394,939</u>	<u>3,175</u>	<u>3,392</u>	<u>9,419,730</u>	<u>9,398,331</u>
Total Assets	<u>14,412,419</u>	<u>14,558,343</u>	<u>4,156,327</u>	<u>3,938,494</u>	<u>18,568,746</u>	<u>18,496,837</u>
Deferred Outflows of Resources	<u>2,556</u>	<u>2,807</u>	<u>2,383</u>	<u>2,498</u>	<u>4,939</u>	<u>5,305</u>
Current and Other Liabilities	2,759,957	2,749,612	466,131	457,497	3,226,088	3,207,109
Long-term Liabilities	<u>2,513,770</u>	<u>2,628,604</u>	<u>1,830,895</u>	<u>1,905,824</u>	<u>4,344,665</u>	<u>4,534,428</u>
Total Liabilities	<u>5,273,727</u>	<u>5,378,216</u>	<u>2,297,026</u>	<u>2,363,321</u>	<u>7,570,753</u>	<u>7,741,537</u>
Deferred Inflows of Resources	<u>—</u>	<u>—</u>	<u>4,371</u>	<u>4,162</u>	<u>4,371</u>	<u>4,162</u>
Net Position:						
Net Investment in Capital Assets	8,791,243	8,697,588	3,175	3,392	8,794,418	8,700,980
Restricted	367,636	407,011	1,812,958	1,792,845	2,180,594	2,199,856
Unrestricted (Deficit)	<u>(17,631)</u>	<u>78,335</u>	<u>41,180</u>	<u>(222,728)</u>	<u>23,549</u>	<u>(144,393)</u>
Total Net Position	<u>\$9,141,248</u>	<u>\$9,182,934</u>	<u>\$1,857,313</u>	<u>\$1,573,509</u>	<u>\$10,998,561</u>	<u>\$10,756,443</u>

\*Restated for correction of an error

## Net Position

The largest component of the State's net position 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Capital assets are used to provide services to citizens; therefore, they are not available for future spending or to pay off their related liabilities. Net position unrestricted, increased \$168 million primarily due to reduction of the Workers' Compensation Fund deficit and the increase in the OPEB liability.

Restricted net position comprises 19.8% of total net position and is subject to constitutional, legal, or external constraints on how they can be used. Net position that is restricted include funds for construction projects, debt service, lending activities, insurance activities, transportation, public protection, and economic development and tourism programs of the State.

## Changes in Net Position

The chart below represents financial information derived from the government-wide statement of activities and reflects the State's total revenues, expenses, and changes in net position for the years ended June 30, 2014 and 2013 (expressed in thousands):

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program Revenues:						
Charges for Services	\$ 431,567	\$ 444,636	\$1,010,288	\$1,098,065	\$1,441,855	\$ 1,542,701
Operating Grants and Contributions	4,202,337	4,084,995	—	—	4,202,337	4,084,995
Capital Grants and Contributions	504,206	543,280	—	—	504,206	543,280
General Revenues:						
Personal Income Tax	1,771,473	1,771,481	—	—	1,771,473	1,771,481
Consumer Sales Tax	1,216,812	1,198,983	—	—	1,216,812	1,198,983
Business Taxes	937,751	923,575	—	—	937,751	923,575
Transportation Taxes	628,989	605,768	—	—	628,989	605,768
Other Taxes	493,000	508,114	—	—	493,000	508,114
Lottery Revenue	343,220	388,888	57,000	57,000	400,220	445,888
Other Revenue	289,363	221,660	192,944	101,085	482,307	322,745
Total Revenues	<u>10,818,718</u>	<u>10,691,380</u>	<u>1,260,232</u>	<u>1,256,150</u>	<u>12,078,950</u>	<u>11,947,530</u>
Program Expenses:						
Legislative	30,147	34,693	—	—	30,147	34,693
Judicial	143,929	129,667	—	—	143,929	129,667
Executive	154,212	117,706	—	—	154,212	117,706
Administration	308,685	309,009	—	—	308,685	309,009
Commerce	182,198	233,474	—	—	182,198	233,474
Environmental Protection	150,859	168,322	—	—	150,859	168,322
Employment Programs	50,406	47,369	—	—	50,406	47,369
Education	2,924,767	3,059,791	—	—	2,924,767	3,059,791
Health and Human Resources	4,759,982	4,660,450	—	—	4,759,982	4,660,450
Military Affairs and Public Safety	424,232	446,954	—	—	424,232	446,954
Revenue	131,627	62,615	—	—	131,627	62,615
Transportation	1,148,566	1,028,742	—	—	1,148,566	1,028,742
Veterans Assistance	23,551	19,212	—	—	23,551	19,212
Senior Services	45,846	47,608	—	—	45,846	47,608
Regulatory Boards and Commissions	44,847	62,883	—	—	44,847	62,883
Interest on Long-Term Debt	119,268	125,559	—	—	119,268	125,559
Workers' Compensation Fund	—	—	129,087	105,430	129,087	105,430
Unemployment Compensation	—	—	274,215	380,239	274,215	380,239
West Virginia Infrastructure and Jobs Development Council	—	—	29,752	17,669	29,752	17,669
Water Pollution Control Revolving Fund	—	—	9,991	10,645	9,991	10,645
Public Employees' Insurance Agency	—	—	573,008	490,841	573,008	490,841
Board of Risk and Insurance Management	—	—	67,524	57,293	67,524	57,293
Other Nonmajor Business-type	—	—	110,133	114,918	110,133	114,918
Total Expenses	<u>10,643,122</u>	<u>10,554,054</u>	<u>1,193,710</u>	<u>1,177,035</u>	<u>11,836,832</u>	<u>11,731,089</u>
Increase (Decrease) in Net Position before Transfers	175,596	137,326	66,522	79,115	242,118	216,441
Transfers	(217,282)	(220,028)	217,282	220,028	—	—
Increase (Decrease) in Net Position	(41,686)	(82,702)	283,804	299,143	242,118	216,441
Net Position, Beginning of Year, as Originally Reported	<u>9,106,160</u>	<u>9,207,710</u>	<u>1,573,509</u>	<u>1,275,794</u>	<u>10,679,669</u>	<u>10,483,504</u>
Correction of Error	76,774	(6,293)	—	—	76,774	(6,293)
Change in Accounting Principle for GASB 65	—	(12,555)	—	(1,428)	—	(13,983)
Net Position, Beginning of Year, as Restated	<u>9,182,934</u>	<u>9,188,862</u>	<u>1,573,509</u>	<u>1,274,366</u>	<u>10,756,443</u>	<u>10,463,228</u>
Net Position, End of Year	<u>\$ 9,141,248</u>	<u>\$ 9,106,160</u>	<u>\$ 1,857,313</u>	<u>\$ 1,573,509</u>	<u>\$ 10,998,561</u>	<u>\$ 10,679,669</u>

## **Governmental Activities**

The State's change in net position before transfers increased by \$176 million for governmental activities. Revenues were higher by \$127 million and expenses were higher by \$89 million. Overall tax revenue increased \$108 million from the previous year. Other revenue taxes, transportation taxes, and business taxes were higher by \$68 million, \$23 million, and \$14 million, respectively. These increases in taxes were offset by \$163 million for operating grants and contributions for Health and Human Resources (DHHR).

Program expenses were up approximately \$89 million in total. Health and Human Resources expenses were up \$100 million due to an increase in spending in Medicaid programs. Regulatory Boards and Commission's expenses were down \$18 million because of the capitalization of the statewide accounting system.

The charts on the next page depict revenues and expenses, respectively, of the governmental activities for the fiscal year. Approximately 42.1% of the total revenues came from personal income, consumer sales, business taxes, and transportation taxes, while 43.5% was in the form of grants and contributions (see Chart A). The State's governmental activities expenses include 45.2% for health and human resources and 27.8% for education (see Chart B).

Chart A

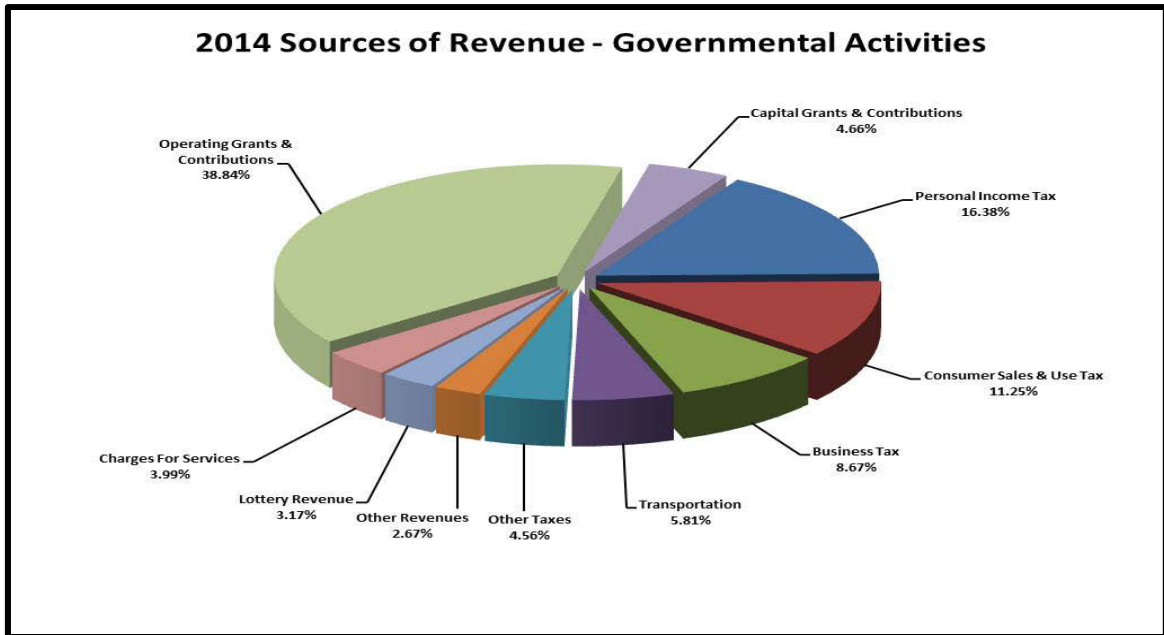
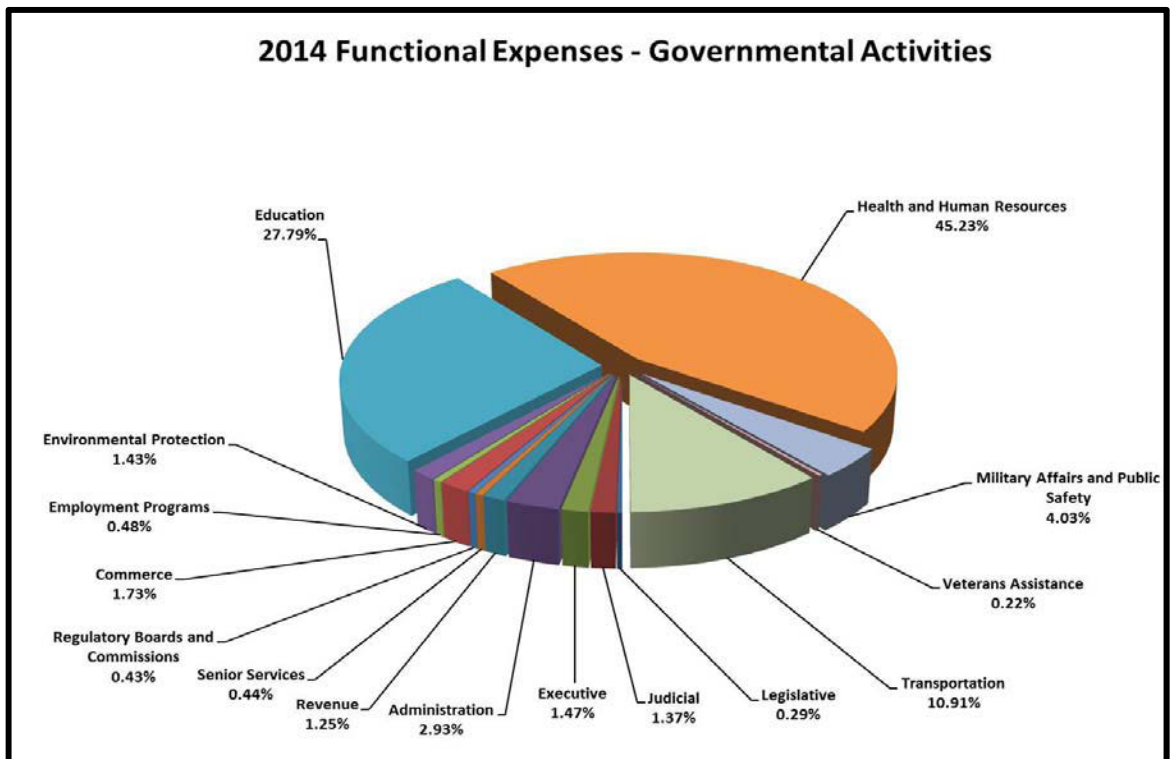


Chart B



## **Business-type Activities**

Business-type activities increased the State's net position by \$67 million before transfers. Significant contributors to this change were:

- The Workers' Compensation Funds (WCF) had a \$52 million increase in net position before transfers. WCF's revenue stream decreased \$9 million, net investment income increased \$60 million, and the payment stream increased \$24 million as claim obligations, incurred prior to July 1, 2005, were satisfied. An aggressive settlement program as part of the strategy to eliminate the WCF deficit was implemented in FY 2011. This marks the ninth consecutive year of deficit reduction progress for the fund and it is expected to continue in FY 2015.
- West Virginia Infrastructure and Jobs Development Council had a \$20 million increase in net position before transfers. Revenues were stable which included the excess lottery appropriations of \$46 million. Expenses were \$23 million which is an increase of \$13 million, due primarily to an increase in grant activity for infrastructure and economic projects.
- West Virginia Board of Risk and Insurance Management (BRIM) recorded a decrease in net position before transfers of \$4 million primarily due to an increase in estimated claims expense based on a current year actuarial study and investment returns that were not sufficient to offset the increase in the expenses.

## **FINANCIAL ANALYSIS OF THE STATE'S FUNDS**

### **Governmental Funds**

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

At the end of the current fiscal year, the State's governmental funds reported a fund balance of \$1.26 billion, a decrease of \$300 million in comparison to that of the prior year.

There was a net increase in revenue of \$135.8 million. Total tax revenues increased by \$34.6 million; federal revenues increased \$87.7 million; investment earnings increased \$49.8 million; licenses, permits and fees increased \$16.9 million; other revenue increased \$24.9 million; lottery revenues decreased \$44.9 million; and food stamp revenue decreased \$34.7 million. Expenses were up by \$171.9 million primarily due to the Health and Human Resources function.



**Governmental Fund Balances at June 30, 2014**  
**(Expressed in Thousands)**

	<b>General Fund</b>	<b>Transportation</b>	<b>Tobacco Settlement Finance Authority</b>
Nonspendable	\$ 144,315	\$37,949	\$606,938
Restricted	23,481	14,224	100,901
Unrestricted			
Committed	1,031,739	—	—
Assigned	35,734	92,946	—
Unassigned	<u>(1,284,401)</u>	<u>—</u>	<u>—</u>
Total	<u>\$ (49,132)</u>	<u>\$145,119</u>	<u>\$707,839</u>

At year-end, nonmajor governmental funds had a net increase in fund balance of approximately \$36.8 million. The capital projects fund balance decreased approximately \$19 million due to construction of ongoing projects for the state parks, capital complex, and higher education institutions. The special revenue fund balance increased by a net of \$54.5 million. This increase was primarily due to the Environmental Protection function decreasing their expenses for the Capitalization Grants for Clean Water. Restricted fund balance is \$164 million, of which \$52.8 million was available for debt service, \$13.7 million to fund capital projects, \$52.5 million for development, tourism and recreation, and \$45 million for public protection. Committed fund balance is \$293 million, \$2 million for general government operations and \$291 million for public protection.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the General Fund maintained an assigned fund balance of \$36 million, committed fund balance of \$1 billion, nonspendable fund balance of \$144 million offset by an unassigned fund balance of \$(1.28) billion and a total fund balance of \$(49) million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents (13.9)% of total General Fund expenditures, while total fund balance represents (.53)% of the same amount.

Cash and cash equivalents in the General Fund were down \$227.4 million primarily due to Health and Human Services' investments being lower because of increased spending in Medicaid programs. Severance taxes increased \$64.8 million and consumer sales taxes were up \$13.7 million. These increases were offset by decreases in Medicaid taxes and corporate net income taxes in the amounts of \$35 million and \$27.7 million, respectively. Revenues were \$129.9 million less than expenditures. Expenses for the health and human resource function were up \$210.8 million in 2014.

At year-end, Transportation had a \$14 million restricted fund balance and a nonspendable fund balance of \$38 million in inventory. Total fund balance was higher by approximately \$60 million from 2013, primarily due to the decrease in expenditures for road maintenance.

The Tobacco Settlement Finance Authority's fund balance decreased by \$21 million due to the amortization of the deferred inflows of resources. Required bond interest in the amount of \$65 million was paid during the 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 six major enterprise funds include the Water Pollution Control Revolving Fund, Workers' Compensation Funds, Unemployment Compensation, West Virginia Infrastructure and Jobs Development Council, Public Employees' Insurance Agency, and the Board of Risk and Insurance Management.

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

### **GENERAL REVENUE FUND BUDGETARY HIGHLIGHTS**

The Final amended budget revenues did not change from the amount originally anticipated. The general revenue fund budget to actual overall revenue variance was negative by \$29.9 million due to decreases in revenue collection in several tax categories. Severance taxes were higher by \$57.4 million and business and occupation taxes had an increase of \$13.5 million; however, personal income taxes decreased \$102.7 million, consumer sales decreased \$30.9 million, corporate income and business franchise taxes decreased \$26.3 million, and other taxes decreased \$6.1 million. Other revenue increased \$70 million while interest income decreased \$4.8 million.

The positive variance of the excess of revenues over expenditures was approximately \$139.9 million which resulted primarily from the State's fiscal policies.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2014, the State had invested \$9.4 billion, net of accumulated depreciation, in a broad range of capital assets shown on next page. Depreciation expense for the year totaled \$392 million.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>2014</u>	<u>2013*</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013*</u>
Land and Improvements	\$1,218,385	\$1,172,937	\$ 611	\$ 611	\$1,218,996	\$1,173,548
Building and Improvements	963,909	857,976	973	1,046	964,882	859,022
Equipment	104,259	121,910	1,480	1,211	105,739	123,121
Library Holdings	950	996	—	—	950	996
Intangibles	67,179	46,541	111	524	67,290	47,065
Construction in Progress	715,406	917,103	—	—	715,406	917,103
Infrastructure	<u>6,346,467</u>	<u>6,277,476</u>	<u>—</u>	<u>—</u>	<u>6,346,467</u>	<u>6,277,476</u>
Totals	<u>\$9,416,555</u>	<u>\$9,394,939</u>	<u>\$3,175</u>	<u>\$3,392</u>	<u>\$9,419,730</u>	<u>\$9,398,331</u>

\*Restated for correction of an error

The total increase, net of disposals and accumulated depreciation, in the State's net investment in capital assets for the current fiscal year, approximated \$21 million. The most significant changes in capital assets during the year were in the Transportation and Public Safety functions. Transportation continues to expand the state road system, focusing primarily on upgrading existing roadways and completion of Appalachian Highway Corridors. Transportation had significant construction projects, resulting in net increases of \$70 million in infrastructure and \$38 million in land acquisition. An increase in intangibles in a net amount of \$21 million was due to the wvOASIS software licenses. The \$202 million decrease in construction in progress was due primarily to the reclassification of completed transportation projects, armory projects, parks and recreation projects, and capital complex projects in the net amount of \$159 million, \$40 million, \$31 million, and \$11 million, respectively. These decreases were offset with increases of \$23 million for the William R. Sharpe, Jr. Hospital expansion projects and \$16 million for the Prichard Intermodal Facility. Additional information concerning the State's capital assets can be found in Note 9 of this report and under the capital assets heading in Note 1.

**Long-Term Debt**

At year-end the State had \$5.7 billion in bonds, capital leases, notes payable, claims and judgments, compensated absences, pension obligations, and other long-term obligations

outstanding, as shown in the following table. The State's general obligation bonds are rated AA by Standard and Poor's Corporation, AA+ by Fitch Investors Service, and the Moody's Investors Service rating is Aa1.

The increase in accrued and other liabilities of \$28 million is primarily due to an increase in Medicaid liabilities related to the Eligible Acute Care Program of \$84 million. The Department of Environmental Protection's mine liability also increased \$9 million. Tax refunds increased \$18 million along with a reduction of \$83 million in claims and judgments for the year. More detailed information related to the State's overall debt position is presented in Note 10 to the financial statements.

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

**Outstanding Debt at June 30**  
(Expressed in Thousands)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
General Obligation Bonds	\$ 460,428	\$ 498,776	\$ —	\$ —	\$ 460,428	\$ 498,776
Revenue Bonds	1,226,587	1,266,848	112,735	115,497	1,339,322	1,382,345
Capital Leases	255,109	268,819	—	—	255,109	268,819
Notes Payable	16,086	21,440	—	—	16,086	21,440
Accrued and Other Liabilities	1,249,192	1,221,585	104,103	101,580	1,353,295	1,323,165
Insurance and Compensation Benefits	—	—	1,998,480	2,083,588	1,998,480	2,083,588
Compensated Absences	89,207	91,841	640	613	89,847	92,454
Pension Obligations	<u>114,455</u>	<u>123,124</u>	<u>—</u>	<u>—</u>	<u>114,455</u>	<u>123,124</u>
Totals	<u>\$3,411,064</u>	<u>\$3,492,433</u>	<u>\$2,215,958</u>	<u>\$2,301,278</u>	<u>\$5,627,022</u>	<u>\$5,793,711</u>

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

The general revenue estimate for FY 2015 is predicted to be \$4.27 billion, or \$135 million above the FY 2014 official revenue estimate, and lottery revenues available for appropriation are expected to drop by \$8 million. FY 2015 general revenue fund collections are expected to be \$80.0 million short of estimate by year-end. To help balance the FY 2015 budget and provide for FY 2015 supplemental appropriations, \$31.08 million of excess spending authority and cash from various general revenue funds and special revenue funds are proposed to be expired to the FY 2015 general revenue surplus balance.

The budget for FY 2015 includes major increases for the State's share of Medicaid funding, social services, a 2% pay raise for professional educators and school service personnel, and a \$504 pay raise for state employees. Funding is also included to fully fund Public Education's School Aid Formula (including a proposed change to the calculation of the Local Share) and all retirement system obligations. Although there will be challenges in future budgets, upcoming budget gaps must be addressed and balanced.

The FY 2015 budget includes a six-year plan showing the projected revenues and expenditures through FY 2019. The goal of the six-year plan is to provide the West Virginia Legislature and citizens a clear understanding of not only the FY 2015 budget, but also the larger implications of today's decisions on the State's future. Careful budgetary planning, with an eye on the future budget requirements, will continue to be a fundamental part of our approach to maintaining balanced budgets while providing necessary services.

#### **CONTACTING THE STATE'S FINANCIAL MANAGEMENT**

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





## BASIC FINANCIAL STATEMENTS

Government-Wide

Major Funds

Notes 1-16

*Trout Pond is the only natural lake in West Virginia. It is located in Hardy County and is part of the George Washington National Forest.*



**Statement of Net Position**

**June 30, 2014**

(Expressed in Thousands)

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets:</b>				
Current Assets:				
Cash and Cash Equivalents	\$1,665,753	\$2,072,663	\$3,738,416	\$1,027,040
Investments	997,220	102,859	1,100,079	112,299
Receivables, Net	778,446	161,164	939,610	160,644
Capital Leases Receivable from Primary Government	—	—	—	13,206
Due from Other Governments	323,235	2,049	325,284	—
Due from Primary Government	—	—	—	27,357
Due from Fiduciary Funds	94	—	94	3
Due from Component Units	109,968	1,085	111,053	—
Internal Balances	(1,430)	1,430	—	—
Inventories	50,302	1,986	52,288	9,478
Prepaid Insurance	8	15	23	206
Other Assets	2,357	18,542	20,899	14,047
Restricted Assets:				
Cash and Cash Equivalents	5,526	7,222	12,748	122,626
Investments	—	—	—	10,650
Receivables, Net	—	710	710	4,563
Other Restricted Assets	—	<u>206,774</u>	<u>206,774</u>	<u>20</u>
Total Current Assets	<u>3,931,479</u>	<u>2,576,499</u>	<u>6,507,978</u>	<u>1,502,139</u>
Noncurrent Assets:				
Cash and Cash Equivalents	—	—	—	168,095
Investments	—	390,951	390,951	451,726
Receivables, Net	—	1,112,037	1,112,037	297,087
Capital Leases Receivable from Primary Government	—	—	—	230,584
Prepaid Insurance	93	364	457	—
Other Assets	406	1,000	1,406	36,355
Advance to Component Units	129,221	—	129,221	—
Net Pension Asset	898,769	—	898,769	—
Restricted Assets:				
Cash and Cash Equivalents	35,896	24,564	60,460	45,995
Investments	—	47,737	47,737	142,774
Receivables, Net	—	—	—	879,599
Other Restricted Assets	—	—	—	7,918
Land and Other Capital Assets Not Being Depreciated	1,911,876	611	1,912,487	546,929
Capital Assets, Being Depreciated (Net of Accumulated Depreciation)	<u>7,504,679</u>	<u>2,564</u>	<u>7,507,243</u>	<u>2,932,350</u>
Total Noncurrent Assets	<u>10,480,940</u>	<u>1,579,828</u>	<u>12,060,768</u>	<u>5,739,412</u>
Total Assets	<u>14,412,419</u>	<u>4,156,327</u>	<u>18,568,746</u>	<u>7,241,551</u>
Deferred Outflows of Resources:				
Accumulated Decrease in Fair Value of Hedging Derivative	—	—	—	4,732
Deferred Loss on Bond Refundings	<u>2,556</u>	<u>2,383</u>	<u>4,939</u>	<u>51,684</u>
Total Deferred Outflows of Resources	<u>2,556</u>	<u>2,383</u>	<u>4,939</u>	<u>56,416</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	196,572	5,801	202,373	94,446
Interest Payable	2,890	—	2,890	15,915
Accrued Tuition Contract Benefits	—	16,415	16,415	—
Accrued and Other Liabilities	732,565	17,481	750,046	158,354
Due to Other Governments	182,492	3,641	186,133	—
Due to Primary Government	—	—	—	111,053
Due to Fiduciary Funds	1,443,064	5,119	1,448,183	338,867
Due to Component Units	27,029	328	27,357	—
Unearned Revenue	10,616	17,471	28,087	67,657
Premium Deficiency	—	48,708	48,708	—
Insurance and Compensation Benefits Obligations	—	348,360	348,360	—
General Obligation Debt	43,960	—	43,960	—
Revenue Bonds Payable	39,515	2,672	42,187	171,520
Capital Leases and Other Debt	8,206	—	8,206	12,527
Capital Leases Payable to Component Units	13,206	—	13,206	—
Compensated Absences	<u>59,842</u>	<u>135</u>	<u>59,977</u>	<u>46,500</u>
Total Current Liabilities	<u>2,759,957</u>	<u>466,131</u>	<u>3,226,088</u>	<u>1,016,839</u>

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

	<b>Primary Government</b>			
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Component</u>
	<u>Activities</u>	<u>Activities</u>		<u>Units</u>
<b>Noncurrent Liabilities:</b>				
Accrued Tuition Contract Benefits	—	70,207	70,207	—
Accrued and Other Liabilities	516,627	—	516,627	142,768
Unearned Revenue	—	—	—	1,969
Insurance and Compensation				
Benefits Obligations	—	1,650,120	1,650,120	—
Advances from Primary Government	—	—	—	129,221
Liabilities Payable from Restricted Assets	—	—	—	74,868
General Obligation Debt	416,468	—	416,468	—
Revenue Bonds Payable	1,187,072	110,063	1,297,135	2,556,560
Capital Leases and Other Debt	19,199	—	19,199	73,795
Capital Leases Payable to Component Units	230,584	—	230,584	—
Net Pension Obligation	114,455	—	114,455	—
Compensated Absences	29,365	505	29,870	4,483
Total Noncurrent Liabilities	<u>2,513,770</u>	<u>1,830,895</u>	<u>4,344,665</u>	<u>2,983,664</u>
Total Liabilities	<u>5,273,727</u>	<u>2,297,026</u>	<u>7,570,753</u>	<u>4,000,503</u>
<b>Deferred Inflows of Resources:</b>				
Nonincentive Tax Credits	—	—	—	6,000
Fair Value of Hedging Derivative Instrument	—	—	—	3,316
Service Concession Arrangements	—	—	—	2,632
Grants and Contributions	—	4,371	4,371	1,131
Total Deferred Inflows of Resources	<u>—</u>	<u>4,371</u>	<u>4,371</u>	<u>13,079</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	8,791,243	3,175	8,794,418	2,227,259
Restricted for:				
Capital Projects	48,487	—	48,487	49,847
Debt Service	182,654	—	182,654	491,500
General Government Operations	5,600	996	6,596	—
Permanent Funds:				
Nonexpendable	1,000	—	1,000	25,697
Expendable	357	—	357	—
Lending Activities	—	1,436,072	1,436,072	98,236
Insurance Activities	—	375,890	375,890	—
Development, Tourism, and Recreation	61,811	—	61,811	—
Education	1,508	—	1,508	—
Health and Social Services	3,644	—	3,644	—
Public Protection	48,351	—	48,351	—
Transportation	14,224	—	14,224	—
Specific Component Unit Purposes	—	—	—	441,191
Unrestricted (Deficit)	<u>(17,631)</u>	<u>41,180</u>	<u>23,549</u>	<u>(49,345)</u>
Total Net Position	<u>\$ 9,141,248</u>	<u>\$1,857,313</u>	<u>\$10,998,561</u>	<u>\$3,284,385</u>

**Statement of Activities  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)**

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Legislative	\$ 30,147	\$ 1,440	\$ 1,523	\$ —
Judicial	143,929	972	1,453	—
Executive	154,212	24,539	64,345	—
Administration	308,685	15,608	43,532	3,180
Commerce	182,198	48,312	54,672	—
Environmental Protection	150,859	85,487	103,557	—
Employment Programs	50,406	—	49,686	—
Education	2,924,767	3,982	405,576	—
Health and Human Resources	4,759,982	83,974	3,385,470	—
Military Affairs and Public Safety	424,232	9,847	59,304	24,395
Revenue	131,627	33,231	35	—
Transportation	1,148,566	92,772	—	476,631
Veterans Assistance	23,551	—	7,814	—
Senior Services	45,846	—	22,588	—
Regulatory Boards and Commissions	44,847	31,403	2,782	—
Interest on Long-Term Debt	119,268	—	—	—
Total Governmental Activities	<u>10,643,122</u>	<u>431,567</u>	<u>4,202,337</u>	<u>504,206</u>
Business-type Activities:				
Water Pollution Control Revolving Fund	9,991	5,611	—	—
Workers' Compensation Fund	129,087	45,099	—	—
Unemployment Compensation	274,215	270,784	—	—
West Virginia Infrastructure and Jobs Development Council	29,752	3,076	—	—
Public Employees' Insurance Agency	573,008	515,987	—	—
Board of Risk and Insurance Management	67,524	45,959	—	—
Other Activities	110,133	123,772	—	—
Total Business-type Activities	<u>1,193,710</u>	<u>1,010,288</u>	<u>—</u>	<u>—</u>
Total Primary Government	<u>\$11,836,832</u>	<u>\$1,441,855</u>	<u>\$4,202,337</u>	<u>\$504,206</u>
<b>Component Units:</b>				
West Virginia Lottery	\$1,226,313	\$1,212,884	\$ —	\$ —
Economic Development Authority	3,037	9,428	—	—
Housing Development Authority	100,422	43,286	67,454	—
Parkways Authority	85,067	91,656	—	—
Water Development Authority	13,023	14,134	—	—
Higher Education	1,834,427	874,413	437,211	49,575
Regional Jail Authority	87,026	86,152	3,043	—
School Building Authority	140,826	—	615	—
Other Component Units	61,853	11,044	8,358	108
Total Component Units	<u>\$ 3,551,994</u>	<u>\$2,342,997</u>	<u>\$ 516,681</u>	<u>\$ 49,683</u>
<b>General Revenues:</b>				
Taxes:				
Personal Income				
Consumer Sales				
Business				
Medicaid				
Transportation				
Other				
Grants and Contributions not Restricted to Specific Programs				
Entitlements and Grants				
Unrestricted Investment Earnings				
Tobacco Settlement Revenue				
Payments from State of West Virginia				
Lottery Revenues				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position, Beginning of Year, as restated				
Net Position, End of Year				

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

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total	Component Units
\$ (27,184)	—	\$ (27,184)	—
(141,504)	—	(141,504)	—
(65,328)	—	(65,328)	—
(246,365)	—	(246,365)	—
(79,214)	—	(79,214)	—
38,185	—	38,185	—
(720)	—	(720)	—
(2,515,209)	—	(2,515,209)	—
(1,290,538)	—	(1,290,538)	—
(330,686)	—	(330,686)	—
(98,361)	—	(98,361)	—
(579,163)	—	(579,163)	—
(15,737)	—	(15,737)	—
(23,258)	—	(23,258)	—
(10,662)	—	(10,662)	—
<u>(119,268)</u>	<u>—</u>	<u>(119,268)</u>	<u>—</u>
<u>(5,505,012)</u>	<u>—</u>	<u>(5,505,012)</u>	<u>—</u>
—	\$ (4,380)	(4,380)	—
—	(83,988)	(83,988)	—
—	(3,431)	(3,431)	—
—	(26,676)	(26,676)	—
—	(57,021)	(57,021)	—
—	(21,565)	(21,565)	—
—	13,639	13,639	—
<u>—</u>	<u>(183,422)</u>	<u>(183,422)</u>	<u>—</u>
<u>(5,505,012)</u>	<u>(183,422)</u>	<u>(5,688,434)</u>	<u>—</u>
—	—	—	\$ (13,429)
—	—	—	6,391
—	—	—	10,318
—	—	—	6,589
—	—	—	1,111
—	—	—	(473,228)
—	—	—	2,169
—	—	—	(140,211)
—	—	—	<u>(42,343)</u>
—	—	—	(642,633)
1,771,473	—	1,771,473	—
1,216,812	—	1,216,812	—
937,751	—	937,751	—
189,111	—	189,111	—
628,989	—	628,989	—
303,889	—	303,889	—
—	—	—	833
31,078	—	31,078	—
71,178	175,662	246,840	62,132
61,337	—	61,337	—
—	—	—	622,381
343,220	57,000	400,220	—
125,770	17,282	143,052	43,237
<u>(217,282)</u>	<u>217,282</u>	<u>—</u>	<u>—</u>
<u>5,463,326</u>	<u>467,226</u>	<u>5,930,552</u>	<u>728,583</u>
(41,686)	283,804	242,118	85,950
<u>9,182,934</u>	<u>1,573,509</u>	<u>10,756,443</u>	<u>3,198,435</u>
<u>\$9,141,248</u>	<u>\$1,857,313</u>	<u>\$10,998,561</u>	<u>\$3,284,385</u>



# *GOVERNMENTAL FUNDS*

## *FINANCIAL STATEMENTS*

### *Major Funds*

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

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

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

Nonmajor governmental funds are presented, by fund type, beginning on page 188.



# West Virginia

## Balance Sheet Governmental Funds June 30, 2014 (Expressed in Thousands)

### Major Special Revenue

	General	Transportation	Tobacco Settlement Finance Authority	Other Governmental Funds	Total
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 1,063,985	\$ 131,330	\$ 29,720	\$ 422,870	\$ 1,647,905
Investments	855,420	—	71,181	70,619	997,220
Receivables, Net	564,967	161,207	31,837	10,888	768,899
Due from Other Governments	321,349	—	—	1,886	323,235
Due from Other Funds	504	12,475	—	51	13,030
Due from Component Units	108,499	132	—	1,055	109,686
Advances to Component Units	129,221	—	—	—	129,221
Inventories	11,485	37,949	—	31	49,465
Other Assets	1,620	640	—	—	2,260
Restricted Assets:					
Cash and Cash Equivalents	—	—	—	1,523	1,523
<b>Total Assets</b>	<b><u>3,057,050</u></b>	<b><u>343,733</u></b>	<b><u>132,738</u></b>	<b><u>508,923</u></b>	<b><u>4,042,444</u></b>
<b>Deferred Outflow of Resources:</b>					
Deferred Payments to Tobacco Settlement Finance Authority	—	—	606,934	—	606,934
<b>Total Deferred Outflow of Resources</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>606,934</u></b>	<b><u>—</u></b>	<b><u>606,934</u></b>
<b>Total Assets and Deferred Outflow of Resources</b>	<b><u>\$ 3,057,050</u></b>	<b><u>\$ 343,733</u></b>	<b><u>\$ 739,672</u></b>	<b><u>\$ 508,923</u></b>	<b><u>\$ 4,649,378</u></b>
<b>Liabilities:</b>					
Accounts Payable	\$ 133,930	\$ 41,296	\$ —	\$ 8,039	\$ 183,265
Accrued and Other Liabilities	802,335	12,842	—	5,496	820,673
Unearned Revenue	10,016	600	—	—	10,616
Due to Other Governments	169,297	3,237	—	9,791	182,325
Due to Other Funds	1,285,687	139,899	—	26,263	1,451,849
Due to Component Units	26,214	740	—	67	27,021
<b>Total Liabilities</b>	<b><u>2,427,479</u></b>	<b><u>198,614</u></b>	<b><u>—</u></b>	<b><u>49,656</u></b>	<b><u>2,675,749</u></b>
<b>Deferred Inflows of Resources:</b>					
Tax Revenue	71,769	—	—	—	71,769
Tobacco Settlement Revenue	—	—	31,833	—	31,833
Advances to Tobacco Settlement Finance Authority	606,934	—	—	—	606,934
<b>Total Deferred Inflows of Resources</b>	<b><u>678,703</u></b>	<b><u>—</u></b>	<b><u>31,833</u></b>	<b><u>—</u></b>	<b><u>710,536</u></b>

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

**Major Special Revenue**

	<u>General</u>	<u>Transportation</u>	<u>Tobacco Settlement Finance Authority</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balances:					
Nonspendable:					
Inventories	11,485	37,949	—	31	49,465
Permanent Fund	—	—	—	1,000	1,000
Receivables	132,830	—	606,938	—	739,768
Restricted for:					
Capital Projects	—	—	—	13,750	13,750
Debt Service	—	—	100,901	52,806	153,707
General Government Operations	5,600	—	—	—	5,600
Development, Tourism, and Recreation	9,318	—	—	52,493	61,811
Education	1,508	—	—	357	1,865
Health and Social Services	3,644	—	—	—	3,644
Public Protection	3,411	—	—	44,940	48,351
Transportation	—	14,224	—	—	14,224
Committed to:					
General Government Operations	960,077	—	—	2,345	962,422
Development, Tourism, and Recreation	16,972	—	—	—	16,972
Education	18,189	—	—	—	18,189
Health and Social Services	25,700	—	—	—	25,700
Public Protection	10,801	—	—	290,746	301,547
Assigned to:					
General Government Operations	26,692	—	—	—	26,692
Development, Tourism, and Recreation	1,219	—	—	—	1,219
Education	2,257	—	—	—	2,257
Health and Social Services	3,883	—	—	—	3,883
Public Protection	1,683	—	—	9,596	11,279
Transportation	—	92,946	—	—	92,946
Unassigned	<u>(1,284,401)</u>	<u>—</u>	<u>—</u>	<u>(8,797)</u>	<u>(1,293,198)</u>
Total Fund Balances (Deficit)	<u>(49,132)</u>	<u>145,119</u>	<u>707,839</u>	<u>459,267</u>	<u>1,263,093</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,057,050</u>	<u>\$343,733</u>	<u>\$739,672</u>	<u>\$508,923</u>	<u>\$4,649,378</u>

**Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position  
June 30, 2014  
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds \$ 1,263,093

Amounts reported for governmental activities in the  
statement of net position are different because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in  
the funds. These assets (excluding Internal Service Funds)  
consist of:

Land	\$ 1,182,575
Construction in Progress	698,262
Infrastructure Assets	11,998,937
Buildings, Equipment, and Other Depreciable Assets	1,724,551
Intangibles	81,860
Accumulated Depreciation	<u>(6,406,620)</u>

Total Capital Assets 9,279,565

The Net Pension Asset is not recognized at the fund level. 898,769

Certain tax and other revenues are earned but not available  
and therefore are Deferred Inflows of Resources in the funds. 103,602

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 position. 165,171

Bonds issued by the State have prepaid insurance costs that are  
paid from current available financial resources in the funds.  
However, these costs are amortized over the life of the bond  
on the statement of net position. 507

Deferred Outflows of Resources -- Loss on bond refundings 2,556

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	(460,428)
Revenue Bonds	(1,226,587)
Capital Leases	(252,031)
Compensated Absences	(87,598)
Net Pension Obligations	(114,455)
Accrued Interest Payable and Other Liabilities	<u>(430,916)</u>

Total Long-Term Liabilities (2,572,015)

Net Position of Governmental Activities \$ 9,141,248

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

**Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)**

	<u>Major Special Revenue</u>				
	<u>General</u>	<u>Transportation</u>	<u>Tobacco Settlement Finance Authority</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Revenues:</b>					
Taxes:					
Personal Income	\$1,768,069	\$ —	\$ —	\$ —	\$1,768,069
Consumer Sales and Use	1,211,057	—	—	—	1,211,057
Severance	612,283	—	—	—	612,283
Corporate Net Income	202,444	—	—	—	202,444
Business and Occupation	121,401	—	—	—	121,401
Medicaid	184,666	—	—	—	184,666
Gasoline and Motor Carrier	—	433,252	—	—	433,252
Automobile Privilege	—	195,737	—	—	195,737
Other	299,727	4,196	—	—	303,923
Intergovernmental	3,533,363	476,631	—	150,999	4,160,993
Licenses, Permits, and Fees	96,721	6,333	—	159,427	262,481
Motor Vehicle Registration	—	99,430	—	—	99,430
Charges for Services	123,500	—	—	267	123,767
Lottery Revenues	325,029	—	—	10,046	335,075
Food Stamp Revenue	479,215	—	—	—	479,215
Investment Earnings	62,046	104	3,927	12,460	78,537
Other	<u>120,143</u>	<u>33,677</u>	<u>63,572</u>	<u>6,623</u>	<u>224,015</u>
<b>Total Revenues</b>	<b><u>9,139,664</u></b>	<b><u>1,249,360</u></b>	<b><u>67,499</u></b>	<b><u>339,822</u></b>	<b><u>10,796,345</u></b>
<b>Expenditures:</b>					
Current:					
Legislative	25,784	—	—	4,440	30,224
Judicial	142,859	—	—	—	142,859
Executive	182,887	—	—	—	182,887
Administration	159,528	—	149	3	159,680
Commerce	185,011	—	—	—	185,011
Environmental Protection	19,423	—	—	132,319	151,742
Employment Programs	—	—	—	53,540	53,540
Education	2,956,362	—	—	12,605	2,968,967
Health and Human Resources	4,895,617	—	—	—	4,895,617
Military Affairs and Public Safety	466,442	—	—	2	466,444
Revenue	117,979	—	—	32,577	150,556
Transportation	—	845,679	—	—	845,679
Veterans Assistance	23,463	—	—	1	23,464
Senior Services	45,919	—	—	—	45,919
Regulatory Boards and Commissions	48,267	—	—	20,278	68,545
Capital Outlay	—	295,439	—	6,601	302,040
Debt Service:					
Principal	—	49,315	11,815	40,220	101,350
Interest	—	14,961	56,068	35,278	106,307
<b>Total Expenditures</b>	<b><u>9,269,541</u></b>	<b><u>1,205,394</u></b>	<b><u>68,032</u></b>	<b><u>337,864</u></b>	<b><u>10,880,831</u></b>
Excess of Revenues Over (Under) Expenditures	<u>(129,877)</u>	<u>43,966</u>	<u>(533)</u>	<u>1,958</u>	<u>(84,486)</u>
Other Financing Sources (Uses):					
Capital Lease Acquisition	955	—	—	—	955
Transfers In	50,115	15,653	—	68,582	134,350
Transfers Out	<u>(296,393)</u>	<u>—</u>	<u>(20,864)</u>	<u>(33,788)</u>	<u>(351,045)</u>
<b>Total Other Financing Sources (Uses)</b>	<b><u>(245,323)</u></b>	<b><u>15,653</u></b>	<b><u>(20,864)</u></b>	<b><u>34,794</u></b>	<b><u>(215,740)</u></b>
Net Change in Fund Balance	(375,200)	59,619	(21,397)	36,752	(300,226)
Fund Balances, Beginning of Year	<u>326,068</u>	<u>85,500</u>	<u>729,236</u>	<u>422,515</u>	<u>1,563,319</u>
Fund Balances, End of Year (Deficit)	<u>\$ (49,132)</u>	<u>\$ 145,119</u>	<u>\$707,839</u>	<u>\$459,267</u>	<u>\$ 1,263,093</u>

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

**Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances -  
Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)**

Net Change in Fund Balances - Total Governmental Funds \$(300,226)

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	\$ 378,003	
Depreciation Expense	<u>(357,396)</u>	
Excess of Capital Outlay Over Depreciation Expense		<u>20,607</u>

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 position, the lease obligation is reported as a liability. (955)

Accretion of interest related to capital appreciation bonds is an expense of the governmental activities. (13,450)

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 position. For the current year these amounts consist of:

Bond Principal Retirement	88,755	
Capital Lease Payments	<u>14,557</u>	
Total Long-Term Debt Repayment		103,312

Internal service funds are used by management to charge the costs of certain activities, such as building and vehicle maintenance and leasing, data processing, and investment and management of State moneys, to individual funds. The net increase in net position of the internal service funds is reported with governmental activities. 5,239

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 12,958

Amortization of the deferred loss on bond refundings is reported under the economic resource measurement focus, but not under the current financial : (251)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease of Accrued Interest (Asset)	(61)	
Decrease of Compensated Absences	2,614	
Decrease of Accrued and Other Liabilities	76,065	
Decrease of Net Pension Obligation (Asset)	49,158	
Amortization of Bond Premiums/Discounts	<u>3,304</u>	
Total Change in Expenditures		<u>131,080</u>

Change in Net Position of Governmental Activities \$ (41,686)

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



# *PROPRIETARY FUNDS*

## *FINANCIAL STATEMENTS*

### *Major Funds*

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

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

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

**West Virginia Infrastructure and Jobs Development Council** The Council coordinates the review and funding of water, wastewater, and economic development projects in the State. The proceeds from the Council's bond programs provide financial assistance to infrastructure and economic development projects throughout the State. The primary source of repayment for the revenue and refunding bonds is the receipt of payments of principal and interest on a set of loans, known as defined loans, previously made to projects from general obligation and revenue bond proceeds.

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



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

Nonmajor proprietary funds are presented beginning on page 210.

**Statement of Net Position  
Proprietary Funds  
June 30, 2014  
(Expressed in Thousands)**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Pollution Control Revolving Fund</b>	<b>Workers' Compensation Fund</b>	<b>Unemployment Compensation</b>	<b>West Virginia Infrastructure and Jobs Development Council</b>
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$91,247	\$1,503,783	\$111,808	\$209,000
Investments	—	—	—	102,859
Receivables, Net	31,958	21,226	60,923	21,223
Due from Other Governments	—	—	2,049	—
Due from Other Funds	3	—	323	—
Due from Component Units	—	—	143	—
Inventories	—	—	—	—
Prepaid Insurance	—	—	—	15
Other Assets	—	—	—	—
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	—	—	—	—
Receivables, Net	—	—	—	—
Other Restricted Assets	—	—	—	—
<b>Total Current Assets</b>	<b><u>123,208</u></b>	<b><u>1,525,009</u></b>	<b><u>175,246</u></b>	<b><u>333,097</u></b>
<b>Noncurrent Assets:</b>				
Investments	—	—	—	—
Receivables, Net	537,486	—	—	463,141
Prepaid Insurance	—	—	—	364
Other Assets	—	—	—	1,000
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	—	—	—	—
Investments	—	—	—	—
Capital Assets, Net	—	—	—	—
<b>Total Noncurrent Assets</b>	<b><u>537,486</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>464,505</u></b>
<b>Total Assets</b>	<b><u>660,694</u></b>	<b><u>1,525,009</u></b>	<b><u>175,246</u></b>	<b><u>797,602</u></b>
<b>Deferred Outflows of Resources:</b>				
Deferred Loss on Bond Refundings	—	—	—	2,383
<b>Total Deferred Outflows of Resources</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>2,383</u></b>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts Payable	49	—	—	22
Accrued Tuition Contract Benefits	—	—	—	—
Accrued and Other Liabilities	—	1,412	1,471	1,199
Premium Deficiency	—	—	—	—
Unearned Revenue	—	—	—	—
Due to Other Governments	—	—	3,641	—
Due to Other Funds	598	—	—	—
Due to Component Units	27	—	—	218
Insurance and Compensation Benefits Obligations	—	205,800	27,312	—
Revenue Bonds Payable	—	—	—	2,672
Capital Leases and Other Debt	—	—	—	—
Compensated Absences	75	—	—	—
<b>Total Current Liabilities</b>	<b><u>749</u></b>	<b><u>207,212</u></b>	<b><u>32,424</u></b>	<b><u>4,111</u></b>
<b>Noncurrent Liabilities:</b>				
Accrued Tuition Contract Benefits	—	—	—	—
Insurance and Compensation Benefits Obligations	—	1,521,600	—	—
Revenue Bonds Payable	—	—	—	110,063
Capital Leases and Other Debt	—	—	—	—
Compensated Absences	58	—	—	—
<b>Total Noncurrent Liabilities</b>	<b><u>58</u></b>	<b><u>1,521,600</u></b>	<b><u>—</u></b>	<b><u>110,063</u></b>
<b>Total Liabilities</b>	<b><u>807</u></b>	<b><u>1,728,812</u></b>	<b><u>32,424</u></b>	<b><u>114,174</u></b>
<b>Deferred Inflows of Resources:</b>				
Grants and Contributions	4,371	—	—	—
<b>Total Deferred Inflows of Resources:</b>	<b><u>4,371</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>Net Position:</b>				
Net Investment in Capital Assets	—	—	—	—
<b>Restricted for:</b>				
Capital Projects	—	—	—	—
General Government Operations	—	—	—	—
Lending Activities	655,516	—	—	641,279
Insurance Activities	—	146,506	142,822	—
Unrestricted (Deficit)	—	(350,309)	—	44,532
<b>Total Net Position (Deficit)</b>	<b><u>\$655,516</u></b>	<b><u>\$ (203,803)</u></b>	<b><u>\$142,822</u></b>	<b><u>\$685,811</u></b>

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

Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
\$ 79,563	\$ 6,132	\$ 71,130	\$2,072,663	\$ 17,848
—	—	—	102,859	—
14,547	2,774	8,513	161,164	9,547
—	—	—	2,049	—
332	2	1,070	1,730	4,403
727	125	90	1,085	282
—	—	1,986	1,986	837
—	—	—	15	—
—	—	18,542	18,542	97
—	7,222	—	7,222	5,163
—	710	—	710	—
—	206,774	—	206,774	—
<u>95,169</u>	<u>223,739</u>	<u>101,331</u>	<u>2,576,799</u>	<u>38,177</u>
214,210	99,641	77,100	390,951	—
—	—	111,410	1,112,037	—
—	—	—	364	—
—	—	—	1,000	—
24,564	—	—	24,564	34,736
—	47,737	—	47,737	—
141	—	3,034	3,175	136,990
<u>238,915</u>	<u>147,378</u>	<u>191,544</u>	<u>1,579,828</u>	<u>171,726</u>
<u>334,084</u>	<u>371,117</u>	<u>292,875</u>	<u>4,156,627</u>	<u>209,903</u>
—	—	—	2,383	—
—	—	—	2,383	—
674	934	4,122	5,801	13,307
—	—	16,415	16,415	—
13,267	81	51	17,481	493
48,708	—	—	48,708	—
9,953	7,518	—	17,471	—
—	—	—	3,641	167
2,257	393	2,171	5,419	9,984
43	—	40	328	8
53,230	53,448	8,570	348,360	—
—	—	—	2,672	—
—	—	—	—	7,886
—	—	60	135	—
<u>128,132</u>	<u>62,374</u>	<u>31,429</u>	<u>466,431</u>	<u>31,845</u>
—	—	70,207	70,207	—
24,564	99,756	4,200	1,650,120	—
—	—	—	110,063	—
—	—	—	—	11,278
—	76	371	505	1,609
<u>24,564</u>	<u>99,832</u>	<u>74,778</u>	<u>1,830,895</u>	<u>12,887</u>
<u>152,696</u>	<u>162,206</u>	<u>106,207</u>	<u>2,297,326</u>	<u>44,732</u>
—	—	—	4,371	—
—	—	—	4,371	—
141	—	3,034	3,175	117,959
—	—	—	—	34,737
—	—	996	996	—
—	—	139,277	1,436,072	—
—	53,595	32,967	375,890	—
<u>181,247</u>	<u>155,316</u>	<u>10,394</u>	<u>41,180</u>	<u>12,475</u>
<u>\$181,388</u>	<u>\$208,911</u>	<u>\$186,668</u>	<u>\$1,857,313</u>	<u>\$165,171</u>

**Statement of Revenues, Expenses, and  
Changes in Fund Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)**

**Business-type Activities - Enterprise Funds**

	<b>Water Pollution Control Revolving Fund</b>	<b>Workers' Compensation Fund</b>	<b>Unemployment Compensation</b>	<b>West Virginia Infrastructure and Jobs Development Council</b>
Operating Revenues:				
Charges for Services and Sales	\$ —	\$ —	\$270,784	\$ 3,076
Insurance Premiums	—	45,098	—	—
Tuition Contracts	—	—	—	—
Investment Earnings	2,980	—	—	—
Licenses, Permits, and Fees	2,631	—	—	—
Other	—	69	—	—
<b>Total Operating Revenues</b>	<b><u>5,611</u></b>	<b><u>45,167</u></b>	<b><u>270,784</u></b>	<b><u>3,076</u></b>
Operating Expenses:				
Cost of Sales and Services	—	—	—	—
Insurance Claims and Claims Adjustment Provisions	—	116,968	—	—
Tuition Contract Benefits and Expenses	—	—	—	—
Infrastructure and Economic Development	—	—	—	23,305
General and Administration	9,991	12,171	—	1,022
Depreciation and Amortization	—	—	—	—
Provisions for Uncollectible Loans	—	—	—	525
Other	—	—	274,215	—
<b>Total Operating Expenses</b>	<b><u>9,991</u></b>	<b><u>129,139</u></b>	<b><u>274,215</u></b>	<b><u>24,852</u></b>
Operating Income (Loss)	(4,380)	(83,972)	(3,431)	(21,776)
Nonoperating Revenues (Expenses):				
Entitlements and Grants	—	—	—	—
Gain (Loss) on Sale of Equipment	—	—	—	—
Interest and Other Investment Income	525	124,978	2,558	265
Interest Expense	—	—	—	(4,900)
Lottery Revenues	—	11,000	—	46,000
Other Nonoperating Revenues	—	—	—	100
<b>Total Nonoperating Revenues Net</b>	<b><u>525</u></b>	<b><u>135,978</u></b>	<b><u>2,558</u></b>	<b><u>41,465</u></b>
Income (Loss) Before Transfers	(3,855)	52,006	(873)	19,689
Transfers:				
Capital Contributions	—	—	—	—
Transfers In	24,975	204,920	—	256
Transfers Out	—	—	(1,309)	(6,055)
<b>Total Capital Contributions and Transfers</b>	<b><u>24,975</u></b>	<b><u>204,920</u></b>	<b><u>(1,309)</u></b>	<b><u>(5,799)</u></b>
Change in Net Position	21,120	256,926	(2,182)	13,890
Net Position (Deficit), Beginning of Year	<u>634,396</u>	<u>(460,729)</u>	<u>145,004</u>	<u>671,921</u>
Net Position (Deficit), End of Year	<u>\$655,516</u>	<u>\$(203,803)</u>	<u>\$142,822</u>	<u>\$685,811</u>

The accompanying notes are an integral part of the financial statements

<u>Public Employees' Insurance Agency</u>	<u>Board of Risk and Insurance Management</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ —	\$ —	\$104,206	\$ 378,066	\$113,656
516,045	46,026	15,702	622,871	—
—	—	40	40	—
—	—	—	2,980	—
—	—	3,826	6,457	—
<u>4,890</u>	<u>—</u>	<u>1,509</u>	<u>6,468</u>	<u>—</u>
<u>520,935</u>	<u>46,026</u>	<u>125,283</u>	<u>1,016,882</u>	<u>113,656</u>
—	—	75,127	75,127	125,334
547,767	61,626	16,706	743,067	—
—	—	3,895	3,895	—
—	—	—	23,305	—
13,328	5,898	10,912	53,322	7,418
435	—	271	706	17,368
—	—	—	525	—
<u>11,487</u>	<u>—</u>	<u>3,287</u>	<u>288,989</u>	<u>—</u>
<u>573,017</u>	<u>67,524</u>	<u>110,198</u>	<u>1,188,936</u>	<u>150,120</u>
(52,082)	(21,498)	15,085	(172,054)	(36,464)
—	—	—	—	31,078
—	—	(14)	(14)	(52)
20,558	17,043	9,735	175,662	6
—	—	—	(4,900)	(192)
—	—	—	57,000	8,145
<u>10,564</u>	<u>—</u>	<u>164</u>	<u>10,828</u>	<u>125</u>
<u>31,122</u>	<u>17,043</u>	<u>9,885</u>	<u>238,576</u>	<u>39,110</u>
(20,960)	(4,455)	24,970	66,522	2,646
—	—	—	—	3,180
4,000	—	6,818	240,969	4,813
—	—	(16,323)	(23,687)	(5,400)
<u>4,000</u>	<u>—</u>	<u>(9,505)</u>	<u>217,282</u>	<u>2,593</u>
(16,960)	(4,455)	15,465	283,804	5,239
<u>198,348</u>	<u>213,366</u>	<u>171,203</u>	<u>1,573,509</u>	<u>159,932</u>
<u>\$181,388</u>	<u>\$208,911</u>	<u>\$186,668</u>	<u>\$1,857,313</u>	<u>\$165,171</u>

**Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Pollution Control Revolving Fund</b>	<b>Workers' Compensation Fund</b>	<b>Unemployment Compensation</b>	<b>West Virginia Infrastructure and Jobs Development Council</b>
Cash Flows From Operating Activities:				
Receipts from Customers	\$ 35,361	\$ 44,916	\$211,978	\$ 22,740
Payments to Suppliers	-	(12,825)	-	-
Payments to Employees	(1,381)	(30)	-	(922)
Payments to Beneficiaries	-	-	-	-
Payments for Loans Originated	(58,854)	-	-	(56,293)
Payments for Premiums	-	-	-	-
Payments to Claimants	-	(202,667)	(262,747)	-
Other Operating Cash Receipts	-	72	41,813	-
Other Operating Cash Payments	<u>(8,551)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided by (Used for) Operating Activities	<u>(33,425)</u>	<u>(170,534)</u>	<u>(8,956)</u>	<u>(34,475)</u>
Cash Flows from Noncapital Financing Activities:				
Proceeds from Sale of Operating Bonds and Other Debts	-	-	-	100
Repayment of Operating Debt	-	-	-	(2,710)
Interest Paid on Operating Debt	-	-	-	(4,845)
Transfers In	4,162	204,868	-	257
Transfers Out	-	-	(1,309)	-
Entitlements and Grants	-	-	-	-
Distributions or Subsidies from Other Organizations	-	11,000	-	46,000
Provided from Issuing Liquor Licenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>4,162</u>	<u>215,868</u>	<u>(1,309)</u>	<u>38,802</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Sale of Capital Bonds and Other Debts	-	-	-	-
Repayment of Capital Debt	-	-	-	-
Interest Paid on Capital Debt	-	-	-	-
Acquisition and Construction of Capital Assets	-	-	-	-
Capital Grants and Contributions	20,813	-	-	-
Unearned Revenue	<u>209</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>21,022</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Investing Activities:				
Purchase of Investments	-	-	-	(199,918)
Proceeds from Sale of Investments	-	-	-	202,308
Investment Earnings	<u>526</u>	<u>124,978</u>	<u>2,558</u>	<u>310</u>
Net Cash Provided by Investing Activities	<u>526</u>	<u>124,978</u>	<u>2,558</u>	<u>2,700</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(7,715)	170,312	(7,707)	7,027
Cash and Cash Equivalents, Beginning of Year	<u>98,962</u>	<u>1,333,471</u>	<u>119,515</u>	<u>201,973</u>
Cash and Cash Equivalents, End of Year	<u>\$91,247</u>	<u>\$1,503,783</u>	<u>\$ 111,808</u>	<u>\$209,000</u>

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

<b>Public Employees' Insurance Agency</b>	<b>Board of Risk and Insurance Management</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Governmental Activities - Internal Service Funds</b>
\$529,737	\$ 47,200	\$134,241	\$ 1,026,173	\$ 116,730
(21,004)	(2,567)	(76,811)	(113,207)	(119,464)
(1,401)	(1,391)	(6,668)	(11,793)	(26,053)
(538,659)	(53,990)	(9,122)	(601,771)	-
-	-	(15,681)	(130,828)	-
-	-	(6,421)	(6,421)	-
-	-	(8,496)	(473,910)	-
14,225	-	1,424	57,534	-
<u>-</u>	<u>(5,162)</u>	<u>(11,443)</u>	<u>(25,156)</u>	<u>-</u>
<u>(17,102)</u>	<u>(15,910)</u>	<u>1,023</u>	<u>(279,379)</u>	<u>(28,787)</u>
-	-	-	100	-
-	-	-	(2,710)	-
-	-	-	(4,845)	-
4,000	-	6,852	220,139	12,958
-	-	(16,323)	(17,632)	(5,400)
-	-	164	164	31,078
6,438	-	-	63,438	-
<u>-</u>	<u>-</u>	<u>451</u>	<u>451</u>	<u>-</u>
<u>10,438</u>	<u>-</u>	<u>(8,856)</u>	<u>259,105</u>	<u>38,636</u>
-	-	-	-	6,314
-	-	-	-	(11,775)
-	-	-	-	(192)
(46)	-	(454)	(500)	(14,982)
-	-	-	20,813	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>209</u>	<u>-</u>
<u>(46)</u>	<u>-</u>	<u>(454)</u>	<u>20,522</u>	<u>(20,635)</u>
(34,805)	(30,636)	(1,276)	(266,635)	(3,355)
32,273	34,926	9,250	278,757	3,355
<u>3,095</u>	<u>5,251</u>	<u>1,362</u>	<u>138,080</u>	<u>6</u>
<u>563</u>	<u>9,541</u>	<u>9,336</u>	<u>150,202</u>	<u>6</u>
(6,147)	(6,369)	1,049	150,450	(10,780)
<u>110,274</u>	<u>19,723</u>	<u>70,081</u>	<u>1,953,999</u>	<u>68,527</u>
<u>\$104,127</u>	<u>\$ 13,354</u>	<u>\$ 71,130</u>	<u>\$2,104,449</u>	<u>\$ 57,747</u>



**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2014**  
(Expressed in Thousands)  
(Continued)

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water Pollution Control Revolving Fund</b>	<b>Workers' Compensation Fund</b>	<b>Unemployment Compensation</b>	<b>West Virginia Infrastructure and Jobs Development Council</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	\$ (4,380)	\$ (83,972)	\$ (3,431)	\$ (21,776)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation and Amortization	-	-	-	-
Provisions for Uncollectible Loans	-	-	-	525
Changes in Assets and Liabilities:				
Receivables	(29,077)	(178)	(1,725)	(7,269)
Inventories	-	-	-	-
Other Assets	-	-	-	-
Accounts Payable and Accrued Liabilities	18	(85,700)	(4,033)	(6,053)
Tuition Contracts Benefits and Expenses	-	-	-	-
Unearned Revenue	-	-	-	-
Escrow Deposits	-	-	-	-
Due to/from Other Funds	6	-	233	98
Unpaid Claims Liabilities	-	-	-	-
Other Liabilities	-	(684)	-	-
Compensated Absences	8	-	-	-
Net Cash Provided by (Used for) Operating Activities	<u>\$(33,425)</u>	<u>\$ (170,534)</u>	<u>\$ (8,956)</u>	<u>\$(34,475)</u>
Schedule of Noncash Capital and Financing Activities:				
Unrealized Gain on Investments	\$ -	\$ -	\$ -	\$ -

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

<u>Public Employees' Insurance Agency</u>	<u>Board of Risk and Insurance Management</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ (52,082)	\$ (21,498)	\$ 15,085	\$ (172,054)	\$ (36,464)
435	-	271	706	17,368
-	-	-	525	-
8,084	406	(9,703)	(39,462)	3,073
-	-	130	130	(277)
-	-	-	-	(5)
(8,660)	-	1,730	(102,698)	(12,723)
-	-	(5,226)	(5,226)	-
(10,659)	(63)	-	(10,722)	-
-	(5,154)	-	(5,154)	-
730	-	(15)	1,052	-
-	9,637	-	9,637	-
45,050	762	(1,257)	43,871	241
<u>-</u>	<u>-</u>	<u>8</u>	<u>16</u>	<u>-</u>
<u>\$ (17,102)</u>	<u>\$ (15,910)</u>	<u>\$ 1,023</u>	<u>\$ (279,379)</u>	<u>\$ (28,787)</u>
\$ 17,464	\$ 11,792	\$ 8,372	\$ 37,628	\$ -

# *FIDUCIARY FUNDS*

## *FINANCIAL STATEMENTS*

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

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

The individual Pension and Other Employee Benefit Trust Funds, Investment Trust Funds, and Agency Funds descriptions and financial statements begin on page 220.

**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2014**  
(Expressed in Thousands)

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Investment Trust Funds</b>	<b>SMART 529</b>	<b>Agency Funds</b>
Assets:				
Cash and Cash Equivalents	\$ 116,799	\$296,476	\$ —	\$65,856
Investments:				
Equity Pooled Investments	13,972,317	—	—	8,598
Mutual Funds	400,030	—	2,231,436	—
Receivables, Net:				
Contributions	32,075	—	3,281	—
Participant Loans	4,704	—	—	—
Accrued Interest	—	—	—	122
Accounts	5,525	—	—	—
Due from Other Funds	128,064	—	—	—
Due from Component Units	<u>698</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Assets	<u>14,660,212</u>	<u>296,476</u>	<u>2,234,717</u>	<u>74,576</u>
Liabilities:				
Accounts Payable	291	—	2,525	\$ 12
Accrued and Other Liabilities	8,482	—	104	—
Due to Other Governments	—	—	—	3,468
Due to Other Funds	137	—	—	—
Due to Component Units	3	—	—	—
Insurance Claims Payable	10,200	—	—	—
Agency Liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>71,096</u>
Total Liabilities	<u>19,113</u>	<u>—</u>	<u>2,629</u>	<u>\$74,576</u>
Net Position:				
Restricted for Pension Benefits	13,949,540	—	—	
Held in trust for:				
Other Postemployment Benefits	691,559	—	—	
External Investment Pool Participants	—	296,476	—	
Individuals and Organizations	<u>—</u>	<u>—</u>	<u>2,232,088</u>	
Total Net Position	<u>\$14,641,099</u>	<u>\$296,476</u>	<u>\$2,232,088</u>	

**Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)**

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Investment Trust Funds</b>	<b>SMART 529</b>
Additions:			
Contributions:			
Members	\$ 252,480	\$ —	\$ —
Employer	920,313	—	—
Account Holder Contributions	—	—	213,781
Deposits, Pool Participants	<u>—</u>	<u>858,651</u>	<u>—</u>
Total Contributions	<u>1,172,793</u>	<u>858,651</u>	<u>213,781</u>
Investment Income (Loss):			
Net Appreciation in Fair Value of Investments	2,154,101	186	247,954
Interest	56,324	—	68,158
Investment Expense	<u>(37,315)</u>	<u>—</u>	<u>(5,894)</u>
Net Investment Income	<u>2,173,110</u>	<u>186</u>	<u>310,218</u>
Transfers to Plan	265	—	—
Other	<u>5,801</u>	<u>—</u>	<u>—</u>
Total Additions	<u>3,351,969</u>	<u>858,837</u>	<u>523,999</u>
Deductions:			
Benefits Expense	1,288,430	—	—
Forfeitures	3,919	—	—
Payments in Accordance with Trust Agreements	—	—	168,685
Refunds of Contributions	31,862	—	—
Withdrawals	—	882,475	—
Administrative Expenses	15,029	—	5,880
Transfers from Plan	<u>265</u>	<u>—</u>	<u>—</u>
Total Deductions	<u>1,339,505</u>	<u>882,475</u>	<u>174,565</u>
Change in Net Position:			
Restricted for Pension Benefits	1,911,135	—	—
Held in Trust for:			
Other Postemployment Benefits	101,329	—	—
External Investment Pool Participants	—	(23,638)	—
Individuals and Organizations	—	—	349,434
Net Position, Beginning of Year	<u>12,628,635</u>	<u>320,114</u>	<u>1,882,654</u>
Net Position, End of Year	<u>\$14,641,099</u>	<u>\$296,476</u>	<u>\$2,232,088</u>



# *DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS*

## *Major Component Units*

**West Virginia Lottery** The West Virginia Lottery's responsibilities include the distribution and sale of lottery tickets and the awarding of prizes. The West Virginia Lottery has a duty to establish rules for conducting games, to select the type and number of gaming systems or games, and to enter into contracts and agreements to operate in a highly efficient manner. The Lottery derives its revenues from instant, online, video-type games, and table games. To the extent available, remaining net profits are to be distributed to the State and local governments as required by law.

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

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

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

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

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

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

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

Nonmajor component units are presented beginning on page 232.



**Combining Statement of Net Position  
Discretely Presented Component Units  
June 30, 2014  
(Expressed in Thousands)**

	<b>West Virginia Lottery</b>	<b>Economic Development Authority</b>	<b>Housing Development Fund</b>	<b>Parkways Authority</b>
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$149,712	\$ 62,402	\$ 25,419	\$ 12,686
Investments	—	—	—	—
Receivables, Net	33,389	10,719	2,479	2,850
Capital Leases Receivable from Primary Government	—	13,206	—	—
Due from Primary Government	1	—	—	12
Due from Component Units	1,400	—	—	—
Inventories	633	—	—	2,608
Prepaid Insurance	—	—	—	—
Other Assets	1,946	—	—	1,185
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	—	1,689	45,880	25,219
Investments	—	—	—	9,118
Receivables, Net	—	—	3,562	—
Other Restricted Assets	—	—	—	—
<b>Total Current Assets</b>	<u>187,081</u>	<u>88,016</u>	<u>77,340</u>	<u>53,678</u>
<b>Noncurrent Assets:</b>				
Cash and Cash Equivalents	—	—	—	—
Investments	—	4,685	1,580	—
Receivables, Net	—	165,585	44,451	—
Capital Leases Receivable from Primary Government	—	230,584	—	—
Other Assets	—	—	—	—
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	1,397	9,280	19,073	—
Investments	—	—	116,534	26,240
Receivables, Net	—	—	673,968	—
Other Restricted Assets	—	—	7,187	—
<b>Capital Assets, Net</b>	<u>38,745</u>	<u>33,940</u>	<u>10,600</u>	<u>458,490</u>
<b>Total Noncurrent Assets</b>	<u>40,142</u>	<u>444,074</u>	<u>873,393</u>	<u>484,730</u>
<b>Total Assets</b>	<u>227,223</u>	<u>532,090</u>	<u>950,733</u>	<u>538,408</u>
<b>Deferred Outflows of Resources:</b>				
Accumulated Decrease in Fair Value of Hedging Derivatives	—	—	—	3,316
Deferred Loss on Bond Refundings	—	—	—	4,287
<b>Total Deferred Outflows of Resources</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,603</u>

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

<u>Water Development Authority</u>	<u>Higher Education</u>	<u>Regional Jail Authority</u>	<u>School Building Authority</u>	<u>Other Component Units</u>	<u>Total</u>
\$ 10,223	\$ 498,794	\$ 40,403	\$171,714	\$55,687	\$1,027,040
—	30,563	—	81,220	516	112,299
10,434	86,282	13,661	196	634	160,644
—	—	—	—	—	13,206
285	26,983	—	—	79	27,360
—	1,999	—	—	—	3,399
—	4,076	2,113	—	48	9,478
—	—	—	206	—	206
—	10,867	—	—	49	14,047
—	—	20,799	—	29,039	122,626
1,532	—	—	—	—	10,650
—	—	—	—	1,001	4,563
20	—	—	—	—	20
<u>22,494</u>	<u>659,564</u>	<u>76,976</u>	<u>253,336</u>	<u>87,053</u>	<u>1,505,538</u>
—	168,095	—	—	—	168,095
1,200	437,505	—	—	6,756	451,726
13,260	68,982	—	—	4,809	297,087
—	—	—	—	—	230,584
1,000	35,124	—	—	231	36,355
16,245	—	—	—	—	45,995
—	—	—	—	—	142,774
204,271	—	—	—	1,360	879,599
502	—	—	—	229	7,918
<u>7,532</u>	<u>2,760,978</u>	<u>124,475</u>	<u>770</u>	<u>43,749</u>	<u>3,479,279</u>
<u>244,010</u>	<u>3,470,684</u>	<u>124,475</u>	<u>770</u>	<u>57,134</u>	<u>5,739,412</u>
<u>266,504</u>	<u>4,130,248</u>	<u>201,451</u>	<u>254,106</u>	<u>144,187</u>	<u>7,244,950</u>
—	1,416	—	—	—	4,732
<u>11,006</u>	<u>32,905</u>	<u>—</u>	<u>3,486</u>	<u>—</u>	<u>51,684</u>
<u>11,006</u>	<u>34,321</u>	<u>—</u>	<u>3,486</u>	<u>—</u>	<u>56,416</u>

**Combining Statement of Net Position  
Discretely Presented Component Units  
June 30, 2014  
(Expressed in Thousands)  
(Continued)**

	<u>West Virginia Lottery</u>	<u>Economic Development Authority</u>	<u>Housing Development Fund</u>	<u>Parkways Authority</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	20,124	16	—	6,276
Interest Payable	—	—	2,515	132
Accrued and Other Liabilities	35,910	2,825	16,564	4,600
Unearned Revenue	—	—	—	—
Due to Primary Government	113,597	52	1,020	10,183
Due to Component Units	1,999	1,400	—	—
Revenue Bonds Payable	—	13,206	68,815	8,540
Capital Leases and Other Debt	—	712	—	—
Compensated Absences	<u>573</u>	<u>30</u>	<u>426</u>	<u>710</u>
Total Current Liabilities	<u>172,203</u>	<u>18,241</u>	<u>89,340</u>	<u>30,441</u>
Noncurrent Liabilities:				
Unearned Revenue	—	1,906	—	—
Advances from Primary Government	—	129,221	—	—
Liabilities Payable from Restricted Assets	—	—	49,333	—
Accrued and Other Liabilities	—	—	—	—
Revenue Bonds Payable	—	230,584	347,061	39,084
Capital Leases and Other Debt	—	6,649	959	—
Compensated Absences	<u>—</u>	<u>34</u>	<u>—</u>	<u>287</u>
Total Noncurrent Liabilities	<u>—</u>	<u>368,394</u>	<u>397,353</u>	<u>39,371</u>
Total Liabilities	<u>172,203</u>	<u>386,635</u>	<u>486,693</u>	<u>69,812</u>
Deferred Inflows of Resources:				
Accumulated Increase in Fair Value of Hedging Derivative	—	—	—	3,316
Service Concession Arrangements	—	—	—	—
Nonincentive Tax Credits	—	—	—	—
Grants and Contributions	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deferred Inflows of Resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,316</u>
Net Position (Deficit):				
Net Investment in Capital Assets	38,745	25,865	10,600	415,153
Restricted for:				
Capital Projects	1,397	—	—	—
Debt Service	—	—	308,424	56,020
Nonexpendable	—	—	—	—
Lending Activities	—	—	72,935	—
Loans Receivable	—	8,980	—	—
Specific Component Unit Purposes	—	—	—	—
Unrestricted (Deficit)	<u>14,878</u>	<u>110,610</u>	<u>72,081</u>	<u>1,710</u>
Total Net Position (Deficit)	<u>\$55,020</u>	<u>\$145,455</u>	<u>\$464,040</u>	<u>\$472,883</u>

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

<u>Water Development Authority</u>	<u>Higher Education</u>	<u>Regional Jail Authority</u>	<u>School Building Authority</u>	<u>Other Component Units</u>	<u>Total</u>
189	62,694	3,855	4	1,288	94,446
1,729	11,539	—	—	—	15,915
—	75,611	1,416	21,032	396	158,354
—	67,630	—	—	27	67,657
183	293,650	23,098	236	7,901	449,920
—	—	—	—	—	3,399
8,377	36,877	6,150	29,555	—	171,520
—	5,830	—	—	5,985	12,527
—	<u>41,571</u>	<u>1,925</u>	<u>58</u>	<u>1,207</u>	<u>46,500</u>
<u>10,478</u>	<u>595,402</u>	<u>36,444</u>	<u>50,885</u>	<u>16,804</u>	<u>1,020,238</u>
—	—	—	—	63	1,969
—	—	—	—	—	129,221
—	—	—	—	25,535	74,868
1,000	141,568	—	—	200	142,768
207,039	1,226,412	44,500	461,880	—	2,556,560
—	66,187	—	—	—	73,795
54	<u>3,877</u>	—	—	<u>231</u>	<u>4,483</u>
<u>208,093</u>	<u>1,438,044</u>	<u>44,500</u>	<u>461,880</u>	<u>26,029</u>	<u>2,983,664</u>
<u>218,571</u>	<u>2,033,446</u>	<u>80,944</u>	<u>512,765</u>	<u>42,833</u>	<u>4,003,902</u>
—	—	—	—	—	3,316
—	2,632	—	—	—	2,632
—	—	—	—	6,000	6,000
—	<u>1,131</u>	—	—	—	<u>1,131</u>
—	<u>3,763</u>	—	—	<u>6,000</u>	<u>13,079</u>
7,532	1,611,020	73,825	770	43,749	2,227,259
—	48,450	—	—	—	49,847
—	16,811	8,468	101,777	—	491,500
—	25,468	—	—	229	25,697
25,301	—	—	—	—	98,236
—	—	—	—	—	8,980
—	362,274	38,214	—	31,723	432,211
<u>26,106</u>	<u>63,337</u>	—	<u>(357,720)</u>	<u>19,653</u>	<u>(49,345)</u>
<u>\$58,939</u>	<u>\$2,127,360</u>	<u>\$120,507</u>	<u>\$(255,173)</u>	<u>\$95,354</u>	<u>\$3,284,385</u>

**Combining Statement of Activities  
Discretely Presented Component Units  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)**

	<u>Program Revenues</u>				
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Component Units:					
West Virginia Lottery	\$1,226,312	\$1,214,284	\$ —	\$ —	\$ (12,028)
Economic Development Authority	4,437	9,428	—	—	4,991
Housing Development Fund	100,422	43,286	67,454	—	10,318
Parkways Authority	85,067	91,656	—	—	6,589
Water Development Authority	13,023	14,134	—	—	1,111
Higher Education	1,834,427	874,412	437,211	49,575	(473,229)
Regional Jail Authority	87,026	86,152	3,043	—	2,169
School Building Authority	140,826	—	615	—	(140,211)
Other Component Units	<u>61,853</u>	<u>11,044</u>	<u>8,358</u>	<u>108</u>	<u>(42,343)</u>
Total Component Units	<u>\$3,553,393</u>	<u>\$2,344,396</u>	<u>\$516,681</u>	<u>\$ 49,683</u>	<u>\$(642,633)</u>

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

General Revenue

Unrestricted Investment Earnings	Grants and Contributions Not Restricted for Specific Programs	Miscellaneous	Payments from the State of West Virginia	Total General Revenues & Special Item	Change in Net Position	Net Position (Deficit) Beginning of Year, as Restated	Net Position, (Deficit) End of Year
\$ 463	\$ —	\$ 11,719	\$ —	\$ 12,182	\$ 154	\$ 54,866	\$ 55,020
267	—	1,384	—	1,651	6,642	138,813	145,455
3,402	—	15	—	3,417	13,735	450,305	464,040
302	—	—	—	302	6,891	465,992	472,883
256	—	—	—	256	1,367	57,572	58,939
56,087	—	29,524	489,384	574,995	101,766	2,025,594	2,127,360
59	—	—	—	59	2,228	118,279	120,507
1,203	—	—	92,499	93,702	(46,509)	(208,664)	(255,173)
<u>93</u>	<u>833</u>	<u>595</u>	<u>40,498</u>	<u>42,019</u>	<u>(324)</u>	<u>95,678</u>	<u>95,354</u>
<u>\$ 62,132</u>	<u>\$833</u>	<u>\$ 43,237</u>	<u>\$622,381</u>	<u>\$728,583</u>	<u>\$85,950</u>	<u>\$3,198,435</u>	<u>\$3,284,385</u>



**STATE OF WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**NOTE 1**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The State of West Virginia (the State) is governed by elected officials. In accordance with GASB Statement No. 14, "The Financial Reporting Entity," amended by GASB Statement No. 61, "The Financial Reporting Entity: Omnibus," these financial statements present the State (the primary government) and its component units. The component units discussed below are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

**Individual Component Unit Disclosures**

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

**Blended Component Units**

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

**Transportation**

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



**West Virginia Investment Management Board**

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

**West Virginia Board of Treasury Investments**

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

**Tobacco Settlement Finance Authority**

The Tobacco Settlement Finance Authority (TSFA) is governed by a five-member board, including the Secretary of Administration, the State Treasurer, and three persons appointed by the Governor. The TSFA was created to issue bonds related to the State's portion of the tobacco receipts from the Master Settlement Agreement between tobacco manufacturers and the covered states. The revenue bonds, secured by the tobacco revenues, are not a general obligation of the State. The TSFA is blended in the special revenue funds of the State, since its activities only benefit the State.

**Blended Component Unit Financial Statements**

Audited financial statements for these blended component units can be obtained directly from their respective administrative offices.

**Administrative Offices:**

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

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

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

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

## **Discretely Presented Component Units**

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

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

### West Virginia Lottery

The West Virginia Lottery is governed by a seven-member board appointed by the Governor. It was formed to assist the State in funding education, debt service, the promotion of tourism, and other basic governmental activities. Even though the Lottery was created primarily to generate revenue for the State, the service provided by the Lottery - the opportunity for financial gain - is provided to anyone who chooses to participate. When prizes are awarded to winners and financial gain is achieved, the lottery operation does not exclusively, or almost exclusively, benefit the primary government as an institution, not meeting the criteria for blending and thus requiring discrete component unit presentation.

### Economic Development Authority

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

### Housing Development Fund

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

### Parkways Authority

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

### Water Development Authority

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

### Higher Education Fund

Each college and university in the Higher Education Fund (the Fund) is governed by a Governing Board, which is responsible for the general determination, control, supervision, and management of the financial business and educational policies and affairs of the institution(s). The West Virginia Higher Education Policy Commission (the Policy Commission), in accordance with Senate Bill No. 653, is the single accountability point responsible for developing, gaining consensus around and overseeing the

implementation and development of a higher education public policy agenda. It is comprised of ten persons appointed by the Governor with the advice and consent of the Senate. The Policy Commission is responsible for preparing and submitting a consolidated budget and allocating state appropriations to supplement institutional operating revenues.

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

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

In accordance with GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units," the Fund's component units' financial statements are included in the Fund's component unit column in the Discretely Presented Major Component Units Financial Statements of the CAFR. The component units are the separate private nonprofit organizations of each applicable institution that are required to be reported under GASB Statement No. 39. Those organizations report under FASB standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

Various foundations have been established as separate nonprofit organizations incorporated in the State of West Virginia having as their purpose ". . . to aid, strengthen and further in every proper and useful way, the work and services of the (individual

institutions within the Fund), and their affiliated nonprofit organizations.” Oversight of the foundations is the responsibility of separate and independently elected Boards of Directors, not otherwise affiliated with the Fund. In carrying out its responsibilities, the Boards of Directors of the foundations employ management, form policy, and maintain fiscal accountability over funds administered by the foundations. Although the individual institutions within the Fund do not control the timing or amount of receipts from the foundations, the majority of resources, or income thereon, that the foundations hold and invest are restricted to the activities of the individual institutions within the Fund by donors. Because these restricted resources held by the foundations as detailed in the basic financial statements can only be used by, or for the benefit of, the individual institutions within the Fund, the foundations are considered component units of the Fund and are therefore included with the Fund’s financial statements in accordance with GASB Statement No. 39.

The West Virginia University Foundation Inc. is appropriately not reported because the economic resources held do not entirely or almost entirely benefit West Virginia University. The Bridgemont Community and Technical College Foundation, Inc., the Blue Ridge Community and Technical College Foundation, Inc., the Eastern West Virginia Community and Technical College Foundation Inc., the Kanawha Valley Community and Technical College Foundation, Inc., the Mountwest Foundation, Inc., and Tech Foundation, Inc. are not included because they were not significant to their institutions. The Higher Education Foundation is not included because it was not significant to the Fund.

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

#### Regional Jail and Correctional Facility Authority

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

### School Building Authority

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

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

### Educational Broadcasting Authority

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

### Jobs Investment Trust

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

### West Virginia State Rail Authority

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

### Solid Waste Management Board

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

### Racing Commission

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

### Public Defender Corporation

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

### Municipal Pension Oversight Board

The Municipal Pension Oversight Board is responsible for monitoring and improving the performance of the municipal policemen's and fireman's pension and relief funds. The board ensures legal compliance of the funds and distribution of tax revenues to the relief funds as well as any reasonable actions necessary to provide for the security and fiscal integrity of pension funds. The board consists of nine members including the executive directors of the State's IMB and CPRB, an active or retired member from both the Municipal Policeman's Pension and Relief Fund, and the Municipal Fireman's Pension

and Retirement Fund, an attorney experienced in Finance and investment matters related to pensions management, two persons experienced in pension management, a Certified Public Accountant experienced in auditing and one person chosen from a list of three persons submitted to the Governor.

### **Discretely Presented Component Unit Financial Statements**

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

#### Administrative Offices:

West Virginia Lottery  
900 Pennsylvania Avenue  
Charleston, WV 25302

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

Water Development Authority  
1009 Bullitt Street  
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  
1012 Kanawha Boulevard, E.  
5th Floor  
Charleston, WV 25301-2877

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

Racing Commission  
900 Pennsylvania Avenue  
Charleston, WV 25313

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

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

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

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

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

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

Municipal Pensions Oversight Board  
1700 MacCorkle Ave. SE  
Charleston, WV 25314



## **Joint Venture**

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

Based upon the latest information available, the Project incurred net losses of \$5,239,064 for the year ended December 31, 2013. At December 31, 2013, the Project's current liabilities exceeded its current assets by \$84,769,627, and its total liabilities exceeded its total assets by \$48,945,729. Additionally, the Project was in default under its Series A and Series B Revenue Bonds after having been unable to make required debt service payments in association with the Series A and Series B bonds in 2006, 2007, 2008, 2009, 2010, 2011, and 2012. One partial payment of approximately \$725,000 to the Series A bondholders was made in 2007, and in 2013 partial interest payments to Series A and B bondholders of \$474,160 and \$282,561, respectively, were made.

Presently, the Project has no additional sources of funding available which can be accessed to satisfy existing or future financial obligations imposed by its revenue bonds or notes payable. Cash flows generated from the Project's operations have not historically been sufficient to enable the Project to fund its operations and satisfy its debt obligations.

The Master Trust Indenture states that given the event of default, the outstanding balance on the revenue bonds may be declared due and payable in the manner and with the effect provided in the Indenture. Certain remedies available upon the occurrence of an event of default are set forth in the Indenture. The only collateral pledged under the Indenture is Project revenues. The Bondholders may not, therefore, foreclose upon or liquidate Park facilities or other non-financial Project assets. At this time, the bondholders have formed a committee to explore their options but as yet have generally not exercised their rights nor enforced the remedies with regard to the default.

The losses, negative cash flows from operations, bond covenant violations, and the Project's inability to meet its debt service requirements raise substantial doubt about the Project's ability to continue as a going concern. Furthermore, the independent auditor's report on the Project's financial statements for the year ended December 31, 2013, included a going-concern opinion modification emphasizing that these conditions raised substantial doubt about the Project's ability to continue as a going concern.

The developer is continuing in its efforts to market the Stonewall Resort for conferences and as a vacation destination to increase revenues, and to monitor its cost of operations. A park foundation has been established to facilitate improving the park programs,

amenities and facilities. The bondholders have approved a 2009 Supplemental Indenture that was designed to facilitate expansion planning for the park. The West Virginia Legislature passed legislation which will allow the addition of privately financed lodging to the park, although the actual additions will require approval of the DNR, The United States Army Corps of Engineers (USACOE), and the bondholders. Third-party professionals were consulted to suggest changes that would increase revenues. Project management is engaged with DNR, USACOE, and other stakeholders in addressing the legal and financial issues associated with the changes that were suggested.

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

### **Basis of Presentation**

The accompanying basic financial statements of the State of West Virginia conform to United States GAAP for governments. The GASB is the accepted standard-setting body for governmental accounting and financial reporting. In addition, GAAP requires that the State's proprietary activities apply GAAP in a similar manner as applied for business activities in the private sector. As a result, the financial statements of certain component units follow the specialized reporting practices of the insurance, housing finance agency, and other not-for-profit industries, as prescribed by the GASB. Certain net position amounts presented for the preceding year have been restated or reclassified. See Note 2 for further explanation.

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

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

#### Government-wide Financial Statements

The government-wide financial statements, which are the statement of net position 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 position presents the State's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- Restricted net position results when constraints are placed on net position used by external creditors, grantors, contributors, etc. or imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position consists of net position which does not meet the definition of the two preceding categories. Unrestricted net position is often designated, to indicate that management does not consider it available for general operations. They also often have constraints on resources imposed by management, but can be removed or modified.

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

### Fund Financial Statements

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus. These funds

report only assets and liabilities, recognizing receivables and payables using the accrual basis of accounting.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Available" means expected to be collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, revenues are primarily considered available if received in the first 60 days of the new fiscal year. Significant revenues susceptible to accrual include income, sales and use, corporation and other taxes, federal awards, federal reimbursements, and other reimbursements for use of materials and services. Revenues from federal awards are considered available when the related expenditures have been incurred and if received in twelve months. Receipts and disbursements of U.S. Government food stamps are accounted for in the General Fund. The electronic benefits transfer (EBT) process for food stamp revenue equal to expenditures is recognized when the underlying transaction (food purchase) occurs. Revenues from other sources are recognized when received.

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

### **Governmental Fund Types**

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

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

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

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

*The State reports the following major governmental funds:*

The General Fund is the primary operating fund of the State. It is used to account for all financial resources obtained and spent for those services normally provided by the State (e.g., health, social assistance, public safety, primary and secondary education), which are

not required to be accounted for within other funds. It is the only fund that reports a positive unassigned fund balance.

Transportation, a special revenue fund, has responsibility for the construction, maintenance, and improvement of all state roads; development of public transportation facilities, services, equipment, and methods; and supervision and control of commercial, state, and municipal airports and ports. Financial resources for these responsibilities are federal grants, registration fees, license fees, and taxes.

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

### **Proprietary Fund Types**

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

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

*The State reports the following major enterprise funds:*

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

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

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

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

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

Additionally, the State reports the following fund types:

### **Fiduciary Fund Types**

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

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

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

Agency Funds report assets held by the State, functioning as an agent for individuals, private organizations, or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds are taxes that will be remitted to respective local governments, hospital patient and inmate funds, performance bonds, appropriations for the patient injury fund, and interest earnings.

### **Interfund Activity and Balances**

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

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund expending the resources.

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

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

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

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

Since the fund was created in 1994, \$955.8 million has been deposited into the fund; \$170 million has been appropriated for flood and drought victim assistance, infrastructure, snow removal, and other projects. As of June 30, 2014, the fund contained \$577 million, which amounted to 14% of FY 2014 total appropriations.

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

The Revenue Shortfall Reserve Fund—Part B (Rainy Day Fund—Part B) began with the cash balance of the West Virginia Tobacco Settlement Medical Trust Fund on June 9, 2006, the effective date of the bill, West Virginia Code §11B-2-20. The funds are invested by the West Virginia Investment Management Board and interest and other returns on the invested funds are credited to the fund.

Expenditures may not be made from the Rainy Day Fund—Part B unless all monies in the Revenue Shortfall Reserve Fund have been first expended. After June 30, 2025, interest and other amounts earned on monies held in the Rainy Day Fund—Part B may

be appropriated by the Legislature for continued support of the programs offered by the Public Employees' Insurance Agency; funding for expansion of the federal-state Medicaid program; funding for public health programs, services, and agencies; funding for any State owned or operated health facilities; or in instances of revenue shortfalls or fiscal emergencies of an extraordinary nature. On June 30, 2014, the balance in the Rainy Day Fund—Part B was \$378.9 million.

The Income Tax Refund Reserve Fund was established during FY 1990 by West Virginia Code §11-21-93 to pay personal income tax refunds, interest, and penalties to taxpayers in a timely manner. It may also be used by the Legislature to make appropriations from the fund to address other items as the Legislature so desires. Personal income taxes received by the State can be added to this fund, if the state tax commissioner determines the balance in the fund is not enough to ensure the timely payment of income tax refunds. On June 30, 2014, the balance in the Income Tax Refund Reserve Fund was \$11 million which represents about 0.3% of the total FY 2015 General Revenue Fund.

### **Assets and Liabilities**

Cash and Cash Equivalents - Cash equivalents are short-term investments with maturities, when purchased, of three months or less. The State Treasurer principally deposits the State's cash in investment pools maintained by the BTI and IMB, and such deposits are generally available with overnight notice. Cash deposits in outside bank accounts are considered to be cash and cash equivalents.

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

Inventories - Consumable inventories, consisting of expendable materials and supplies held for consumption, are valued and reported for financial statement purposes. Materials and supplies inventories are physically counted and primarily valued at the first-in, first-out (FIFO) and average cost methods at year-end. Inventories of governmental funds are recorded using the consumption method. Nonspendable fund balance is recorded for the ending inventory amount, indicating that inventory does not constitute "expendable available financial resources." Proprietary fund and component



units' inventories are valued at the lower-of-cost or market, cost being determined on FIFO, and are expensed when used.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at fair value or estimated fair value at the time of the donation. In accordance with the capitalization policy adopted by the State for financial reporting, equipment with a purchase price in excess of \$25,000 is capitalized. Certain small blended component units follow other capitalization policies which range from \$5,000 to \$25,000 for equipment. The Higher Education component unit uses \$1,000 and \$5,000 thresholds. Buildings and improvements which extend the useful lives and/or significantly increase values of capitalized buildings with a combined value in excess of \$100,000 are capitalized. All land, regardless of acquisition price, is capitalized. Intangibles include off-the-shelf computer software, patents, easements, and mineral rights over \$25,000 and internally generated software over \$1 million.

West Virginia is one of only four states that owns all the paved roads in the State, except for municipal streets. Infrastructure was capitalized for the first time in fiscal year 2002. Transportation's infrastructure constructed from July 1, 1980 to July 1, 2001, has been recorded at estimated historical cost. The estimated historical cost for years 1980-2001 was based on capital outlay expenditures reported by the DOT in the annual reports for those years, less an amount estimated for the historical cost of the acquisition of land for right-of-way. The DOT has not capitalized any infrastructure expenditures for assets constructed prior to July 1, 1980, as permitted by GASB Statement No. 34. The costs of normal maintenance and repairs that do not add to the asset's value or materially extend an asset's useful life are not capitalized. No interest was capitalized during the fiscal year. Other agencies are capitalizing all infrastructure assets.

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

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

The State possesses certain capital assets that have not been capitalized and depreciated, including works of art and historical treasures, such as monuments, historical documents, paintings, antiques, pioneer, Native American, and Civil War artifacts, etc. GASB

Statement No. 34 does not require the capitalization of works of art and historical treasures if the collections are held for public exhibition, education, or research in furtherance of public service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The State considers its collections as inexhaustible, protected collections for exhibition and education, not for financial gain.

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

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

Capital Leases Payable to Component Units – The Economic Development Authority (EDA) has issued revenue bonds to provide financial assistance to the State's governmental entities for the acquisition and construction of facilities. The EDA has entered into a lease purchase agreement with the State. A Capital Leases Payable to Component Units has been recorded in the governmental activities at June 30, 2014, of approximately \$252 million. There is also an offset of Capital Leases Receivable from Primary Government recorded by the EDA.

Advances - The amount of EDA loans held by the State's General Fund at June 30, 2014, is approximately \$129.2 million and is recorded as Advances to/from Component Units. There is a revolving loan agreement with the BTI to borrow up to \$175 million (\$126.1 million outstanding) to be reloaned for economic development purposes, with interest equal to the twelve-month average of BTI's yield on its cash liquidity pool, adjusted annually. Monthly payments must be sufficient to repay outstanding principal over ten years, secured by a security interest in the investments derived from the loan. There is also a note payable to the BTI, nonrecourse with right of offset against a note receivable, amount not to exceed \$25 million (\$3.1 million outstanding) interest at 3%, principal due in annual installments through June 2022, unsecured. Note repayments are dependent upon the proceeds received from the investments in venture capital funds. The nonrecourse note has been written down based upon the borrowing agreement with BTI.

Long-Term Liabilities - In the government-wide financial statements and proprietary fund financial statements, long-term obligations (including claims and judgments, environmental obligations, and compensated absences) are reported as liabilities. Bond premiums and discounts, are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are charged to expenses as incurred.

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

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

Compensated Absences - Employees accumulate annual leave (vacation) balances to maximum amounts ranging from 240 to 320 hours. Most employees receive a 100% termination payment upon separation based upon their final rate of pay. The liability for

annual leave is valued at 100% of the balance plus the State's share of Social Security and retirement contributions. In lieu of a cash payment, at retirement an employee can elect to use accumulated annual leave toward their postemployment health care insurance premium. State employees earn sick leave benefits, which accumulate, but do not vest. When separated from employment with the State, an employee's sick leave benefits are considered ended and no reimbursement is provided. However, eligible employees may convert, at the time of retirement, any unused accumulated sick leave to pay a portion of the employee's postemployment health care insurance premium. See OPEB discussion in Note 13.

Deferred Inflows/Outflows - A deferred inflow of resources is an acquisition of net assets that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets that is applicable to a future reporting period. The State presents deferred inflows and outflows of resources in accordance with the provisions of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position."

Net Position/Fund Balance - The difference between fund assets, deferred outflows of resources, liabilities, and deferred inflows of resources is "Net Position" on the government-wide, proprietary, fiduciary, and discretely presented component unit statements; and "Fund Balance" on the governmental fund statements. Net position is reported in three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.
- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Net position that is restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments, and in some cases by legally enforceable enabling legislation or constitution of the State is reported as restricted net position.
- Unrestricted net position consists of net position which does not meet the definition of the two preceding categories.

The fund balance category, general government operations, is described as functional aspects of government services that are provided to the citizens; such as Governor's Office, State Treasurer, Administration, Secretary of State, Supreme Court and various other agencies. The fund balance classifications are based primarily on the extent to which the State is bound to honor constraints on the specific purposes for which the

amounts in those funds can be spent. Fund balances are reported in the following categories:

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

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

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

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as either "general purpose" or "restricted." General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either restricted by state law or by outside restriction (e.g., federal awards), available only for specified purposes. Unused restricted revenues at year-end are recorded as restricted fund balance.

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

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

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

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

Other Financing Uses - These reductions of governmental fund resources in the fund financial statements are uses of funds that could substantially distort a government's

regular operations. They include discounts on debt issued, refunding transactions, and transfers.

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

### **Future Adoption of Accounting Pronouncements**

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

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

The GASB issued Statement No. 71, “Pension Transition for Contributions Made Subsequent the Measurement Date – an amendment of GASB Statement No. 68,” which will improve accounting and financial reporting by addressing an issue in Statement No. 68, “Accounting and Financial Reporting for Pensions,” concerning transition provisions related to certain pension contributions made to defined benefit pension plans made prior to implementation of that Statement by employers and non-employer contributing entities. This Statement will be effective for fiscal year 2015, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 72, “Fair Value Measurement and Application” which addresses accounting and financial reporting issues related to fair value measurements. This Statement is effective for fiscal year 2016, and management has not yet determined the financial statement impact of the pronouncement.

**NOTE 2**

**RESTATEMENTS AND RESTRICTED BALANCES**

**Restatement of Beginning Balances**

The Higher Education Fund had an increase in its July 1, 2014, beginning net position due to some adjustments in the amount of \$1,891,000.

Governmental Activities had a restatement increasing beginning net position of \$76,774,000 increase due to additions to capital assets.

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

<u>Entity/Reporting Level</u>	<u>Fund Balance or Net Position</u>		
	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
Component Units:			
Higher Education	\$2,027,485	\$ (1,891)	\$2,025,594
Government-wide:			
Governmental Activities	9,106,160	76,774	9,182,934
Component Units	3,200,326	(1,891)	3,198,435

**Restricted Net Position**

(expressed in thousands)

The following table summarizes by fund the restricted net position of each of the funds included in “other” columns at June 30, 2014:

<u>Fund Type/Fund</u>	<u>Total Reporting Entity</u>	<u>Restricted For</u>					
		<u>Capital Projects</u>	<u>Lending Activities</u>	<u>Insurance Activities</u>	<u>General Government Operations</u>	<u>Non-expendable</u>	<u>Other Specific Fund Purposes</u>
Enterprise Funds:							
Drinking Water Treatment Revolving Fund	\$138,763	\$ —	\$138,763	\$ —	\$ —	\$ —	\$ —
Alcohol Beverage Control Administration	514	—	514	—	—	—	—
West Virginia Prepaid College Plan	996	—	—	—	996	—	—
AccessWV	4,750	—	—	4,750	—	—	—
State Entities Workers' Compensation	28,217	—	—	28,217	—	—	—
	<u>173,240</u>	<u>—</u>	<u>139,277</u>	<u>32,967</u>	<u>996</u>	<u>—</u>	<u>—</u>
Internal Service Funds:							
State Building Fund	34,737	34,737	—	—	—	—	—
Discretely Presented Component Units:							
Educational Broadcasting Authority	229	—	—	—	—	229	—
Solid Waste Management Board	4,424	—	—	—	—	—	4,424
Municipal Pensions Oversight Board	27,299	—	—	—	—	—	27,299
	<u>31,952</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>229</u>	<u>31,723</u>
Total	<u>\$239,929</u>	<u>\$34,737</u>	<u>\$139,277</u>	<u>\$32,967</u>	<u>\$996</u>	<u>\$229</u>	<u>\$ 31,723</u>



The government-wide statement of net position reports restricted net position of \$2,214,749 for the primary government of which \$865,065 is restricted by enabling legislation.

**Restricted Fund Balance**

The following table summarizes, by fund, the restricted fund balance of each of the funds included in “other” columns at June 30, 2014 (expressed in thousands):

<b>Fund Type/Fund</b>	<b>Total Reporting Entity</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Development, Tourism, and Recreation</b>	<b>Education</b>	<b>Public Protection</b>
Governmental Funds:						
Special Revenue Funds:						
Environmental Protection	\$ 41,597	\$ —	\$ —	\$ —	\$ —	\$41,597
Public Service Commission	3,343	—	—	—	—	3,343
Wildlife Resources Fund	<u>52,493</u>	<u>—</u>	<u>—</u>	<u>52,493</u>	<u>—</u>	<u>—</u>
	<u>97,433</u>	<u>—</u>	<u>—</u>	<u>52,493</u>	<u>—</u>	<u>44,940</u>
Capital Projects Funds:						
Education, Arts, Sciences, and Tourism Fund	3,495	3,495	—	—	—	—
Lease Purchase Accounts	<u>10,255</u>	<u>10,255</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>13,750</u>	<u>13,750</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Debt Service:						
Education, Arts, Sciences, and Tourism Fund	1,002	—	1,002	—	—	—
Lease Purchase Accounts	6,874	—	6,874	—	—	—
Economic Development Project Fund	<u>44,930</u>	<u>—</u>	<u>44,930</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>52,806</u>	<u>—</u>	<u>52,806</u>	<u>—</u>	<u>—</u>	<u>—</u>
Permanent Funds:						
Irreducible School	<u>357</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>357</u>	<u>—</u>
<b>Total</b>	<b><u>\$164,346</u></b>	<b><u>\$13,750</u></b>	<b><u>\$ 52,806</u></b>	<b><u>\$52,493</u></b>	<b><u>\$ 357</u></b>	<b><u>\$44,940</u></b>

**NOTE 3****NET POSITION/FUND DEFICITS**

Individual funds with net position/fund balance deficits at June 30, 2014, were as follows (expressed in thousands):

	<u>Net Position/ Fund Balance Deficit</u>
General Fund	\$ 49,132
<b>Special Revenue Funds:</b>	
WORKFORCE West Virginia	8,766
<b>Enterprise Funds:</b>	
Workers' Compensation Fund	203,803
West Virginia Prepaid College Plan	6,628
<b>Discretely Presented Component Units:</b>	
School Building Authority	255,173
Public Defender Corporation	<u>1,220</u>
Total Deficits	<u>\$ 524,722</u>

**General Fund**

Senate Bill 469, effective July 1, 2012, requires that transfers will start in 2016 and continue until the RHBT unfunded liability has been provided for in its entirety or July 1, 2037, whichever date is later. Presently management estimates that the aforementioned \$30 million transfers will likely commence in 2016.

**Special Revenue Funds**

WORKFORCE West Virginia is continuing to improve its budgetary process and is looking at various methods to control expenses; including, but not limited to, budget cutbacks, closing of offices, and the reorganization of various job responsibilities. In addition, a more comprehensive oversight program to monitor the seven subrecipient workforce investment boards is being developed in an effort to reduce non-allowable expenditures. New guidelines have been issued and fiscal training is being conducted. The recent increase in the deficit can be attributed mainly due to the increase in the OPEB liability.

**Enterprise Funds**

The Workers' Compensation Fund deficit of \$203.8 million is more fully discussed in Note 14, Risk Management. West Virginia Prepaid College Plan (the Plan) has a net position deficiency of approximately \$6.6 million as of June 30, 2014. This deficiency was largely caused by investment losses in fiscal years 2002, 2008, and 2009, unexpected tuition increases beginning with the 2002-2003 school year, changes in prior years of estimates of future investment rate of return and tuition growth, and significant adjustments in actuarial assumptions in fiscal year 2008. The West Virginia College Prepaid Tuition and Savings Program's ability to pay obligations of the Prepaid

Tuition Plan is dependent on long-term investment programs and adequate levels of future cash flows. In March 2003, the West Virginia Legislature closed the Plan to new enrollment until the Legislature authorizes it to reopen. Contract holders are supposed to continue to pay any amounts due, and the Plan will continue to pay all benefits due.

The Plan sought and received support from the State Legislature to support payment of plan benefits. In March 2003, the Legislature created the Prepaid Tuition Trust Escrow Account (the Escrow Account) to guarantee payment of plan contracts. Under the legislative action, the Escrow Account may receive transfers of up to \$1,000,000 each year there is an actuarially determined unfunded liability of the Plan. All earnings on the transferred funds will remain in the Escrow Account. In the event the Plan is unable to cover the amount of money needed to meet its current obligations, funds may be withdrawn from the Escrow Account to meet those obligations. The funds were invested and have had a net investment gain of \$1,168,024 for the eleven years ended June 30, 2014, leaving the account with a balance of \$17.4 million at June 30, 2014. Because there was an actuarially determined unfunded liability of approximately \$7.6 million in the Plan as of June 30, 2014, an additional \$1,000,000 was transferred from the Fund to the Escrow Account on October 28, 2014, in accordance with the provisions enacted by the Legislature. Funds transferred or to be transferred into the Escrow Account do not affect the actuarial valuation of the Plan and are not included in the Plan's financial statements. Management believes that the Plan will continue to have sufficient liquid resources to meet its obligations as they become due through June 30, 2015. The financial statements do not reflect any adjustments that might result should management's plan to eliminate the net position deficiency fail to be successful.

### **Discretely Presented Component Units**

The School Building Authority of West Virginia's (the SBA) combined net position deficiency at June 30, 2014, is \$255.2 million. The deficit arose from the issuance of revenue bonds to replace or improve school facilities in the State of West Virginia and the SBA's policy to grant ownership of these new and renovated buildings to the local county boards of education. The SBA will receive \$23 million per year from an allocation from the West Virginia Department of Education through June 30, 2022, for debt service. At that time, the debt service payments dedicated from the Step 7 of the Department of Education's funding formula will be allocated to the SBA's pay-as-you-go construction program. The West Virginia Supreme Court has ruled that any future allocations for debt service from Step 7 of the funding formula are unconstitutional.

At year-end, the SBA had \$491.4 million in bonds outstanding, compared to \$498.1 million at June 30, 2013, a decrease of 1.33%. This decrease of \$6.6 million represents the issuance of the Series 2014A bonds with a par value of \$26.0 million less the maturity of previously issued bonds in the amount of \$36.9 million during the year. Since the SBA receives all its debt service funding from allocations from the West Virginia Lottery, any bonds issued by the SBA will always be assigned a debt rating based on the performance of the West Virginia Lottery.

The Public Defender Corporation's net position deficiency at June 30, 2014, is \$1,220,000. The deficiency is due to a decrease in funding from the West Virginia Public Defender Services.



## **NOTE 4**

### **DEPOSITS AND INVESTMENTS**

#### **Deposits**

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

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

#### Primary Government

At June 30, 2014, the reported amount of the primary government's deposits was \$(61,159,000) and the bank balance was \$315,803,000. Of that bank balance, \$660,000 was uninsured and uncollateralized, \$20,597,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State, and \$1,163,000 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the State.

#### Component Units

At June 30, 2014, the reported amount of the component units' deposits was \$452,491,000 and the bank balance was \$227,583,000. Of that bank balance, \$76,000 was uninsured and uncollateralized, \$29,618,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State, and \$9,726,000 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the State.

#### **Investments**

The BTI manages the short-term operating funds of the State. The IMB focuses on the State's long-term trust investments. The BTI is charged with managing the individual investment pools and accounts of the Consolidated Fund under authority of West Virginia Code, §12-6C, West Virginia Treasury Investments Act. The Consolidated Fund provides for the investment of moneys not currently needed to fund state governmental operations, as well as providing the opportunity for local governments to participate in large investment pools, and for those funds statutorily required to be invested in the

Consolidated Fund. The IMB provides fiscal administration and investment management services to designated state pension funds, the State’s Workers’ Compensation and Coal Workers’ Pneumoconiosis funds, and certain other state government funds. The State Treasurer’s Office determines which funds to transfer to the IMB and BTI for investment in accordance with West Virginia Code, policies set by the IMB and BTI, and by provisions of bond indentures and trust agreements, when applicable.

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

**Investment Valuation**

The BTI is an investment vehicle of the State and its component units, all of which are government entities. The investments of the WV Money Market, WV Government Money Market, WV Bank, Loan, Reserve, and Municipal Bond Commission pools and accounts are, as permissible under Governmental Accounting Standards Board (GASB) Statement No. 31, as amended by GASB Statement No. 59, carried at amortized cost. The WV Money Market and WV Government Money Market pools are considered “2a7-like” investment pools and, as such, are reported at amortized cost, which approximates fair value. A 2a7-like pool operates in a manner consistent with the Securities and Exchange Commission (SEC) Rule 2a7 of the Investment Company Act of 1940, which allows money market mutual funds to use amortized cost to report net position. A 2a7-like pool is not necessarily registered with the SEC as an investment company, but it would qualify as a money market fund should it be registered. The specific exceptions to fair value reporting for the other pools as defined in professional standards are as follows:

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

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

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

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

In addition to amounts invested with the IMB and BTI, certain governmental funds and discretely presented component units are permitted to invest bond proceeds with third-party trustees named in bond indentures. Governmental funds including the Education, Arts, Sciences, and Tourism Fund; West Virginia Infrastructure and Jobs Development Council; Tobacco Settlement Finance Authority; the Department of Health and Human Resources; and the Department of Administration have investments with bond trustees. The West Virginia Infrastructure and Jobs Development Council enterprise fund also has investments with bond trustees. The following discretely presented component units have reported investments held with third-party trustees: Regional Jail Authority; Economic Development Authority; Educational Broadcasting Authority; Jobs Investment Trust; Housing Development Fund; Parkways Authority; Water Development Authority; School Building Authority; and Higher Education Fund. IMB has operating funds in an institutional Treasury Money Market Fund. The Teachers' Defined Contribution Retirement System of the CPRB and the SMART 529 College Savings Plan have their assets held by outside third parties.

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



Derivatives

The State's investment strategy includes the use of derivatives as a tool in managing market risk and providing an opportunity for enhanced return. The IMB invests in derivative financial investments as authorized by its Board of Trustees. As of June 30, 2014, IMB held derivative financial investments that included: Futures Contracts, Option Contracts, Foreign Exchange Forward Contracts, Credit Default Swaps, Currency Swaps, and Interest Rate Swaps. Additionally, the IMB is indirectly exposed to derivative risk through participation in institutional commingled funds. Credit risk and interest rate risk pertaining to Derivatives are disclosed in each participating pool's section in this note. The change in fair value of derivatives is included in the Unrestricted Investment Earnings on the Government-wide Statement of Activities; Interest and Other Investment Income on the Statement of Revenues, Expenses, and Changes in Fund Net Position, Proprietary Funds; and Net Appreciation in Fair Value of Investments on the Statement of Changes in Fiduciary Net Position, Fiduciary Funds. The fair value of derivatives is included in the Investments and Cash Equivalents on the Government-wide Statement of Net Position; Investments on the Statement of Net Position, Proprietary Funds; and Investments on the Statement of Fiduciary Net Position, Fiduciary Funds. More details of the changes in fair value may be obtained from the financial statements of the WV Investment Management Board.

Repurchase Agreements

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

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

Foreign Currency

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

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

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

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

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

### Futures Contracts

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

As of June 30, 2014, the futures contracts had the following open positions denominated in U.S. dollars (summarized and expressed in thousands):

<u>Open Positions/Pool</u>	<u>Expiration</u>	<u>Value Upon Entering Contract (Notional Value)</u>	<u>Fair Value at June 30, 2014</u>	<u>Change in Fair Value</u>
Long:				
Large Cap Domestic Equity	Sept 2014	\$ 16,251	\$ 16,498	\$ 247
Total Return Fixed Income	Dec 2015	85,601	85,691	90
Total Return Fixed Income	Sept 2014	90,079	90,724	645
Short:				
Total Return Fixed Income	Mar 2015	(331,290)	(331,569)	(279)
Total Return Fixed Income	Jun 2018	(81,236)	(81,497)	(261)
Total Return Fixed Income	Sept 2018	(8,230)	(8,237)	(7)
Total Return Fixed Income	Sept 2014	(654,457)	(655,550)	(1,093)

As of June 30, 2014, the futures contracts had the following open positions denominated in foreign currencies (summarized and expressed in thousands):

<u>Open Positions/Pool</u>	<u>Expiration</u>	<u>Value Upon Entering Contract (Notional Value)</u>	<u>Fair Value at June 30, 2014</u>	<u>June 30, 2014 Exchange Rate</u>	<u>Change in Fair Value</u>
Short:					
Total Return Fixed Income	Sept 2014	\$ (27,101)	\$ (27,491)	1.3692	\$ (534)
Total Return Fixed Income	Sept 2014	(6,095,010)	(6,117,300)	0.0099	(220)

At June 30, 2014, the Large Cap Domestic Equity has pledged cash of \$488,000 and the Total Return Fixed Income Pool had pledged securities of \$23,920,000 to cover initial margin requirements on open futures contracts.

### Option Contracts

IMB may purchase or write equity, bond, currency, or index option contracts that have recognized liquidity and are actively traded on major exchanges or are executed with major dealers. These option contracts give the purchaser (seller) of the contract the right to buy (call) or sell (put) the security, or settle cash for an index option, underlying the contract at an agreed-upon price (strike price) during or at the conclusion of a specified period of time. Premiums paid upon the purchase of an option contract are recorded as an asset and subsequently adjusted to market value. Upon exercising a purchased option, a gain or loss is recorded equal to the difference between the market value of the underlying instrument and the strike price of the option, less premiums paid. If the option expires unexercised, a loss is recognized in the amount of the premiums paid for the option. Premiums received when option contracts are written are recorded as a liability and subsequently adjusted to market value. If a written option contract expires unexercised, a gain is recorded equal to the amount of the premiums received. The difference between the premiums received and the amount paid to prompt a closing transaction is also recorded as a gain or loss. When a written option is exercised, a gain or loss is recorded equal to the difference between the market value of the underlying instrument and the strike price of the option, minus premiums received. Written option

contracts are used to enhance investment returns and reduce portfolio convexity when implied volatility is high. Purchased option contracts are used to increase portfolio convexity when implied volatility is low, to implement certain yield curve strategies, or to hedge sector exposure.

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

The fair value of the options contracts written at June 30, 2014 was \$(279). Below is a summary of the activity in short (written) option positions in the Total Return Fixed Income Pool (premiums expressed in thousands):

	Puts		Calls	
	<u>Number of Contracts</u>	<u>Premiums (Received)/Paid</u>	<u>Number of Contracts</u>	<u>Premiums (Received)/Paid</u>
Options Outstanding at June 30, 2013	(561)	\$ (202)	(322)	\$ (225)
Options Written	(60,504,063)	(1,217)	(60,510,421)	(1,551)
Options Closed	2,433	900	8,060	1,305
Options Expired	<u>10,700,240</u>	<u>103</u>	<u>10,701,658</u>	<u>379</u>
Options Outstanding at June 30, 2014	<u>(49,801,951)</u>	<u>\$ (416)</u>	<u>(49,801,025)</u>	<u>\$ (92)</u>

#### Foreign Exchange Forward Contracts

A foreign exchange forward contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed-upon future date. The IMB's investment managers enter into such contracts to correspond to investment transactions trading in foreign currency. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. These contracts have relatively short durations and are valued at the prevailing market exchange rates at month-end. At June 30, 2014, the IMB was party to outstanding foreign exchange forward contracts to purchase foreign currencies with contract amounts of \$101.9 million, collectively. The fair values of these outstanding contracts were \$102.15 million resulting in a change in fair value of

approximately \$297,000. The realized gain or loss is reclassified to realized gain or loss when the contract expires and deposited at fair value in the International Equity, Real Estate, and the Total Return Fixed Income Pools.

### Credit Default Swaps

Credit default swaps are agreements between counterparties to transfer the credit risk of referenced debt securities. The buyer of the credit default swap gains protection against a negative credit event, such as a default or credit rating downgrade, and the seller assumes the credit risk and is obligated to pay upon the occurrence of such an event.

### Asset-Backed Securities

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

### Security Loans

The IMB is authorized by statute and policy to participate in a securities lending program. The Bank of New York Mellon, IMB's custodial agent, 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 loan plus accrued income. For international securities, the collateral is at least 105% of the market value of the securities on loan. The IMB receives compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. The income earned by the IMB is reported in the statement of operations as securities lending income. The agent fees and broker rebates are reported as expenses. Unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the change in unrealized appreciation or depreciation of investments. The IMB continues to receive interest and dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the financial statements of the various investment pools.

At June 30, 2014, 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, \$247 million was received as cash. The collateral received as cash is invested in the Mellon GSL DBT II Funds.

	<u>Fair Value of Securities on Loan</u>	<u>Collateral Held</u>
Large Cap Domestic Equity	\$ 21,774	\$ 22,609
Non-Large Cap Domestic Equity	76,427	78,409
International Equity	91,143	97,270
Total Return Fixed Income	110,806	116,623
Core Fixed Income Pool	38,342	39,699
TIPS Pool	217,711	226,592
Real Estate Pool	<u>2,434</u>	<u>2,611</u>
Total	<u>\$558,637</u>	<u>\$583,813</u>

### Commitments

The IMB, with the assistance of its consultant, began implementing its plan to invest in real estate and private equity partnerships in February of 2008. As of June 30, 2014, the IMB had made commitments to 42 private equity general partnerships.

<u>Partner Classification</u>	<u>Total Commitment</u>	<u>Funded Commitment</u>	<u>Unfunded Commitment</u>
Corporate Finance – Buyout Funds	\$ 884,000	\$ 402,423	\$ 481,577
Corporate Finance – Distressed Debt	120,000	66,981	53,019
Corporate Finance – Growth Equity	80,000	62,214	17,786
Corporate Finance – Mezzanine	50,000	12,454	37,546
Corporate Finance – Turnaround	250,000	129,348	120,652
Venture Capital	<u>173,000</u>	<u>78,602</u>	<u>94,398</u>
Total	<u>\$1,557,000</u>	<u>\$ 752,022</u>	<u>\$804,978</u>

The IMB also made commitments to 24 real estate investment funds/partnerships.

<u>Partner Classification</u>	<u>Total Commitment</u>	<u>Funded Commitment</u>	<u>Unfunded Commitment</u>
Core Funds	\$ 615,000	\$ 390,955	\$ 224,045
Opportunistic Funds	258,400	151,754	106,646
Value Funds	<u>471,000</u>	<u>165,693</u>	<u>305,307</u>
Total	<u>\$1,344,400</u>	<u>\$ 708,402</u>	<u>\$ 635,998</u>

**Investment Pools**

Schedule of Participation

The participant balances below for the Total Return Fixed Income and the Core Fixed Income pools do not include approximately a \$7.9 million dividend declared by the pool on the last day of the month and reinvested to the participant's accounts on the first day of the following month. The following schedule details the participation in the various IMB pools exclusive of those pools comprising the Consolidated Fund or Participant Directed Accounts (expressed in thousands):

	Large Cap Domestic Equity	Non-Large Cap Domestic Equity	International		Equity
			Qualified	Nonqualified	
<b>Primary Government:</b>					
Revenue Shortfall Reserve Fund	\$ —	\$ —	\$ —	\$ —	\$ —
Revenue Shortfall Reserve Fund B	29,515	10,184	—	13,054	26,790
Workers' Compensation Old Fund	136,653	45,275	—	46,151	133,408
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,790	594	—	791	1,615
Workers' Compensation Self-Insured Employer Security Risk Pool	813	281	—	359	735
Workers' Compensation Uninsured Pneumoconiosis	1,223	399	—	537	1,101
Wildlife Endowment Fund	30,726	10,443	—	10,966	30,039
Prepaid Tuition Trust Fund	10,773	3,719	—	4,765	9,770
Prepaid Tuition Trust Escrow Fund	18,820	4,666	—	4,117	8,476
Prepaid Tuition Trust Escrow Fund	—	—	—	—	—
Board of Risk & Insurance Management	16,904	5,566	—	5,303	16,614
Public Employees' Insurance Agency Access WV	24,196	8,411	—	10,742	22,061
WV Department of Environmental Protection Trust	—	—	—	—	—
WV Department of Environmental Protection Agency	2,291	789	—	809	1,650
WV Department of Environmental Protection Agency	<u>5,934</u>	<u>1,913</u>	<u>—</u>	<u>2,375</u>	<u>5,187</u>
Total Primary Government	<u>279,638</u>	<u>92,240</u>	<u>—</u>	<u>99,969</u>	<u>257,446</u>
Percentage of Ownership	9.03%	8.57%	—%	65.30%	9.31%
<b>Fiduciary Funds:</b>					
Judges' Retirement System	33,599	11,772	16,213	—	30,063
Emergency Medical Services Retirement System	10,916	3,755	4,850	—	9,851
Public Employees' Retirement System	1,145,321	400,856	556,196	—	1,018,952
Teachers' Retirement System	1,324,099	463,970	640,632	—	1,178,932
Teachers' Employers Contribution Collection Account	—	—	—	—	—
Municipal Police Officers' and Firefighters' Retirement System	230	76	100	—	202
Municipal Police Officers' and Firefighters' Retirement System	288	100	130	—	261
State Police Retirement System	24,634	8,466	10,985	—	22,187
Public Safety Death, Disability and Retirement Fund	125,777	42,199	58,706	—	107,924
Retiree Health Benefit Trust	120,106	41,500	—	53,117	109,001
Deputy Sheriff's Retirement System	<u>32,947</u>	<u>11,449</u>	<u>15,281</u>	<u>—</u>	<u>29,604</u>
Total Fiduciary Funds	<u>2,817,917</u>	<u>984,143</u>	<u>1,303,093</u>	<u>53,117</u>	<u>2,506,977</u>
Percentage of Ownership	90.97%	91.43%	100%	34.70%	90.69%
Total Amount	<u>\$ 3,097,555</u>	<u>\$1,076,383</u>	<u>\$1,303,093</u>	<u>\$153,086</u>	<u>\$2,764,423</u>
Percentage of Ownership	100%	100%	100%	100%	100%

<u>Short-Term Fixed Income</u>	<u>Total Return Fixed Income</u>	<u>Core Fixed Income</u>	<u>TIPS</u>	<u>Teachers' Annuity</u>	<u>Private Equity</u>	<u>Real Estate</u>	<u>Hedge Fund</u>	<u>Total (Memorandum Only)</u>
\$ 2	\$165,925	\$ 70,890	\$ 240,452	\$ —	\$ —	\$ —	\$ —	\$477,269
22	170,726	73,056	57,496	—	—	—	—	380,843
125,351	412,703	177,942	119,066	—	—	—	—	1,196,549
710	3,834	1,640	1,583	—	—	—	3,137	15,694
357	1,729	741	720	—	—	—	1,424	7,159
1,045	2,230	954	1,074	—	—	—	2,133	10,696
12,064	65,632	28,423	27,200	—	—	—	53,839	269,332
103	5,368	2,297	391	—	5,330	4,802	5,154	52,472
1,005	—	39,914	—	—	—	—	—	76,998
—	—	—	—	—	—	—	—	—
7,214	35,931	15,609	14,783	—	—	—	29,331	147,255
5	59,197	25,316	21,473	—	—	—	42,609	214,010
2,487	—	—	—	—	—	—	—	2,487
4	1,612	689	866	—	—	—	—	8,710
2,943	10,475	4,477	—	—	—	—	7,531	40,835
<u>153,312</u>	<u>935,362</u>	<u>441,948</u>	<u>485,104</u>	<u>—</u>	<u>5,330</u>	<u>4,802</u>	<u>145,158</u>	<u>2,900,309</u>
45.22%	40.58%	42.86%	80.25%	0.00%	0.39%	0.38%	9.28%	17.19%
218	16,484	7,102	1,441	—	16,136	15,185	16,970	165,183
345	5,421	2,330	396	—	5,393	4,853	5,214	53,324
14,398	557,667	241,170	49,161	—	549,804	517,214	577,172	5,627,911
168,607	642,133	275,096	57,015	(17)	637,022	598,156	667,548	6,653,193
—	—	—	—	—	—	—	—	—
52	112	49	8	—	112	101	108	1,150
9	135	59	11	—	143	129	138	1,403
1,011	12,223	5,264	893	—	11,232	10,947	12,688	120,530
542	59,670	25,509	4,507	—	54,936	55,283	65,821	600,874
15	59,713	25,605	4,535	—	59,423	53,582	57,458	584,055
496	16,251	6,991	1,401	—	15,527	14,771	16,718	161,436
<u>185,693</u>	<u>1,369,809</u>	<u>589,175</u>	<u>119,368</u>	<u>(17)</u>	<u>1,349,728</u>	<u>1,270,221</u>	<u>1,419,835</u>	<u>13,969,059</u>
54.78%	59.42%	57.14%	19.75%	100.00%	99.61%	99.62%	90.72%	82.81%
<u>\$339,005</u>	<u>\$2,305,171</u>	<u>\$1,031,123</u>	<u>\$604,472</u>	<u>\$(17)</u>	<u>\$1,355,058</u>	<u>\$1,275,023</u>	<u>\$1,564,993</u>	<u>\$16,869,368</u>
100%	100%	100%	100%	100%	100%	100%	100%	100%



Investment Pool Descriptions

Large Cap Domestic Equity

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

Non-Large Cap Domestic Equity

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

International Qualified

Funds of this pool are invested in Silchester International Investors' International Value Equity Group Trust which is a collective trust fund that invests in equities denominated in foreign currencies. This pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East (EAFE) Index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. Only "qualified participants" (as defined by the *Internal Revenue Code*) may invest in this pool. The value of this investment at June 30, 2014, was \$1,303,151,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

International Nonqualified

Funds of this pool are invested in Silchester International Investors' International Value Equity Group Trust which is a collective trust fund that invests in equities denominated in foreign currencies. This pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's EAFE Index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. This pool exists for participants who are not "qualified" (as defined by the *Internal Revenue Code*). The value of this investment at June 30, 2014, was \$153,093,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

## International Equity

This pool invests in the equities of international companies. Acadian Asset Management, LLC, Axiom International Investors, LLC, Brandes Investment Partners, L.P., LSV Asset Management, and Pictet Asset Management Limited manage assets of this pool. The objective of the International Equity pool is to exceed, net of external investment management fees, Morgan Stanley Capital International's All Country World Free Ex US Index over three- to five-year periods. This pool has both equity securities and cash that are denominated in foreign currencies and are exposed to foreign currency risks. The amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30, 2014, consisted of the following (expressed in thousands):

<u>Currency</u>	<u>Equity Securities</u>	<u>Cash</u>	<u>Total</u>
Australian Dollar	\$ 90,022	\$ 674	\$ 90,696
Brazil Real	95,376	1,232	96,608
British Pound	280,040	379	280,419
Canadian Dollar	115,598	423	116,021
Czech Koruna	14,240	1	14,241
Danish Krone	11,957	—	11,957
Emirati Dirham	3,497	—	3,497
Euro Currency Unit	435,175	924	436,099
Hong Kong Dollar	235,280	658	235,938
Hungarian Forint	14,797	1	14,798
Indian Rupee	89,933	1,126	91,059
Indonesian Rupiah	12,473	92	12,565
Israeli Shekel	12,876	103	12,979
Japanese Yen	321,007	3,116	324,123
Malaysian Ringgit	6,529	98	6,627
Mexican Peso	32,670	—	32,670
New Taiwan Dollar	47,308	1,960	49,268
New Zealand Dollar	7,678	108	7,786
Norwegian Krone	37,343	38	37,381
Pakistan Rupee	5,669	—	5,669
Philippine Peso	9,975	30	10,005
Polish Zloty	10,717	9	10,726
Qatar Riyal	2,789	—	2,789
Singapore Dollar	20,246	1,220	21,466
South African Rand	49,744	404	50,148
South Korean Won	207,761	951	208,712
Swedish Krona	41,954	245	42,199
Swiss Franc	86,527	22	86,549
Thailand Baht	22,984	4	22,988
Turkish Lira	<u>61,288</u>	<u>101</u>	<u>61,389</u>
Subtotal	<u>2,383,453</u>	<u>13,919</u>	<u>2,397,372</u>
United States Currency	<u>462,603</u>	<u>—</u>	<u>462,603</u>
Total Assets	<u>\$2,846,056</u>	<u>\$13,919</u>	<u>\$2,859,975</u>

Short-Term Fixed Income

This pool is structured as a money market fund to maintain sufficient liquidity to fund withdrawals by the participant plans and to invest any contributions until such time as the money can be transferred to other asset classes without sustaining capital losses. JP Morgan Investment Advisors, Inc. manages this pool. For purposes of evaluating investment returns, net of external investment management fees, this pool is expected to meet or exceed the Citigroup ninety-day T-bill index plus fifteen basis points.

*Credit Risk*

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

The following table provides information on the weighted-average credit ratings as of June 30, 2014, of the Short-Term Fixed Income pool's investments (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value Prior to Repurchase Collateral Included</u>	<u>Reclassified Repurchase Agreement to Actual Investment Types</u>	<u>Carrying Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>				
Commercial Paper	P-1	A-1	\$ 84,989	\$ —	\$ 84,989	25.0%
U.S. Government Agency Issues	P-1	A-1	114,269	—	114,269	33.6%
U.S. Treasury Issues	P-1	A-1	55,553	85,732	141,285	41.4%
Repurchase Agreements			<u>84,205</u>	<u>(84,205)</u>	<u>—</u>	<u>—%</u>
Total Rated Investments			<u>\$339,016</u>	<u>\$ 1,527</u>	<u>\$340,543</u>	<u>100%</u>

*Interest Rate Risk*

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

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (Days)</u>
Repurchase Agreements (Underlying Securities)		
U.S. Treasury Issues	\$ 84,205	1
Commercial Paper	84,989	27
U.S. Treasury Issues	55,553	53
U. S. Government Agency Issues	<u>114,269</u>	46
Total Assets	<u>\$339,016</u>	31

## Total Return Fixed Income

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

*Credit Risk*

The IMB limits the exposure to credit risk in the Total Return Fixed Income pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted-average credit ratings of the investments in the Total Return Fixed Income pool as of June 30, 2014 (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Fair Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>		
Rated:				
Corporate Asset-Backed Issues	Baa2	A	\$ 73,955	3.2%
Corporate Collateralized Mortgage Obligations	Caa1	B	63,110	2.7%
Corporate CMO Interest-Only	C1	Not rated	7,955	0.4%
Corporate Preferred Securities	Ba1	BB	10,512	0.5%
Foreign Asset-Backed Issues	A2	A	17,691	0.8%
Foreign Corporate Bonds	Baa3	BBB	245,728	10.6%
Foreign Government Bonds	Baa2	BBB	192,350	8.3%
Municipal Bonds	A1	A	53,510	2.3%
Money Market Mutual Fund	Aaa	AAA	37,727	1.7%
U.S. Corporate Bonds	Baa2	BBB	571,567	24.8%
U.S. Government Agency Bonds	Aaa	AA	2,469	0.1%
U.S. Government Agency CMO	Aaa	AA	89,517	3.9%
U.S. Government Agency CMO Interest-Only	Aaa	AA	11,490	0.5%
U.S. Government Agency MBS	Aaa	AA	290,820	12.6%
U.S. Government Agency TBA	Aaa	AA	888	0.0%
U.S. Treasury Bonds	Aaa	AA	183,531	7.9%
U.S. Treasury Inflation-Protected Securities	Aaa	AA	<u>14,276</u>	<u>0.6%</u>
Total Rated Investments			<u>1,867,096</u>	<u>80.9%</u>
Unrated:				
Investments in Liquid Hedge Fund			418,593	18.1%
Investments Made with Cash Collateral			23,881	1.0%
Option Contract Purchased Value			<u>341</u>	<u>0.0%</u>
Total Investment Securities at Fair Value			<u>\$2,309,911</u>	<u>100%</u>

**Interest Rate Risk**

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

<u>Security Type</u>	<u>Fair Value</u>	<u>Modified Duration (Years)</u>
Corporate Asset-Backed Issues	\$ 73,955	1.4
Corporate Collateralized Mortgage Obligations	63,110	1.5
Corporate CMO Interest-Only	7,955	25.7
Foreign Asset-Backed Issues	17,691	0.7
Foreign Corporate Bonds	245,728	6.0
Foreign Government Bonds	192,350	6.5
Investments in Other Funds	418,593	4.2
Investments Made with Cash Collateral For Securities Loaned	23,881	0.0
Municipal Bonds	53,510	9.0
Money Market Mutual Fund	37,727	0.0
U.S. Corporate Bonds	571,567	6.3
U.S. Government Agency Bonds	2,469	5.3
U.S. Government Agency CMO	89,517	2.4
U.S. Government Agency CMO Interest-Only	11,490	(1.3)
U.S. Government Agency MBS	290,820	2.2
U.S. Government Agency TBA	888	2.2
U.S. Treasury Bonds	183,531	10.5
U.S. Treasury Inflation-Protected Securities	<u>14,276</u>	17.5
Total Rated Investments	<u>2,299,058</u>	5.2
Investments with no Interest Rate Risk:		
Option Contract Purchased Value	341	
Corporate Preferred Securities	<u>10,512</u>	
Total Investments with no Interest Rate Risk	<u>10,853</u>	
Total Investment Securities at Fair Value	<u>\$2,309,911</u>	

The Total Return Fixed Income pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions, and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2014, the Total Return Fixed Income pool held \$462,892,000 of these securities. This represents approximately 20% of the value of the pool's securities.

## Core Fixed Income Pool

The main objective of this core fixed income pool is to generate investment income, provide stability and diversification, but not at the expense of total return. JP Morgan Investment Advisors, Inc. manages this pool. This pool's investment objective, net of external investment management fees, is to meet or exceed the Barclays Capital U.S. Aggregate index.

*Credit Risk*

The IMB limits the exposure to credit risk in the Core Fixed Income pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted-average credit ratings of the investments in the Core Fixed Income pool as of June 30, 2014 (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Fair Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>		
Rated:				
Corporate Asset-Backed Issues	A2	AA	\$ 42,858	4.0%
Corporate Collateralized Mortgage Obligations	A2	AA	108,098	10.2%
Corporate CMO Interest-Only	Ba3	AAA	1,607	0.2%
Corporate CMO Principal-Only	Ba2	AA	389	0.0%
Foreign Asset-Backed Issues	Aa1	AA	3,394	0.3%
Foreign Corporate Bonds	A2	A	41,750	3.9%
Foreign Government Bonds	Aa2	AA	10,356	1.0%
Municipal Bonds	Aa2	AA	8,378	0.8%
Money Market Mutual Fund	Aaa	AAA	33,771	3.2%
U.S. Corporate Bonds	A3	A	203,346	19.1%
U.S. Government Agency Bonds	Aaa	AA	24,449	2.3%
U.S. Government Agency CMO	Aaa	AA	164,375	15.4%
U.S. Government Agency CMO Interest-Only	Aaa	AA	8,997	0.8%
U.S. Government Agency CMO Principal-Only	Aaa	AA	12,688	1.2%
U.S. Government Agency MBS	Aaa	AA	200,083	18.8%
U.S. Treasury Notes and Bonds	Aaa	AA	<u>165,535</u>	<u>15.6%</u>
Total Rated Investments			<u>1,030,074</u>	<u>96.8%</u>
Unrated:				
Investments Made with Cash Collateral			<u>34,417</u>	<u>3.2%</u>
Total Investment Securities at Fair Value			<u>\$1,064,491</u>	<u>100%</u>

*Interest Rate Risk*

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

<u>Security Type</u>	<u>Fair Value</u>	<u>Modified Duration (Years)</u>
Corporate Asset-Backed Issues	\$ 42,858	1.3
Corporate CMO	108,098	2.1
Corporate CMO Interest-Only	1,607	(4.0)
Corporate CMO Principal-Only	389	2.8
Foreign Asset-Backed Issues	3,394	0.0
Foreign Corporate Bonds	41,750	6.3
Foreign Government Bonds	10,356	6.6
Investments Made with Cash Collateral	34,417	0.0
Municipal Bonds	8,378	14.6
Money Market Mutual Fund	33,771	0.0
U.S. Corporate Bonds	203,346	6.3
U.S. Government Agency Bonds	24,449	5.2
U.S. Government Agency CMO	164,375	3.5
U.S. Government Agency CMO Interest-Only	8,997	1.8
U.S. Government Agency CMO Principal-Only	12,688	6.8
U.S. Government MBS	200,083	4.8
U.S. Treasury Notes and Bonds	<u>165,535</u>	7.6
Total Assets	<u>\$1,064,491</u>	4.9

The Core Fixed Income Pool invests approximately \$542 million in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. At June 30, 2014, this represents approximately 51% of the value of the Pool's securities.

**TIPS Pool**

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

*Credit Risk*

The IMB limits the exposure to credit risk in the Pool by primarily investing in U.S. Treasury inflation protected securities. The following table provides the weighted-average credit ratings of the rated assets in the pool as of June 30, 2014 (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Fair Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>		
Rated:				
U.S. Treasury Inflation-Protected Securities	Aaa	AA	\$ 601,027	100.0%
Money Market Mutual Fund	Aaa	AAA	<u>244</u>	<u>0.0%</u>
Total Rated Investments			<u>\$ 601,271</u>	<u>100.0%</u>

*Interest Rate Risk*

The IMB monitors interest rate risk of the pool by evaluating the real modified duration of the investments in the Pool. The following table provides the weighted-average real modified duration for the various asset types in the pool as of June 30, 2013 (expressed in thousands):

<u>Security Type</u>	<u>Fair Value</u>	<u>Modified Duration (Years)</u>
U.S. Treasury Inflation-Protected Securities	\$601,027	7.8
Money Market Mutual Fund	<u>244</u>	0.0
Total Assets	<u>\$601,271</u>	7.8

## TRS Annuity Pool

The Pool held 100% of investment in an investment contract strictly for the benefit of the Teachers Retirement System (TRS). The IMB assumed responsibility for this investment as part of the restructuring of the Teachers Defined Contribution (TDC) plan, a separate retirement plan outside of the IMB, whereby certain TDC participants elected to transfer the ownership of their individual TDC retirement accounts to the TRS in exchange for current participation in the TRS defined benefit plan. The contract, issued by the Variable Annuity Life Insurance Company (VALIC), could not be liquidated as part of the restructuring, and was transferred in-kind to the IMB on December 10, 2008. The final amount transferred on the contract was \$248,293,000. Effective April 23, 2009, the IMB elected to liquidate this contract and will receive five equal annual payments of \$55,058,000. The first scheduled payments were received on May 4, 2009, 2010, 2011 and 2012. The final payment of \$55,191,000 was received on May 8, 2013. The contract and the payments included a guaranteed annual interest yield of 4.5%. VALIC is a wholly-owned subsidiary of American International Group, Inc. (AIG), but is not in bankruptcy.

## Private Equity

This pool was established to hold the IMB's investments in various private equity funds, a hedge fund, and a commingled investment fund. Franklin Park Associates, LLC has been retained by the IMB to provide consulting services for these funds. The hedge fund is managed by Bridgewater Associates, LP and the commingled investment fund is managed by State Street Global Advisors. This pool holds limited partnerships, shares of a hedge fund, a commingled investment fund and a money market fund. The money market is rated AAA by Standards & Poor's and Aaa by Moody's. The pool is restricted from investing more than 10% of the IMB's total private equity exposure in a single fund. As of June 30, 2014, the pool was in compliance with this restriction.



Real Estate

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

*Credit Risk*

The IMB limits the exposure to credit risk in the Real Estate pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted-average credit ratings of the rated assets in the Private Real Estate pool as of June 30, 2014 (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Fair Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>		
Rated:				
U. S. Corporate Bonds	Baa3	BBB	\$ 103,785	8.1%
Money Market Mutual Fund	Aaa	AAA	<u>69,872</u>	<u>5.5%</u>
Total Rated Investments			173,657	13.6%
Unrated Investments:				
Equity Securities			294,287	23.0%
Securities Lending Collateral Funds			1,790	0.1%
Private Real Estate Partnerships and Funds			<u>811,041</u>	<u>63.3%</u>
Total Unrated Investments			1,107,118	86.4%
Total Investments			<u>\$1,280,775</u>	<u>100%</u>

*Interest Rate Risk*

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

<u>Security Type</u>	<u>Fair Value</u>	<u>Modified Duration (Years)</u>
Rated:		
Corporate Bonds	\$ <u>103,785</u>	1.6
Total Rated Assets	103,785	1.6
Unrated Investments:		
Money Market Mutual Fund	69,872	
Equity Securities	294,287	
Securities Lending Collateral Funds	1,790	
Private Real Estate Partnerships and Funds	<u>811,041</u>	
Total Unrated Assets	1,176,990	
Total Assets	<u>\$1,280,775</u>	

*Foreign Currency Risk*

The pool has real estate investment trusts, private real estate partnerships and funds, and cash that are denominated in foreign currencies and are exposed to foreign currency risks. The amounts at fair value (in U.S. dollars) of investments denominated in foreign currencies as of June 30, 2014, consisted of the following:

<u>Currency</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>	<u>Percent</u>
Australian Dollar	\$ 3,790	\$ —	\$ 3,790	0.3%
British Pound	5,721	4	5,725	0.4%
Canadian Dollar	1,591	—	1,591	0.1%
Euro Currency Unit	37,692	3	37,695	3.0%
Hong Kong Dollar	5,520	—	5,520	0.4%
Japanese Yen	9,641	—	9,641	0.8%
Singapore Dollar	2,307	—	2,307	0.2%
Swedish Krona	851	—	851	0.1%
Swiss Franc	218	—	218	0.0%
Thailand Baht	<u>504</u>	<u>—</u>	<u>504</u>	<u>0.0%</u>
Subtotal	<u>67,835</u>	<u>7</u>	<u>67,842</u>	5.3%
United States Currency	<u>1,212,940</u>	<u>391</u>	<u>1,213,331</u>	<u>94.7%</u>
Total Assets	<u>\$1,280,775</u>	<u>\$ 398</u>	<u>\$1,281,173</u>	<u>100%</u>

Hedge Fund

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

Consolidated Fund

The Consolidated Fund is a statutory term for the collective investment of those monies not currently needed to fund state governmental operations, participation by local governments, or those monies that are required by other statutory provisions to be invested in the Consolidated Fund. The following seven investment pools and participant-directed accounts comprise the Consolidated Fund and are managed by the BTI.

**WV Money Market**

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

**Credit Risk**

The BTI limits the exposure to credit risk in the WV Money Market pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. Additionally, the pool must have at least 15% of its assets in United States Treasury issues. The following table provides information on the credit ratings as of June 30, 2014, of the WV Money Market pool's investments (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value</u>	<u>Percent of Pool Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>		
Commercial Paper	P1	A-1+	\$ 234,951	11.99%
	P1	A-1	772,107	39.40%
Corporate Bonds and Notes	Aa3	AA-	20,000	1.02%
U.S. Agency Bonds	Aaa	AA+	82,765	4.22%
U.S. Treasury Notes *	Aaa	AA+	185,065	9.45%
U.S. Treasury Bills *	P1	A-1+	104,995	5.36%
Negotiable Certificates of Deposit	NR	AA-	10,000	0.51%
	P1	A-1+	28,000	1.43%
	P1	A-1	144,000	7.35%
U.S. Agency Discount Notes	P1	A-1+	207,484	10.59%
Money Market Funds	Aaa	AAAm	39	0.00%
Repurchase Agreements (Underlying Securities):				
U.S. Treasury Notes*	Aaa	AA+	93,284	4.76%
U.S. Agency Notes*	Aaa	AA+	<u>76,900</u>	<u>3.92%</u>
Total			<u>\$ 1,959,590</u>	<u>100%</u>

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

**Interest Rate Risk**

The overall weighted-average maturity of the investments of the WV Money Market pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted-average maturities (WAM) for the various asset types in the WV Money Market pool (expressed in thousands):

<u>Security Type</u>	<u>Total Carrying Value</u>	<u>Primary Government</u>	<u>Investment Trust Funds</u>	<u>Agency Funds</u>	<u>Component Units</u>	<u>WAM (Days)</u>
Commercial Paper	\$ 1,007,058	\$ 700,610	\$46,627	\$ 17,926	\$241,895	33
U.S. Treasury Bills	104,995	73,045	4,861	1,869	25,220	44
Corporate Bonds and Notes	20,000	13,914	926	356	4,804	17
Negotiable Certificates of Deposit	182,000	126,617	8,427	3,240	43,716	51
U.S. Agency Bonds	82,765	57,580	3,832	1,473	19,880	74
U.S. Agency Discount Notes	207,484	144,347	9,607	3,692	49,838	38
Money Market Funds	39	27	2	1	9	1
U.S. Treasury Notes	185,065	128,750	8,568	3,294	44,453	47
Repurchase Agreements (Underlying Securities):						1
U.S. Treasury Notes	93,284	64,898	4,319	1,660	22,407	
U.S. Agency Notes	<u>76,900</u>	<u>53,499</u>	<u>3,560</u>	<u>1,369</u>	<u>18,472</u>	
Total	<u>\$1,959,590</u>	<u>\$1,363,287</u>	<u>\$90,729</u>	<u>\$34,880</u>	<u>\$470,694</u>	36
Percentage of Ownership	100%	69.57%	4.63%	1.78%	24.02%	

## WV Government Money Market

This pool consists of investors who wish to invest in a pool that restricts its investments to U.S. Government Obligations, U.S. Government Agency Obligations, or repurchase agreements. The pool is managed by UBS Global Asset Management.

### Credit Risk

The BTI limits the exposure to credit risk in the WV Government Money Market pool by limiting the pool to U.S. Treasury issues, U.S. Government agency issues, money market funds investing in U.S. Treasury issues and U.S. Government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. Government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings as of June 30, 2014, of the WV Government Money Market Pool's investments (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value</u>	<u>Percent of Pool Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>		
U.S. Agency Bonds	Aaa	AA+	\$ 12,453	5.21%
U.S. Treasury Notes *	Aaa	AA+	37,016	15.49%
U.S. Treasury Bills	P1	A-1+	3,000	1.26%
U.S. Agency Discount Notes	P1	A-1+	122,056	51.08%
Money Market Funds	Aaa	AAAm	29	0.01%
Repurchase Agreements (Underlying Securities):				
U.S. Agency Notes	Aaa	AA+	<u>64,400</u>	<u>26.95%</u>
			<u>\$ 238,954</u>	<u>100%</u>

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

### Interest Rate Risk

The overall weighted-average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted-average maturities (WAM) for the various asset types in the WV Government Money Market Pool (expressed in thousands):

<u>Security Type</u>	<u>Total Carrying Value</u>	<u>Primary Government</u>	<u>Investment Trust Funds</u>	<u>Component Units</u>	<u>WAM (Days)</u>
U.S. Agency Discount Notes	\$122,056	\$ 903	\$ 108,142	\$13,011	45
U.S. Agency Bonds	12,453	92	11,033	1,328	40
U.S. Treasury Bills	3,000	22	2,658	320	73
Money Market Funds	29	—	26	3	1
U.S. Treasury Notes	37,016	274	32,796	3,946	67
Repurchase Agreements (Underlying Securities)					1
U.S. Agency Notes	<u>64,400</u>	<u>477</u>	<u>57,058</u>	<u>6,865</u>	
Total	<u>\$238,954</u>	<u>\$1,768</u>	<u>\$211,713</u>	<u>\$25,473</u>	37
Percentage of Ownership	100%	0.74%	88.60%	10.66%	

## WV Short Term Bond

This pool consists of the operating funds of the State that are not immediately needed to fund the State's liquidity requirements. The pool is managed by Federated Investors.

### Credit Risk

The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated BBB- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's and Aaa by Moody's. The following table provides information on the credit ratings as of June 30, 2014, of the WV Short Term Bond Pool's investments (expressed in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets	
	Moody's	S&P			
Corporate Asset-Backed Securities	Aaa	AAA	\$ 91,752	11.89%	
	Aaa	NR	76,982	9.97%	
	NR	AAA	71,564	9.27%	
	* Caa3	D	300	0.04%	
	* Caa3	NR	19	0.00%	
	* Ca	CCC	321	0.04%	
	* Ca	D	94	0.01%	
	* NR	NR	4,024	0.52%	
	Corporate Bonds and Notes	Aaa	AA+	7,675	0.99%
		Aa1	AA+	5,005	0.65%
Aa2		AA+	4,034	0.52%	
Aa2		AA	9,791	1.27%	
Aa2		AA-	10,055	1.30%	
Aa3		AA-	23,468	3.04%	
Aa3		A+	10,066	1.30%	
A1		AA+	13,268	1.72%	
A1		AA-	5,987	0.78%	
A1		A+	38,092	4.93%	
A1		A	5,122	0.66%	
A1		A-	1,099	0.14%	
A2		A+	9,678	1.25%	
A2		A	36,840	4.77%	
A2		A-	12,119	1.57%	
A3		A-	12,864	1.67%	
A3		A	16,082	2.08%	
A3		BBB+	8,862	1.15%	
A3		BBB	1,003	0.13%	
Baa1		A-	12,615	1.63%	
Baa1		BBB+	25,158	3.26%	
Baa1		BBB	8,344	1.08%	
Baa1		BBB-	1,996	0.26%	
Baa2		BBB-	19,340	2.51%	
Baa2		BBB+	2,006	0.26%	
Baa2		BBB	11,325	1.47%	
Baa2		BBB-	4,448	0.58%	
Baa3		BBB+	2,200	0.29%	
Baa3		BBB	7,539	0.98%	
Baa3		BBB-	16,716	2.17%	
U.S. Agency Bonds	Aaa	AA+	10,007	1.30%	
U.S. Treasury Notes **	Aaa	AA+	121,559	15.75%	
U.S. Agency Mortgage-Backed Securities ***	Aaa	AA+	38,296	4.96%	
Money Market Funds	Aaa	AAAm	14,226	1.84%	
Total			<u>\$771,941</u>	<u>100.0%</u>	

NR = Not Rated

\* These securities were not in compliance with BTI Investment Policy at June 30, 2014. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

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

\*\*\* U.S. agency mortgage-backed securities are explicitly guaranteed by the United States government and are not subject to credit risk.

*Interest Rate Risk*

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

<u>Security Type</u>	<u>Total Carrying Value</u>	<u>Primary Government</u>	<u>Investment Trust Funds</u>	<u>Component Units</u>	<u>Effective Duration (Days)</u>
Corporate Bonds and Notes	\$342,799	\$308,690	\$1,200	\$32,909	483
U.S. Agency Bonds	10,007	9,011	35	961	219
U.S. Treasury Notes	121,559	109,464	425	11,670	315
Corporate Asset-Backed Securities	245,056	220,673	858	23,525	397
U.S. Agency Mortgage-Backed Securities	38,294	34,484	134	3,676	291
Money Market Funds	<u>14,226</u>	<u>12,811</u>	<u>50</u>	<u>1,365</u>	1
Total	<u>\$771,941</u>	<u>\$695,133</u>	<u>\$2,702</u>	<u>\$74,106</u>	407
Percentage of Ownership	100%	90.05%	0.35%	9.60%	

**WV Bank Pool**

This pool consists of certificates of deposit purchased by the State through the BidWV auction program. The program purchases CDs from eligible banks and depositories to make state investment funds available for consumer and business loans within the State. The nonnegotiable certificates of deposit in this pool total approximately \$73 million, with maturities ranging from July 2014 to December 2014, and an interest in a money market mutual fund valued at approximately \$37,000.

**Loans**

This pool is comprised of loans made by the State. The \$1 unit price is utilized for accounting purposes only. The State is the sole participant in this pool. This pool primarily holds intergovernmental loans and an interest in a money market mutual fund in the amount of approximately \$33,000 with a weighted-average maturity of one day which is rated AAAM by Standard & Poor's and Aaa by Moody's. The loans are not rated by any nationally recognized statistical rating organization; however, as there is the potential for defaults, they are exposed to credit risk. For financial statement purposes, the intergovernmental loans are reflected in the Advances to Component Units line on the Statement of Net Position. The BTI addresses the credit risk by evaluating the need for and establishing a reserve for uncollectible loans.

**Reserve**

This pool is composed of an interest-bearing depository account with funds totaling approximately \$20,753,000 in a bank depository. The pool was created to provide an added layer of security for the WV Money Market and WV Government Money Market Pools. The objective of this pool is to provide support for the WV Money Market and WV Government Money Market Pools to ensure their unit net position levels do not fall below \$0.9975. The State is the sole participant in this pool.

### Participant-Directed Accounts

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

#### Municipal Bond Commission

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

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

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (Days)</u>
U.S. Treasury Strips	\$ 973	319
U.S. Treasury Bonds and Notes	3,973	1,089
State and Local Government Securities	<u>19,551</u>	320
Total Assets	<u>\$24,497</u>	444

#### School Fund

The School Fund account holds an interest in a money market mutual fund valued at \$1,356,000 with a weighted-average maturity of one day. The mutual fund is rated AAAM by Standard & Poor’s and Aaa by Moody’s as of June 30, 2014 (expressed in thousands):

<u>Security Type</u>	<u>Fair Value</u>	<u>Interest Rate Risk</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
<b>Governmental Activities:</b>					
Money Market	\$1,356	\$1,356	\$—	\$—	\$—

## EDA-AW

This account holds a U.S. Treasury bond valued at \$1,906,000 that matures on August 15, 2023. The Economic Development Authority's investment policy limits this account to holding only U.S. Treasury securities with twenty-year maturities at time of purchase (expressed in thousands):

<u>Security Type</u>	<u>Fair Value</u>	<u>Interest Rate Risk</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
<b>Component Unit Activities:</b>					
U.S. Treasury Bond	\$1,906	\$—	\$—	\$1,906	\$--

This schedule reconciles disclosed investment values to net asset values of the pools as reflected in the accompanying financial statements, at IMB and BTI at June 30, 2014 (expressed in thousands):

	<u>Disclosed Value</u>	<u>Pool Receivables/ (Payables)</u>	<u>Net Asset Values</u>
<b><u>IMB Pools</u></b>			
Large Cap Domestic Equity	\$ 3,114,334	\$ (16,779)	\$ 3,097,555
Non-Large Cap Domestic Equity	1,154,207	(77,824)	1,076,383
International Qualified	1,303,151	(58)	1,303,093
International Nonqualified	153,093	(7)	153,086
International Equity*	2,846,080	(81,657)	2,764,423
Short-Term Fixed Income	339,016	54	339,070
Total Return Fixed Income*	2,309,911	(4,740)	2,305,171
Core Fixed Income	1,064,491	(33,368)	1,031,123
TIPS Pool	601,271	3,201	604,472
TRS Annuity Pool	—	(17)	(17)
Private Equity	1,355,246	(188)	1,355,058
Real Estate*	1,280,775	(5,752)	1,275,023
Hedge Fund	1,344,169	220,824	1,564,993
<b><u>BTI Pools</u></b>			
WV Money Market Pool	1,959,590	528	1,960,118
WV Government Money Market Pool	238,954	27	238,981
WV Short-Term Bond Pool	771,941	1,659	773,600
WV Bank Pool	73,037	23	73,060
Loss Amortization Pool	—	—	—
Loan Pool	129,254	10	129,264
Municipal Bond Commission Account	24,497	41	24,538
School Fund Account	1,356	—	1,356
Reserve Pool	20,753	4	20,757
EDA-AW	<u>1,906</u>	<u>34</u>	<u>1,940</u>
Total Pooled Investments	<u>20,087,032</u>	<u>6,015</u>	<u>20,093,047</u>
Less EDA	129,221	—	129,221
Less MBC	24,497	41	24,538
Less Nonnegotiable Certificates of Deposits	73,000	23	73,023
Less Reserve Pool in Depository	<u>20,753</u>	<u>4</u>	<u>20,757</u>
Total for Disclosure	<u>\$19,839,561</u>	<u>\$ 5,947</u>	<u>\$19,845,508</u>

\*Pools had cash denominated in foreign currencies.



## Outside Investments

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

### *Credit Risk*

The following table provides information on the credit ratings of the State's third-party trustee investments as of June 30, 2014 (expressed in thousands):

Security Type	Fair Value	Credit Rating	
		S&P	Moody's
<b>Primary Government:</b>			
Guaranteed Investment Contracts	\$ 2,870	AA-	A2
	18,990	Unrated	Unrated
Money Market/Mutual Funds	996	AAAm	AAA-mf
	286,081	AAAm	Aaa-mf
	3,790	AAAm	Unrated
	469	Unrated	Unrated
	4,013	AAA	Aaa
Repurchase Agreement*	71,181	AA+	Aaa
U.S. Government and Agency Obligations	<u>99,988</u>	AAAm	Aaa-mf
	<u>\$ 488,378</u>		
<b>Pension &amp; Private Purpose Trust Funds:</b>			
Money Market/Mutual Funds	<u>\$2,631,466</u>	Unrated	Unrated
<b>Component Units:</b>			
Common and Preferred Stocks	6,756	Unrated	Unrated
Corporate Bonds	9,903	Unrated	Unrated
Corporate Stock	413	Unrated	Unrated
Fixed Income Fund	930	AA-	Aa2
	3,883	AA	Aa2
Money Market/Mutual Funds	32,619	AAAm	Aaa-mf
	595	A2	Unrated
	4,716	A+	Unrated
	9,661	Unrated	A+
	7,837	BBB+	A1
	776	Unrated	A
	332,724	Unrated	Unrated
	577	Unrated	AA
	8,373	AA+	Aaa
	178,162	AAAm	Aaa
Mortgages Held for Investment	20,592	Unrated	Unrated
Other Investments	182,574	Unrated	Unrated
	1,689	AAAm	Unrated
Repurchase Agreements **	1,532	AA+	AA+
	11,531	Unrated	Unrated
State and Local Government Securities	2	Unrated	A1
U.S. Government and Agency Obligations	58,134	AA+	Unrated
	108,535	AA+	Aaa
	1,900	Unrated	Aaa
	42,066	Unrated	Unrated
	1,200	AAAm	Aaamf
	<u>27,093</u>	AAA	AA+
<b>Underlying Securities:</b>	<u>\$1,054,773</u>		
* Primary Government:			
Federal Agency Obligations	\$76,172		
** Component Units:			
The \$11,531 is invested by the Foundations at the Higher Education institutions which are reported under FASB and the information is not available.			
The \$1,532 is invested in:			
Governmental National Mortgage Association	\$887		
US Veterans Affairs Gtd REMIC	821		

*Concentration of Credit Risk*

As of June 30, 2014, the State had investment balances with the following issuers which are greater than or equal to 5% of the respective third-party trustee investment balance (expressed in thousands):

<u>Security Type</u>	<u>Fair Value</u>	<u>Issuer</u>	<u>Percentage of Concentration</u>
<b>Primary Government:</b>			
Repurchase Agreement	\$71,181	DEPFA Bank, PLC	14.6%
<b>Component Units:</b>			
Other Investments	173,584	Invested by the Foundations of the Higher Education institutions which are reported under FASB and the information is not available	16.6%

*Interest Rate Risk*

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

<u>Security Type</u>	<u>Fair Value</u>	<u>Interest Rate Risk</u>				
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	<u>N/A</u>
<b>Primary Government:</b>						
Guaranteed Investment Contracts	\$ 21,860	\$ —	\$ 21,860	\$ —	\$ —	\$ —
Money Market/Mutual Funds	295,349	295,349	—	—	—	—
Repurchase Agreements*	71,181	—	—	—	71,181	—
U.S. Government & Agency Obligations	<u>99,988</u>	<u>99,988</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Primary Government</b>	<u>488,378</u>	<u>395,337</u>	<u>21,860</u>	<u>—</u>	<u>71,181</u>	<u>—</u>
<b>Pension &amp; Private Purpose Trust Funds:</b>						
Money Market/Mutual Funds	<u>2,631,466</u>	<u>2,631,466</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Component Units:</b>						
Common and Preferred Stocks	6,756	—	—	—	6,756	—
Corporate Bonds	9,903	9,903	—	—	—	—
Corporate Stock	413	413	—	—	—	—
Fixed Income Fund	4,813	321	2,800	929	763	—
Money Market/Mutual Funds	576,040	461,450	10,453	17,325	3,501	83,311
Mortgages Held for Investment	20,592	14	812	957	18,809	—
Other Investments	184,263	154,440	1,559	—	—	28,264
Repurchase Agreements**	13,063	11,531	1,532	—	—	—
State and Local Government Securities	2	2	—	—	—	—
U.S. Government & Agency Obligations	<u>238,928</u>	<u>79,747</u>	<u>68,503</u>	<u>32,297</u>	<u>58,381</u>	<u>—</u>
<b>Total Component Units</b>	<u>1,054,773</u>	<u>717,821</u>	<u>85,659</u>	<u>51,508</u>	<u>88,210</u>	<u>111,575</u>
<b>Total Outside Investments</b>	<u>\$4,174,617</u>	<u>\$3,744,624</u>	<u>\$107,519</u>	<u>\$51,508</u>	<u>\$159,391</u>	<u>\$111,575</u>

**Underlying Securities:**

\* Primary Government:

Federal Agency Obligations \$76,172

\*\* Component Units:

The \$11,531 is invested by the Foundations at the Higher Education institutions which are reported under FASB and the information is not available.

The \$1,532 is invested in: Governmental National Mortgage Association \$887  
US Veterans Affairs Gtd REMIC 821

## Reconciliation to Financial Statements

The following schedule reconciles the amount disclosed as deposits and investments included in this footnote to cash and cash equivalents, investments, and restricted cash and investments in the Statement of Net Position at June 30, 2014 (expressed in thousands):

### Deposits:

Cash and Cash Equivalents as Reported on the Statement of Net Position	\$ 4,933,551
Cash and Cash Equivalents as Reported on the Statement of Fiduciary Net Position	479,131
Add:	
Non-negotiable Restricted Cash and Cash Equivalents as Reported on the Statement of Net Position	241,829
Certificates of Deposit Disclosed as Deposits	54,879
Less:	
Cash Equivalents and Restricted Cash Disclosed as Investments	(5,206,564)
Cash with U.S. Treasury for Unemployment Programs	<u>(111,494)</u>
Reported Value of Deposits as Disclosed in this Footnote	<u>\$ 391,332</u>

### Investments:

Investments as Reported on the Statement of Net Position	\$ 2,055,055
Investments as Reported on the Statement of Fiduciary Net Position	16,612,381
Add:	
Restricted Investments as Reported on the Statement of Net Position	201,161
Cash Equivalents and Restricted Cash Disclosed as Investments	5,206,564
Less:	
Non-negotiable Certificates of Deposit Disclosed as Deposits	(54,879)
Accrued Interest Disclosed as Investments	<u>(157)</u>
Reported Value of Investments as Disclosed in this Footnote	<u>\$24,020,125</u>



**NOTE 5**

**RECEIVABLES**

(Expressed in Thousands)

Receivables at June 30, 2014, consisted of the following:

	<b>Governmental Funds</b>				
	<b>General</b>	<b>Transportation</b>	<b>Tobacco Settlement Finance Authority</b>	<b>Other Governmental</b>	<b>Total Governmental Receivables</b>
Taxes	\$452,936	\$ 72,141	\$ —	\$ —	\$525,077
Accounts	190,999	89,066	31,833	11,912	323,810
Loans	4,282	—	—	—	4,282
Accrued Interest	<u>4,366</u>	<u>—</u>	<u>4</u>	<u>1,343</u>	<u>5,713</u>
Total Receivables	652,583	161,207	31,837	13,255	858,882
Allowance for Doubtful Accounts	<u>(87,616)</u>	<u>—</u>	<u>—</u>	<u>(2,367)</u>	<u>(89,983)</u>
Receivables, Net	<u>\$564,967</u>	<u>\$161,207</u>	<u>\$31,837</u>	<u>\$10,888</u>	<u>\$768,899</u>
As reported on the Fund Financial Statements:					
Current Receivables	\$564,967	\$161,207	\$31,837	\$10,888	\$768,899
Noncurrent Receivables	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Receivables, Net	<u>\$564,967</u>	<u>\$161,207</u>	<u>\$31,837</u>	<u>\$ 10,888</u>	<u>\$768,899</u>

	<b>Fiduciary Funds</b>		
	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>SMART 529</b>	<b>Agency Funds</b>
Accounts	\$ 5,525	\$ —	\$ —
Loans	4,704	—	—
Leases	—	—	—
Contributions	32,363	3,281	—
Accrued Interest	<u>—</u>	<u>—</u>	<u>122</u>
Total Receivables	42,592	3,281	122
Allowance for Doubtful Accounts	<u>(288)</u>	<u>—</u>	<u>—</u>
Receivables, Net	<u>\$42,304</u>	<u>\$3,281</u>	<u>122</u>
As reported on the Fund Financial Statements:			
Current Receivables, Net	\$42,304	\$3,281	122
Noncurrent Receivables, Net	<u>—</u>	<u>—</u>	<u>—</u>
Receivables, Net	<u>\$42,304</u>	<u>\$3,281</u>	<u>122</u>

**Enterprise Funds**

Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation	West Virginia Infrastructure and Jobs Development Council	Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise	Total Enterprise	Internal Service Funds
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
471	21,226	60,923	18	16,114	3,484	913	103,149	9,547
568,973	—	—	482,186	—	—	118,940	1,170,099	—
—	—	—	2,160	—	—	70	2,230	—
569,444	21,226	60,923	484,364	16,114	3,484	119,923	1,275,478	9,547
—	—	—	—	(1,567)	—	—	(1,567)	—
<u>\$ 569,444</u>	<u>\$ 21,226</u>	<u>\$ 60,923</u>	<u>\$ 484,364</u>	<u>\$ 14,547</u>	<u>\$ 3,484</u>	<u>\$ 119,923</u>	<u>\$ 1,273,911</u>	<u>\$ 9,547</u>
\$ 31,958	\$ 21,226	\$ 60,923	\$ 21,223	\$ 14,547	\$ 3,484	\$ 8,513	\$ 161,874	\$ 9,547
537,486	—	—	463,141	—	—	111,410	1,112,037	—
<u>\$ 569,444</u>	<u>\$ 21,226</u>	<u>\$ 60,923</u>	<u>\$ 484,364</u>	<u>\$ 14,547</u>	<u>\$ 3,484</u>	<u>\$ 119,923</u>	<u>\$ 1,273,911</u>	<u>\$ 9,547</u>

**Discretely Presented Component Units**

West Virginia Lottery	Economic Development Authority	Housing Development Fund	Parkways Authority	Water Development Authority	Higher Education	Regional Jail Authority	School Building Authority	Other Component Units	Total Discretely Presented Component Units
\$33,389	\$ —	\$770,693	\$2,808	\$ —	\$100,666	\$13,661	\$ —	\$1,354	\$ 922,571
—	119,053	61,122	—	224,627	89,622	—	—	6,450	500,874
—	58,246	—	—	—	—	—	—	—	58,246
—	—	—	—	—	—	—	—	—	—
—	4,805	249	42	3,338	—	—	196	—	8,630
33,389	182,104	832,064	2,850	227,965	190,288	13,661	196	7,804	1,490,321
—	(5,800)	(107,604)	—	—	(35,024)	—	—	—	(148,428)
<u>\$33,389</u>	<u>\$ 176,304</u>	<u>\$ 724,460</u>	<u>\$ 2,850</u>	<u>\$ 227,965</u>	<u>\$ 155,264</u>	<u>\$ 13,661</u>	<u>\$ 196</u>	<u>\$ 7,804</u>	<u>\$ 1,341,893</u>
\$33,389	\$ 10,719	\$ 6,041	\$ 2,850	\$ 10,434	\$ 86,282	\$ 13,661	\$ 196	\$ 1,635	\$ 165,207
—	165,585	718,419	—	217,531	68,982	—	—	6,169	1,176,686
<u>\$33,389</u>	<u>\$ 176,304</u>	<u>\$ 724,460</u>	<u>\$ 2,850</u>	<u>\$ 227,965</u>	<u>\$ 155,264</u>	<u>\$ 13,661</u>	<u>\$ 196</u>	<u>\$ 7,804</u>	<u>\$ 1,341,893</u>

**Taxes Receivable**

Taxes receivable at June 30, 2014, consisted of the following:

<b>Governmental Funds</b>			
	<b><u>General</u></b>	<b><u>Transportation</u></b>	<b><u>Total</u></b>
Taxes Receivable:			
Consumer Sales & Use	\$133,371	\$ —	\$133,371
Personal Income	166,882	—	166,882
Severance	55,186	—	55,186
Business & Occupation	10,069	—	10,069
Automobile Privilege Taxes	—	19,609	19,609
Gasoline Excise	—	49,131	49,131
Registration Fees	—	3,401	3,401
Insurance	37,445	—	37,445
Corporate Net Income	16,769	—	16,769
Medicaid	26,224	—	26,224
Other	<u>6,990</u>	<u>—</u>	<u>6,990</u>
	452,936	72,141	525,077
Refunds Allowance	<u>(24,709)</u>	<u>—</u>	<u>(24,709)</u>
Total	<u>\$428,227</u>	<u>\$72,141</u>	<u>\$500,368</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:

<b><u>Year Ended June 30</u></b>	<b><u>Direct Financing Leases Amounts Due</u></b>
2015	\$ 4,999
2016	5,373
2017	5,869
2018	5,868
2019	5,790
2020-2036	<u>45,746</u>
Total Minimum Amount Due	73,645
Less Amount Representing Interest	<u>(15,399)</u>
Present Value of Minimum Lease Amount Due	<u>\$58,246</u>





**NOTE 6**

**INTERFUND BALANCES**

The following table details the interfund balances and activity as of and for the year ended June 30, 2014 (expressed in thousands):

	<u>Due From</u>			<u>Proprietary</u>
	<u>Governmental</u>			
<u>Due To</u>	<u>General</u>	<u>Transportation</u>	<u>Other Nonmajor</u>	<u>Water Pollution Control Revolving Fund</u>
<b>Governmental Funds</b>				
General	\$ —	\$ 206	\$ 71	\$ —
Transportation	12,475	—	—	—
Other Nonmajor Government	<u>29</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Governmental Funds	<u>12,504</u>	<u>206</u>	<u>71</u>	<u>—</u>
<b>Proprietary Funds</b>				
Water Pollution Control Revolving Fund	3	—	—	—
Unemployment Compensation	272	51	—	—
Public Employees' Insurance Agency	91	60	2	—
Board of Risk and Insurance Management	1	—	1	—
Other Nonmajor Enterprise	947	64	44	—
Internal Service Funds	<u>2,911</u>	<u>1,198</u>	<u>91</u>	<u>—</u>
Total Proprietary Funds	<u>4,225</u>	<u>1,373</u>	<u>138</u>	<u>—</u>
<b>Fiduciary Funds</b>				
Pension and Other Employee Benefit Trust Fund	<u>1,268,958</u>	<u>138,320</u>	<u>26,054</u>	<u>598</u>
<b>Discretely Presented Component Units</b>				
<b>Major:</b>				
West Virginia Lottery	—	—	—	—
Parkways & Economic Development	8	—	—	—
Water Development Authority	—	—	—	27
Higher Education	26,132	740	67	—
<b>Nonmajor:</b>				
Educational Broadcasting Authority	—	—	—	—
State Rail Authority	<u>74</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Discretely Presented Component Units	<u>26,214</u>	<u>740</u>	<u>67</u>	<u>27</u>
Total	<u>\$ 1,311,901</u>	<u>\$ 140,639</u>	<u>\$ 26,330</u>	<u>\$ 625</u>

The General Fund Due to Other Funds includes \$125 million to the Public Employees' Retirement System (see the Commitments section of Note 15) and \$18.7 million to Higher Education for educational programs.

The Public Employees' Insurance Agency includes \$1.1 million due to the Retiree Health Benefit Trust for benefits paid for on its behalf.

Due From							
Proprietary							
West Virginia Infrastructure and Jobs Development Council	Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Nonmajor Enterprise	Internal Service Funds	Pension and Other Benefit Trust Funds	Discretely Presented Component Units	Total
\$ -	\$ 128	\$ -	\$ 9	\$ 27	\$ 63	\$108,499	\$ 109,003
-	-	-	-	-	-	132	12,607
<u>-</u>	<u>16</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>1,055</u>	<u>1,106</u>
<u>-</u>	<u>144</u>	<u>-</u>	<u>9</u>	<u>33</u>	<u>63</u>	<u>109,686</u>	<u>122,716</u>
-	-	-	-	-	-	-	3
-	-	-	-	-	-	143	466
-	-	-	-	179	-	727	1,059
-	-	-	-	-	-	125	127
-	1	-	2	12	-	90	1,160
<u>-</u>	<u>129</u>	<u>5</u>	<u>10</u>	<u>28</u>	<u>31</u>	<u>282</u>	<u>4,685</u>
<u>-</u>	<u>130</u>	<u>5</u>	<u>12</u>	<u>219</u>	<u>31</u>	<u>1,367</u>	<u>7,500</u>
<u>-</u>	<u>1,983</u>	<u>388</u>	<u>2,150</u>	<u>9,732</u>	<u>43</u>	<u>338,867</u>	<u>1,787,093</u>
-	1	-	-	-	-	1,400	1,401
-	1	-	-	-	3	-	12
218	-	-	40	-	-	-	285
-	36	-	-	8	-	1,999	28,982
-	5	-	-	-	-	-	5
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74</u>
<u>218</u>	<u>43</u>	<u>-</u>	<u>40</u>	<u>8</u>	<u>3</u>	<u>3,399</u>	<u>30,759</u>
<u>\$ 218</u>	<u>\$ 2,300</u>	<u>\$ 393</u>	<u>\$ 2,211</u>	<u>\$ 9,992</u>	<u>\$ 140</u>	<u>\$ 453,319</u>	<u>\$ 1,948,068</u>

Due from discretely presented component units includes \$116 million from the Lottery. The General Fund received \$67.1 million to be appropriated at a later date. The Legislature also approved the following distributions from the Lottery to the Senior Services (\$16.8 million), Department of Education (\$9.6 million), and various other general purposes.

\*The Retiree Health Benefit Trust has not recorded a Due From equal to the Due To recorded at the agencies participating in the plan. GASB 43 requires that only the revenue/receivable that has a reasonable expectation of collection be recorded at RHBT, whereas GASB 45 requires each agency to record contractually owed liability to RHBT. The agencies have recorded a Due to RHBT of \$1.7 billion related to these receivables and obligations.

**NOTE 7**

**INTERFUND TRANSFERS**

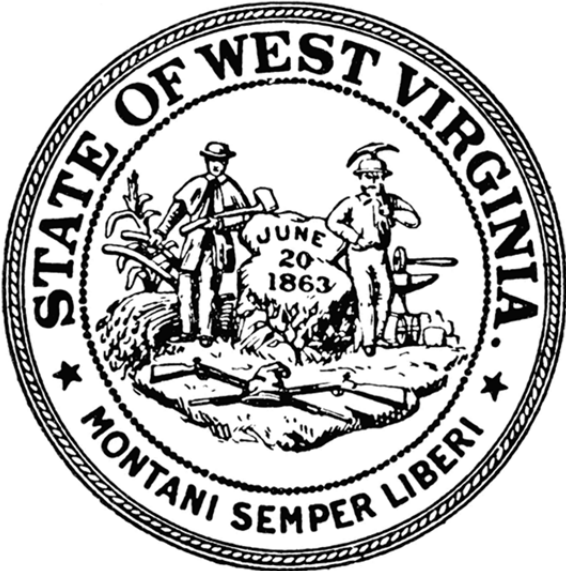
Interfund transfers for the year ended June 30, 2014, consisted of the following (expressed in thousands):

	<u>Transfers From</u>		
	<u>Governmental</u>		
<u>Transfers To</u>	<u>General</u>	<u>Tobacco Settlement Finance Authority</u>	<u>Other Nonmajor</u>
Governmental Funds:			
General	\$ -	\$ 20,864	\$12,928
Transportation	15,653	-	-
Other Nonmajor Governmental	<u>61,873</u>	<u>-</u>	<u>-</u>
Total Governmental Funds	<u>77,526</u>	<u>20,864</u>	<u>12,928</u>
Proprietary Funds:			
Water Pollution Control Revolving Fund	-	-	20,604
West Virginia Infrastructure and Jobs Development Council	-	-	256
Workers' Compensation Fund	204,920	-	-
PEIA	4,000	-	-
Other Nonmajor Enterprise	5,134	-	-
Internal Service Funds	<u>4,813</u>	<u>-</u>	<u>-</u>
Total Proprietary Funds	<u>218,867</u>	<u>-</u>	<u>20,860</u>
Total	<u>\$296,393</u>	<u>\$20,864</u>	<u>\$33,788</u>

The deferred charge of the amortization of the future tobacco settlement revenue of the Tobacco Settlement Finance Authority resulted in a transfer of \$20.9 million to the General Fund. The General Fund transferred \$23 million to the West Virginia Infrastructure and Jobs Development Council and \$19 million to the Economic Development Project Fund for bond debt service. The General Fund also transferred certain dedicated taxes, in the amount of \$204.9 million, to the Workers' Compensation Fund to reduce the unfunded liability for claims prior to June 30, 2005.

Transfers From				
Proprietary				
West Virginia Infrastructure and Jobs Development Council	Unemployment Compensation	Other Nonmajor Enterprise	Internal Service Funds	Total
\$ -	\$ -	\$16,323	\$ -	\$ 50,115
-	-	-	-	15,653
<u>-</u>	<u>1,309</u>	<u>-</u>	<u>5,400</u>	<u>68,582</u>
<u>-</u>	<u>1,309</u>	<u>16,323</u>	<u>5,400</u>	<u>134,350</u>
4,371	-	-	-	24,975
-	-	-	-	256
-	-	-	-	204,920
-	-	-	-	4,000
1,684	-	-	-	6,818
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,813</u>
<u>6,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,782</u>
<u>\$ 6,055</u>	<u>\$ 1,309</u>	<u>\$16,323</u>	<u>\$5,400</u>	<u>\$380,132</u>

Of the \$15.7 million transferred from the General Fund to Transportation, \$12 million is allocated sales tax, and the balance is miscellaneous legislative appropriations. Legislation passed during fiscal year 2014 required a reappropriation of funds from the Office of the Insurance Commissioner, resulting in a \$10 million transfer to the General Fund. The Water Pollution Revolving fund received \$20.6 in ARRA grants from the West Virginia Department of Environmental Protection. All other transfers are made to finance various programs as authorized by the Legislature.



## NOTE 8

## RESTRICTED ASSETS

Restricted assets are held by special revenue funds, enterprise funds, internal service funds, and discretely presented component units, primarily for the repayment of future long-term obligations and benefits payments. The restricted assets, composed of cash, investments, and other similar assets at June 30, 2014, are as follows (expressed in thousands):

	<u>Cash</u>	<u>Investments</u>	<u>Other</u>	<u>Totals</u>
Special Revenue:				
Environmental Programs	\$ 363	\$ —	\$ —	\$ 363
Public Service Commission	<u>1,160</u>	<u>—</u>	<u>—</u>	<u>1,160</u>
	<u>1,523</u>	<u>—</u>	<u>—</u>	<u>1,523</u>
Enterprise:				
Public Employees' Insurance Agency	24,564	—	—	24,564
Board of Risk and Insurance Management	<u>7,222</u>	<u>47,737</u>	<u>207,484</u>	<u>262,443</u>
Total Enterprise	<u>31,786</u>	<u>47,737</u>	<u>207,484</u>	<u>287,007</u>
Internal Service:				
State Building Fund	34,736	—	—	34,736
Travel Management	<u>5,163</u>	<u>—</u>	<u>—</u>	<u>5,163</u>
Total Internal Services	<u>39,899</u>	<u>—</u>	<u>—</u>	<u>39,899</u>
Discretely Presented Component Units:				
West Virginia Lottery	1,397	—	—	1,397
Economic Development Authority	10,969	—	—	10,969
Housing Development Fund	64,953	116,534	684,717	866,204
Parkways Authority	25,219	35,358	—	60,577
Water Development Authority	16,245	1,532	204,793	222,570
Regional Jail Authority	20,799	—	—	20,799
Solid Waste Management Board	2,983	—	1,641	4,624
Educational Broadcasting Authority	—	—	229	229
Jobs Investment Trust	520	—	—	520
Racing Commission	<u>25,536</u>	<u>—</u>	<u>720</u>	<u>26,256</u>
Total Discretely Presented Component Units	<u>168,621</u>	<u>153,424</u>	<u>892,100</u>	<u>1,214,145</u>
Total Restricted Assets	<u>\$241,829</u>	<u>\$201,161</u>	<u>\$1,099,584</u>	<u>\$1,542,574</u>

## Special Revenue Funds

Environmental Protection has restricted cash held in trust “to protect human health and the environment, in accordance with the terms of the State and Federal Consent Decrees...” The Public Service Commission (PSC) has restricted cash held in trust in accordance with PSC General Order 250-T. The funds are for Telecommunications Relay Services under the Americans with Disabilities Act.

### **Enterprise Funds**

The Public Employees' Insurance Agency's restricted assets are the premium stabilization fund consisting of accumulated dividends and interest on optional life insurance policies to defray future premium increases. The Board of Risk and Insurance Management's (BRIM) cash and investment assets include funds to provide mine subsidence, medical malpractice, and general liability insurance coverage. BRIM's other restricted assets include advance deposits with insurance companies of \$207 million and \$710 thousand in receivables.

### **Internal Service Funds**

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

### **Discretely Presented Component Units**

The West Virginia Lottery's assets are restricted for the renovation of the recently purchased Lottery building. The Economic Development Authority's assets are restricted to provide assurance that adequate amounts will be available to repay notes secured by the real estate being leased and to guarantee portions of certain loans made for economic development purposes. The Housing Development Fund's cash and cash equivalents assets are restricted on behalf of mortgagors and for payments collected on mortgages for which the fund acts as servicer only. The investments are primarily United States government and agency obligations, investment agreements, and certificates of deposit with maturities greater than 90 days to meet the requirements of bond resolutions. Other restricted assets for the Housing Development Fund of \$685 million include certain foreclosed properties, properties developed for flood activities, other land for restricted housing purposes, and miscellaneous receivables. These assets are restricted subject to the provisions of bond resolutions, or state or federal regulations. The Parkways Authority's assets are restricted for construction, turnpike maintenance and operation, and debt service. The cash and investment assets of the Water Development Authority are restricted as part of applicable bond covenants and the other restricted assets are \$205 million restricted for revenue bonds receivable net of unamortized discount. The Regional Jail Authority's assets are restricted because of a safekeeping arrangement with inmates and for debt service and compliance with bond covenants. The Educational Broadcasting Authority's (EBA) other restricted assets are in a charitable trust allowing the use of part of the interest to benefit the EBA. The Solid Waste Management Board's assets are restricted because their use is limited by applicable repayment agreements and certain assets are set aside to administer a revolving loan program in accordance with appropriations by the Legislature. Jobs Investment Trust's cash is restricted to fund loans or investments which satisfy the eligibility for the West Virginia Capital Access Program under the State Small Business Credit Initiative. The West Virginia Racing Commission's cash is restricted for unclaimed winning tickets and other trust holdings which are mandated by West Virginia Code.

## NOTE 9

## CAPITAL ASSETS

## Governmental Activities

(Expressed in Thousands)

	Beginning Balance (as Restated)	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$1,159,235	\$ 40,292	\$ (3,057)	\$ 1,196,470
Construction in Progress	<u>917,103</u>	<u>409,003</u>	<u>(610,700)</u>	<u>715,406</u>
Total Capital Assets, Not Being Depreciated	<u>2,076,338</u>	<u>449,295</u>	<u>(613,757)</u>	<u>1,911,876</u>
Capital Assets, Being Depreciated:				
Building and Improvements	1,335,216	144,521	(1,969)	1,477,768
Equipment	438,478	20,494	(17,429)	441,543
Infrastructure	11,623,318	375,704	—	11,999,022
Library Holdings	17,446	374	(523)	17,297
Land Improvements	24,634	9,982	—	34,616
Intangibles	<u>76,799</u>	<u>27,900</u>	<u>(224)</u>	<u>104,475</u>
Total Capital Assets, Being Depreciated	<u>13,515,891</u>	<u>578,975</u>	<u>(20,145)</u>	<u>14,074,721</u>
Less Accumulated Depreciation for:				
Building and Improvements	(477,240)	(37,352)	733	(513,859)
Equipment	(316,568)	(37,354)	16,638	(337,284)
Infrastructure	(5,345,842)	(306,713)	—	(5,652,555)
Library Holdings	(16,450)	(420)	523	(16,347)
Land Improvements	(10,932)	(1,769)	—	(12,701)
Intangibles	<u>(30,258)</u>	<u>(7,198)</u>	<u>160</u>	<u>(37,296)</u>
Total Accumulated Depreciation	<u>(6,197,290)</u>	<u>(390,806)</u>	<u>18,054</u>	<u>(6,570,042)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,318,601</u>	<u>188,169</u>	<u>(2,091)</u>	<u>7,504,679</u>
Governmental Activities Capital Assets, Net	<u>\$9,394,939</u>	<u>\$ 637,464</u>	<u>\$(615,848)</u>	<u>\$ 9,416,555</u>

Depreciation expense was charged to functions as follows:

Legislative	\$ 6
Judicial	228
Executive	1,932
Administration	25,801
Commerce	6,438
Environmental Protection	52
Employment Programs	110
Education	2,266
Health & Human Resources	3,749
Military Affairs and Public Safety	15,491
Revenue	875
Transportation	330,359
Veterans Assistance	44
Regulatory Boards and Commissions	<u>3,455</u>
Total Governmental Activities Depreciation Expense	<u>\$ 390,806</u>



**Business-type Activities**  
(Expressed in Thousands)

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 611	\$ —	\$ —	\$ 611
Total Capital Assets, Not Being Depreciated	<u>611</u>	<u>—</u>	<u>—</u>	<u>611</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,966	—	—	1,966
Equipment	6,860	524	(710)	6,674
Intangibles	<u>8,730</u>	<u>—</u>	<u>—</u>	<u>8,730</u>
Total Capital Assets, Being Depreciated	<u>17,556</u>	<u>524</u>	<u>(710)</u>	<u>17,370</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(920)	(73)	—	(993)
Equipment	(5,649)	(220)	675	(5,194)
Intangibles	<u>(8,206)</u>	<u>(413)</u>	<u>—</u>	<u>(8,619)</u>
Total Accumulated Depreciation	<u>(14,775)</u>	<u>(706)</u>	<u>675</u>	<u>(14,806)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,781</u>	<u>(182)</u>	<u>(35)</u>	<u>2,564</u>
Business-type Activities Capital Assets, Net	<u>\$ 3,392</u>	<u>\$(182)</u>	<u>\$ (35)</u>	<u>\$ 3,175</u>

Depreciation expense was charged to functions as follows:

Public Employees' Insurance Agency	\$435
Alcohol Beverage Control Administration	195
Correctional Industries	<u>76</u>
Total Business-type Activities Depreciation Expense	<u>\$706</u>

## Discretely Presented Component Units

(Expressed in Thousands)

	<b>Beginning Balance (as restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Discrete Component Unit Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 245,359	\$ 5,327	\$ (1,187)	\$ 249,499
Construction in progress	<u>250,116</u>	<u>265,532</u>	<u>(218,218)</u>	<u>297,430</u>
Total Capital Assets, Not Being Depreciated	<u>495,475</u>	<u>270,859</u>	<u>(219,405)</u>	<u>546,929</u>
Capital Assets, Being Depreciated:				
Building & Improvements	2,897,077	199,336	(3,667)	3,092,746
Equipment	452,273	36,250	(25,882)	462,641
Infrastructure	1,312,169	33,481	(262)	1,345,388
Library Holdings	173,705	6,418	(1,018)	179,105
Land Improvements	72,714	10,325	(483)	82,556
Intangibles	<u>174,742</u>	<u>6,973</u>	<u>(1,281)</u>	<u>180,434</u>
Total Capital Assets, Being Depreciated	<u>5,082,680</u>	<u>292,783</u>	<u>(32,593)</u>	<u>5,342,870</u>
Less Accumulated Depreciation for:				
Building & Improvements	(858,514)	(67,619)	2,277	(923,856)
Equipment	(299,954)	(33,734)	23,376	(310,312)
Infrastructure	(820,634)	(41,765)	130	(862,269)
Library Holdings	(144,302)	(8,138)	1,016	(151,424)
Land Improvements	(34,674)	(4,422)	479	(38,617)
Intangibles	<u>(102,199)</u>	<u>(22,055)</u>	<u>212</u>	<u>(124,042)</u>
Total Accumulated Depreciation	<u>(2,260,277)</u>	<u>(177,733)</u>	<u>27,490</u>	<u>(2,410,520)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,822,403</u>	<u>115,050</u>	<u>(5,103)</u>	<u>2,932,350</u>
Discrete Component Unit Activities Capital Assets, Net	<u>\$ 3,317,878</u>	<u>\$ 385,909</u>	<u>\$(224,508)</u>	<u>\$ 3,479,279</u>
Depreciation expense charged to functions as follows:				
Economic Development Authority	\$ 575			
Housing Development Fund	427			
Parkways Authority	36,294			
Water Development Authority	1,062			
Higher Education	129,361			
Educational Broadcasting Authority	773			
Jobs Investment Trust	26			
State Rail Authority	1,861			
Solid Waste Management Board	2			
Regional Jail Authority	5,212			
Lottery	2,020			
Public Defenders Corporation	80			
School Building Authority	31			
Municipal Pension Oversight Board	<u>9</u>			
Total Discrete Component Unit Depreciation Expense	<u>\$177,733</u>			



## NOTE 10

## LONG-TERM OBLIGATIONS

## Primary Government:

Long-term obligations at June 30, 2014, and changes for the fiscal year then ended are as follows (expressed in thousands):

Governmental Activities:	Balance June 30, 2013	Additions	Accretions	Reductions	Balance June 30, 2014	Amount Due Within One Year
General Obligation Bonds:						
Transportation	\$ 245,365	\$ -	\$ -	\$ (24,840)	\$ 220,525	\$ 26,090
Premium/(Discount)	20,176	-	-	(1,722)	18,454	1,721
Total Transportation	<u>265,541</u>	<u>-</u>	<u>-</u>	<u>(26,562)</u>	<u>238,979</u>	<u>27,811</u>
WV Infrastructure and Jobs Development Council	228,442	-	4,106	(15,505)	217,043	15,762
Premium/(Discount)	4,793	-	-	(387)	4,406	387
Total WV Infrastructure and Jobs Development Council	<u>233,235</u>	<u>-</u>	<u>4,106</u>	<u>(15,892)</u>	<u>221,449</u>	<u>16,149</u>
Total General Obligation Bonds	<u>498,776</u>	<u>-</u>	<u>4,106</u>	<u>(42,454)</u>	<u>460,428</u>	<u>43,960</u>
Revenue Bonds:						
Transportation	77,000	-	-	(24,475)	52,525	25,650
Premium/(Discount)	3,059	-	-	(1,019)	2,040	1,019
Total Transportation	<u>80,059</u>	<u>-</u>	<u>-</u>	<u>(25,494)</u>	<u>54,565</u>	<u>26,669</u>
Tobacco Settlement Finance Authority	859,596	-	9,344	(11,815)	857,125	-
Economic Development Project Fund	173,070	-	-	(9,240)	163,830	9,660
Premium/(Discount)	(768)	-	-	70	(698)	(70)
Total Economic Development Project Fund	<u>172,302</u>	<u>-</u>	<u>-</u>	<u>(9,170)</u>	<u>163,132</u>	<u>9,590</u>
Education, Arts, Sciences, & Tourism Fund	148,250	-	-	(2,880)	145,370	3,010
Premium/(Discount)	6,641	-	-	(246)	6,395	246
Total Education, Arts, Sciences, & Tourism Fund	<u>154,891</u>	<u>-</u>	<u>-</u>	<u>(3,126)</u>	<u>151,765</u>	<u>3,256</u>
Total Revenue Bonds	<u>1,266,848</u>	<u>-</u>	<u>9,344</u>	<u>(49,605)</u>	<u>1,226,587</u>	<u>39,515</u>
Capital Leases - Governmental	9,478	955	-	(2,192)	8,241	320
Capital Leases - Internal Service Funds	3,186	-	-	(108)	3,078	113
Capital Leases Payable to Component Unit	256,155	-	-	(12,365)	243,790	13,206
Total Capital Leases (see Note 11)	<u>268,819</u>	<u>955</u>	<u>-</u>	<u>(14,665)</u>	<u>255,109</u>	<u>13,639</u>
Notes Payable	21,440	6,314	-	(11,668)	16,086	7,773
Other Obligations:						
Medicaid	375,307	85,155	-	(1,282)	459,180	459,180
Tax Refunds	257,734	275,890	-	(257,734)	275,890	154,439
Claims and Judgments (See Note 15)	505,131	111,556	-	(185,389)	431,298	61,149
Other	83,413	86,330	-	(86,919)	82,824	57,797
Total Accrued and Other Liabilities	1,221,585	558,931	-	(531,324)	1,249,192	732,565
Compensated Absences	91,841	1,854	-	(4,488)	89,207	59,842
Net Pension Obligation (See Note 12)	123,124	-	-	(8,669)	114,455	-
Total Other Obligations	<u>1,436,550</u>	<u>560,785</u>	<u>-</u>	<u>(544,481)</u>	<u>1,452,854</u>	<u>792,407</u>
Total Governmental Activities Long-Term Obligations	<u>\$3,492,433</u>	<u>\$568,054</u>	<u>\$13,450</u>	<u>\$(662,873)</u>	<u>\$3,411,064</u>	<u>\$897,294</u>

<b>Business-type Activities</b>	<b>Balance June 30, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2014</b>	<b>Amount Due Within One Year</b>
WV Infrastructure and Jobs					
Development Council Revenue Bonds	\$ 113,915	\$ -	\$ (2,710)	\$ 111,205	\$ 2,620
Premium/(Discount)	<u>1,582</u>	<u>-</u>	<u>(52)</u>	<u>1,530</u>	<u>52</u>
Total WV Infrastructure and Jobs					
Development Council Revenue Bonds	115,497	-	(2,762)	112,735	2,672
Accrued Tuition Contract Benefits	91,848	-	(5,226)	86,622	16,415
Insurance and Compensation Benefits	2,083,588	713,997	(799,105)	1,998,480	348,360
Compensated Absences	613	75	(48)	640	135
Accrued and Other	<u>9,732</u>	<u>8,699</u>	<u>(950)</u>	<u>17,481</u>	<u>17,481</u>
Total Business-type Activities					
Long-Term Obligations	<u>\$2,301,278</u>	<u>\$722,771</u>	<u>\$(808,091)</u>	<u>\$2,215,958</u>	<u>\$385,063</u>

The assets of the general, special revenue, and internal service funds are used to liquidate the capital lease obligations and accrued and other liabilities of their respective fund types. Compensated absences liabilities are liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. The net pension obligations are liquidated by the State's governmental and internal service funds that contribute toward the pension funds based on plans established by the action of the State Legislature. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. At year-end, \$1.6 million of internal service funds compensated absences are included in the governmental amounts.

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

Compliance – Various debt agreements governing the State's bonds contain a number of covenants, including continuing disclosure requirements, debt service coverage ratio, and maintaining debt service reserve and maintenance reserve funds. It is required that debt service reserve funds, and maintenance reserve funds are to be held with a trustee. As of June 30, 2014, the debt service reserve funds approximated \$73 million, and the maintenance reserve funds approximated \$10 million.

General Obligation Bonds – The State has constitutionally limited its ability to incur debt. The State's general obligation debt must be authorized by constitutional amendment. A proposed amendment must be approved by two-thirds of both the Senate and the House of Delegates before it can be ratified or rejected by the voters. Once the amendment has voter approval, the Legislature must pass specific legislation authorizing the issuance of general obligation debt. Bonds for veterans' bonuses were authorized in 1973, 1992, and 2004. The bonds authorized were \$40 million, \$4 million, and \$8 million, respectively. General revenue funds were available for these bonuses; therefore, none of

these bonds were issued. General obligation bonds outstanding at June 30, 2014, were as follows (expressed in thousands):

	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Transportation Bonds:			
Payable from State Road Fund to build roads, issued under:			
1996 SAFE Roads Amendment	2025	3.00-5.00%	\$ 238,979
Infrastructure Bonds:			
Payable from dedicated severance tax revenues to fund			
water, wastewater, and economic development projects	2027	.020-7.625%	<u>221,449</u>
Total			<u>\$ 460,428</u>

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2014, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 34,875	\$ 17,563	\$ 52,438
2016	36,655	15,830	52,485
2017	24,975	13,958	38,933
2018	26,350	12,641	38,991
2019	27,700	11,236	38,936
2020-2024	150,385	35,957	186,342
2025-2029	<u>60,510</u>	<u>3,959</u>	<u>64,469</u>
	<u>361,450</u>	<u>111,144</u>	<u>472,594</u>
<b>Premium</b>	<u>22,860</u>	—	<u>22,860</u>
<b>Total</b>	<u>384,310</u>	<u>\$111,144</u>	<u>\$495,454</u>
<b>Capital Appreciation Bonds</b>			
<u>Year Ended June 30</u>	<u>Principal Net of Accreted Amounts</u>	<u>Future Accreted Amounts</u>	<u>Total</u>
2015	6,977	\$ 123	\$ 7,100
2016	6,574	476	7,050
2017	6,298	826	7,124
2018	5,914	1,161	7,075
2019	5,553	1,472	7,025
2020-2024	29,596	14,429	44,025
2025-2029	<u>15,206</u>	<u>12,894</u>	<u>28,100</u>
<b>Total</b>	<u>76,118</u>	<u>\$ 31,381</u>	<u>\$ 107,499</u>
<b>Total General Obligation Bonds</b>	<u>\$460,428</u>		

Revenue Bonds – Revenue bonds are issued by various state departments, agencies and authorities, and economic development projects. Revenue bonds are issued pursuant to specific statutory provisions enacted by the Legislature primarily for the purpose of financing capital construction. Principal and interest payments are made from specifically dedicated fees and other revenues. Revenue bonds do not constitute a general obligation of the State. The Division of Highways has been authorized to issue revenue bonds in the amount of \$200 million by constitutional amendment. The Division has issued \$186 million, leaving \$14 million in bonds authorized but not issued. The following describes the purpose and dedicated revenue source of revenue bonds outstanding at June 30, 2014:

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

The Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007 are comprised of two series of turbo term bonds, the Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007A, which are current interest bonds issued in the amount of \$845,810,000, and the Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007B, which are capital appreciation bonds in the amount of \$65,331,503. The Series 2007 Bonds are secured by and are payable solely from the right, title, and interest of the TSFA of 100% of the Tobacco Receipts, and investment earnings on the accounts with the trustee under the Indenture. The tobacco receipts through 2039 have been estimated to be approximately \$2.4 billion, using 85% (the percentage actually received 2005-2007) of the amount calculated by the National Governor’s Association. Assuming a 5.2% interest rate, the net present value of the receipts is \$897 million. During FY 2014, \$67.9 million was paid for interest and principal. Actual tobacco receipts of \$67.5 million and interest earnings were used for the payments.

### **Economic Development Grants Fund**

The Economic Development Project Fund bonds, issued by EDA in FY 2004 in the amount of \$249.9 million to provide financing for various economic development project grants, are payable through 2027. The State has committed to appropriate each year, from the West Virginia Lottery net profits, amounts sufficient to cover the principal and interest requirements on the EDA debt. EDA has pledged these revenues as the sole security for the bonds. Total principal and interest remaining on the debt is \$234.9 million with annual requirements ranging from \$19.0 million in FY 2015 to \$7.1 million in the final year. For the current year, principal and interest paid were \$18.8 million and the net profits of the Lottery committed to the debt were \$19 million.

### **EAST Fund**

New Education, Arts, Sciences, and Tourism Fund (EAST) bonds were issued by the Economic Development Authority (EDA) in FY 2011 in the amount of \$155.6 million to provide financing for capital projects which promote education, and tourism, payable through 2040. The State has committed to appropriate each year, from the West Virginia Lottery net profits, amounts sufficient to cover the principal and interest requirements on the EDA debt. EDA has pledged these revenues as the sole security for the bonds. Total principal and interest remaining on the new debt is \$259.9 million. For the current year, principal and interest paid were \$10 million, and the net profits of the Lottery committed to the debt were \$10 million.

Revenue bonds outstanding at June 30, 2014, were as follows (expressed in thousands):

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Transportation	2006-2008	2016	3.75-5.00	\$ 54,565
Tobacco Settlement Finance Authority	2007	2047	7.47-8.50	857,125
Economic Development Project Fund	2004	2027	1.20-6.07	163,132
Education, Arts, Sciences, and Tourism Fund	2010	2040	2.00-5.00	<u>151,765</u>
Subtotal Governmental				1,226,587
WV Infrastructure and Jobs Development Council	2006-2012	2045	2.625-5.50	<u>112,735</u>
Total				<u>\$1,339,322</u>



## West Virginia

Future amounts required to pay principal and interest on revenue bonds at June 30, 2014, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 65,375	\$ 77,265	\$ 142,640
2016	69,475	73,456	142,931
2017	46,395	69,923	116,318
2018	39,135	67,226	106,361
2019	42,485	64,625	107,110
2020-2024	272,610	274,970	547,580
2025-2029	351,540	165,559	517,099
2030-2034	237,554	44,996	282,550
2035-2039	66,010	14,806	80,816
2040-2044	20,220	2,119	22,339
2045-2049	<u>2,260</u>	<u>96</u>	<u>2,356</u>
	<u>1,213,059</u>	<u>855,041</u>	<u>2,068,100</u>
<b>Premium</b>	<u>9,267</u>	<u>—</u>	<u>9,267</u>
<b>Total</b>	<u>1,222,326</u>	<u>\$855,041</u>	<u>\$2,077,367</u>
<b>Capital Appreciation Bonds</b>			
<u>Year Ended June 30</u>	<u>Principal Net of Accreted Amounts</u>	<u>Future Accreted Amounts</u>	<u>Total</u>
2015	—	\$ 10,155	\$ 10,155
2016	—	11,037	11,037
2017	—	11,995	11,995
2018	—	13,036	13,036
2019	—	14,167	14,167
2020-2024	—	91,561	91,561
2025-2029	—	138,822	138,822
2030-2034	—	175,840	175,840
2035-2039	—	79,453	79,453
2040-2044	<u>116,996</u>	<u>—</u>	<u>116,996</u>
<b>Total</b>	<u>116,996</u>	<u>\$546,066</u>	<u>\$663,062</u>
<b>Total Revenue Bonds</b>	<u>\$1,339,322</u>		

Certain revenue bonds have call provisions providing for redemption at the option of the State, beginning ten years following the date of issuance, in whole or in part, in inverse order of maturity, and pay a redemption price not exceeding 103% of par value. Notes payable are issued by Information Services and Communications and Travel Management internal service funds for the purpose of financing various equipment and vehicles (expressed in thousands).

	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Information Services and Communications	2016-2017	1.00-2.73	\$ 965
Travel Management	2015-2018	0.99-3.24	<u>15,121</u>
Total Notes Payable			<u>\$ 16,086</u>

Future amounts required to pay principal and interest on notes payable at June 30, 2014, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 7,774	\$ 193	\$7,967
2016	4,595	74	4,669
2017	2,511	26	2,537
2018	<u>1,206</u>	<u>5</u>	<u>1,211</u>
<b>Total Notes Payable</b>	<b><u>\$16,086</u></b>	<b><u>\$ 298</u></b>	<b><u>\$16,384</u></b>

## Discretely Presented Component Units

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

	<u>Balance June 30, 2013</u>	<u>Debt Issued</u>	<u>Debt Paid</u>	<u>Other Changes</u>	<u>Balance June 30, 2014</u>	<u>Amount Due Within One Year</u>
Revenue Bonds:						
Economic Development Authority	\$ 256,155	\$ —	\$ (12,365)	\$ —	\$ 243,790	\$ 13,206
Housing Development Fund	454,907	46,750	(85,275)	(506)	415,876	68,815
Parkways Authority	55,685	—	(7,910)	(151)	47,624	8,540
Water Development Authority	224,439	40,245	(50,610)	1,342	215,416	8,377
Higher Education	1,275,304	31,643	(43,658)	—	1,263,289	36,877
Regional Jail Authority	56,490	—	(5,840)	—	50,650	6,150
School Building Authority	<u>499,119</u>	<u>26,055</u>	<u>(36,930)</u>	<u>3,191</u>	<u>491,435</u>	<u>29,555</u>
Total Discretely Presented Component Unit Revenue Bonds	<b><u>\$2,822,099</u></b>	<b><u>\$144,693</u></b>	<b><u>\$(242,588)</u></b>	<b><u>\$ 3,876</u></b>	<b><u>\$2,728,080</u></b>	<b><u>\$ 171,520</u></b>
Capital Leases:						
Higher Education	<u>\$ 37,058</u>	<u>\$ 1,792</u>	<u>\$ (4,359)</u>	<u>\$ —</u>	<u>\$ 34,491</u>	<u>\$ 4,307</u>
Notes Payable:						
Housing Development Fund	\$ 791	\$ 1,000	\$ (832)	\$ —	\$ 959	\$ —
Economic Development Authority	8,095	—	(734)	—	7,361	712
Higher Education	32,012	6,852	(1,338)	—	37,526	1,523
Job Investment Trust	<u>11,568</u>	<u>417</u>	<u>(6,000)</u>	<u>—</u>	<u>5,985</u>	<u>5,985</u>
Total Discretely Presented Component Unit Notes Payable	<b><u>\$ 52,466</u></b>	<b><u>\$ 8,269</u></b>	<b><u>\$ (8,904)</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 51,831</u></b>	<b><u>\$ 8,220</u></b>

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

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Economic Development Authority	1999-2012	2034	2.07-5.23	\$ 243,790
Housing Development Fund	1998-2013	2042	0.50-6.00	415,876
Parkways Authority	2002-2008	2019	3.50-5.25	47,624
Water Development Authority	2005-2013	2044	2.00-5.125	215,416
Higher Education	1998-2013	2043	2.68-7.65	1,263,289
Regional Jail Authority	1998	2021	5.12-5.35	50,650
School Building Authority	2002-2014	2031	2.00-6.92	<u>491,435</u>
Total Revenue Bonds				<u>\$2,728,080</u>

Future amounts required to pay principal and interest on revenue bonds of the discretely presented component units at June 30, 2014, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 169,447	\$ 101,304	\$ 270,751
2016	126,081	99,236	225,317
2017	127,856	94,582	222,438
2018	130,241	89,874	220,115
2019	135,120	84,757	219,877
2020-2024	825,861	347,779	1,173,640
2025-2029	500,981	237,857	738,838
2030-2034	332,634	121,015	453,649
2035-2039	225,539	41,465	267,004
2040-2044	81,790	5,105	86,895
2045-2049	<u>2,085</u>	<u>52</u>	<u>2,137</u>
	<u>2,657,635</u>	<u>1,223,026</u>	<u>3,880,661</u>
Discount	(680)	-	(680)
Premium	<u>71,125</u>	<u>-</u>	<u>71,125</u>
Total	<u>\$ 2,728,080</u>	<u>\$ 1,223,026</u>	<u>\$ 3,951,106</u>

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

The following is a summary of notes payable at June 30, 2014 (expressed in thousands):

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Housing Development Fund	2008-2013	N/A	0.00	\$ 959
Economic Development Authority	2007 & 2013	2029	3.00	7,361
Higher Education	2008-2014	2033	1.90-6.65	37,526
Job Investment Trust	2004	2014	6.70-6.95	<u>5,985</u>
Total Notes Payable				<u>\$ 51,831</u>

Future amounts required to pay principal and interest on notes payable of the discretely presented component units at June 30, 2014, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 8,148	\$ 546	\$ 8,694
2016	5,878	572	6,450
2017	2,246	518	2,764
2018	2,288	492	2,780
2019	2,330	465	2,795
2020-2024	13,058	3,281	16,339
2025-2029	7,747	819	8,566
2030-2034	6,364	216	6,580
2035-2039	<u>3,772</u>	<u>—</u>	<u>3,772</u>
Total	<u>\$51,831</u>	<u>\$6,909</u>	<u>\$58,740</u>

### Parkways Authority

In July 2008, the Parkways Authority (Parkways) issued \$59,100,000 of Variable Rate Demand Revenue Refunding Bonds for the express purpose of refunding \$59,100,000 of the Parkways Series 2003 Bonds. This refunding resulted in a \$5,972,000 deferred loss arising from the difference between the reacquisition price and the net carrying amount of the refunded debt. Amortization of this deferral, charged annually to interest expense through 2019, approximated \$569,000 in 2014. Parkways completed the refunding to remove the requirement for bond insurance that was included in the Series 2003 Bonds. In July 2011, Parkways converted the Series 2008 Variable Rate Demand Revenue Refunding Bonds to a LIBOR Index rate and placed the bonds with a direct purchaser. The supplemental indenture established eight distinct registered bonds in principal amounts identical to the principal maturity schedule prior to the conversion. The Indenture establishes an applicable factor ranging from 67% to 82% of the one-month LIBOR Index with an additional spread ranging from 70 to 110 basis points on each bond. The Interest Rate Swap associated with the Series 2008 Variable Rate Bonds was amended to relate to the new index rate bonds under substantially similar terms.

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

Type	Pay-fixed interest rate swap
Objective	Hedge changes in cash flows on the Series 2008 Refunding Variable Rate Bonds
Notional Amount	\$30,700,000
Effective Date	July 2, 2008
Maturity Date	May 1, 2019
Terms	Pay 4.387%, receive 67% of One-Month LIBOR

The fair value of this interest rate swap is estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rate implied by the yield curve correctly anticipates future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for hypothetical zero-coupon bonds due on the date of the future net settlement on the swap. At June 30, 2014, the decrease in the value of the swap since inception was equal to the market value of the swap creating a deferred inflow of resources that offsets the deferred outflow of resources in the Statements of Net Position.

The fair value balance for the hedging derivative instrument outstanding at June 30, 2014, and the change in fair value of the instrument for the year ended June 30, 2014, which is disclosed in the IMB financial statements, were immaterial to the financial statements.

The credit ratings of the counterparty to the interest rate swap are A2 from Moody's, A from Standard & Poor's, and A from Fitch. The interest rate swap agreement requires certain collateralization if the credit rating of the counterparty falls below specific levels. As of June 30, 2014, no collateralization was required by the interest rate swap agreement.

Parkways is exposed to basis risk on the fixed interest rate swap because the variable-rate payments received by the Authority on this hedging derivative instrument are based on rates other than the interest rate the Authority pays on the hedged variable-rate debt.

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

Using rates as of June 30, 2014, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (expressed in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

<u>Year Ended June 30</u>	<u>Variable-Rate Bonds</u>		<u>Interest Rate</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swap, Net</u>	
2015	\$ 5,600	\$326	\$ 1,315	\$ 7,241
2016	5,900	267	1,076	7,243
2017	6,100	196	823	7,119
2018	6,400	137	561	7,098
2019	<u>6,700</u>	<u>72</u>	<u>287</u>	<u>7,059</u>
	<u>\$30,700</u>	<u>\$998</u>	<u>\$4,062</u>	<u>\$35,760</u>

### **Debt Contingencies and No-Commitment Debt**

As a vehicle to assist the local and other non-State governments in West Virginia, the State may appropriate sufficient amounts to meet any deficiencies that may arise because of failures by such entities to provide for debt service payments for obligations under the supervision and control of the Municipal Bond Commission. For the year ended June 30, 2014, no such amounts were transferred to the Municipal Bond Commission under this agreement.

The Hospital Finance Authority (HFA) and the Economic Development Authority (EDA) have issued special limited obligations on behalf of third parties that in no way obligate the State, HFA, or EDA, for these debt issuances, unless these entities or the State serve in a third-party role. The obligations become an obligation of the third party when issued, because all rights to payments and/or obligations have been irrevocably assigned to a trustee. Payments are made directly to the trustee from dedicated revenues of the third parties, in accordance with the related bond indentures. The amount of such no-commitment debt outstanding at June 30, 2014, is approximately \$1.7 billion and \$1.8 billion for HFA and EDA, respectively.

The Housing Development Fund (HDF) has an unused \$15 million line of credit with the Federal Home Loan Bank that is available as a warehouse line for the purchase of single-family, multifamily, and secondary market loans. This line of credit will be secured by investments of the Bond Insurance Fund and is a general obligation of the HDF. At June 30, 2014, no advances had been drawn on this line of credit, and accordingly, no balance is outstanding.

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

The Housing Development Fund redeemed or refunded bonds in the amount of \$63,055,000 at redemption prices that approximated their carrying value.

In November 2013, the Water Development Authority issued Series 2013A-II refunding bonds in the amount of \$40,245,000 with interest rates ranging from 2% to 5% to refund \$39,550,000 and \$3,510,000 of the Authority's outstanding Series 2003B and 2003D revenue bonds, respectively, with interest rates ranging from 4.85% to 5.25%. The proceeds were used to pay underwriting fees and other issuance costs relating to the refunding bond issue, with the remaining proceeds used to purchase United States Treasury obligations. Those purchased securities were deposited in an irrevocable trust, with an escrow agent to provide for redemption of the bonds. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of (\$824,064). The Authority completed the refunding to reduce its total debt service payments over the next 16 years by \$6,487,491 and to obtain an economic gain of \$5,459,342.

In December 2013, Shepherd University issued Revenue Refunding Bonds Series 2013 amounting to \$6.7 million with an average interest rate of 3.69% to advance refund \$7.1 million of outstanding 2003 and 2004 series bonds with an average interest rate of 4.27%. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$11,287. The difference was reported in the 2014 financial statements as a deduction to bonds payable. Shepherd University completed the refunding to reduce its total debt service payments over the next 20 years by \$573,801 and to obtain an economic gain of \$461,337.

In January 2015, the State issued 2015 Series A (Tax-Exempt) Infrastructure General Obligation Refunding Bonds in the amount of \$65,965,000 with interest rates ranging from 3% to 5% and 2015 Series B (Taxable) Infrastructure General Obligation Refunding Bonds in the amount of \$5,690,000 with an interest rate of 2%. The 2015 Series A Bonds were issued to provide funds to advance refund all of the outstanding 1998 A Bonds and 1996 D Bonds and to advance refund a portion of the outstanding 2006 Bonds, and the 2015 Series B Bonds were issued to refund all of the outstanding 1999 C Bonds. A portion of the proceeds of the 2015 Series A Bonds was deposited into an irrevocable escrow deposit trust fund and shall be used to pay the interest due on the 1996 D Bonds, 2006 Bonds, and 1998 A Bonds prior to their respective redemptions and the principal of, interest on, and any premium of the 1996 D Bonds and the 2006 Bonds on November 1, 2016, and the 1998 A Bonds on November 1, 2018. A portion of the proceeds of the 2015 Series B Bonds was deposited into an irrevocable escrow deposit trust fund and shall be used to pay the redemption price of the 1999 C Bonds on the redemption date, which is expected to be March 2, 2015. The 2015 Series A refunding reduced total debt service payments by \$9,899,653 with an economic gain of \$8,876,601. The 2015 Series B refunding reduced total debt service payments by \$690,877 with an economic gain of \$675,980.

**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, 2014, the following outstanding bonds are considered defeased (expressed in thousands):

	<b><u>Outstanding Amount</u></b>
Primary Government	\$ 10,810
Discretely Presented Component Units	<u>189,250</u>
Total	<u>\$ 200,060</u>





## NOTE 11

## LEASES

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

The State has also entered into lease/purchase agreements with the Economic Development Authority (EDA) which issued bonds to finance construction and acquisition of various capital assets as well as an energy savings project. The State becomes the tenant of the facility under a lease/purchase agreement which provides for the payment of rentals sufficient to cover the related bond debt service and for the passage of title to the State after the bonds have been repaid. These capital leases, totaling \$244 million, are shown separately on the government-wide Statement of Net Position as capital leases payable to component units. More information on the related debt of EDA is included in Note 10.

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

The following table is an analysis of the capital leases, including capital leases between the primary government and the EDA described above, by asset category at June 30, 2014 (expressed in thousands):

<u>Asset Type</u>	<u>Primary Government Governmental Activities</u>	
	<u>Assets Acquired by Capital Lease</u>	<u>Accumulated Depreciation</u>
Land	\$ 2,362	\$ —
Buildings and Improvements	336,393	95,945
Infrastructure	<u>1,175</u>	<u>969</u>
Total	<u>\$339,930</u>	<u>\$96,914</u>

Future minimum commitments under capital leases as of June 30, 2014, were as follows (expressed in thousands):

Year Ended <u>June 30</u>	<b>Capital Leases</b>		
	<b>Governmental Activities, (Including Payable to EDA)</b>	<b>Discretely Presented Component Units</b>	<b>Total</b>
2015	\$ 24,622	\$ 5,260	\$ 29,882
2016	24,567	4,636	29,203
2017	24,716	9,673	34,389
2018	24,698	2,989	27,687
2019	24,896	2,792	27,688
2020-2024	118,025	11,253	129,278
2025-2029	100,344	2,728	103,072
2030-2034	13,087	—	13,087
2035-2039	831	—	831
2040-2044	—	—	—
Total Minimum Lease Payments	355,786	39,331	395,117
Less: Interest	<u>(100,677)</u>	<u>(4,840)</u>	<u>(105,517)</u>
Present Value of Future Minimum Lease Payments	<u>\$255,109</u>	<u>\$34,491</u>	<u>\$289,600</u>

Other leases, principally for equipment, are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease. Operating lease expenditure/expense for the year ended June 30, 2014, was \$36 million. Future minimum commitments under operating leases as of June 30, 2014, were as follows (expressed in thousands):

Year Ended <u>June 30</u>	<b>Operating Leases</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Discretely Presented Component Units</b>	<b>Total</b>
2015	\$19,253	\$139	\$11,004	\$ 30,396
2016	13,397	139	8,195	21,731
2017	9,492	70	6,503	16,065
2018	7,073	—	5,468	12,541
2019	5,996	—	4,688	10,684
2020-2024	17,507	—	16,930	34,437
2054-2098	4,058	—	12,685	16,743
2030-2034	1,602	—	5,544	7,146
2035-2039	—	—	31	31
2040-2044	—	—	5	5
2045-2049	—	—	5	5
2050-2054	—	—	5	5
2055-2058	—	—	4	4
Total Minimum Lease Payments	<u>\$78,378</u>	<u>\$348</u>	<u>\$71,067</u>	<u>\$149,793</u>

**NOTE 12****RETIREMENT SYSTEMS****Plan Description**

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

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

The net pension obligation at June 30, 2014 amounted to approximately \$114 million, which is a decrease of approximately \$9 million from the prior year's obligation. The net pension asset at June 30, 2014 was approximately \$899 million, which is an increase of approximately \$40 million from the prior year's asset.

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

- The Public Employees' Retirement System (PERS) is a multiple-employer, cost-sharing, public employee retirement system. The number of local government employers participating in PERS at June 30, 2014 was 673, including 105 cities and towns, 379 special districts, and 55 counties.

- The Deputy Sheriff Retirement System (DSRS) is a multiple-employer, cost-sharing, public employee retirement system which was established for all deputy sheriffs hired on or after July 1, 1998. Current employees were eligible to transfer from PERS. The State makes no employer contributions to DSRS.
- The Emergency Medical Services Retirement System (EMSRS) is a multiple-employer, cost-sharing public employee retirement system which was established for eligible emergency medical service officers. Participation is voluntary. The State makes no employer contributions to EMSRS.
- The Municipal Police Officers and Firefighters Retirement System (MPFRS) is a multiple-employer, cost-sharing public employee retirement system which was established for any municipality or municipal subdivision employing municipal police officers or firefighters. Participation is voluntary. The MPFRS had 98 participating members as of June 30, 2014. If there are fewer than 100 members on January 1, 2017, all members will be merged into the Emergency Medical Services Retirement System. The State makes no employer contributions to MPFRS.
- The Teachers' Retirement System (TRS) is a multiple-employer, cost-sharing, public employee retirement system. Fifty-five county public school systems, certain personnel of the thirteen State-supported institutions of higher education, West Virginia Department of Education, and Higher Education Policy Commission 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. There were 87 employers participating in the plan as of June 30, 2014.
- The State Police Death, Disability, and Retirement System (SPDDRS), the State Police Retirement System (SPRS), and the Judges' Retirement System (JRS) are single-employer, public employee retirement systems.

Plan membership consisted of the following as of the plan valuation date July 1, 2013:

	<u>PERS</u>	<u>TRS</u>	<u>SPDDRS</u>	<u>SPRS</u>	<u>JRS</u>
As of July 1, 2013:					
Retirees and beneficiaries currently receiving benefits	24,205	33,007	705	19	57
Terminated members entitled to benefits but not yet receiving them	3,909	1,615	4	8	–
Terminated nonvested members	13,500	2,256	1	107	4
Active members:					
Vested	23,491	25,403	99	264	28
Nonvested	<u>13,146</u>	<u>10,190</u>	<u>–</u>	<u>294</u>	<u>42</u>
Total	<u>78,251</u>	<u>72,471</u>	<u>809</u>	<u>692</u>	<u>131</u>

## Funding Policy

Funding policies for all the Plans have been established and changed from time to time by action of the State Legislature. Actuarial valuations are performed to assist the Legislature in determining appropriate contribution rates. As a condition of participation in the Plans, employers and/or employees are required to contribute certain percentages of salaries and wages as authorized by statute and specified by CPRB. The following schedule summarizes each defined benefit plan's required contribution rates at June 30, 2014:

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

<u>System</u>	<u>Member</u>	<u>Employer</u>
PERS	4.5%	14.5%
TRS	6.0%	15.0% State 15.0% Counties
SPDDRS	9.0%	15.0%
SPRS	13.0%	14.5%
JRS	7.0%	Appropriated by the Legislature

The State Supreme Court has required the State to fund the TRS in an actuarially sound manner to eliminate the unfunded liability over a 40-year period beginning on July 1, 1994, and to meet the cash flow requirements of the TRS in fulfilling its future anticipated obligations to its members. The State Supreme Court has further ordered the State, through the Governor, to require the appropriate funding should the State Legislature fail to do so. Since this ruling, the Legislature has supplemented the funding of the TRS to meet this requirement.

## Annual Money-Weighted Rates of Return

The following table provides the annual money-weighted rates of return, net of investment expenses, for the year ended June 30, 2014 for each defined benefit pension plan:

	<u>Annual Money Weighted Rate of Return</u>
PERS	17.94%
TRS	17.85%
SPDDRS	17.86%
SPRS	17.92%
JRS	17.95%

**Annual Pension Cost, Funding and Net Pension Obligation**

The State's contributions to PERS for the years ended June 30, 2014, 2013, and 2012, were \$131,360,211, \$128,291,995, and \$130,831,239, 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>SPDDRS</u>	<u>SPRS</u>	<u>JRS</u>
Annual required contribution (ARC)	\$ 454,983	\$ 25,146	\$ 4,017	\$ 2,640
Interest on net pension obligation	(63,213)	9,234	(218)	(939)
Adjustment to ARC	<u>80,938</u>	<u>(16,831)</u>	<u>(309)</u>	<u>2,365</u>
Annual pension cost (APC)	<u>\$ 472,708</u>	<u>\$ 17,549</u>	<u>\$ 3,490</u>	<u>\$ 4,066</u>
ARC related contributions and appropriations	<u>\$ 514,248</u>	<u>\$ 26,218</u>	<u>\$ 4,049</u>	<u>\$ 2,456</u>
Percentage of APC contributed	108.79%	149.40%	116.02%	60.40%
Percentage of ARC contributed	113.03%	104.26%	100.80%	93.03%
Net pension obligation (asset), July 1, 2013	\$(842,843)	\$123,124	\$(2,912)	\$(12,525)
Increase (decrease) in net pension obligation (asset)	<u>(41,540)</u>	<u>(8,669)</u>	<u>(559)</u>	<u>1,610</u>
Net pension obligation (asset), June 30, 2014	<u>\$(884,383)</u>	<u>\$114,455</u>	<u>\$(3,471)</u>	<u>\$(10,915)</u>

**Three-Year Trend Information**

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

	<u>Year Ended June 30</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
<u>TRS</u>	2014	\$472,708	108.79%	\$(884,383)
	2013	\$499,976	91.75%	\$(842,843)
	2012	\$473,395	101.87%	\$(884,106)
<u>SPDDRS</u>	2014	\$ 17,549	149.40%	\$ 114,455
	2013	\$ 8,906	11.76%	\$ 123,124
	2012	\$ 17,284	6.98%	\$ 115,265
<u>SPRS</u>	2014	\$ 3,490	116.02%	\$ (3,471)
	2013	\$ 3,834	109.36%	\$ (2,912)
	2012	\$ 3,978	114.23%	\$ (2,554)
<u>JRS</u>	2014	\$ 4,066	60.40%	\$ (10,915)
	2013	\$ 3,632	66.69%	\$ (12,525)
	2012	\$ 3,394	116.50%	\$ (13,735)

## Funded Status and Funding Progress

The funded status of each plan as of June 30, 2014, the most recent actuarial valuation date, is as follows (expressed in thousands):

	<u>TRS</u>	<u>SPDDRF</u>	<u>SPRS</u>	<u>JRS</u>
Actuarial Value of Plan Assets	\$5,751,101	\$520,322	\$96,092	\$141,476
Actuarial Accrued Liability (AAL)	\$9,930,335	\$679,931	\$101,503	\$ 105,739
Unfunded AAL (UAAL)	\$4,179,234	\$159,609	\$5,411	\$ (35,737)
Funded Ratio	57.9%	76.5%	94.7%	133.8%
Annual Covered Payroll	\$1,493,515	\$ 5,988	\$27,701	\$ 8,870
UAAL as a Percentage of Covered Payroll	279.8%	2,665.5%	19.5%	0.0%

The schedule of funding progress, presented as Required Supplementary Information (RSI) following the notes to the financial statements, presents multi-year trend information. The actuarial value of plan assets has been increasing over time relative to the actuarial accrued liabilities for benefits for each plan.

## Actuarial Methods and Assumptions

	<u>TRS</u>	<u>SPDDRS</u>	<u>SPRS</u>	<u>JRS</u>
Valuation date	July 1, 2013	July 1, 2013	July 1, 2013	July 1, 2013
Actuarial cost method	Entry age cost	Entry age cost	Entry age cost	Entry age cost
Asset valuation method	Market Value	Market Value	Market Value	Market Value
Amortization method	Level dollar	Level dollar	Level % of payroll	Level dollar
Amortization period	Through FY 2034, closed	Through FY 2025, closed	Through FY 2030, closed	— closed
Actuarial assumptions:				
Investment rate of return	7.50%	7.50%	7.50%	7.50%
Projected salary increases	3.40%-6.50%	3.25%-5.00%	3.25%-5.00%	4.25%
Inflation rate	3.00%	3.00%	3.00%	
Annual annuity adjustment	None	3.75%	1.00%	
		Annual cost of living adjustment	Annual cost of living adjustment	



## Pension Investments

Following is a summary of investment holdings by plan at the IMB. Such investments are recorded at fair value as more fully described in Note 4. Substantially all of the following investment pools are in excess of 5% of total investments for all plans as of June 30, 2014 (expressed in thousands):

	<u>PERS</u>	<u>TRS</u>	<u>SPDDRS</u>	<u>SPRS</u>	<u>JRS</u>
Large Cap Equity	\$1,145,321	\$1,324,099	\$125,777	\$ 24,634	\$ 33,599
Non-Large Cap Equity	400,856	463,970	42,199	8,466	11,772
International Qualified	556,196	640,632	58,706	10,985	16,213
International Equity	1,018,952	1,178,932	107,924	22,187	30,063
Private Equity	549,804	637,022	54,936	11,232	16,136
Real Estate	517,214	598,156	55,283	10,947	15,185
Total Return Fixed Income	558,951	643,611	59,807	12,251	16,522
Core Fixed Income	241,787	275,801	25,575	5,278	7,120
Hedge Fund	577,172	667,548	65,821	12,688	16,970
TRS Annuity	—	(17)	—	—	—
Short-Term Fixed Income	14,398	168,607	542	1,011	218
TIPS	49,161	57,015	4,507	893	1,441
Total	<u>\$5,629,812</u>	<u>\$6,655,376</u>	<u>\$601,077</u>	<u>\$120,572</u>	<u>\$165,239</u>

The following investment managers have investments at fair value in excess of 5% of the total investment balance of the Teachers' Defined Contribution Retirement System as of June 30, 2014 (expressed in thousands):

PIMCO Total Return Fund	\$ 31,504
Valic Fixed Annuity Option	108,328
Great West Secure Foundation Balanced	34,377
John Hancock Large Cap Equity	63,918
Putnam Equity Income	37,040
Vanguard Large Cap Index	34,635

## Defined Contribution Plans

The Teachers' Defined Contribution Retirement System (TDCRS)

TDCRS, administered by the Consolidated Public Retirement Board, is a multiple-employer defined contribution retirement system primarily covering the full-time employees of the State's 55-county public school systems, the State Department of Education, and the School for the Deaf and the Blind, who were hired between July 1, 1991, and June 30, 2005. TDCRS members also include former TRS plan members, including higher education employees, who have elected to participate in the TDCRS plan. There are approximately 4,831 and 4,993 members in the TDCRS plan at June 30, 2014 and 2013, respectively. TDCRS retirement benefits depend solely on amounts contributed to the plan plus investment earnings. TDCRS closed participation to new members effective June 30, 2005.

State legislation requires enrolled employees to contribute 4.5% of their gross compensation, and the employers contribute 7.5% of covered members' gross compensation from amounts allocated to the employers through the State School Aid Formula. Employer contributions for each employee (and interest allocated to the employee's account) become partially vested after six years and fully vested after 12 years of completed service. Employer contributions and earnings thereon forfeited by employees who leave employment prior to becoming vested are available, in the event the employee does not return to active participant status within five years, to reduce the employer's current-period contribution requirement. Any such forfeitures arising from contributions plus earnings thereon, will be used to reduce future employer contributions.

For the year ended June 30, 2014, the approximate payroll of state employees covered by TDCRS was \$142 million, and total covered payroll for both the TDCRS and TRS was approximately \$1.6 billion. Both the employees and employers made the required contributions amounting to \$7.0 million and \$10 million, respectively, or approximately 4.70% and 7.2% of covered payroll.

The TDCRS investments are held and managed by an investment company as the third-party administrator for the plan. As prescribed by West Virginia Code, the TDCRS investments are placed in participant accounts and the participants direct the investment of their account by selecting from a list of plan mutual funds or a long-term fixed investment option. The TDCRS provides members with a choice of 16 separate investment options made up of a fixed income, balanced, large cap, mid cap, small cap, and international mutual funds, a money market fund, and a fixed annuity. The State currently does not have specific overall policies addressing limitations on specific risk types, such as credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

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

#### *Custodial Credit Risk - Cash Deposits*

The TDCRS' cash deposits with financial institutions were approximately \$421,000 at June 30, 2014. These deposits, which had a bank balance of approximately \$421,000, are either insured by the Federal Deposit Insurance Corporation or collateralized with securities held in TDCRS' name by its agents.

*Interest Rate Risk*

As of June 30, 2014, the TDCRS had the following investments and maturities (expressed in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>(in Years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Mutual Funds	\$400,030	\$400,030	\$—	\$—

**Teachers' Insurance and Annuity Association**

The Teachers' Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA-CREF), a privately administered multiple employer defined contribution retirement plan, provides individual retirement fund contracts for each eligible participating employee. Eligible employees consist mainly of state college/university faculty and staff. For the year ended June 30, 2014, contributions were approximately \$42 million from the covered employees and approximately \$42 million from the 13 participating institutions from the State of West Virginia.

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

**Great-West Retirement Services**

Higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have a one-time option to switch to the New Educators Money 401(a) basic retirement plan, administered by Great-West Retirement Services. New hires have the choice of either plan. For the year ended June 30, 2014, contributions were approximately \$633 thousand from the covered employees and \$634 thousand from the 13 participating institutions from the State of West Virginia.

## **NOTE 13**

### **OTHER POSTEMPLOYMENT BENEFITS**

#### **General**

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

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

In addition to the pension benefits allowing certain retirees to convert sick leave to health care premiums, state statutes provide that employees who retire may continue participation in the State's health insurance plan subject to certain length of service and participation requirements. Such employees are eligible to participate in the public employees' insurance program by making the premium contribution specified by the PEIA Finance Board. Approximately 39,900 retirees and 76,739 active plan members met those eligibility requirements at June 30, 2014.

During February 2012, Senate Bill 469 was passed granting Other Postemployment Benefits Liability relief to the State's fifty-five county boards of education effective July 1, 2012. The law, in effect, requires the State to cover any amount of the respective employers' annual required contribution allocated and billed to the county boards of education on or after July 1, 2012, and any amount of the employer annual required contribution allocated and billed to the county boards of education prior to that date for employees who are employed as professional employees, as service personnel, or as professional student support personnel within the limits authorized by this law. In

compliance with Senate Bill 469 for fiscal year 2012, RHBT transferred \$715 million in annual required contribution liability from the county boards of education to the State.

### **Plan Description**

In conjunction with the implementation of GASB Statement No. 43, the State established the Retiree Health Benefit Trust Fund (RHBT) under West Virginia Code §5-16D-2, an irrevocable trust, to account and report for the other postemployment benefits (OPEBs) provided under the multiemployer cost-sharing plan. The PEIA Finance Board was assigned the authority to establish and amend contribution requirements of the plan members and the participating employers, and PEIA administers the plan. The legislation requires the RHBT to determine, through an actuarial study, the contractually required contribution (CRC) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The CRC, which is reviewed and approved by the PEIA Finance Board, shall be allocated to the 612 respective employers who are required by law to remit at least the minimum annual premium component of the CRC.

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

### **Basis of Accounting**

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

The State's OPEB liability, including the county school boards, to RHBT at June 30, 2014, is \$1.7 billion. For financial reporting purposes the OPEB liability is reported as follows: the Governmental portion on the Balance Sheet is recorded in the Due to Other Funds; the Proprietary portion on the Statement of Net Position is also recorded in the Due to Other Funds; the liability is included in the Due to Fiduciary Funds on the government-wide Statement of Net Position.

## **Funding Policy**

Historically, the obligation associated with retiree health care benefits has been funded and recognized for financial statement purposes on a pay-as-you-go basis. The retiree premiums currently pay approximately 36% of health care claims for retirees and their dependents. The balance of the cost is funded by the State and other participating employers through a retiree subsidy, which is included in the premium charged for the coverage of each active employee. A non-Medicare plan member or beneficiaries receiving benefits contributes monthly health care premiums ranging from \$264 to \$1,055 per month for retiree-only coverage, and from \$529 to \$2,510 per month for retiree and spouse coverage. Medicare covered retirees are charged health care premiums ranging from \$84 to \$437 per month for retiree-only coverage, and from \$139 to \$1,464 per month for retiree and spouse coverage. Monthly premiums vary based on years of service and choice of coverage. The PEIA Finance Board has taken the first steps in addressing the OPEB problem by requiring any employees hired after July 1, 2010, to pay the full cost of premiums when they retire. This change will not have a substantial impact on the unfunded liability in the short-term but will virtually eliminate the unfunded liability in the long-run.

Revenues collected by RHBT will be used to fund current OPEB health care claims and administrative expenses with residual funds held in trust for future OPEB costs. The rates charged must generate sufficient revenues to not only meet all expected expenses, including insurance, administrative expenses, and incurred but unreported claims of the RHBT, but also include the amounts necessary to fund the unfunded obligation of the plan over an amortization period not to exceed 30 years. The total CRC for the years ended June 30, 2014, June 30, 2013, and June 30, 2012, were approximately \$253 million, \$290 million, and \$273 million, respectively. The percentages contributed were 65%, 59%, and 57%, respectively.

West Virginia Code §5-16-25 requires the Finance Board of PEIA to maintain a reserve of 10% of projected PEIA plan costs for general operation purposes and to provide future plan stability. In the event the reserve fund exceeds certain parameters specified in the Code, the excess is to be transferred to the West Virginia Retiree Health Benefit Trust Fund, in accordance with Senate Bill 129, which became effective July 1, 2007. In FY 2014, the PEIA reserve did not exceed funding parameters, resulting in zero funds transferred to the RHBT.

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

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

**Actuarial Value of Plan Assets**

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

**Annual OPEB Cost**

The State's contributions to RHBT for the years ended June 30, 2014, June 30, 2013, and June 30, 2012, were approximately \$288 million, and \$188 million, and \$160 million, respectively; 90%, 87%, and 23%, of the required amount, respectively. These contributions were approximately \$33 million, \$29 million, and \$524 million, respectively, less than the required contributions for each year. Amounts prior to 2012, does not include the county board of education.

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

**NOTE 14****RISK MANAGEMENT**

The State is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and life coverage; and natural disasters. The State of West Virginia operates three significant insurance enterprise funds: Board of Risk and Insurance Management (BRIM), Public Employees' Insurance Agency (PEIA), and Workers' Compensation Fund (WCF).

The State also operates AccessWV, which provides health care coverage consistent with comprehensive coverage to every eligible person who is not eligible for Medicare. AccessWV is operated so as to qualify as an acceptable alternative mechanism under the Federal Health Insurance Portability and Accountability Act and as an option to provide health insurance coverage for individuals eligible for the federal health care tax credit established by the Federal Trade Adjustment Assistance Reform Act of 2002 (Section 35 of the Internal Revenue Code of 1986). Due to the federal government's March 23, 2010, enactment of the Patient Protection and Affordable Care Act, insurance carriers will no longer be able to deny coverage to individuals with pre-existing health conditions beginning in 2014. Accordingly, AccessWV ceased to exist on March 31, 2014. AccessWV total unpaid claims and claims adjustment expense liability at June 30, 2014, was \$70,000.

On March 12, 2011, the West Virginia Legislature created the State Entities Workers' Compensation Program Fund (SEWC) to provide a means of managing workers' compensation coverage for persons directly employed by the State of West Virginia. The SEWC functions as an insurance purchasing risk pool and is administered by the Office of the Insurance Commissioner (OIC). On October 1, 2011, the OIC entered into a high deductible insurance coverage policy with Zurich. Pursuant to the policy provisions the SEWC retains the loss exposure up to \$250,000 per occurrence. The SEWC has provided for these losses by establishing a Loss Reserve Fund with Zurich. The SEWC had a total of \$12.7 million in unpaid claims and claim adjustment expenses at June 30, 2014.

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

The Patient Injury Compensation Fund (PICF) is an agency fund of the State, administered by BRIM. The balance of the PICF does not reflect claims until an award becomes final and all reasonable means of recovery have been exhausted. The PICF works on a "claims filed" basis and \$3.2 million was paid on five claims filed in fiscal year 2014. There is one claim pending as of June 30, 2014; accordingly, the actuarial estimate of the claims reserve at such date is \$1.0 million. Since the inception of the PICF, there have been approximately \$5.1 million in payments through June 30, 2014. The assets and liabilities as of June 30, 2014, are approximately \$2.2 million. The amount of settlements in the major insurance enterprise funds have not exceeded insurance coverage in the past three years.



## **Description of the Funds**

### Board of Risk and Insurance Management

BRIM provides a property and liability self-insurance program for its member agencies. BRIM has general supervision and control over the insurance of all state property, including that of the institutions of higher education and the discretely presented component units. In addition, the political subdivisions in the State and certain other charitable and public service organizations may request coverage by BRIM. Types of coverage provided by BRIM have been expanded over time to include medical malpractice, automobile liability, and coal mine subsidence reinsurance. At the end of the fiscal year, approximately 1,100 organizations participated in the BRIM risk pool.

Underwriting and rate-setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be paid by the participants. The BRIM risk pool retains a \$1 million per occurrence coverage maximum on all third-party liability claims. In the normal course of business, BRIM seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable operating results by reinsuring levels of risk in various areas of exposure with other insurance enterprises or reinsurers. Excess coverage under this program is limited to \$400 million per event, subject to limits on certain property. Reinsurance permits recovery of a portion of losses from reinsurers; however, it does not discharge the primary liability of BRIM as direct insurer of the risks insured. BRIM had one reinsurance recovery at June 30, 2014 of \$1,000. BRIM does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. There have been no significant reductions in insurance coverage from the prior year.

### Public Employees' Insurance Agency

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

premiums for participants in either the indemnity plan or the MCO Plan. Altogether, PEIA insures approximately 173,000 individuals, including participants and dependents.

### Workers' Compensation Fund

The Workers' Compensation Commission (WCC) was an agency of the State of West Virginia from 1913 until 2005, which provided for the payment of benefits to all employees sustaining personal injuries in the course of, and as a result of, their covered employment. On February 16, 2005, the West Virginia legislature enacted "Senate Bill 1004" which established a framework for the privatization of the State's monopolistic workers' compensation system and created the means to transition the Workers' Compensation Commission into a domestic employers' mutual insurance company. On December 31, 2005, the West Virginia WCC ceased to exist as a separate state entity and all regulatory duties for workers' compensation insurance transitioned to the Office of the West Virginia Insurance Commissioner (the Insurance Commissioner), as did the administrative oversight of certain assets and liabilities of the former WCC. The Industrial Council was established by Senate Bill 1004 to assist the Insurance Commissioner in the regulation of the workers' compensation system. Any other applicable state agency or department, whose functions are necessary for the regulation of the workers' compensation insurance industry, transferred to the Industrial Council including, but not limited to, the following WCC functions: rate-making, self-insurance, office of judges, and board of review. The Industrial Council consists of five voting members appointed by the governor, with the advice and consent of the Senate, who meet the prescribed requirements and qualifications.

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

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

Senate Bill 1004 also created the "workers' compensation uninsured employers' fund," "self-insured guaranty risk pool," "self-insured security risk pool," "private carrier

guaranty fund,” and an “assigned risk fund” in the State treasury. For financial statement presentation purposes, these funds as well as the “Old Fund” are included as the Workers’ Compensation Fund (WCF) in the Proprietary Funds financial statements of the State.

### **Unpaid Claims Liabilities**

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

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

	<u>BRIM</u>		<u>PEIA</u>		<u>WCF</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Unpaid claims and claims adjustments expense liabilities, at beginning of year	\$143,568	\$136,986	\$62,615	\$62,778	\$1,813,100	\$1,928,700
Incurring claims and claims adjustment expense:						
Provision for insured events of the current fiscal year	58,389	57,276	515,769	478,869	465	817
Increase (decrease) in provision for insured events of prior fiscal years	3,237	(3,259)	(720)	4,750	31,105	(1,695)
Amortization of discount	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>85,398</u>	<u>91,095</u>
Total incurred claims and claims adjustment expense	<u>61,626</u>	<u>54,017</u>	<u>515,049</u>	<u>483,619</u>	<u>116,968</u>	<u>90,217</u>
Payments:						
Claims and claims adjustment expense attributable to insured events of the current fiscal year	10,560	10,870	471,415	436,560	63	78
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	<u>41,430</u>	<u>36,565</u>	<u>53,019</u>	<u>47,222</u>	<u>202,605</u>	<u>205,739</u>
Total payments	<u>51,990</u>	<u>47,435</u>	<u>524,434</u>	<u>483,782</u>	<u>202,668</u>	<u>205,817</u>
Total unpaid claims and claims adjustment expense liability, end of year	\$153,204	\$143,568	\$53,230	\$62,615	\$1,727,400	\$1,813,100

The above PEIA payments are net of pharmacy rebates of \$10,485,407 and \$10,906,578 for the years ended June 30, 2014 and 2013, respectively.

Neither BRIM nor PEIA discount their estimated claims liability. If BRIM's unpaid claims and claims adjustment expense liability were discounted using a 4% discount factor for 2014 to take into consideration the time value of money, the result would be a decrease in the liability and an increase in net position of approximately \$13.7 million for fiscal year 2014. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense. At June 30, 2014, the total undiscounted claims liability for WCF approximated \$2.74 billion. Invested assets of WCF are not sufficient at current investment rates to retire the claims liability and WCF has a significant deficit. GASB standards provide that, if discounting is used, the pool should use a rate that is determined by giving consideration to such factors as the pool's expected settlement rate for those liabilities and its expected investment yield rate. Based on the expected investment yields on WCF's investment portfolio, the estimated liability for unpaid claims and claim adjustment expenses (claims liability) has been discounted using a blended rate of 5% and 3%. If discounting of the WCF claims liability was limited to anticipated investment income, the claims liability would have increased by approximately \$680 million to a claims liability of approximately \$2.41 billion, and the total deficit would have increased to approximately \$890 million at June 30, 2014.

The OIC management believes the discounted liability for unpaid claims and claims adjustment expenses is adequate. However, due to the inherent variability of the

assumptions used to estimate this liability, actual incurred losses and loss adjustment expenses may vary significantly from the estimated amount included in the WCF's financial statements.

### **Fund Deficit and Deficit Funding Plan for Workers' Compensation**

As stated earlier in this note, the WCC was terminated effective December 31, 2005, and its powers were transferred to the Industrial Council established by Senate Bill 1004 to assist the Insurance Commissioner in the regulation of the workers' compensation system. Senate Bill 1004 further established a workers' compensation debt reduction fund in the State treasury for the deposit of monies received after June 30, 2005, including certain funds designated in Code §4-11a-2 (d): \$30 million to be received annually until 2025 from the tobacco master settlement agreement, which was stopped in Senate Bill 185, March 2007, and replaced with \$50.4 million in annual personal income tax proceeds in addition to the personal income tax proceeds already dedicated to the WCF, Code §29-22A-10, 10b: an estimated \$11 million to be received annually from the video lottery income, Code §11-13V-4: new and additional severance taxes imposed estimated to yield an approximate \$110 million annually, Code §11-21-96: personal income tax proceeds of approximately \$45 million annually, and Code §23-2C-3 (f) (3): monthly premium surcharges to be collected for all West Virginia employers expected to yield \$43 million annually. The net proceeds from collection of these monies are to be dedicated to paying the unfunded liability in the Workers' Compensation Fund until fully paid or paying debt service on bonds sold to raise funds to pay the unfunded liability in the Workers' Compensation Fund.

### **Required Supplementary Information**

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

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

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

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

Workers' Compensation Fund  
c/o Offices of the Insurance Commissioner  
1124 Smith Street  
Charleston, WV 25301

**NOTE 15**

**COMMITMENTS AND CONTINGENCIES**

**Environmental Protection Claims**

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

Management has estimated the total cost of remediation efforts to approximate \$406.4 million at June 30, 2014. Approximately \$198 thousand is available to pay current remediation costs and is recorded in the governmental funds. Because it is not expected that the remaining estimated remediation costs will be liquidated by expendable available financial resources, an additional \$406.2 million obligation is reported as a liability in the governmental activities on the statement of net position. As such, the State has recorded in governmental activities the following liabilities related to the above programs at June 30, 2014 (expressed in thousands):

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Amount</u> <u>Due</u> <u>Within</u> <u>One Year</u>
Mine Reclamation Program	\$306,515	\$ —	\$ 5,336	\$301,179	\$46,293
Oil and Gas Well Program	246	15	—	261	261
Landfill Closure Assistance Program	86,739	14,791	—	101,530	10,971
Underground Storage Tanks	<u>3,985</u>	<u>—</u>	<u>543</u>	<u>3,442</u>	<u>198</u>
Total Environmental Liability	<u>\$397,485</u>	<u>\$14,806</u>	<u>\$ 5,879</u>	<u>\$406,412</u>	<u>\$57,723</u>

## Mine Reclamation Program

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

Forfeited operator bonds, as well as a tax imposed on clean mined coal, currently 27.9 cents per ton, are set aside to fund this program. The Special Reclamation Fund plans to make expenditures for reclamation and water treatment systems as more funding becomes available. The Legislature further established a Special Reclamation Fund Advisory Council (the Council). The Council's role is to develop a financial plan that ensures long-term stability of the special reclamation program. The Legislature further requires actuarial studies of the fund's fiscal soundness every two years.

## Landfill Closure Assistance Program (LCAP)

The LCAP was established to provide landfill closure assistance to owners/permittees or landfills that were required to cease operations pursuant to certain statutory closure deadlines for noncomposite-lined facilities. The program designs and constructs all closure-related activities necessary to provide sufficient leachate management, sediment and erosion control, gas management, groundwater monitoring and final cover cap on noncomposite-lined landfills, as funds are available. The LCAP is closed to new applications; however, through the legislative process, two landfills have been added to the original inventory. As of June 30, 2014, the liability is estimated at \$102 million and is projected to be paid through fiscal year 2047. In addition, the State, through the Solid Waste Management Board (the Board), operated one landfill that was closed in 1993. The Board made an application through the Department of Environmental Protection for closure assistance from the LCAP. The Board's application was accepted by the LCAP and since then the LCAP has paid the landfill costs.

## Underground Storage Tank (UST) Program

The insurance fund for the operators of the underground storage tanks has discontinued accepting new operators into the fund. In response to a lawsuit filed against the fund, the fund's assets have largely been paid out on a pro rata share to those insured. DEP continues to pursue additional sources of money from the Governor and the Legislature that will allow the insured sites to be remediated in an approved voluntary remediation plan or other cost-effective manner. DEP's plan also requires the claimants to submit a schedule for the completion of the work, and it is DEP's objective to have a clearly



determined date by which remediation will be accomplished at all sites and no further reimbursements required. In this regard, it should be noted that 10 of 58 sites insured have been issued “no further action” letters, meaning they have been cleaned up to the required standards and will no longer incur additional cost. DEP believes requiring these sites to participate in an approved plan that requires the most cost-effective method of cleanup will result in an overall cost savings to the State and still protect the public health and environment. In the spring of 2008, the Legislature appropriated \$4 million for the UST program. DEP has maintained an inventory of claims submitted that have not been approved for payment by the Underground Storage Tank Advisory Committee and DEP, and these invoices will be reviewed by a consultant before payment. DEP notified tank owners that it would reimburse owners for all approved past costs and reimburse the seven priority sites for any ongoing work. DEP has entered into formal agreements with 20 of the 48 site owners. The fund balance at June 30, 2014, was \$4.9 million and there were claims paid from the fund in fiscal year 2014 of approximately \$976 thousand. As of June 30, 2014, \$3.4 million has been recorded as a liability in the accompanying financial statements.

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

### **Other Contingencies**

In addition to the \$406.2 million in environmental protection claims, the State has recorded an obligation in the amount of \$62.7 million, of which \$16.4 million is a current obligation, for the payment of other contingencies. Such other contingencies include, but are not limited to, claims assessed against the State for property damage and personal injury, alleged torts, alleged breaches of contract, and other alleged violations of state and federal laws and regulations. These claims are based on management’s evaluation of the nature of such claims and consideration of historical loss experience for the respective types of action. Certain other claims may be covered by the State’s insurance carrier under its general liability or medical malpractice coverage.

An employer who has been granted self-insured status for workers’ compensation insurance coverage must post security with the WCF for an actuarially determined amount of its liabilities incurred with dates of injury prior to July 1, 2004. Payments made for claims of employees of defaulted self-insured employers for injuries prior to July 1, 2004, will be made from the Self-insured Security Pool established by Senate Bill 1004. The assets of the Security Pool consist of the proceeds received from the security held by the WCF and any necessary assessments made to active self-insured employers for the default of a self-insured employer.

Payments for the injuries of defaulted self-insured employers incurred after July 1, 2004, will be made by the Self-insured Guaranty Pool; however, any self-insured employer who

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

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

### **Federal Grants**

Payments received under the reimbursement arrangements with agencies of the federal government are subject to retroactive audit and adjustment. Management believes that adequate provisions have been made for reasonable adjustments that may result from regulatory reviews and disallowed costs. However, laws and regulations governing these programs are extremely complex and subject to different interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount. Management believes it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusions.

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

unknown. The ultimate resolution of the regulatory review process could materially impact the State's future change in financial position or cash flows in a particular period.

### **Arbitrage Rebates**

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

### **Construction and Other Commitments**

(Expressed in Thousands)

	<u>Amount Committed</u>	<u>Commitment</u>
Governmental Funds:		
Transportation	\$561,704	Construction
Enterprise Funds:		
Water Pollution Control Revolving Fund	68,494	Committed for loans
West Virginia Infrastructure and Jobs Development Council	149,996	Funding of water and economic development projects
Drinking Water Treatment Revolving Fund	5,066	Lending consistent with Safe Drinking Water Act
Discretely Presented Component Units:		
West Virginia Lottery	7,653	Capital assets and construction
Economic Development Authority	58,190	Committed for loans
Housing Development Fund	5,655	Committed for loans
Parkways Authority	37,879	Turnpike improvements
Higher Education	166,776	Construction
School Building Authority	167,410	Acquisition, construction, and maintenance grants to county school boards

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

West Virginia University has signed an agreement providing for the purchase of steam for a remaining period of 16 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. An additional \$800 thousand was accrued to record the West Virginia University's liability to meet the minimum steam purchase requirement for the contract year ended September 30, 2014. Payments in future years will be dependent on actual operating costs and other cost indices in those years.

The West Virginia Providing Real Opportunities for Maximizing In-State Student Excellence (PROMISE) scholarship program provides scholarships to students within the West Virginia secondary education system who meet the scholarship requirements. The basic scholarship requirements include maintaining a 3.0 grade average, receiving an ACT composite score of 22 with a minimum sub-score of 20 in each of the four subject areas, and enrolling in a college or university in West Virginia. The program will pay for tuition and fees, and had \$1.1 million at June 30, 2014, to fund the program obligations. Subsequent to year-end, the program received \$29 million from the Lottery and \$18.5 million in general revenue.



**NOTE 16****SUBSEQUENT EVENTS**

On July 1, 2014, the Housing Development Fund issued the Housing Finance 2014 Series A and Series B bonds in the amount of \$48,865,000. Bond proceeds and other available funds in the amount of \$31,810,000 were used to fully redeem the Housing Finance Bonds 2004 Series A and C Bonds on August 1, 2014. Bond proceeds in the amount of \$20,000,000 will be used to originate single family mortgage loans.

On August 1, 2014, the Housing Development Fund redeemed various Housing Finance Bonds and General New Issue Bond Program Bonds in advance of the scheduled maturities at a par amount of \$7,640,000.

On September 9, 2014, West Virginia University entered into a lease purchase agreement with WesBanco for \$13,250,000 to finance the purchase of real property located adjacent to the Evansdale campus. A student housing facility, University Park, will be constructed on this land as part of the public-private partnership. The proceeds of this lease purchase were used to reimburse the University for the cost of the real property as well as pay the costs of issuance. The Board approved this financing at its meeting on March 27, 2013.

On September 17, 2014, West Virginia University (Aa3/A) issued \$189.2 million in bonds with a closing on September 30, 2014. The bonds are structured as 2014 Series A, 2014 Series B, and 2014 B Series tax-exempt Floating Rate Notes (FRNs).

The \$60 million 2014 Series A tax-exempt have two term bonds, both coming due in 2044 with 5.00% and 4.00% coupons, yielding 3.65% and 4.03%, respectively. Proceeds of the 2014 Series A bonds will be used in Phase II of the Personal Rapid Transit renovations. The bonds sold with a net premium of \$5,562,000.

The \$79.05 million 2014 Series B taxable bonds were structured with one term bond with a final maturity in 2042 and yield of 4.471%. Proceeds of the 2014 Series B bonds will be used to fund the Athletics Facilities Plan. The University achieved a tax-exempt fixed all-in True Interest Cost (TIC) of 4.29%, a taxable fixed All-in TIC of 4.49%. The bonds were sold at par.

The \$50.19 million 2014 Series B tax-exempt Floating Rate Notes (FRNs) were structured with a 5-year hard put feature and priced as SIFMA plus 0.53%. The proceeds of these bonds will be used to refund the University's 2011 Series C FRNs, which were originally structured with a 3-year hard put as SIFMA plus 0.65%.

On October 16, 2014, the West Virginia Water Development Authority (the Authority) issued the 2014 Infrastructure Excess Lottery Revenue Bonds, Series A, in the amount of \$75,790,000. These bonds were issued to provide grants to governmental instrumentalities to pay a portion of the costs of constructing Chesapeake Bay/Greenbrier River projects.

On January 22, 2015, the State of West Virginia issued refunding Infrastructure General Obligation (GO) Bonds, 2015 Series A (tax-exempt), in the amount of \$65,965,000 to provide funds to advance refund all of the outstanding 1998 A Infrastructure GO Bonds and 1996 D Infrastructure GO Bonds and to advance refund a portion of the outstanding 2006 Infrastructure GO Bonds. In addition, \$5,690,000 refunding Infrastructure Obligation Bonds, 2015 Series B, were issued to provide funds to currently refund all of the outstanding 1999 C Infrastructure GO Bonds.







## REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Budgetary  
Comparison  
Schedule

Notes to RSI

Budget-to-GAAP  
Reconciliation

Pension Information

*The Back Fork of the Elk River in Webster County is legendary among those fishing for trout. The rugged, remote and beautiful terrain lures both seasoned fishermen and casual outdoorsmen.*



**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2014**  
(Expressed in Thousands)

	<b>General Revenue Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
Revenues:				
Taxes:				
Personal Income	\$ 1,766,750	\$1,766,750	\$1,664,066	\$ (102,684)
Consumer Sales	1,204,000	1,204,000	1,173,096	(30,904)
Severance	431,300	431,300	488,686	57,386
Corporate Income/Business Franchise	229,800	229,800	203,508	(26,292)
Business and Occupation	106,600	106,600	120,143	13,543
Gasoline and Motor Carrier	-	-	-	-
Wholesale Motor Fuel	-	-	-	-
Automobile Privilege	-	-	-	-
Other	250,700	250,700	244,555	(6,145)
Excess Lottery Transfer	92,600	92,600	93,228	628
Intergovernmental	-	-	-	-
License, Permits, and Fees	9,451	9,451	9,451	-
Departmental Collections	16,500	16,500	17,511	1,011
Investment Earnings	6,000	6,000	1,219	(4,781)
Other	22,300	22,300	90,642	68,342
Industrial Access Road Transfer	-	-	-	-
<b>Total Revenues</b>	<b><u>4,136,001</u></b>	<b><u>4,136,001</u></b>	<b><u>4,106,105</u></b>	<b><u>(29,896)</u></b>
Expenditures:				
Legislative	24,743	24,743	19,454	5,289
Judicial	121,512	121,512	119,694	1,818
Executive	41,213	38,664	30,913	7,751
Department of Administration	71,581	67,400	61,581	5,819
Bureau of Commerce	62,393	61,464	55,800	5,664
Department of Environmental Protection	7,739	7,380	6,777	603
Education	2,452,407	2,444,868	2,427,629	17,239
Health and Human Resources	932,566	926,495	866,286	60,209
Military Affairs and Public Safety	365,875	357,087	332,284	24,803
Revenue	27,797	25,825	23,168	2,657
Transportation	6,717	6,658	2,212	4,446
Veterans' Assistance	11,321	10,722	10,273	449
Bureau of Senior Services	10,131	10,131	10,131	-
Regulatory Boards and Commission	-	52	6	46
<b>Total Expenditures</b>	<b><u>4,135,995</u></b>	<b><u>4,103,001</u></b>	<b><u>3,966,208</u></b>	<b><u>136,793</u></b>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures Current Year	6	33,000	139,897	106,897
Expenditures From Prior Year Appropriations	<u>469,862</u>	<u>469,862</u>	<u>213,413</u>	<u>256,449</u>
<b>Total Excess (Deficiency) of Revenues</b>				
Over (Under) Expenditures	(469,856)	(436,862)	(73,516)	363,346
Budgetary Fund Balance, Beginning of Year, as Adjusted	<u>469,947</u>	<u>469,947</u>	<u>469,947</u>	<u>-</u>
<b>Budgetary Fund Balance, End of Year</b>	<b><u>\$ 91</u></b>	<b><u>\$ 33,085</u></b>	<b><u>\$ 396,431</u></b>	<b><u>\$ 363,346</u></b>

Federal Revenue				State Road			
Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	430,000	430,000	441,095	11,095
-	-	-	-	-	-	-	-
-	-	-	-	175,464	175,464	194,463	18,999
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
4,073,554	4,220,436	3,611,853	(608,583)	470,400	487,000	404,962	(82,038)
-	-	-	-	92,741	92,741	97,329	4,588
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	39,255	39,255	19,348	(19,907)
-	-	-	-	(3,000)	(3,000)	(3,000)	-
<u>4,073,554</u>	<u>4,220,436</u>	<u>3,611,853</u>	<u>(608,583)</u>	<u>1,204,860</u>	<u>1,221,460</u>	<u>1,154,197</u>	<u>(67,263)</u>
3,583	3,000	1,481	1,519	-	-	-	-
1,632	1,632	1,453	179	-	-	-	-
29,755	49,981	40,838	9,143	-	-	-	-
47,957	47,957	44,512	3,445	-	-	-	-
125,691	133,542	64,657	68,885	-	-	-	-
201,906	201,906	97,339	104,567	-	-	-	-
563,578	563,679	402,796	160,883	-	-	-	-
2,872,228	3,002,295	2,833,865	168,430	-	-	-	-
160,501	163,283	71,396	91,887	-	-	-	-
14,211	14,211	6,246	7,965	-	-	-	-
36,772	36,772	27,198	9,574	1,199,969	1,242,969	1,160,390	82,579
7,511	9,511	7,850	1,661	-	-	-	-
14,536	14,536	12,071	2,465	-	-	-	-
3,650	3,650	1,716	1,934	-	-	-	-
<u>4,083,511</u>	<u>4,245,955</u>	<u>3,613,418</u>	<u>632,537</u>	<u>1,199,969</u>	<u>1,242,969</u>	<u>1,160,390</u>	<u>82,579</u>
(9,957)	(25,519)	(1,565)	23,954	4,891	(21,509)	(6,193)	15,316
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(9,957)	(25,519)	(1,565)	23,954	4,891	(21,509)	(6,193)	15,316
<u>63,906</u>	<u>63,906</u>	<u>63,906</u>	<u>-</u>	<u>87,452</u>	<u>87,452</u>	<u>87,452</u>	<u>-</u>
<u>\$ 53,949</u>	<u>\$ 38,387</u>	<u>\$ 62,341</u>	<u>\$ 23,954</u>	<u>\$ 92,343</u>	<u>\$ 65,943</u>	<u>\$ 81,259</u>	<u>\$ 15,316</u>

(Continued)

**Required Supplementary Information  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)  
(Continued)**

	<b>Special Revenue Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
Revenues:				
Taxes:				
Personal Income	\$ -	\$ -	\$ -	\$ -
Consumer Sales	-	-	-	-
Severance	-	-	-	-
Corporate Income/Business Franchise	-	-	-	-
Business and Occupation	-	-	-	-
Gasoline and Motor Carrier	-	-	-	-
Automobile Privilege	-	-	-	-
Other	-	-	-	-
Excess Lottery Transfer	-	-	-	-
Intergovernmental	-	-	-	-
License, Permits, and Fees	-	-	-	-
Departmental Collections	1,824,555	2,057,200	1,597,850	(459,350)
Investment Earnings	-	-	-	-
Other	-	-	-	-
Industrial Access Road Transfer	-	-	-	-
<b>Total Revenues</b>	<b><u>1,824,555</u></b>	<b><u>2,057,200</u></b>	<b><u>1,597,850</u></b>	<b><u>(459,350)</u></b>
Expenditures:				
Legislative	4,317	4,097	3,073	1,024
Judicial	1,000	1,000	1,000	-
Executive	35,468	39,542	24,324	15,218
Administration	95,916	97,530	90,538	6,992
Commerce	51,315	58,917	34,901	24,016
Environmental Protection	69,280	69,780	31,613	38,167
Education	196,546	196,946	177,598	19,348
Health and Human Resources	438,960	640,876	502,514	138,362
Military Affairs and Public Safety	31,465	31,465	23,454	8,011
Revenue	824,248	824,496	410,203	414,293
Transportation	15,491	15,491	7,198	8,293
Veterans' Assistance	3,500	3,500	1,329	2,171
Senior Services	63,418	105,337	104,622	715
Regulatory Boards and Commission	147,095	149,614	126,148	23,466
<b>Total Expenditures</b>	<b><u>1,978,019</u></b>	<b><u>2,238,591</u></b>	<b><u>1,538,515</u></b>	<b><u>700,076</u></b>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures Current Year	(153,464)	(181,391)	59,335	240,726
Expenditures From Prior Year Appropriations	176,929	176,929	75,741	101,188
<b>Total Excess (Deficiency) of Revenues</b>	<b>(330,393)</b>	<b>(358,320)</b>	<b>(16,406)</b>	<b>341,914</b>
Budgetary Fund Balance, Beginning of Year, as Adjusted	<u>1,858,221</u>	<u>1,858,221</u>	<u>1,858,221</u>	-
<b>Budgetary Fund Balance, End of Year</b>	<b><u>\$1,527,828</u></b>	<b><u>\$1,499,901</u></b>	<b><u>\$1,841,815</u></b>	<b><u>\$ 341,914</u></b>

**REQUIRED SUPPLEMENTARY INFORMATION**  
**Notes to Required Supplementary Information**  
**Budgetary Reporting**

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

**Budgetary Process**

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

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

In the event that there is a shortfall of General Revenue Fund collections during the year, the Governor may impose a spending reduction. In 1994, the Legislature created a Revenue Shortfall Reserve Fund (Rainy Day Fund) designed to prevent a spending reduction. By law, the first 50% of the General Revenue Fund surplus for a fiscal year is set aside in a reserve or Rainy Day Fund not to exceed 13% of the total appropriations from General Revenue for that year. This fund may be used to offset a shortfall of revenues which would otherwise require the Governor to impose expenditure reductions.

In the event of higher than estimated revenue collections throughout the year, supplemental appropriation requests may be made to the Legislature. In FY 2014, Appropriated Special Revenue and Federal Funds were increased by total supplemental appropriations of \$249.4 million. During the budget process, the Legislature may also decide to reappropriate certain unexpended budgetary appropriations for expenditure in the next year. Accounts reappropriated generally relate to special activities or projects that may require several years to complete. Reappropriated prior year general revenue and special revenue appropriations of \$418.6 and \$147.8 million are reported as "Expenditures From Prior Year Appropriations."

In addition to the above, in the event of a General Revenue and Excess Lottery budget surplus from the previous fiscal year, additional appropriation requests may be made to the Legislature. Appropriations from 2013 General Revenue were increased by

approximately \$51.3 million for surplus appropriations, and appropriations from 2013 Excess Lottery were increased by approximately \$29.1 million. The \$51.3 and \$29.1 million surplus appropriations are also reported as “Expenditures From Prior Year Appropriations.”

After the budget is legally enacted, certain appropriations from General Revenue may be altered or transferred within each Cabinet Secretariat. The transfers may not exceed more than 5% of the funds appropriated to any one agency or board, and are altered at the budgetary activity level. Other specific transfers are allowed in all the budgetary funds from the object classes of personal services and unclassified budget object classes to employee benefits or from personal services and employee benefits to other budget object classes, and are not limited to Secretariat authority.

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

### **Budgetary Control**

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

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

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

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

## **Budgetary Funds**

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

General Revenue Fund – consists primarily of the major tax revenues of the State such as Consumer Sales Tax, Personal Income Tax, Business and Occupation Tax, Corporate Net Income Tax, and Severance Tax. The General Revenue Fund supports the operation of certain primary government activities and certain other agencies.

Federal Fund – consists of any financial awards made to any state agency by the U.S. Government, whether a loan, grant, subsidy, augmentation, reimbursement or any other form of such awards, including state funds used for federal matching purposes.

Road Fund – consists of revenues from gasoline and other motor fuel excise and license taxes, motor vehicle registration and license fees, and all other revenue derived from motor vehicles or motor fuel. The Road Fund is appropriated by the Legislature and used solely for construction, repair, and maintenance of public highways, and also for the payment of interest and principal on all road bonds.

Appropriated Special Revenue Fund – consists of individual accounts created for special purposes. These accounts generate revenue derived from established rates or fees. The spending within these accounts is limited to the amount collected or the amount appropriated by the Legislature, whichever is less.

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

## **2014 Budgetary Reporting**

The Revenue Shortfall Reserve fund is at a level that no transfer of general revenue surplus was required.

The State's budgetary General Revenue Fund balance at July 1, 2013, has been adjusted as follows (expressed in thousands):

<u>General Revenue Fund:</u>	
Beginning Fund Balance	\$467,990
Prior Year Refunds	9,135
Transfer from Expired Funds	(1,427)
Less Transfer to Rainy Day Fund	<u>(5,751)</u>
Adjusted Beginning Fund Balance	<u>\$469,947</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, 2014, to the excess of revenues and other financing sources over expenditures and other financing uses presented in conformity with accounting principles generally accepted in the United States is set forth in the following schedule.

## Required Supplementary Information

## Budgetary Comparison Schedule

## Budget-to-GAAP Reconciliation

For the Fiscal Year Ended June 30, 2014

(Expressed in thousands)

Budgetary Funds	General Revenue Fund	Federal Fund	State Road Fund	Appropriated Special Revenue Fund
<b>Sources/inflows of resources</b>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$4,106,105	\$3,611,853	\$1,154,197	\$1,597,850
<b>Differences - Budget to GAAP:</b>				
Intrafund transactions not included in GAAP revenues	(4,284,979)	—	—	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(50,115)	—	(15,653)	—
Basis of Accounting Difference	516,639	—	(371,677)	—
<b>Reclassifications:</b>				
Nonappropriated Budgetary Fund's revenue included as revenue/transfers in the GAAP General, Transportation and Other Funds	4,597,984	—	451,266	—
Budgetary general revenue funds transferred to GAAP Transportation, Tobacco Settlement Finance Authority and Other Funds	—	—	—	—
Budgetary special revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority and Other Funds	788,840	—	4,192	(1,597,850)
Budgetary federal funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority and Other Funds	<u>3,465,190</u>	<u>(3,611,853)</u>	<u>27,035</u>	<u>—</u>
<b>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds</b>	<b><u>\$9,139,664</u></b>	<b><u>\$ —</u></b>	<b><u>\$1,249,360</u></b>	<b><u>\$ —</u></b>
<b>Uses/outflows of resources</b>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$4,179,621	\$3,613,418	\$1,160,390	\$1,614,256
<b>Differences - Budget to GAAP:</b>				
Intrafund transactions not included in GAAP expenditures	(4,284,979)	—	—	—
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(296,393)	—	—	—
Basis of Accounting Difference	736,873	—	(6,464)	—
<b>Reclassifications:</b>				
Nonappropriated Budgetary Fund's exp./transfers out included as exp. in the GAAP General, Transportation, WV Infrastructure, and Other Funds	4,553,427	—	13,058	—
Budgetary general revenue funds transferred to GAAP Transportation, Tobacco Settlement Finance Authority, and Other Funds	(8,063)	—	4,376	—
Budgetary special revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	926,825	—	7,198	(1,614,256)
Budgetary federal funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	<u>3,462,230</u>	<u>(3,613,418)</u>	<u>26,836</u>	<u>—</u>
<b>Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances—governmental funds</b>	<b><u>\$9,269,541</u></b>	<b><u>\$ —</u></b>	<b><u>\$1,205,394</u></b>	<b><u>\$ —</u></b>



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

**Pension Plans**

	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Excess of Assets Over) Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
<u>TRS</u>							
	2013	\$ 5,751,101	\$ 9,930,335	\$ 4,179,234	57.9%	\$ 1,493,515	279.8%
	2012	\$ 5,144,397	\$ 9,712,582	\$ 4,568,185	53.0%	\$ 1,510,082	302.5%
	2011	\$ 5,074,665	\$ 9,445,148	\$ 4,370,483	53.7%	\$ 1,505,749	290.3%
<u>SPDDRS</u>							
	2013	\$ 520,322	\$ 679,931	\$ 159,609	76.5%	\$ 5,988	2665.5%
	2012	\$ 477,345	\$ 663,341	\$ 185,996	72.0%	\$ 6,779	2743.7%
	2011	\$ 481,994	\$ 606,245	\$ 124,251	79.5%	\$ 8,001	1552.9%
<u>SPRS</u>							
	2013	\$ 96,092	\$ 101,503	\$ 5,411	94.7%	\$ 27,701	19.5%
	2012	\$ 78,735	\$ 89,558	\$ 10,823	87.9%	\$ 27,670	39.1%
	2011	\$ 70,756	\$ 79,036	\$ 8,280	89.5%	\$ 24,725	33.5%
<u>JRS</u>							
	2013	\$ 141,476	\$ 105,739	\$ (35,737)	133.8%	\$ 8,870	0.0%
	2012	\$ 126,265	\$ 98,115	\$ (28,150)	128.7%	\$ 8,860	0.0%
	2011	\$ 124,583	\$ 95,591	\$ (28,992)	130.3%	\$ 8,860	0.0%



## COMBINING FINANCIAL STATEMENTS AND SCHEDULES

Nonmajor Funds  
Governmental  
Proprietary  
Fiduciary

Nonmajor  
Component Units

*Canaan Valley National Wildlife Refuge is made up of 16,550 acres of wetlands, forests and grasslands. The refuge, which was established in 1994, is home to 288 animal species and 580 plant species.*





# *GOVERNMENTAL FUND TYPES - NONMAJOR*

## **Special Revenue:**

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

## **Debt Service:**

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

## **Capital Projects:**

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. These funds consist of the following:

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

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

## **Permanent Funds:**

**Permanent Funds** are used to account for and report resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the State's programs, for the benefit of the government or its citizenry.

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

## West Virginia

---

### Combining Balance Sheet Nonmajor Governmental Funds June 30, 2014 (Expressed in Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>
Assets:		
Cash and Cash Equivalents	\$374,708	\$32,761
Investments	51,629	18,990
Receivables, Net	10,888	—
Due from Other Governments	1,886	—
Due from Other Funds	51	—
Due from Component Units	—	1,055
Inventories	31	—
Restricted Assets:		
Cash and Cash Equivalents	<u>1,523</u>	<u>—</u>
Total Assets	<u>\$440,716</u>	<u>\$52,806</u>
Liabilities:		
Accounts Payable	\$ 7,745	\$ —
Accrued and Other Liabilities	5,496	—
Due to Other Governments	9,791	—
Due to Other Funds	26,263	—
Due to Component Units	<u>67</u>	<u>—</u>
Total Liabilities	<u>49,362</u>	<u>—</u>
Fund Balances:		
Nonspendable:		
Inventories	31	—
Permanent Fund	—	—
Restricted for:		
Capital Projects	—	—
Debt Service	—	52,806
Development, Tourism, and Recreation	52,493	—
Education	—	—
Public Protection	44,940	—
Committed to:		
General Government Operations	2,345	—
Public Protection	290,746	—
Assigned to:		
Public Protection	9,596	—
Unassigned	<u>(8,797)</u>	<u>—</u>
Total Fund Balances	<u>391,354</u>	<u>52,806</u>
Total Liabilities and Fund Balances	<u>\$440,716</u>	<u>\$52,806</u>

<b>Capital Projects</b>		<b>Permanent Fund</b>	
<b>Education Arts, Sciences, and Tourism Fund</b>	<b>Lease Purchase Account</b>	<b>Irreducible School</b>	<b>Total</b>
\$3,789	\$10,255	\$1,357	\$422,870
—	—	—	70,619
—	—	—	10,888
—	—	—	1,886
—	—	—	51
—	—	—	1,055
—	—	—	31
<u>—</u>	<u>—</u>	<u>—</u>	<u>1,523</u>
<u>\$3,789</u>	<u>\$10,255</u>	<u>\$1,357</u>	<u>\$508,923</u>
\$ 294	\$ —	\$ —	\$ 8,039
—	—	—	5,496
—	—	—	9,791
—	—	—	26,263
<u>—</u>	<u>—</u>	<u>—</u>	<u>67</u>
<u>294</u>	<u>—</u>	<u>—</u>	<u>49,656</u>
—	—	—	31
—	—	1,000	1,000
3,495	10,255	—	13,750
—	—	—	52,806
—	—	—	52,493
—	—	357	357
—	—	—	44,940
—	—	—	2,345
—	—	—	290,746
—	—	—	9,596
<u>—</u>	<u>—</u>	<u>—</u>	<u>(8,797)</u>
<u>3,495</u>	<u>10,255</u>	<u>1,357</u>	<u>459,267</u>
<u>\$ 3,789</u>	<u>\$10,255</u>	<u>\$1,357</u>	<u>\$508,923</u>

## West Virginia

---

### Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2014 (Expressed in Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>
Revenues:		
Intergovernmental	\$150,999	\$ —
Licenses, Permits, and Fees	159,427	—
Charges for Services	263	—
Lottery Revenues	—	10,046
Investment Earnings	11,585	872
Other	<u>6,270</u>	<u>—</u>
Total Revenues	<u>328,544</u>	<u>10,918</u>
Expenditures:		
Legislative	4,440	—
Administration	—	3
Environmental Protection	132,319	—
Employment Programs	53,540	—
Education	—	—
Military Affairs and Public Safety Revenue	— 32,577	— —
Veterans Assistance	—	1
Regulatory Boards and Commissions	20,277	1
Capital Outlay	—	—
Debt Service:		
Principal	—	40,220
Interest	<u>—</u>	<u>35,278</u>
Total Expenditures	<u>243,153</u>	<u>75,505</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>85,391</u>	<u>(64,587)</u>
Other Financing Sources (Uses):		
Transfers In	2,320	66,262
Transfers Out	<u>(33,204)</u>	<u>(257)</u>
Total Other Financing Sources (Uses)	<u>(30,884)</u>	<u>66,005</u>
Net Change in Fund Balances	54,507	1,418
Fund Balances, Beginning of Year	<u>336,847</u>	<u>51,388</u>
Fund Balances, End of Year	<u>\$391,354</u>	<u>\$ 52,806</u>

<u>Capital Projects</u>		<u>Permanent Fund</u>	
<u>Education Arts, Sciences, and Tourism Fund</u>	<u>Lease Purchase Account</u>	<u>Irreducible School</u>	<u>Total</u>
\$ —	\$ —	\$ —	\$150,999
—	—	—	159,427
—	—	4	267
—	—	—	10,046
2	1	—	12,460
<u>—</u>	<u>—</u>	<u>353</u>	<u>6,623</u>
<u>2</u>	<u>1</u>	<u>357</u>	<u>339,822</u>
—	—	—	4,440
—	—	—	3
—	—	—	132,319
—	—	—	53,540
12,605	—	—	12,605
—	—	—	2
—	—	—	32,577
—	—	—	1
—	—	—	20,278
6,601	—	—	6,601
—	—	—	40,220
<u>—</u>	<u>—</u>	<u>—</u>	<u>35,278</u>
<u>19,206</u>	<u>—</u>	<u>—</u>	<u>337,864</u>
<u>(19,204)</u>	<u>1</u>	<u>357</u>	<u>1,958</u>
—	—	—	68,582
<u>—</u>	<u>—</u>	<u>(327)</u>	<u>(33,788)</u>
<u>—</u>	<u>—</u>	<u>(327)</u>	<u>34,794</u>
(19,204)	1	30	36,752
<u>22,699</u>	<u>10,254</u>	<u>1,327</u>	<u>422,515</u>
<u>\$ 3,495</u>	<u>\$10,255</u>	<u>\$1,357</u>	<u>\$459,267</u>





# *SPECIAL REVENUE FUNDS*

## *Nonmajor Funds*

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

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

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

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

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

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

## West Virginia

---

### Combining Balance Sheet Nonmajor Special Revenue Funds June 30, 2014 (Expressed in Thousands)

	Environmental Protection	Public Service Commission	Crime Victims' Compensation
Assets:			
Cash and Cash Equivalents	\$296,609	\$24,454	\$2,345
Investments	—	—	—
Receivables, Net	3,846	262	1
Due from Other Governments	—	1,886	—
Due from Other Funds	—	16	—
Inventories	—	—	—
Restricted Assets:			
Cash and Cash Equivalents	<u>363</u>	<u>1,160</u>	<u>—</u>
Total Assets	<u>\$300,818</u>	<u>\$27,778</u>	<u>\$2,346</u>
Liabilities:			
Accounts Payable	\$ 6,908	\$ 114	\$ 1
Accrued and Other Liabilities	1,601	1,499	—
Due to Other Governments	2,530	7,153	—
Due to Other Funds	52	7,086	—
Due to Component Units	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities	<u>11,091</u>	<u>15,852</u>	<u>1</u>
Fund Balances (Deficits):			
Nonspendable:			
Inventories	—	—	—
Restricted for:			
Development, Tourism, and Recreation	—	—	—
Public Protection	41,597	3,343	—
Committed to:			
General Government Operations	—	—	2,345
Public Protection	238,568	8,549	—
Assigned to:			
Public Protection	9,562	34	—
Unassigned	<u>—</u>	<u>—</u>	<u>—</u>
Total Fund Balances (Deficits)	<u>289,727</u>	<u>11,926</u>	<u>2,345</u>
Total Liabilities and Fund Balances	<u>\$300,818</u>	<u>\$27,778</u>	<u>\$2,346</u>

<u>Insurance Commission</u>	<u>WORKFORCE West Virginia</u>	<u>Wildlife Resources Fund</u>	<u>Total</u>
\$ 48,964	\$2,331	\$ 5	\$374,708
—	—	51,629	51,629
5,783	137	859	10,888
—	—	—	1,886
1	34	—	51
—	31	—	31
<u>—</u>	<u>—</u>	<u>—</u>	<u>1,523</u>
<u>\$54,748</u>	<u>\$2,533</u>	<u>\$52,493</u>	<u>\$440,716</u>
\$ 670	\$ 52	\$ —	\$ 7,745
1,579	817	—	5,496
—	108	—	9,791
8,803	10,322	—	26,263
<u>67</u>	<u>—</u>	<u>—</u>	<u>67</u>
<u>11,119</u>	<u>11,299</u>	<u>—</u>	<u>49,362</u>
—	31	—	31
—	—	52,493	52,493
—	—	—	44,940
—	—	—	2,345
43,629	—	—	290,746
—	—	—	9,596
<u>—</u>	<u>(8,797)</u>	<u>—</u>	<u>(8,797)</u>
<u>43,629</u>	<u>(8,766)</u>	<u>52,493</u>	<u>391,354</u>
<u>\$54,748</u>	<u>\$2,533</u>	<u>\$52,493</u>	<u>\$440,716</u>

## West Virginia

---

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)**

	<b>Environmental Protection</b>	<b>Public Service Commission</b>	<b>Crime Victims' Compensation</b>
Revenues:			
Intergovernmental	\$ 97,451	\$ 2,241	\$ 1,481
Licenses, Permits, and Fees	90,008	21,854	1,460
Charges for Services	—	263	—
Investment Earnings	3,544	—	28
Other	<u>6,224</u>	<u>—</u>	<u>46</u>
Total Revenues	<u>197,227</u>	<u>24,358</u>	<u>3,015</u>
Expenditures:			
Legislative	—	—	4,440
Environmental Protection	132,319	—	—
Employment Programs	—	—	—
Revenue	—	—	—
Regulatory Boards and Commissions	<u>—</u>	<u>20,277</u>	<u>—</u>
Total Expenditures	<u>132,319</u>	<u>20,277</u>	<u>4,440</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>64,908</u>	<u>4,081</u>	<u>(1,425)</u>
Other Financing Sources (Uses):			
Transfers In	1,011	—	—
Transfers Out	<u>(21,088)</u>	<u>(114)</u>	<u>(2)</u>
Total Other Financing Sources (Uses)	<u>(20,077)</u>	<u>(114)</u>	<u>(2)</u>
Net Change in Fund Balances	44,831	3,967	(1,427)
Fund Balances (Deficits), Beginning of Year	<u>244,896</u>	<u>7,959</u>	<u>3,772</u>
Fund Balances (Deficits), End of Year	<u>\$289,727</u>	<u>\$11,926</u>	<u>\$2,345</u>

<u>Insurance Commission</u>	<u>WORKFORCE West Virginia</u>	<u>Wildlife Resources Fund</u>	<u>Total</u>
\$ —	\$49,826	\$ —	\$150,999
45,461	—	644	159,427
—	—	—	263
4	—	8,009	11,585
<u>—</u>	<u>—</u>	<u>—</u>	<u>6,270</u>
<u>45,465</u>	<u>49,826</u>	<u>8,653</u>	<u>328,544</u>
—	—	—	4,440
—	—	—	132,319
—	53,540	—	53,540
32,577	—	—	32,577
<u>—</u>	<u>—</u>	<u>—</u>	<u>20,277</u>
<u>32,577</u>	<u>53,540</u>	<u>—</u>	<u>243,153</u>
<u>12,888</u>	<u>(3,714)</u>	<u>8,653</u>	<u>85,391</u>
—	1,309	—	2,320
<u>(10,000)</u>	<u>—</u>	<u>(2,000)</u>	<u>(33,204)</u>
<u>(10,000)</u>	<u>1,309</u>	<u>(2,000)</u>	<u>(30,884)</u>
2,888	(2,405)	6,653	54,507
<u>40,741</u>	<u>(6,361)</u>	<u>45,840</u>	<u>336,847</u>
<u>\$43,629</u>	<u>\$ (8,766)</u>	<u>\$52,493</u>	<u>\$391,354</u>

# *DEBT SERVICE FUNDS*

## *Nonmajor Funds*

**West Virginia Infrastructure and Jobs Development Council** The Council coordinates the review and funding of water, wastewater, and economic development projects in the State. This Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest for the Council's general obligation debt.

**Education, Arts, Sciences, and Tourism Fund** This Fund is used to account for and report the financial resources that are restricted, committed, or assigned to expenditure for principal and interest on the bonds issued to provide public financial support for constructing, equipping, improving, and maintaining capital improvement projects which promote education, arts, sciences, and tourism in the State.

**Lease Purchase Account** This Account is established to ensure that revenues and expenditures for the debt service of the lease-purchase agreements are properly recorded.

**Economic Development Project Fund** This Fund is used to account for and report the financial resources that are restricted, committed, or assigned to expenditure for principal and interest on the bonds issued to provide funds to finance a portion of the costs of construction, equipping, improving or maintaining economic development projects, capital improvement projects and infrastructure projects which promote economic development in the State.

**Combining Balance Sheet  
Nonmajor Debt Service Funds  
June 30, 2014  
(Expressed in Thousands)**

	<b>Education, Arts, Sciences, and Tourism <u>Fund</u></b>	<b>Lease Purchase <u>Account</u></b>	<b>Economic Development Project <u>Fund</u></b>	<b><u>Total</u></b>
Assets:				
Cash and Cash Equivalents	\$ 2	\$6,819	\$25,940	\$32,761
Investments	—	—	18,990	18,990
Due from Component Units	<u>1,000</u>	<u>55</u>	<u>—</u>	<u>1,055</u>
Total Assets	<u>\$1,002</u>	<u>\$6,874</u>	<u>\$44,930</u>	<u>\$52,806</u>
Fund Balances:				
Restricted for Debt Service	<u>\$1,002</u>	<u>\$6,874</u>	<u>\$44,930</u>	<u>\$52,806</u>
Total Fund Balances	<u>\$1,002</u>	<u>\$6,874</u>	<u>\$44,930</u>	<u>\$52,806</u>



## West Virginia

---

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Debt Service Funds  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)**

	<b>West Virginia Infrastructure and Jobs Development <u>Council</u></b>	<b>Education, Arts, Sciences, and Tourism <u>Fund</u></b>	<b>Lease Purchase <u>Account</u></b>	<b>Economic Development Project <u>Fund</u></b>	<b><u>Total</u></b>
Revenues:					
Lottery Revenues	\$ —	\$ 9,999	\$ 47	\$ —	\$ 10,046
Investment Earnings	<u>7</u>	<u>—</u>	<u>—</u>	<u>865</u>	<u>872</u>
Total Revenues	<u>7</u>	<u>9,999</u>	<u>47</u>	<u>865</u>	<u>10,918</u>
Expenditures:					
Administration	—	—	3	—	3
Military Affairs and Public Safety	—	—	2	—	2
Veterans Assistance	—	—	1	—	1
Regulatory Boards and Commissions	—	—	1	—	1
Debt Service:					
Principal	15,505	2,880	12,595	9,240	40,220
Interest	<u>7,264</u>	<u>7,119</u>	<u>11,357</u>	<u>9,538</u>	<u>35,278</u>
Total Expenditures	<u>22,769</u>	<u>9,999</u>	<u>23,959</u>	<u>18,778</u>	<u>75,505</u>
Deficiency of Revenues Over Expenditures	<u>(22,762)</u>	<u>—</u>	<u>(23,912)</u>	<u>(17,913)</u>	<u>(64,587)</u>
Other Financing Sources (Uses):					
Transfers In	23,000	—	24,275	18,987	66,262
Transfers Out	<u>(257)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(257)</u>
Total Other Financing Sources	<u>22,743</u>	<u>—</u>	<u>24,275</u>	<u>18,987</u>	<u>66,005</u>
Net Change in Fund Balances	(19)	—	363	1,074	1,418
Fund Balances, Beginning of Year	<u>19</u>	<u>1,002</u>	<u>6,511</u>	<u>43,856</u>	<u>51,388</u>
Fund Balances, End of Year	<u>\$ —</u>	<u>\$ 1,002</u>	<u>\$ 6,874</u>	<u>\$ 44,930</u>	<u>\$ 52,806</u>



# *INTERNAL SERVICE FUNDS FINANCIAL STATEMENTS*

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

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

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

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

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

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

**Combining Statement of Fund Net Position**  
**Internal Service Funds**  
**June 30, 2014**  
**(Expressed in Thousands)**

	State Building Fund	Information Services and Communications	Travel Management	Investment Management Board	Board of Treasury Investments	Total
Assets:						
Current Assets:						
Cash and Cash Equivalents	\$ 3,890	\$ 7,254	\$ 2,357	\$ 4,012	\$ 335	\$ 17,848
Receivables, Net	644	109	—	8,122	672	9,547
Due from Other Funds	202	4,072	129	—	—	4,403
Due from Component Units	223	59	—	—	—	282
Inventories	412	425	—	—	—	837
Other Assets	—	—	—	97	—	97
Restricted Assets:						
Cash and Cash Equivalents	—	—	5,163	—	—	5,163
Total Current Assets	<u>5,371</u>	<u>11,919</u>	<u>7,649</u>	<u>12,231</u>	<u>1,007</u>	<u>38,177</u>
Noncurrent Assets:						
Restricted Assets:						
Cash and Cash Equivalents	34,736	—	—	—	—	34,736
Capital Assets, Net	<u>114,608</u>	<u>4,062</u>	<u>17,874</u>	<u>443</u>	<u>3</u>	<u>136,990</u>
Total Noncurrent Assets	<u>149,344</u>	<u>4,062</u>	<u>17,874</u>	<u>443</u>	<u>3</u>	<u>171,726</u>
Total Assets	<u>154,715</u>	<u>15,981</u>	<u>25,523</u>	<u>12,674</u>	<u>1,010</u>	<u>209,903</u>
Liabilities:						
Current Liabilities:						
Accounts Payable	2,959	1,578	15	8,259	496	13,307
Accrued and Other Liabilities	128	349	16	—	—	493
Due to Other Governments	43	119	5	—	—	167
Due to Other Funds	2,625	7,016	343	—	—	9,984
Due to Component Units	—	—	—	—	8	8
Capital Leases and Other Debt	<u>113</u>	<u>533</u>	<u>7,240</u>	<u>—</u>	<u>—</u>	<u>7,886</u>
Total Current Liabilities	<u>5,868</u>	<u>9,595</u>	<u>7,619</u>	<u>8,259</u>	<u>504</u>	<u>31,845</u>
Noncurrent Liabilities:						
Capital Leases and Other Debt	2,965	432	7,881	—	—	11,278
Compensated Absences	<u>363</u>	<u>1,198</u>	<u>48</u>	<u>—</u>	<u>—</u>	<u>1,609</u>
Total Noncurrent Liabilities	<u>3,328</u>	<u>1,630</u>	<u>7,929</u>	<u>—</u>	<u>—</u>	<u>12,887</u>
Total Liabilities	<u>9,196</u>	<u>11,225</u>	<u>15,548</u>	<u>8,259</u>	<u>504</u>	<u>44,732</u>
Net Position:						
Net Investment in Capital Assets	111,530	3,230	2,753	443	3	117,959
Restricted for Capital Projects	34,737	—	—	—	—	34,737
Unrestricted (Deficit)	<u>(748)</u>	<u>1,526</u>	<u>7,222</u>	<u>3,972</u>	<u>503</u>	<u>12,475</u>
Total Net Position	<u>\$145,519</u>	<u>\$4,756</u>	<u>\$9,975</u>	<u>\$ 4,415</u>	<u>\$ 506</u>	<u>\$165,171</u>

**Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Position  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)**

	<b>State Building Fund</b>	<b>Information Services and Communications</b>	<b>Travel Management</b>	<b>Investment Management Board</b>	<b>Board of Treasury Investments</b>	<b>Total</b>
Operating Revenues:						
Charges for Services	\$ 16,248	\$40,683	\$ 8,846	\$44,911	\$2,968	\$113,656
Operating Expenses:						
Cost of Sales and Services	22,415	57,936	1,934	40,545	2,504	125,334
General and Administration	1,377	748	779	4,298	216	7,418
Depreciation and Amortization	<u>4,482</u>	<u>4,625</u>	<u>8,187</u>	<u>71</u>	<u>3</u>	<u>17,368</u>
Total Operating Expenses	<u>28,274</u>	<u>63,309</u>	<u>10,900</u>	<u>44,914</u>	<u>2,723</u>	<u>150,120</u>
Operating Income (Loss)	(12,026)	(22,626)	(2,054)	(3)	245	(36,464)
Nonoperating Revenues (Expenses):						
Entitlements, Grants, and Shared Revenues	—	31,078	—	—	—	31,078
Loss on Sale of Equipment	—	—	(52)	—	—	(52)
Investment Income	6	—	—	—	—	6
Interest Expense	(168)	(24)	—	—	—	(192)
Lottery Revenues	8,145	—	—	—	—	8,145
Other Nonoperating Revenues	<u>—</u>	<u>—</u>	<u>125</u>	<u>—</u>	<u>—</u>	<u>125</u>
Total Nonoperating Revenues, Net	<u>7,983</u>	<u>31,054</u>	<u>73</u>	<u>—</u>	<u>—</u>	<u>39,110</u>
Income (Loss) Before						
Capital Contributions and Transfers	(4,043)	8,428	(1,981)	(3)	245	2,646
Capital Contributions	2,943	237	—	—	—	3,180
Transfers In	3,584	—	1,229	—	—	4,813
Transfers Out	<u>(5,400)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(5,400)</u>
Total Capital Contributions and Transfers	<u>1,127</u>	<u>237</u>	<u>1,229</u>	<u>—</u>	<u>—</u>	<u>2,593</u>
Change in Net Position	(2,916)	8,665	(752)	(3)	245	5,239
Net Position, Beginning of Year	<u>148,435</u>	<u>(3,909)</u>	<u>10,727</u>	<u>4,418</u>	<u>261</u>	<u>159,932</u>
Net Position, End of Year	<u>\$145,519</u>	<u>\$ 4,756</u>	<u>\$9,975</u>	<u>\$ 4,415</u>	<u>\$ 506</u>	<u>\$165,171</u>

**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2014**  
(Expressed in Thousands)

	<b>State Building Fund</b>	<b>Information Services and Communications</b>	<b>Travel Management</b>	<b>Investment Management Board</b>	<b>Board of Treasury Investments</b>	<b>Total</b>
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 15,677	\$ 44,417	\$ 9,087	\$ 44,786	\$ 2,763	\$ 116,730
Payments to Suppliers	(18,309)	(54,696)	(2,425)	(41,343)	(2,691)	(119,464)
Payments to Employees	<u>(5,387)</u>	<u>(16,323)</u>	<u>(949)</u>	<u>(3,394)</u>	<u>—</u>	<u>(26,053)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(8,019)</u>	<u>(26,602)</u>	<u>5,713</u>	<u>49</u>	<u>72</u>	<u>(28,787)</u>
Cash Flows from Noncapital Financing Activities:						
Transfers In	11,729	—	1,229	—	—	12,958
Transfers Out	(5,400)	—	—	—	—	(5,400)
Entitlements and Grants	<u>—</u>	<u>31,078</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>31,078</u>
Net Cash Provided by Noncapital Financing Activities	<u>6,329</u>	<u>31,078</u>	<u>1,229</u>	<u>—</u>	<u>—</u>	<u>38,636</u>
Cash Flows from Capital and Related Financing Activities:						
Proceeds from Sale of Capital Bonds and Other Debts	—	—	6,314	—	—	6,314
Repayment of Capital Debt	(108)	(4,314)	(7,353)	—	—	(11,775)
Interest Paid on Capital Debt	(168)	(24)	—	—	—	(192)
Acquisition and Construction of Capital Assets	<u>(11,377)</u>	<u>(511)</u>	<u>(2,931)</u>	<u>(162)</u>	<u>(1)</u>	<u>(14,982)</u>
Net Cash Used for Capital and Related Financing Activities	<u>(11,653)</u>	<u>(4,849)</u>	<u>(3,970)</u>	<u>(162)</u>	<u>(1)</u>	<u>(20,635)</u>
Cash Flows from Investing Activities:						
Purchase of Investments	(3,355)	—	—	—	—	(3,355)
Proceeds from Sale of Investments	3,355	—	—	—	—	3,355
Investment Earnings	<u>6</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6</u>
Net Cash Provided by Investing Activities	<u>6</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(13,337)	(373)	2,972	(113)	71	(10,780)
Cash and Cash Equivalents, Beginning of Year	<u>51,963</u>	<u>7,627</u>	<u>4,548</u>	<u>4,125</u>	<u>264</u>	<u>68,527</u>
Cash and Cash Equivalents, End of Year	<u>\$38,626</u>	<u>\$ 7,254</u>	<u>\$ 7,520</u>	<u>\$ 4,012</u>	<u>\$ 335</u>	<u>\$ 57,747</u>

**Combining Statement of Cash Flows  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)  
(Continued)**

	<b>State Building Fund</b>	<b>Information Services and Communications</b>	<b>Travel Management</b>	<b>Investment Management Board</b>	<b>Board of Treasury Investments</b>	<b>Total</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for)						
Operating Activities:						
Operating Income (Loss)	\$(12,026)	\$ (22,626)	\$ (2,054)	\$ (3)	\$ 245	\$ (36,464)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Depreciation and Amortization	4,482	4,625	8,187	71	3	17,368
Changes in Assets and Liabilities:						
Receivables	(571)	3,734	241	(125)	(206)	3,073
Inventories	(154)	(123)	-	-	-	(277)
Other Assets	-	-	-	(5)	-	(5)
Accounts Payable and Accrued Liabilities	184	(12,424)	(624)	111	30	(12,723)
Other Liabilities	<u>66</u>	<u>212</u>	<u>(37)</u>	<u>-</u>	<u>-</u>	<u>241</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (8,019)</u>	<u>\$ (26,602)</u>	<u>\$ 5,713</u>	<u>\$ 49</u>	<u>\$ 72</u>	<u>\$ (28,787)</u>





# *PROPRIETARY FUNDS - NONMAJOR*

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

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

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

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

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

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

**Combining Statement of Net Position  
Nonmajor Proprietary Funds  
June 30, 2014  
(Expressed in Thousands)**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Drinking Water Treatment Revolving Fund</u>	<u>Alcohol Beverage Control Administration</u>	<u>West Virginia Prepaid College Plan</u>
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 20,269	\$18,373	\$ 2,535
Receivables, Net	7,969	177	323
Due from Other Funds	—	1	22
Due from Component Units	—	—	—
Inventories	—	14	—
Other Assets	—	—	—
Total Current Assets	<u>28,238</u>	<u>18,565</u>	<u>2,880</u>
Noncurrent Assets:			
Investments	—	—	77,100
Receivables, Net	110,567	522	321
Capital Assets, Net	—	<u>2,443</u>	—
Total Noncurrent Assets	<u>110,567</u>	<u>2,965</u>	<u>77,421</u>
Total Assets	<u>138,805</u>	<u>21,530</u>	<u>80,301</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	2	3,923	48
Accrued Tuition Contract Benefits	—	—	16,415
Accrued and Other Liabilities	—	—	—
Due to Other Funds	—	1,938	199
Due to Component Unit	40	—	—
Insurance and Compensation Benefits Obligations	—	—	—
Insurance Claims Obligations	—	—	—
Compensated Absences	—	—	60
Total Current Liabilities	<u>42</u>	<u>5,861</u>	<u>16,722</u>
Noncurrent Liabilities:			
Accrued Tuition Contract Benefits	—	—	70,207
Insurance and Compensation Benefits Obligations	—	—	—
Compensated Absences	—	<u>242</u>	—
Total Noncurrent Liabilities	<u>—</u>	<u>242</u>	<u>70,207</u>
Total Liabilities	<u>42</u>	<u>6,103</u>	<u>86,929</u>
Net Position (Deficit):			
Net Investment in Capital Assets	—	2,443	—
Restricted for:			
General Government Operations	—	—	996
Lending Activities	138,763	514	—
Insurance Activities	—	—	—
Unrestricted (Deficit)	<u>—</u>	<u>12,470</u>	<u>(7,624)</u>
Total Net Position (Deficit)	<u>\$138,763</u>	<u>\$15,427</u>	<u>\$ (6,628)</u>

<u>West Virginia Correctional Industries</u>	<u>AccessWV</u>	<u>State Entities Workers' Compensation</u>	<u>Total</u>
\$2,673	\$4,905	\$22,375	\$ 71,130
44	—	—	8,513
1,047	—	—	1,070
90	—	—	90
1,972	—	—	1,986
—	—	<u>18,542</u>	<u>18,542</u>
<u>5,826</u>	<u>4,905</u>	<u>40,917</u>	<u>101,331</u>
—	—	—	77,100
—	—	—	111,410
<u>591</u>	<u>—</u>	<u>—</u>	<u>3,034</u>
<u>591</u>	<u>—</u>	<u>—</u>	<u>191,544</u>
<u>6,417</u>	<u>4,905</u>	<u>40,917</u>	<u>292,875</u>
149	—	—	4,122
—	—	—	16,415
—	51	—	51
—	34	—	2,171
—	—	—	40
—	—	8,500	8,500
—	70	—	70
—	—	—	60
<u>149</u>	<u>155</u>	<u>8,500</u>	<u>31,429</u>
—	—	—	70,207
—	—	4,200	4,200
<u>129</u>	<u>—</u>	<u>—</u>	<u>371</u>
<u>129</u>	<u>—</u>	<u>4,200</u>	<u>74,778</u>
<u>278</u>	<u>155</u>	<u>12,700</u>	<u>106,207</u>
591	—	—	3,034
—	—	—	996
—	—	—	139,277
—	4,750	28,217	32,967
<u>5,548</u>	<u>—</u>	<u>—</u>	<u>10,394</u>
<u>\$6,139</u>	<u>\$4,750</u>	<u>\$28,217</u>	<u>\$186,668</u>

**Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Position  
Nonmajor Proprietary Funds  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)**

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Drinking Water Treatment Revolving Fund</u>	<u>Alcohol Beverage Control Administration</u>	<u>West Virginia Prepaid College Plan</u>
Operating Revenues:			
Charges for Services and Sales	\$ 1,224	\$91,373	\$ —
Insurance Premiums	—	—	—
Tuition Contracts	—	—	40
Licenses, Permits, and Fees	—	3,826	—
Other	<u>—</u>	<u>142</u>	<u>1,239</u>
Total Operating Revenues	<u>1,224</u>	<u>95,341</u>	<u>1,279</u>
Operating Expenses:			
Cost of Sales and Services	—	70,968	—
Insurance Claims and Claims Adjustment Provisions	—	—	—
Tuition Contract Benefits and Expenses	—	—	3,895
General and Administration	—	5,115	1,028
Depreciation and Amortization	—	195	—
Other	<u>3,287</u>	<u>—</u>	<u>—</u>
Total Operating Expenses	<u>3,287</u>	<u>76,278</u>	<u>4,923</u>
Operating Income (Loss)	(2,063)	19,063	(3,644)
Nonoperating Revenues (Expenses):			
Loss on Sale of Equipment	—	—	—
Interest and Other Investment Income	26	—	9,651
Other Nonoperating Revenues	<u>—</u>	<u>164</u>	<u>—</u>
Total Nonoperating Revenues (Expenses), Net	<u>26</u>	<u>164</u>	<u>9,651</u>
Income (Loss) Before Transfers	(2,037)	19,227	6,007
Transfers:			
Transfers In	6,671	—	147
Transfers Out	<u>—</u>	<u>(15,606)</u>	<u>—</u>
Total Transfers	<u>6,671</u>	<u>(15,606)</u>	<u>147</u>
Change in Net Position	4,634	3,621	6,154
Net Position (Deficit), Beginning of Year	<u>134,129</u>	<u>11,806</u>	<u>(12,782)</u>
Net Position (Deficit), End of Year	<u>\$138,763</u>	<u>\$15,427</u>	<u>\$(6,628)</u>

<b>West Virginia Correctional Industries</b>	<b><u>AccessWV</u></b>	<b>State Entities Workers' <u>Compensation</u></b>	<b><u>Total</u></b>
\$7,800	\$3,809	\$ —	\$104,206
—	—	15,702	15,702
—	—	—	40
—	—	—	3,826
<u>—</u>	<u>128</u>	<u>—</u>	<u>1,509</u>
<u>7,800</u>	<u>3,937</u>	<u>15,702</u>	<u>125,283</u>
4,159	—	—	75,127
—	6,810	9,896	16,706
—	—	—	3,895
2,980	399	1,390	10,912
76	—	—	271
<u>—</u>	<u>—</u>	<u>—</u>	<u>3,287</u>
<u>7,215</u>	<u>7,209</u>	<u>11,286</u>	<u>110,198</u>
585	(3,272)	4,416	15,085
(14)	—	—	(14)
—	58	—	9,735
<u>—</u>	<u>—</u>	<u>—</u>	<u>164</u>
<u>(14)</u>	<u>58</u>	<u>—</u>	<u>9,885</u>
571	(3,214)	4,416	24,970
—	—	—	6,818
<u>(717)</u>	<u>—</u>	<u>—</u>	<u>(16,323)</u>
<u>(717)</u>	<u>—</u>	<u>—</u>	<u>(9,505)</u>
(146)	(3,214)	4,416	15,465
<u>6,285</u>	<u>7,964</u>	<u>23,801</u>	<u>171,203</u>
<u>\$6,139</u>	<u>\$4,750</u>	<u>\$28,217</u>	<u>\$186,668</u>

**Combining Statement of Cash Flows  
Nonmajor Proprietary Funds  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)**

	<u>Business-type Activities - Enterprise Funds</u>		
	<b>Drinking Water Treatment Revolving Fund</b>	<b>Alcohol Beverage Control Administration</b>	<b>West Virginia Prepaid College Plan</b>
Cash Flows From Operating Activities:			
Receipts from Customers	\$ 6,044	\$ 95,356	\$ 302
Payments to Suppliers	-	(71,532)	(622)
Payments to Employees	-	(3,783)	(559)
Payments to Beneficiaries	-	-	(9,122)
Payments for Loans Originated	(15,681)	-	-
Payments for Premiums	-	-	-
Payments to Claimants	-	-	-
Other Operating Cash Receipts	-	-	1,224
Other Operating Cash Payments	<u>(22)</u>	<u>-</u>	<u>-</u>
Net Cash Provided by (Used for) Operating Activities	<u>(9,659)</u>	<u>20,041</u>	<u>(8,777)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In	6,671	-	181
Transfers Out	-	(15,606)	-
Entitlements and Grants	-	164	-
Provided from Issuing Liquor Licenses	<u>-</u>	<u>451</u>	<u>-</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>6,671</u>	<u>(14,991)</u>	<u>181</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	<u>-</u>	<u>(378)</u>	<u>-</u>
Net Cash Used for Capital and Related Financing Activities	<u>-</u>	<u>(378)</u>	<u>-</u>
Cash Flows from Investing Activities:			
Purchase of Investments	-	-	(1,276)
Proceeds from Sale of Investments	-	-	9,250
Investment Earnings	<u>26</u>	<u>-</u>	<u>1,278</u>
Net Cash Provided by Investing Activities	<u>26</u>	<u>-</u>	<u>9,252</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,962)	4,672	656
Cash and Cash Equivalents, Beginning of Year	<u>23,231</u>	<u>13,701</u>	<u>1,879</u>
Cash and Cash Equivalents, End of Year	<u>\$ 20,269</u>	<u>\$ 18,373</u>	<u>\$ 2,535</u>

<b>West Virginia Correctional Industries</b>	<b>Access WV</b>	<b>State Entities Workers' Compensation</b>	<b>Total</b>
\$8,067	\$ 3,809	\$ 20,663	\$134,241
(4,282)	(327)	(48)	(76,811)
(2,271)	(55)	-	(6,668)
-	-	-	(9,122)
-	-	-	(15,681)
-	-	(6,421)	(6,421)
-	-	(8,496)	(8,496)
-	200	-	1,424
<u>(765)</u>	<u>(7,950)</u>	<u>(2,706)</u>	<u>(11,443)</u>
<u>749</u>	<u>(4,323)</u>	<u>2,992</u>	<u>1,023</u>
-	-	-	6,852
(717)	-	-	(16,323)
-	-	-	164
<u>-</u>	<u>-</u>	<u>-</u>	<u>451</u>
<u>(717)</u>	<u>-</u>	<u>-</u>	<u>(8,856)</u>
(76)	-	-	(454)
-	-	-	-
<u>(76)</u>	<u>-</u>	<u>-</u>	<u>(454)</u>
-	-	-	(1,276)
-	-	-	9,250
<u>-</u>	<u>58</u>	<u>-</u>	<u>1,362</u>
-	-	-	-
<u>-</u>	<u>58</u>	<u>-</u>	<u>9,336</u>
(44)	(4,265)	2,992	1,049
<u>2,717</u>	<u>9,170</u>	<u>19,383</u>	<u>70,081</u>
<u>\$ 2,673</u>	<u>\$ 4,905</u>	<u>\$22,375</u>	<u>\$ 71,130</u>



**Combining Statement of Cash Flows  
 Nonmajor Proprietary Funds  
 For the Fiscal Year Ended June 30, 2014  
 (Expressed in Thousands)  
 (Continued)**

	<u>Business-type Activities - Enterprise Funds</u>		
	<b>Drinking Water Treatment Revolving Fund</b>	<b>Alcohol Beverage Control Administration</b>	<b>West Virginia Prepaid College Plan</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	\$(2,063)	\$ 19,063	\$ (3,644)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by (Used for) Operating Activities:			
Depreciation and Amortization	-	195	-
Changes in Assets and Liabilities:			
Receivables	(7,596)	15	245
Inventories	-	(5)	-
Accounts Payable and Accrued Liabilities	-	733	(102)
Tuition Contracts Benefits and Expenses	-	-	(5,226)
Due to/from Other Funds	-	32	(47)
Other Liabilities	-	-	-
Compensated Absences	<u>-</u>	<u>8</u>	<u>(3)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (9,659)</u>	<u>\$ 20,041</u>	<u>\$ (8,777)</u>
Schedule of Noncash Capital and Financing Activities:			
Unrealized Gain on Investments	\$ -	\$ -	\$ 8,372

<u>West Virginia Correctional Industries</u>	<u>Access WV</u>	<u>State Entities Workers' Compensation</u>	<u>Total</u>
\$ 585	\$ (3,272)	\$ 4,416	\$15,085
76	-	-	271
267	72	(2,706)	(9,703)
135	-	-	130
(317)	16	1,400	1,730
-	-	-	(5,226)
-	-	-	(15)
-	(1,139)	(118)	(1,257)
<u>3</u>	<u>-</u>	<u>-</u>	<u>8</u>
<u>\$ 749</u>	<u>\$ (4,323)</u>	<u>\$ 2,992</u>	<u>\$ 1,023</u>
\$ -	\$ -	\$ -	\$ 8,372

# *PENSION TRUST AND OTHER EMPLOYEE BENEFIT TRUST FUNDS*

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

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

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

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

**Combining Statement of Plan Net Position  
Pension Trust and Other Employee  
Benefit Trust Funds  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)**

	<b>Public Employees' Retirement System</b>	<b>Teachers' Retirement System</b>	<b>Public Safety Death, Disability, and Retirement Fund</b>	<b>State Police Retirement System</b>	<b>Judges' Retirement System</b>
Assets:					
Cash and Cash Equivalents	\$ 289	\$ 5	\$ 1	\$ —	\$ —
Investments:					
Equity in Pooled Investments	5,629,812	6,655,376	601,077	120,572	165,239
Mutual Funds	—	—	—	—	—
Receivables, Net:					
Contributions	4,220	23,063	—	—	—
Participant Loans	3	4,187	—	—	—
Accounts	—	—	—	—	—
Due from Other Funds	126,587	—	—	—	—
Due from Component Units	<u>469</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Assets	<u>5,761,380</u>	<u>6,682,631</u>	<u>601,078</u>	<u>120,572</u>	<u>165,239</u>
Liabilities:					
Accounts Payable	—	—	—	—	—
Accrued and Other Liabilities	208	513	1	—	—
Due to Other Funds	63	25	—	—	—
Due to Component Units	—	—	—	—	—
Insurance Claims Payable	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities	<u>271</u>	<u>538</u>	<u>1</u>	<u>—</u>	<u>—</u>
Net Position:					
Restricted for Pension Benefits	5,761,109	6,682,093	601,077	120,572	165,239
Held in Trust for Other Postemployment Benefits	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Net Position	<u>\$ 5,761,109</u>	<u>\$ 6,682,093</u>	<u>\$ 601,077</u>	<u>\$ 120,572</u>	<u>\$ 165,239</u>

<u>Teachers' Defined Contribution Retirement System</u>	<u>Deputy Sheriff Retirement System</u>	<u>Emergency Medical Services Retirement System</u>	<u>Municipal Police Officers and Firefighters</u>	<u>Total Pension Trust Funds</u>	<u>Other Employee Benefit Trust Fund</u>	<u>Total Pension and Other Employee Benefit Trust Funds</u>
\$ 6,181	\$ 20	\$ —	\$ —	\$ 6,496	\$ 110,303	\$ 116,799
—	161,491	53,343	1,150	13,388,060	584,257	13,972,317
400,030	—	—	—	400,030	—	400,030
1,748	744	306	52	30,133	1,942	32,075
20	494	—	—	4,704	—	4,704
—	—	—	—	—	5,525	5,525
—	—	—	—	126,587	1,477	128,064
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>469</u>	<u>229</u>	<u>698</u>
<u>407,979</u>	<u>162,749</u>	<u>53,649</u>	<u>1,202</u>	<u>13,956,479</u>	<u>703,733</u>	<u>14,660,212</u>
—	—	—	—	—	291	291
6,123	3	3	—	6,851	1,631	8,482
—	—	—	—	88	49	137
—	—	—	—	—	3	3
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,200</u>	<u>10,200</u>
<u>6,123</u>	<u>3</u>	<u>3</u>	<u>—</u>	<u>6,939</u>	<u>12,174</u>	<u>19,113</u>
401,856	162,746	53,646	1,202	13,949,540	—	13,949,540
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>691,559</u>	<u>691,559</u>
<u>\$ 401,856</u>	<u>\$ 162,746</u>	<u>\$ 53,646</u>	<u>\$ 1,202</u>	<u>\$ 13,949,540</u>	<u>\$ 691,559</u>	<u>\$ 14,641,099</u>

**Combining Statement of Changes in Plan Net Position  
Pension Trust and Other Employee  
Benefit Trust Funds  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)**

	<b>Public Employees' Retirement System</b>	<b>Teachers' Retirement System</b>	<b>Public Safety Death, Disability, and Retirement Fund</b>	<b>State Police Retirement System</b>	<b>Judges' Retirement System</b>
Additions:					
Contributions:					
Members	\$ 60,899	\$ 90,612	\$ 545	\$ 3,630	\$ 474
Employers	<u>194,728</u>	<u>514,248</u>	<u>26,218</u>	<u>4,049</u>	<u>2,456</u>
Total Contributions	<u>255,627</u>	<u>604,860</u>	<u>26,763</u>	<u>7,679</u>	<u>2,930</u>
Investment Income (Loss):					
Net Appreciation (Depreciation) in Fair Value of Investments	856,978	995,215	90,195	17,613	25,089
Interest	22,849	26,358	2,355	482	669
Investment Expense	<u>(15,804)</u>	<u>(18,393)</u>	<u>(1,678)</u>	<u>(339)</u>	<u>(495)</u>
Net Investment Income	<u>864,023</u>	<u>1,003,180</u>	<u>90,872</u>	<u>17,756</u>	<u>25,263</u>
Transfers to Plan	83	—	—	—	32
Other Income	<u>50</u>	<u>3,775</u>	<u>739</u>	<u>—</u>	<u>—</u>
Total Additions	<u>1,119,783</u>	<u>1,611,815</u>	<u>118,374</u>	<u>25,435</u>	<u>28,225</u>
Deductions:					
Benefits Expense	342,683	668,923	37,566	682	4,374
Forfeitures	—	—	—	—	—
Refunds of Contributions	10,929	7,287	—	230	81
Administrative Expenses	4,695	4,348	53	43	7
Transfer from Plan	<u>—</u>	<u>265</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deductions	<u>358,307</u>	<u>680,823</u>	<u>37,619</u>	<u>955</u>	<u>4,462</u>
Change in Net Position:					
Restricted for Pension Benefits	761,476	930,992	80,755	24,480	23,763
Held in Trust for Other Postemployment Benefits	—	—	—	—	—
Net Position, Beginning of Year	<u>4,999,633</u>	<u>5,751,101</u>	<u>520,322</u>	<u>96,092</u>	<u>141,476</u>
Net Position, End of Year	<u>\$ 5,761,109</u>	<u>\$ 6,682,093</u>	<u>\$ 601,077</u>	<u>\$ 120,572</u>	<u>\$ 165,239</u>

<u>Teachers' Defined Contribution Retirement System</u>	<u>Deputy Sheriff Retirement System</u>	<u>Emergency Medical Services Retirement System</u>	<u>Municipal Police Officers and Firefighters</u>	<u>Total Pension Trust Funds</u>	<u>Other Employee Benefit Trust Fund</u>	<u>Total Pension and Other Employee Benefit Trust Funds</u>
\$ 6,632	\$ 3,908	\$ 2,077	\$ 279	\$ 169,056	\$ 83,424	\$ 252,480
<u>10,284</u>	<u>5,977</u>	<u>2,442</u>	<u>279</u>	<u>760,681</u>	<u>159,632</u>	<u>920,313</u>
<u>16,916</u>	<u>9,885</u>	<u>4,519</u>	<u>558</u>	<u>929,737</u>	<u>243,056</u>	<u>1,172,793</u>
51,100	24,190	7,810	125	2,068,315	85,786	2,154,101
2	701	214	3	53,633	2,691	56,324
<u>—</u>	<u>(453)</u>	<u>(150)</u>	<u>(3)</u>	<u>(37,315)</u>	<u>—</u>	<u>(37,315)</u>
<u>51,102</u>	<u>24,438</u>	<u>7,874</u>	<u>125</u>	<u>2,084,633</u>	<u>88,477</u>	<u>2,173,110</u>
8	2	140	—	265	—	265
<u>258</u>	<u>556</u>	<u>1</u>	<u>—</u>	<u>5,379</u>	<u>422</u>	<u>5,801</u>
<u>68,284</u>	<u>34,881</u>	<u>12,534</u>	<u>683</u>	<u>3,020,014</u>	<u>331,955</u>	<u>3,351,969</u>
—	6,955	1,290	—	1,062,473	225,957	1,288,430
3,919	—	—	—	3,919	—	3,919
12,030	839	459	7	31,862	—	31,862
1,072	97	42	3	10,360	4,669	15,029
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>265</u>	<u>—</u>	<u>265</u>
<u>17,021</u>	<u>7,891</u>	<u>1,791</u>	<u>10</u>	<u>1,108,879</u>	<u>230,626</u>	<u>1,339,505</u>
51,263	26,990	10,743	673	1,911,135	—	1,911,135
—	—	—	—	—	101,329	101,329
<u>350,593</u>	<u>135,756</u>	<u>42,903</u>	<u>529</u>	<u>12,038,405</u>	<u>590,230</u>	<u>12,628,635</u>
<u>\$ 401,856</u>	<u>\$ 162,746</u>	<u>\$ 53,646</u>	<u>\$ 1,202</u>	<u>\$ 13,949,540</u>	<u>\$ 691,559</u>	<u>\$ 14,641,099</u>



# *INVESTMENT TRUST FUNDS*

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

**Combining Statement of Fiduciary Net Position  
Investment Trust Funds  
June 30, 2014  
(Expressed in Thousands)**

	<b>West Virginia Money Market</b>	<b>West Virginia Government Money Market</b>	<b>Total</b>
Assets:			
Cash and Cash Equivalents	<u>\$92,472</u>	<u>\$204,004</u>	<u>\$296,476</u>
Total Assets	<u>\$92,472</u>	<u>\$204,004</u>	<u>\$296,476</u>
Net Position:			
Held in Trust for External Investment Pool Participants	<u>\$92,472</u>	<u>\$204,004</u>	<u>\$296,476</u>
Total Net Position	<u>\$92,472</u>	<u>\$204,004</u>	<u>\$296,476</u>

**Combining Statement of Changes in Fiduciary Net Position  
Investment Trust Funds  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)**

	<b>West Virginia Money Market</b>	<b>West Virginia Government Money Market</b>	<b>Total</b>
Additions:			
Deposits, Pool Participants	\$293,302	\$565,349	\$858,651
Investment Income:			
Net Appreciation in Fair Value of Investments	<u>    125</u>	<u>    61</u>	<u>    186</u>
Total Additions	<u>293,427</u>	<u>565,410</u>	<u>858,837</u>
Deductions:			
Withdrawals	<u>272,440</u>	<u>610,035</u>	<u>882,475</u>
Change in Net Position Held in Trust for External Investment Pool Participants	<u>20,987</u>	<u>(44,625)</u>	<u>(23,638)</u>
Net Position, Beginning of Year	<u>71,485</u>	<u>248,629</u>	<u>320,114</u>
Net Position, End of Year	<u>\$ 92,472</u>	<u>\$204,004</u>	<u>\$296,476</u>

# *AGENCY FUNDS*

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

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

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

**Combining Statement of Assets and Liabilities  
Agency Funds  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)**

	Local Government		Other Agency			Total
	<u>Local Government</u>	<u>Municipal Bond Commission</u>	<u>Consolidated Investment Pool</u>	<u>Patient Injury Compensation Fund</u>	<u>Other Agency Funds</u>	
Assets:						
Current Assets:						
Cash and Cash Equivalents	\$ 484	\$ 2,984	\$ 40,498	\$ 2,196	\$ 19,694	\$ 65,856
Investments	—	—	8,598	—	—	8,598
Receivables, Net	—	—	122	—	—	122
Total Assets	<u>\$ 484</u>	<u>\$ 2,984</u>	<u>\$ 49,218</u>	<u>\$ 2,196</u>	<u>\$ 19,694</u>	<u>\$ 74,576</u>
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ —	\$ —	\$ —	\$ 12	\$ —	\$ 12
Due to Other Governments	484	2,984	—	—	—	3,468
Agency Liabilities	—	—	49,218	2,184	19,694	71,096
Total Liabilities	<u>\$ 484</u>	<u>\$ 2,984</u>	<u>\$ 49,218</u>	<u>\$ 2,196</u>	<u>\$ 19,694</u>	<u>\$ 74,576</u>

**Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)**

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Local Government</b>				
Assets:				
Cash	\$ 168	\$ 1,228,376	\$ 1,228,060	\$ 484
Total Assets	<u>\$ 168</u>	<u>\$ 1,228,376</u>	<u>\$ 1,228,060</u>	<u>\$ 484</u>
Liabilities:				
Accounts Payable	\$ —	\$ 9,319	\$ 9,319	\$ —
Due to Other Governments	168	1,219,057	1,218,741	484
Total Liabilities	<u>\$ 168</u>	<u>\$ 1,228,376</u>	<u>\$ 1,228,060</u>	<u>\$ 484</u>
<b>Municipal Bond Commission</b>				
Assets:				
Cash	\$ 2,244	\$ 808,275	\$ 807,535	\$ 2,984
Total Assets	<u>\$ 2,244</u>	<u>\$ 808,275</u>	<u>\$ 807,535</u>	<u>\$ 2,984</u>
Liabilities:				
Accounts Payable	\$ —	\$ 359,190	\$ 359,190	\$ —
Due to Other Governments	2,244	449,085	448,345	2,984
Total Liabilities	<u>\$ 2,244</u>	<u>\$ 808,275</u>	<u>\$ 807,535</u>	<u>\$ 2,984</u>
<b>Consolidated Investment Pool</b>				
Assets:				
Cash	\$ 5,216	\$ 32,867	\$ 32,912	\$ 5,171
Equity in Pooled Cash Equivalents	38,624	5,939	9,236	35,327
Investments	7,584	1,488	474	8,598
Accrued Interest Receivable	—	122	—	122
Total Assets	<u>\$ 51,424</u>	<u>\$ 40,416</u>	<u>\$ 42,622</u>	<u>\$ 49,218</u>
Liabilities:				
Accounts Payable	\$ —	\$ 3,594	\$ 3,594	\$ —
Agency Liabilities	51,424	36,822	39,028	49,218
Total Liabilities	<u>\$ 51,424</u>	<u>\$ 40,416</u>	<u>\$ 42,622</u>	<u>\$ 49,218</u>

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
<b>Patient Injury Compensation Fund</b>				
Assets:				
Cash and Cash Equivalents	\$ 25	\$ 5,302	\$ 3,302	\$ 2,025
Equity in Pooled Cash	<u>3,470</u>	<u>1</u>	<u>3,300</u>	<u>171</u>
Total Assets	<u>\$ 3,495</u>	<u>\$ 5,303</u>	<u>\$ 6,602</u>	<u>\$ 2,196</u>
Liabilities:				
Accounts Payable	\$ —	\$ 3,312	\$ 3,300	\$ 12
Agency Liabilities	<u>3,495</u>	<u>1,991</u>	<u>3,302</u>	<u>2,184</u>
Total Liabilities	<u>\$ 3,495</u>	<u>\$ 5,303</u>	<u>\$ 6,602</u>	<u>\$ 2,196</u>
<b>Other Agency Funds</b>				
Assets:				
Cash and Cash Equivalents	\$ 20,640	\$ 248,343	\$ 253,021	\$ 15,962
Equity in Pooled Cash	<u>3,660</u>	<u>279</u>	<u>207</u>	<u>3,732</u>
Total Assets	<u>\$ 24,300</u>	<u>\$ 248,622</u>	<u>\$ 253,228</u>	<u>\$ 19,694</u>
Liabilities:				
Accounts Payable	\$ —	\$ 2,871	\$ 2,871	\$ —
Agency Liabilities	<u>24,300</u>	<u>245,751</u>	<u>250,357</u>	<u>19,694</u>
Total Liabilities	<u>\$ 24,300</u>	<u>\$ 248,622</u>	<u>\$ 253,228</u>	<u>\$ 19,694</u>
<b>Total All Agency Funds</b>				
Assets:				
Cash and Cash Equivalents	\$ 28,293	\$ 2,323,163	\$ 2,324,830	\$ 26,626
Equity in Pooled Cash	45,754	6,219	12,743	39,230
Investments	7,584	1,488	474	8,598
Accrued Interest Receivable	<u>—</u>	<u>122</u>	<u>—</u>	<u>122</u>
Total Assets	<u>\$ 81,631</u>	<u>\$ 2,330,992</u>	<u>\$ 2,338,047</u>	<u>\$ 74,576</u>
Liabilities:				
Accounts Payable	\$ —	\$ 378,286	\$ 378,274	\$ 12
Due to Other Governments	2,412	1,668,142	1,667,086	3,468
Agency Liability	<u>79,219</u>	<u>284,564</u>	<u>292,687</u>	<u>71,096</u>
Total Liabilities	<u>\$ 81,631</u>	<u>\$ 2,330,992</u>	<u>\$ 2,338,047</u>	<u>\$ 74,576</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.

**Municipal Pensions Oversight Board** The Board's purpose is to monitor and improve the performance of municipal policemen's and firemen's pension and relief funds assuring prudent administration, investment, and management of the funds. The board also assists municipal boards of trustees in performing their duties related to pensions, assures the funds' compliance with applicable laws and distributes insurance premium tax revenues to the individual pension funds.



**Combining Statement of Net Position  
Nonmajor Discretely Presented Component Units  
June 30, 2014  
(Expressed in Thousands)**

	<u>Educational Broadcasting Authority</u>	<u>Jobs Investment Trust</u>	<u>WV State Rail Authority</u>
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$1,594	\$12,012	\$ 5,604
Investments	516	—	—
Receivables, Net	223	—	83
Due from Primary Government	5	—	74
Inventories	—	—	48
Other Assets	—	—	2
Restricted Assets:			
Cash and Cash Equivalents	—	520	—
Receivables, Net	—	—	—
Total Current Assets	<u>2,338</u>	<u>12,532</u>	<u>5,811</u>
Noncurrent Assets:			
Investments	—	6,756	—
Receivables, Net	—	4,809	—
Other Assets	—	231	—
Restricted Assets:			
Receivables, Net	—	—	—
Other Restricted Assets	229	—	—
Capital Assets, Net	<u>4,829</u>	<u>175</u>	<u>37,925</u>
Total Noncurrent Assets	<u>5,058</u>	<u>11,971</u>	<u>37,925</u>
Total Assets	<u>7,396</u>	<u>24,503</u>	<u>43,736</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	258	11	72
Accrued and Other Liabilities	—	24	41
Due to Primary Government	2,308	7	614
Unearned Revenue	24	—	3
Capital Leases and Other Debt	—	5,985	—
Compensated Absences	<u>300</u>	<u>—</u>	<u>56</u>
Total Current Liabilities	<u>2,890</u>	<u>6,027</u>	<u>786</u>
Noncurrent Liabilities:			
Accrued and Other Liabilities	—	—	—
Unearned Revenue	—	—	63
Liabilities Payable from Restricted Assets	—	—	—
Capital Leases and Other Debt	—	—	—
Compensated Absences	<u>—</u>	<u>—</u>	<u>—</u>
Total Noncurrent Liabilities	<u>—</u>	<u>—</u>	<u>63</u>
Total Liabilities	<u>2,890</u>	<u>6,027</u>	<u>849</u>
Deferred Inflows of Resources:			
Nonincentive Tax Credits	<u>—</u>	<u>6,000</u>	<u>—</u>
Total Deferred Inflows of Resources	<u>—</u>	<u>6,000</u>	<u>—</u>
Net Position (Deficit):			
Net Investment in Capital Assets	4,829	175	37,925
Restricted for:			
Nonexpendable	229	—	—
Specific Component Unit Purposes	—	—	—
Unrestricted	<u>(552)</u>	<u>12,301</u>	<u>4,962</u>
Total Net Position (Deficit)	<u>\$4,506</u>	<u>\$12,476</u>	<u>\$42,887</u>

<b>Solid Waste Management Board</b>	<b>Racing Commission</b>	<b>Public Defender Corporation</b>	<b>Municipal Pensions Oversight Board</b>	<b>Total</b>
\$3,219	\$3,202	\$2,629	\$27,427	\$55,687
—	—	—	—	516
276	52	—	—	634
—	—	—	—	79
—	—	—	—	48
1	—	46	—	49
2,983	25,536	—	—	29,039
<u>281</u>	<u>720</u>	<u>—</u>	<u>—</u>	<u>1,001</u>
<u>6,760</u>	<u>29,510</u>	<u>2,675</u>	<u>27,427</u>	<u>87,053</u>
—	—	—	—	6,756
—	—	—	—	4,809
—	—	—	—	231
1,360	—	—	—	1,360
—	—	—	—	229
<u>25</u>	<u>9</u>	<u>766</u>	<u>20</u>	<u>43,749</u>
<u>1,385</u>	<u>9</u>	<u>766</u>	<u>20</u>	<u>57,134</u>
<u>8,145</u>	<u>29,519</u>	<u>3,441</u>	<u>27,447</u>	<u>144,187</u>
144	688	16	99	1,288
—	73	234	24	396
301	1,106	3,560	5	7,901
—	—	—	—	27
—	—	—	—	5,985
<u>—</u>	<u>—</u>	<u>851</u>	<u>—</u>	<u>1,207</u>
<u>445</u>	<u>1,867</u>	<u>4,661</u>	<u>128</u>	<u>16,804</u>
200	—	—	—	200
—	—	—	—	63
—	25,535	—	—	25,535
—	—	—	—	—
<u>35</u>	<u>196</u>	<u>—</u>	<u>—</u>	<u>231</u>
<u>235</u>	<u>25,731</u>	<u>—</u>	<u>—</u>	<u>26,029</u>
<u>680</u>	<u>27,598</u>	<u>4,661</u>	<u>128</u>	<u>42,833</u>
—	—	—	—	6,000
—	—	—	—	6,000
25	9	766	20	43,749
—	—	—	—	229
4,424	—	—	27,299	31,723
<u>3,016</u>	<u>1,912</u>	<u>(1,986)</u>	<u>—</u>	<u>19,653</u>
<u>\$7,465</u>	<u>\$ 1,921</u>	<u>\$ (1,220)</u>	<u>\$27,319</u>	<u>\$95,354</u>

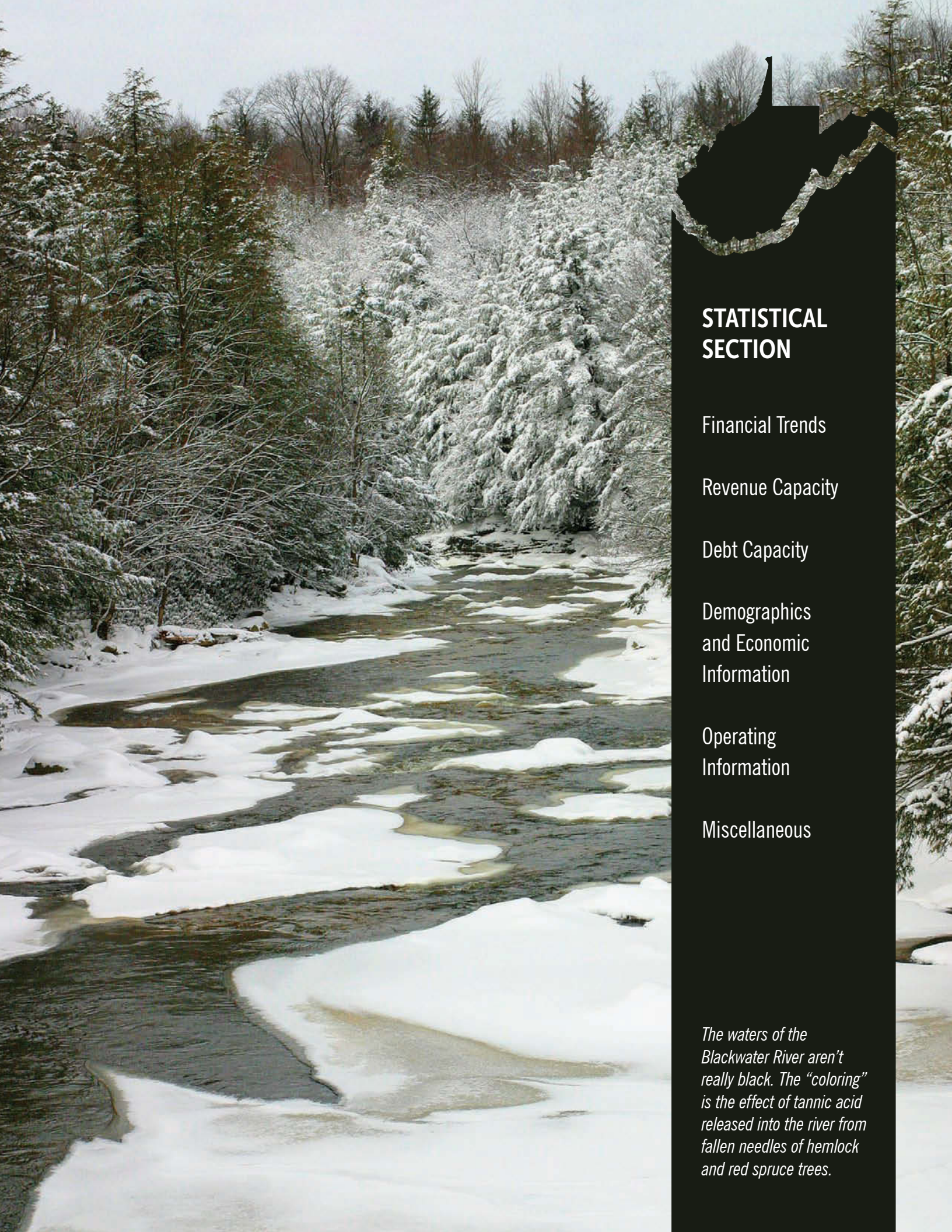
**Combining Statement of Activities  
Nonmajor Discretely Presented Component Units  
For the Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)**

		<b>Program Revenues</b>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Component Units:					
Educational Broadcasting Authority	\$ 10,103	\$ 1,915	\$1,509	\$ —	\$(6,679)
Jobs Investment Trust	2,539	508	6,810	—	4,779
WV State Rail Authority	4,698	2,145	—	108	(2,445)
Solid Waste Management Board	2,758	3,115	—	—	357
Racing Commission	5,884	3,361	—	—	(2,523)
Public Defender Corporation	17,281	—	39	—	(17,242)
Municipal Pensions Oversight Board	<u>18,590</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(18,590)</u>
Total Component Units	<u>\$61,853</u>	<u>\$11,044</u>	<u>\$8,358</u>	<u>\$108</u>	<u>\$(42,343)</u>

<u>General Revenue</u>							
Unrestricted Investment Earnings	Grants and Contributions Not Restricted for Specific Programs	Miscellaneous	Payments from the State of West Virginia	Total General Revenues and Special Item	Change in Net Position	Net Position Beginning of Year	Net Position, End of Year
\$ —	\$833	\$586	\$ 4,736	\$ 6,155	\$ (524)	\$ 5,030	\$ 4,506
32	—	—	—	32	4,811	7,665	12,476
26	—	—	1,661	1,687	(758)	43,645	42,887
—	—	2	—	2	359	7,106	7,465
—	—	7	—	7	(2,516)	4,437	1,921
2	—	—	16,915	16,917	(325)	(895)	(1,220)
<u>33</u>	<u>—</u>	<u>—</u>	<u>17,186</u>	<u>17,219</u>	<u>(1,371)</u>	<u>28,690</u>	<u>27,319</u>
<u>\$ 93</u>	<u>\$833</u>	<u>\$595</u>	<u>\$40,498</u>	<u>\$42,019</u>	<u>\$ (324)</u>	<u>\$95,678</u>	<u>\$95,354</u>







**STATISTICAL  
SECTION**

Financial Trends

Revenue Capacity

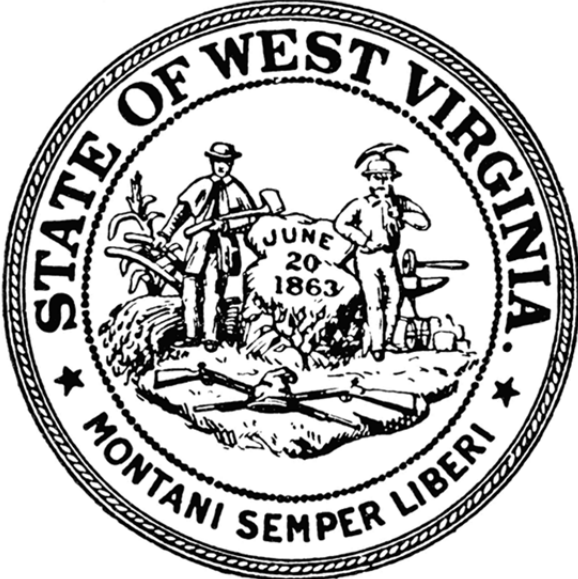
Debt Capacity

Demographics  
and Economic  
Information

Operating  
Information

Miscellaneous

*The waters of the  
Blackwater River aren't  
really black. The "coloring"  
is the effect of tannic acid  
released into the river from  
fallen needles of hemlock  
and red spruce trees.*





## Statistical Section Index

Financial Trends - These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Schedule 1 - Net Position by Component.....	240
Schedule 2 - Changes in Net Position .....	242
Schedule 3 - Fund Balances - Governmental Funds.....	246
Schedule 4 - Changes in Fund Balances - Governmental Funds.....	248

Revenue Capacity Information - These schedules contain trend information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.

Schedule 5 - Revenue Base.....	250
Schedule 6 - Revenue Rates.....	252
Schedule 7 - Revenue Payers by Industry/Category .....	254

Debt Capacity Information - These schedules contain trend information to help the reader understand the State's outstanding debt, the capacity to repay that debt, and the ability to issue additional debt in the future.

Schedule 8 - Ratios of Outstanding Debt .....	256
Schedule 9 - Pledged Revenue Coverage.....	258

Demographics and Economic Information - These schedules offer indicators to help the reader understand the environment within which the government's financial activities take place.

Schedule 10 - Demographics and Economic Indicators.....	264
Schedule 11 - Principal Employers.....	266
Schedule 12 - Education Enrollment.....	267

Operating Information - These schedules assist the reader in evaluating the size, efficiency, and effectiveness of the State government.

Schedule 13 - State Employees by Function .....	268
Schedule 14 - Operating Indicators by Function .....	270
Schedule 15 - Capital Assets Statistics by Function .....	272

Miscellaneous Statistics - This information may provide the reader with more insight into the State's financial and demographic status.

Schedule 16 - Miscellaneous Statistics .....	274
--	-----

Note: GASB 63 was implemented in fiscal year 2013 which changed net assets to net position.

Sources: Unless otherwise noted, the information in the following schedules is derived from the State's Comprehensive Annual Financial Reports.



**Schedule 1**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(Expressed in Thousands)**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Governmental Activities</b>				
Net Investment in Capital Assets	\$ 8,791,243	\$ 8,620,814	\$ 8,404,751	\$ 8,288,909
Restricted	367,636	407,011	504,680	551,892
Unrestricted Net Position (Deficit)	<u>(17,631)</u>	<u>78,335</u>	<u>298,279</u>	<u>1,347,124</u>
<b>Total Governmental Activities</b>				
<b>Net Position</b>	<u>\$ 9,141,248</u>	<u>\$ 9,106,160</u>	<u>\$ 9,207,710</u>	<u>\$10,187,925</u>
<b>Business-type Activities</b>				
Net Investment in Capital Assets	\$ 3,175	\$ 3,392	\$ 4,555	\$ 6,200
Restricted	1,812,958	1,792,845	1,721,727	1,551,461
Unrestricted Net Position (Deficit)	<u>41,180</u>	<u>(222,728)</u>	<u>(450,488)</u>	<u>(568,660)</u>
<b>Total Business-type Activities</b>				
<b>Net Position (Deficit)</b>	<u>\$ 1,857,313</u>	<u>\$ 1,573,509</u>	<u>\$ 1,275,794</u>	<u>\$ 989,001</u>
<b>Primary Government</b>				
Net Investment in Capital Assets	\$ 8,794,418	\$ 8,624,206	\$ 8,409,306	\$ 8,295,109
Restricted	2,180,594	2,199,856	2,226,407	2,103,353
Unrestricted Net Position (Deficit)	<u>23,549</u>	<u>(144,393)</u>	<u>(152,209)</u>	<u>778,464</u>
<b>Total Primary Government</b>				
<b>Net Position</b>	<u>\$10,998,561</u>	<u>\$10,679,669</u>	<u>\$10,483,504</u>	<u>\$11,176,926</u>

Notes: The Worker's Compensation Fund (WCF) had negative claims payment trends during fiscal years ended June 30, 2001 and 2002, which continued into fiscal 2003. In June 2003, a special legislative session passed several pieces of legislation making major changes to the workers' compensation laws that became effective in fiscal year 2004. These changes caused the WCF deficit to improve. In February 2005, additional legislation was passed that caused the formation of an employer's mutual insurance company to replace the WCF. The "workers' compensation old fund" was created for those funds due and owing the Workers' Compensation Fund as of June 30, 2005. The old fund did not novate to the new employer's mutual.

Beginning in FY 2008, the School Building Authority is no longer included in the Governmental Funds. It is now accounted for as a discretely presented component unit. The 2005-2007 amounts above have not been restated to reflect this change in presentation because the necessary information is not readily available.

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

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

GASB 63 was implemented in fiscal year 2013 which changed net assets to net position.

2010	2009	2008	2007	2006	2005
\$ 7,909,484	\$ 7,532,883	\$ 7,230,626	\$ 6,934,539	\$ 6,771,494	\$ 6,448,005
435,296	817,524	926,541	861,508	714,802	1,262,989
<u>1,407,481</u>	<u>1,725,672</u>	<u>1,402,670</u>	<u>846,987</u>	<u>91,573</u>	<u>(817,257)</u>
<u>\$ 9,752,261</u>	<u>\$ 10,076,079</u>	<u>\$ 9,559,837</u>	<u>\$ 8,643,034</u>	<u>\$ 7,577,869</u>	<u>\$ 6,893,737</u>
\$ 31,428	\$ 11,732	\$ 12,330	\$ 4,049	\$ 2,775	\$ 9,361
1,432,449	1,000,274	1,074,139	1,026,973	944,256	775,140
<u>(744,459)</u>	<u>(1,095,509)</u>	<u>(1,329,576)</u>	<u>(1,704,657)</u>	<u>(2,017,602)</u>	<u>(2,224,984)</u>
<u>\$ 719,418</u>	<u>\$ (83,503)</u>	<u>\$ (243,107)</u>	<u>\$ (673,635)</u>	<u>\$ (1,070,571)</u>	<u>\$ (1,440,483)</u>
\$ 7,940,912	\$ 7,544,615	\$ 7,242,956	\$ 6,938,588	\$ 6,774,269	\$ 6,457,366
1,867,745	1,817,798	2,000,680	1,888,481	1,659,058	2,038,129
<u>663,022</u>	<u>630,163</u>	<u>73,094</u>	<u>(857,670)</u>	<u>(1,926,029)</u>	<u>(3,042,241)</u>
<u>\$ 10,471,679</u>	<u>\$ 9,992,576</u>	<u>\$ 9,316,730</u>	<u>\$ 7,969,399</u>	<u>\$ 6,507,298</u>	<u>\$ 5,453,254</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Governmental Activities</b>				
Expenses:				
Legislative	\$ 30,147	\$ 34,693	\$ 36,722	\$ 31,721
Judicial	143,929	129,667	140,515	130,104
Executive	154,212	117,706	216,356	325,389
Administration	308,685	309,009	320,377	260,298
Commerce	182,198	233,474	231,178	217,334
Environmental Protection	150,859	168,322	204,158	174,211
Employment Programs	50,406	47,369	51,595	58,312
Education	2,924,767	3,059,791	3,757,725	2,839,216
Health and Human Resources	4,759,982	4,660,450	4,402,259	4,317,911
Military Affairs and Public Safety	424,232	446,954	491,717	441,523
Revenue	131,627	62,615	91,344	82,820
Transportation	1,148,566	1,028,742	1,299,400	1,035,601
Veterans Assistance	23,551	19,212	27,019	—
Senior Services	45,846	47,608	47,561	47,186
Regulatory Boards and Commissions	44,847	62,883	92,662	33,328
Interest on Long-Term Debt	<u>119,268</u>	<u>125,559</u>	<u>125,105</u>	<u>135,443</u>
Total Expenses	<u>10,643,122</u>	<u>10,554,054</u>	<u>11,535,693</u>	<u>10,130,397</u>
Program Revenues:				
Charges for Services:				
Legislative	1,440	1,550	1,591	1,571
Judicial	972	969	1,024	1,116
Executive	24,539	21,110	22,093	22,868
Administration	15,608	31,569	33,180	6,289
Commerce	48,312	43,882	48,928	44,747
Environmental Protection	85,487	84,358	61,188	52,683
Employment Programs	—	—	—	—
Education	3,982	3,563	4,362	4,195
Health and Human Resources	83,974	90,383	90,604	88,737
Military Affairs and Public Safety	9,847	10,308	11,146	10,019
Revenue	33,231	30,888	31,729	73,947
Transportation	92,772	100,966	100,700	101,000
Senior Services	—	—	1	—
Regulatory Boards and Commissions	<u>31,403</u>	<u>25,090</u>	<u>31,254</u>	<u>30,815</u>
Total Charges for Services	<u>431,567</u>	<u>444,636</u>	<u>437,800</u>	<u>437,987</u>
Operating Grants and Contributions:				
Legislative	1,523	984	1,977	634
Judicial	1,453	491	640	1,049
Executive	64,345	62,496	136,752	214,224
Administration	43,532	48,938	45,498	41,426
Commerce	54,672	70,260	70,004	73,424
Environmental Protection	103,557	104,386	142,590	116,378
Employment Programs	49,686	50,537	51,845	58,008
Education	405,576	420,116	446,297	444,269
Health and Human Resources	3,385,470	3,222,601	3,045,355	3,252,622
Military Affairs and Public Safety	59,304	76,807	82,240	52,057
Revenue	35	23	9	28
Veterans Assistance	7,814	2,298	—	—
Senior Services	22,588	22,025	23,351	22,671
Regulatory Boards and Commissions	<u>2,782</u>	<u>3,033</u>	<u>2,747</u>	<u>2,105</u>
Total Operating Grants and Contributions	<u>4,202,337</u>	<u>4,084,995</u>	<u>4,049,305</u>	<u>4,278,895</u>
Capital Grants and Contributions:				
Executive	—	—	—	3
Administration	3,180	—	2,005	—
Education	—	—	—	—
Military Affairs and Public Safety	24,395	46,326	49,854	74,581
Transportation	—	493,949	519,768	554,394
Veterans Assistance	<u>476,631</u>	<u>3,005</u>	<u>5,321</u>	<u>—</u>
Total Capital Grants and Contributions	<u>504,206</u>	<u>543,280</u>	<u>576,948</u>	<u>628,978</u>
Total Program Revenues	<u>5,138,110</u>	<u>5,072,911</u>	<u>5,064,053</u>	<u>5,345,860</u>
Total Governmental Activities Net Program Expenses	<u>(5,505,012)</u>	<u>(5,481,143)</u>	<u>(6,471,640)</u>	<u>(4,784,537)</u>

Note: GASB 63 was implemented in fiscal year 2013 which changed net assets to net position.

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

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 28,896	\$ 29,552	\$ 28,027	\$ 26,154	\$ 25,345	\$ 27,558
124,627	106,933	102,738	88,209	77,789	77,668
261,764	143,872	128,261	114,547	104,726	134,506
163,662	201,469	213,546	153,677	147,774	210,434
204,178	201,901	204,448	218,610	235,749	229,216
141,279	110,652	74,827	225,458	125,216	267,544
57,286	45,000	56,122	53,617	72,069	31,445
2,850,805	2,821,883	2,646,434	2,454,835	2,669,307	2,418,672
4,088,254	3,737,102	3,451,206	3,254,172	3,119,005	3,221,458
441,068	427,575	381,104	360,443	417,606	588,409
270,870	83,458	51,242	70,148	71,158	32,718
1,064,417	977,616	876,073	778,817	780,950	835,813
—	—	—	—	—	—
46,671	43,729	43,701	32,195	30,115	29,373
36,917	35,079	35,168	34,212	33,082	25,671
<u>135,534</u>	<u>141,756</u>	<u>140,208</u>	<u>94,475</u>	<u>93,401</u>	<u>85,402</u>
<u>9,916,228</u>	<u>9,107,577</u>	<u>8,433,105</u>	<u>7,959,569</u>	<u>8,003,292</u>	<u>8,215,887</u>
01,598	1,644	1,654	1,757	1,824	1,859
929	907	1,014	869	919	901
19,787	17,365	15,248	12,024	15,872	1,223
29,086	28,337	29,115	24,812	49,492	12,390
46,009	48,685	45,684	44,114	41,885	42,115
49,450	56,016	44,720	56,621	54,877	55,254
—	—	—	—	—	—
3,352	3,096	1,698	3,008	4,465	4,133
84,680	81,230	74,960	83,230	84,428	82,325
10,352	12,957	11,097	10,165	5,317	8,884
69,800	45,944	62,352	65,364	44,229	26,303
100,533	91,669	102,561	96,068	97,064	99,532
1	—	4	—	—	—
<u>30,407</u>	<u>26,121</u>	<u>27,897</u>	<u>21,638</u>	<u>26,789</u>	<u>23,017</u>
<u>445,984</u>	<u>413,971</u>	<u>418,004</u>	<u>419,670</u>	<u>427,161</u>	<u>357,936</u>
2,135	1,212	255	1,269	545	646
986	850	813	380	436	—
164,062	40,551	35,615	38,249	27,138	45,805
38,498	37,716	36,670	37,945	56,748	52,316
59,632	34,220	38,138	47,463	32,749	76,340
121,366	67,529	50,090	53,301	44,255	88,395
54,460	46,804	55,839	54,690	65,303	30,805
452,315	377,749	380,708	388,305	369,428	358,853
3,077,246	2,783,872	2,365,068	2,235,552	2,224,260	2,285,865
74,472	67,269	95,331	52,708	60,756	95,874
12	156	—	66,214	214	200
—	—	—	—	—	—
20,614	14,310	21,244	11,637	11,594	12,634
<u>2,014</u>	<u>2,598</u>	<u>2,937</u>	<u>2,267</u>	<u>4,376</u>	<u>8,306</u>
<u>4,067,812</u>	<u>3,474,836</u>	<u>3,082,708</u>	<u>2,989,980</u>	<u>2,897,802</u>	<u>3,056,039</u>
57,442	—	41	—	—	—
—	—	28	4,001	—	—
—	—	1,027	31	233	217
18,758	11,518	4,743	5,423	10,127	26,255
558,947	476,779	419,810	410,669	447,727	453,719
—	—	—	—	—	—
<u>635,147</u>	<u>488,297</u>	<u>425,649</u>	<u>420,124</u>	<u>458,087</u>	<u>480,191</u>
<u>5,148,943</u>	<u>4,377,104</u>	<u>3,926,361</u>	<u>3,829,774</u>	<u>3,783,050</u>	<u>3,894,166</u>
<u>(4,767,285)</u>	<u>(4,730,473)</u>	<u>(4,506,744)</u>	<u>(4,129,795)</u>	<u>(4,220,242)</u>	<u>(4,321,721)</u>

(Continued)

Beginning in FY 2011, the Lottery is no longer included in the business-type activities. It is now accounted for as a discretely presented component unit. The previous amounts above have not been restated to reflect these changes in presentation because the necessary information is not readily available. Veterans Assistance was previously included in Military Affairs and Public Safety.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Revenue and Other Changes in Net Position				
Taxes:				
Personal Income	1,771,473	1,771,481	1,790,146	1,657,258
Consumer Sales	1,216,812	1,198,983	1,216,561	1,150,887
Business	937,751	923,575	905,515	977,252
Medicaid	189,111	203,421	190,419	173,103
Transportation	628,989	605,768	594,871	574,949
Other	303,889	304,693	318,938	264,260
Entitlements and Grants	31,078	15,896	5,056	29,995
Unrestricted Investment Earnings	71,178	23,287	54,699	63,821
Tobacco Settlement Revenues	61,337	88,327	63,270	61,233
Federal Appropriations – Jobs Growth Tax Relief	—	—	—	—
Lottery Revenue	343,220	388,888	497,874	408,974
Miscellaneous	125,770	94,150	112,324	103,228
Special Item	—	—	—	—
Transfers	(217,282)	(220,028)	(258,248)	(244,759)
Excess Reserve Transfer to RHBT	—	—	—	—
Total General Revenue, Special Item and Transfers	<u>5,463,326</u>	<u>5,398,441</u>	<u>5,491,425</u>	<u>5,220,201</u>
Total Governmental Activities Changes in Net Position	<u>\$ (41,686)</u>	<u>\$ (82,702)</u>	<u>\$ (980,215)</u>	<u>\$ 435,664</u>
<b>Business-type Activities:</b>				
Expenses:				
West Virginia Lottery	\$ —	\$ —	\$ —	\$ —
Water Pollution Control Revolving Fund	9,991	10,645	5,740	26,723
Workers' Compensation Fund	129,087	105,430	147,230	179,803
Unemployment Compensation	274,215	380,239	365,323	444,036
WV Infrastructure & Jobs Development Council	29,752	17,669	18,503	16,024
Public Employees' Insurance Agency	573,008	490,841	524,789	527,830
Board of Risk and Insurance Management	67,524	57,293	57,288	37,624
Other Business-type Activities	<u>110,133</u>	<u>114,918</u>	<u>108,221</u>	<u>101,937</u>
Total Expenses	<u>1,193,710</u>	<u>1,177,035</u>	<u>1,227,094</u>	<u>1,333,977</u>
Program Revenues:				
Charges for Services:				
West Virginia Lottery	—	—	—	—
Water Pollution Control Revolving Fund	5,611	5,011	4,631	4,548
Workers' Compensation Fund	45,099	54,817	54,361	51,015
Unemployment Compensation	270,784	356,531	400,238	467,910
WV Infrastructure & Jobs Development Council	3,076	2,771	4,381	3,162
Public Employees' Insurance Agency	515,987	513,982	499,236	499,726
Board of Risk and Insurance Management	45,959	41,243	45,587	46,376
Other Business-type Activities	<u>123,772</u>	<u>123,710</u>	<u>117,206</u>	<u>103,143</u>
Total Charges for Services	<u>1,010,288</u>	<u>1,098,065</u>	<u>1,125,640</u>	<u>1,175,880</u>
Operating Grants and Contributions:				
Unemployment Compensation	—	—	—	—
Total Operating Grants and Contributions	—	—	—	—
Capital Contributions:				
Water Pollution Control Revolving Fund	—	—	—	—
Total Capital Grants and Contributions	—	—	—	—
Total Revenues	<u>1,010,288</u>	<u>1,098,065</u>	<u>1,125,640</u>	<u>1,175,880</u>
Total Business-type Activities Net Program Expenses	<u>(183,422)</u>	<u>(78,970)</u>	<u>(101,454)</u>	<u>(158,097)</u>
Business-type Activities, General Revenues, and Other Changes in Net Position				
Unrestricted Investment Earnings	175,662	94,612	66,690	160,942
Tobacco Settlement Revenue	—	—	—	—
Lottery Revenue	57,000	57,000	57,000	51,000
Miscellaneous	17,282	6,473	6,309	7,362
Transfers	<u>217,282</u>	<u>220,028</u>	<u>258,248</u>	<u>244,759</u>
Total Business-type Activities General Revenues and Other Changes in Net Position	<u>467,226</u>	<u>378,113</u>	<u>388,247</u>	<u>464,063</u>
Total Business-type Activities Changes in Net Position	<u>\$ 283,804</u>	<u>\$ 299,143</u>	<u>\$ 286,793</u>	<u>\$ 305,966</u>
Total Primary Government Change in Net Position	<u>\$ 242,118</u>	<u>\$ 216,441</u>	<u>\$ (693,422)</u>	<u>\$ 741,630</u>

2010	2009	2008	2007	2006	2005
1,534,970	1,630,492	1,557,957	1,372,646	1,330,913	1,163,211
1,131,075	1,088,901	990,051	1,020,128	981,536	979,357
844,405	912,252	1,040,604	906,022	920,940	726,878
157,693	165,759	161,896	162,692	169,866	154,070
541,023	533,833	564,736	535,979	501,022	502,659
277,811	297,644	394,798	393,400	382,718	377,878
—	—	—	—	229	912
89,635	(33,983)	89,581	105,317	71,233	54,240
66,199	81,703	73,079	48,294	33,137	56,825
—	—	—	—	—	—
—	—	—	—	—	—
97,791	96,098	128,940	111,277	74,047	93,281
—	—	—	—	—	—
279,309	206,287	214,864	539,205	438,733	484,308
—	—	(108,168)	—	—	—
<u>5,019,911</u>	<u>4,978,986</u>	<u>5,108,338</u>	<u>5,194,960</u>	<u>4,904,374</u>	<u>4,593,619</u>
<u>\$ 252,626</u>	<u>\$ 248,513</u>	<u>\$ 601,594</u>	<u>\$ 1,065,165</u>	<u>\$ 684,132</u>	<u>\$ 271,898</u>
\$ 899,247	\$ 1,022,747	\$ 1,087,321	\$ 1,081,336	\$ 1,096,893	\$ 839,241
34,796	1,905	1,651	1,630	1,718	1,786
173,967	36,252	(161,079)	81,459	392,975	189,753
605,272	356,715	175,107	153,663	147,308	143,989
22,882	—	—	—	—	—
437,496	394,616	444,380	379,742	545,384	506,837
35,614	40,498	47,229	39,441	41,256	60,969
<u>97,089</u>	<u>69,184</u>	<u>77,329</u>	<u>76,785</u>	<u>66,631</u>	<u>58,910</u>
<u>2,306,363</u>	<u>1,921,917</u>	<u>1,671,938</u>	<u>1,814,056</u>	<u>2,292,165</u>	<u>1,801,485</u>
1,358,092	1,493,036	1,523,457	1,562,259	1,522,532	1,399,073
4,509	4,154	3,819	3,744	3,383	2,953
50,460	49,921	44,073	235,664	524,269	718,382
510,048	249,996	141,921	147,091	148,731	144,030
2,756	—	—	—	—	—
481,060	402,377	360,564	406,311	567,107	525,130
51,613	56,337	66,592	74,097	78,787	85,123
<u>97,846</u>	<u>90,438</u>	<u>83,542</u>	<u>77,553</u>	<u>73,155</u>	<u>67,553</u>
<u>2,556,384</u>	<u>2,346,259</u>	<u>2,223,968</u>	<u>2,506,719</u>	<u>2,917,964</u>	<u>2,942,244</u>
—	—	—	—	—	—
—	—	—	—	—	—
—	11,384	20,788	12,627	20,241	—
—	11,384	20,788	12,627	20,241	—
<u>2,556,384</u>	<u>2,357,643</u>	<u>2,244,756</u>	<u>2,519,346</u>	<u>2,938,205</u>	<u>2,942,244</u>
<u>250,021</u>	<u>435,726</u>	<u>572,818</u>	<u>705,290</u>	<u>646,040</u>	<u>1,140,759</u>
190,159	(86,937)	38,441	189,761	65,758	104,011
—	—	—	15,000	45,000	—
—	—	—	—	—	—
54,718	17,102	32,022	26,090	51,847	(534)
<u>(279,309)</u>	<u>(206,287)</u>	<u>(214,864)</u>	<u>(539,205)</u>	<u>(438,733)</u>	<u>(484,308)</u>
<u>(34,432)</u>	<u>(276,122)</u>	<u>(144,401)</u>	<u>(308,354)</u>	<u>(276,128)</u>	<u>(380,831)</u>
<u>\$ 215,589</u>	<u>\$ 159,604</u>	<u>\$ 428,417</u>	<u>\$ 396,936</u>	<u>\$ 369,912</u>	<u>\$ 759,928</u>
<u>\$ 468,215</u>	<u>\$ 408,117</u>	<u>\$ 1,030,011</u>	<u>\$ 1,462,101</u>	<u>\$ 1,054,044</u>	<u>\$ 1,031,826</u>

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>General Fund</b>				
Reserved	\$ —	\$ —	\$ —	\$ —
Unreserved	—	—	—	—
Nonspendable:				
Inventories	11,485	13,268	11,143	9,928
Receivables	132,830	122,135	111,340	153,307
Restricted for:				
General Government Operations	5,600	9,821	17,065	5,936
Development, Tourism, and Recreation	9,318	14,748	16,162	12,881
Education	1,508	2,625	2,207	3,582
Health and Social Services	3,644	7,300	17,399	14,195
Public Protection	3,411	6,682	7,217	8,435
Committed to:				
General Government Operations	960,077	1,044,948	946,290	421,296
Development, Tourism, and Recreation	16,972	33,168	8,745	36,811
Education	18,189	23,804	14,123	18,376
Health and Social Services	25,700	81,720	27,501	220,216
Public Protection	10,801	20,940	—	20,174
Assigned to:				
General Government Operations	26,692	32,261	14,117	22,408
Development, Tourism, and Recreation	1,219	1,723	—	3,412
Education	2,257	3,341	—	2,711
Health and Social Services	3,883	5,894	—	15,926
Public Protection	1,683	3,801	—	3,395
Unassigned	<u>(1,284,401)</u>	<u>(1,102,111)</u>	<u>(640,981)</u>	<u>427,107</u>
<b>Total General Fund</b>	<b>\$ (49,132)</b>	<b>\$ 326,068</b>	<b>\$ 552,328</b>	<b>\$ 1,400,096</b>
<b>All Other Governmental Funds</b>				
Reserved				
Special Revenue Funds	\$ —	\$ —	\$ —	\$ —
Permanent Funds	—	—	—	—
Capital Projects	—	—	—	—
Debt Service	—	—	—	—
Unreserved, Reported in:				
Special Revenue Funds	—	—	—	—
Capital Projects	—	—	—	—
Debt Service	—	—	—	—
Nonspendable:				
Inventories	37,980	44,798	47,371	40,434
Permanent Fund	1,000	1,000	1,000	1,000
Receivables	606,938	627,800	645,301	666,824
Restricted for:				
Capital Projects	13,750	32,953	96,637	147,798
Debt Service	153,707	152,824	151,727	173,097
Development, Tourism, and Recreation	52,493	45,840	40,050	40,391
Education	357	327	555	386
Public Protection	44,940	41,908	43,114	31,147
Transportation	14,224	11,077	17,350	14,584
Committed to:				
General Government Operations	2,345	3,772	5,504	5,843
Public Protection	290,746	245,947	233,177	220,245
Assigned to:				
Health and Social Services	—	28	—	—
Public Protection	9,596	5,741	1,357	1,739
Transportation	92,946	29,666	—	113,544
Unassigned	<u>(8,797)</u>	<u>(6,430)</u>	<u>(8,425)</u>	<u>(6,398)</u>
<b>Total All Other Governmental Funds</b>	<b><u>1,312,225</u></b>	<b><u>1,237,251</u></b>	<b><u>1,274,718</u></b>	<b><u>1,450,634</u></b>
<b>Total Fund Balances, Governmental Funds</b>	<b><u>\$1,263,093</u></b>	<b><u>\$1,563,319</u></b>	<b><u>\$1,827,046</u></b>	<b><u>\$ 2,850,730</u></b>

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ -	\$ 400,816	\$ 346,377	\$ 343,380	\$ 328,482	\$ 486,474
-	767,100	822,579	697,704	1,079,851	391,457
11,426	-	-	-	-	-
152,911	-	-	-	-	-
16,012	-	-	-	-	-
12,598	-	-	-	-	-
3,203	-	-	-	-	-
9,962	-	-	-	-	-
17,371	-	-	-	-	-
413,657	-	-	-	-	-
46,104	-	-	-	-	-
21,417	-	-	-	-	-
227,265	-	-	-	-	-
20,691	-	-	-	-	-
21,227	-	-	-	-	-
3,368	-	-	-	-	-
2,543	-	-	-	-	-
28,296	-	-	-	-	-
4,227	-	-	-	-	-
<u>270,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$1,282,499</u>	<u>\$1,167,916</u>	<u>\$1,168,956</u>	<u>\$1,041,084</u>	<u>\$1,408,333</u>	<u>\$ 877,931</u>
\$ -	\$ 508,529	\$ 457,501	\$ 457,109	\$ 410,115	\$ 363,526
-	1,309	1,671	1,762	1,886	235,210
-	67,240	40,681	264,836	236,561	-
-	185,540	183,548	228,699	131,765	-
-	1,415,461	1,610,996	1,488,498	562,996	539,296
-	-	-	-	-	276,443
-	-	-	-	-	124,910
38,676	-	-	-	-	-
1,000	-	-	-	-	-
-	-	-	-	-	-
28,283	-	-	-	-	-
181,415	-	-	-	-	-
34,877	-	-	-	-	-
393	-	-	-	-	-
23,363	-	-	-	-	-
6,764	-	-	-	-	-
191,383	-	-	-	-	-
649	-	-	-	-	-
2,568	-	-	-	-	-
23,121	-	-	-	-	-
<u>862,381</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,394,873</u>	<u>2,178,079</u>	<u>2,294,397</u>	<u>2,440,904</u>	<u>1,343,323</u>	<u>1,539,385</u>
<u>\$2,677,372</u>	<u>\$3,345,995</u>	<u>\$3,463,353</u>	<u>\$3,481,988</u>	<u>\$2,751,656</u>	<u>\$2,417,316</u>



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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Revenues				
Taxes:				
Personal Income	\$ 1,768,069	\$ 1,767,626	\$ 1,790,299	\$ 1,654,563
Consumer Sales and Use	1,211,057	1,197,317	1,216,286	1,151,363
Severance	612,283	547,453	564,327	571,539
Corporate Net Income	202,444	230,131	232,266	263,963
Business and Occupation	121,401	125,692	123,137	127,103
Medicaid	184,666	219,568	176,661	170,079
Gasoline and Motor Carrier	433,252	417,571	408,571	406,347
Automobile Privilege	195,737	188,197	186,300	168,602
Wholesale Motor Fuel	—	—	—	—
Other	303,923	304,687	318,999	266,723
Intergovernmental	4,160,993	4,073,257	4,077,933	4,372,908
Licenses, Permits, and Fees	262,481	245,631	234,984	218,431
Motor Vehicle Registration	99,430	93,363	92,951	96,504
Charges for Services	123,767	128,257	127,806	147,142
Lottery Revenue	335,075	380,052	487,122	398,974
Investment Earnings	78,537	28,696	55,931	495,777
Food Stamp Revenue	479,215	513,960	491,416	75,594
Other	224,015	199,087	209,490	175,821
<b>Total Revenues</b>	<u>10,796,345</u>	<u>10,660,545</u>	<u>10,794,479</u>	<u>10,761,433</u>
Expenditures				
Current:				
Legislative	30,224	34,742	36,731	31,916
Judicial	142,859	127,804	139,941	130,574
Executive	182,887	149,602	216,268	354,357
Administration	159,680	155,163	190,164	120,881
Commerce	185,011	214,172	226,194	226,931
Environmental Protection	151,742	133,541	152,634	134,515
Employment Programs	53,540	50,210	55,969	61,536
Education	2,968,967	3,024,480	3,760,480	2,878,686
Health and Human Resources	4,895,617	4,684,841	4,425,591	4,334,459
Military Affairs and Public Safety	466,444	490,711	526,654	523,868
Revenue	150,556	67,760	91,349	90,370
Transportation	845,679	743,613	1,009,032	741,384
Veterans Assistance	23,464	19,114	26,600	—
Senior Services	45,919	47,669	47,656	47,292
Regulatory Boards and Commissions	68,545	64,130	93,643	34,540
Capital Outlay	302,040	465,399	334,046	571,034
Debt Service				
Principal	101,350	122,855	341,673	101,978
Interest	106,307	113,136	113,204	123,841
<b>Total Expenditures</b>	<u>10,880,831</u>	<u>10,708,942</u>	<u>11,787,829</u>	<u>10,508,162</u>
Excess of Revenues Over (Under) Expenditures	(84,486)	(48,397)	(993,350)	253,271
Other Financing Sources (Uses):				
Fair Value of Long-Term Debt Issued	—	—	18,615	190,755
Premiums on Bonds Issued	—	—	1,025	10,292
Capital Lease Acquisition	955	495	234,765	805
Other Nonoperating Revenues	—	—	—	—
Payments to Refunded Bonds Escrow Agents	—	—	(20,935)	(37,730)
Transfers In	134,350	154,945	170,321	134,473
Transfers Out	(351,045)	(370,770)	(434,125)	(378,508)
Excess Reserve Transfer to RHBT	—	—	—	—
<b>Total Other Financing Sources (Uses)</b>	<u>(215,740)</u>	<u>(215,330)</u>	<u>(30,334)</u>	<u>(79,913)</u>
<b>Net Changes in Fund Balances</b>	<u>\$ (300,226)</u>	<u>\$ (263,727)</u>	<u>\$ (1,023,684)</u>	<u>\$ 173,358</u>
Debt service as a percentage of noncapital expenditures	2.01%	2.31%	3.98%	2.30%

Note: In FY 2008, the School Building Authority was removed from the Governmental Funds. It is now accounted for as a discretely presented component unit. The 2005-2007 amounts above have not been restated to reflect this change in presentation because the necessary information is not readily available.

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	1,531,867	\$ 1,612,897	\$ 1,557,352	\$ 1,370,566	\$ 1,329,796	\$ 1,170,202
	1,132,951	1,087,130	989,517	1,019,631	989,642	978,115
	530,940	470,266	518,724	340,544	355,680	287,774
	227,693	256,389	373,180	384,440	380,287	255,772
	133,245	148,247	147,989	180,527	184,364	182,090
	157,693	165,759	161,896	162,692	169,866	154,070
	393,557	391,903	395,641	364,550	330,538	320,891
	147,466	141,930	169,095	171,429	170,484	3,005
	—	—	—	—	—	178,763
	279,444	293,654	396,772	393,210	380,711	371,667
	4,115,677	3,552,545	3,183,463	3,033,765	3,037,432	3,235,199
	214,293	211,932	214,655	216,504	194,681	173,181
	91,902	91,667	96,592	92,422	92,681	93,144
	135,914	126,317	117,360	117,970	121,420	120,759
	—	—	—	—	—	—
	100,111	(38,440)	91,030	184,957	101,736	79,534
	478,622	372,270	293,439	273,227	265,344	252,097
	<u>184,935</u>	<u>197,669</u>	<u>205,820</u>	<u>136,117</u>	<u>121,654</u>	<u>156,780</u>
	<u>9,856,310</u>	<u>9,082,135</u>	<u>8,912,525</u>	<u>8,442,551</u>	<u>8,226,316</u>	<u>8,013,043</u>
	29,022	29,622	28,163	26,389	25,322	27,594
	125,184	110,410	108,075	90,829	82,381	84,283
	256,364	146,181	131,404	118,550	122,576	122,415
	114,972	127,517	111,866	106,020	95,227	150,333
	223,569	214,767	214,102	228,570	243,092	224,147
	148,982	117,402	69,882	114,482	109,829	98,576
	60,483	47,974	58,563	58,488	75,438	36,609
	2,773,160	2,789,173	2,688,399	3,616,732	2,690,459	2,423,094
	4,056,573	3,767,274	3,472,108	3,251,403	3,135,884	3,237,580
	462,163	425,488	382,372	353,445	389,909	609,215
	263,427	89,042	86,496	76,257	42,725	60,630
	754,486	695,354	579,982	520,281	531,848	573,184
	—	—	—	—	—	—
	46,727	43,841	43,719	32,315	30,118	29,455
	37,161	35,917	36,469	34,691	33,345	27,561
	521,480	579,722	535,538	502,232	550,415	490,195
	103,735	103,276	92,338	134,464	74,427	95,400
	<u>123,670</u>	<u>129,795</u>	<u>129,705</u>	<u>86,237</u>	<u>89,788</u>	<u>80,777</u>
	<u>10,101,158</u>	<u>9,452,755</u>	<u>8,769,181</u>	<u>9,351,385</u>	<u>8,322,783</u>	<u>8,371,048</u>
	(244,848)	(370,620)	143,344	(908,834)	(96,467)	(358,005)
	—	76,835	—	1,349,893	54,800	463,005
	—	4,129	—	5,126	697	73,388
	—	1,115	3,235	190	13,359	—
	12,505	—	—	—	—	—
	—	—	—	(242,616)	(56,062)	(321,405)
	654,340	653,249	497,811	749,215	875,203	667,841
	(383,264)	(475,798)	(347,579)	(222,642)	(457,190)	(197,357)
	—	—	(108,168)	—	—	—
	<u>283,581</u>	<u>259,530</u>	<u>45,299</u>	<u>1,639,166</u>	<u>430,807</u>	<u>685,472</u>
\$	<u>38,733</u>	<u>\$(111,090)</u>	<u>\$ 188,643</u>	<u>\$ 730,332</u>	<u>\$ 334,340</u>	<u>\$ 327,467</u>
	2.40%	2.64%	2.70%	2.50%	2.12%	2.22%

**Schedule 5  
Revenue Base  
Last Ten Years  
(Expressed in Thousands)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Personal Income by Industry - (Calendar Year)</b>				
Farm Earnings	\$ (15,408)	\$ (23,990)	\$ (40,920)	\$ (51,659)
Agricultural/Forestry, Fishing, and Other	97,594	90,077	97,810	74,187
Mining	3,749,493	3,947,662	3,440,574	2,753,612
Construction	2,894,652	2,857,741	2,513,975	2,408,107
Manufacturing	3,753,280	3,666,492	3,565,688	3,376,006
Transportation, Warehousing, and Public Utilities	2,134,739	2,097,404	2,034,076	1,943,157
Wholesale Trade	1,519,306	1,537,622	1,477,230	1,413,039
Retail Trade	3,039,500	2,948,321	2,867,136	2,754,166
Finance, Insurance, and Real Estate	2,043,981	1,894,862	1,769,826	1,649,776
Service Industries	14,871,664	14,559,593	13,908,974	13,261,227
Federal, Civilian	2,296,812	2,281,687	2,469,552	2,431,677
Military	327,312	344,553	466,154	522,277
State and Local Government	6,203,760	6,055,436	6,376,291	6,104,522
<b>Tax Revenue - (Fiscal Year)</b>				
Consumer Sales	1,193,300	1,216,000	1,148,200	1,095,700
Personal Income	1,700,500	1,689,000	1,593,200	1,446,900
Severance	409,700	467,900	440,900	400,600
Corporate Income and Business Franchise	238,100	188,100	303,000	232,900
Motor Fuel	408,900	387,000	397,700	390,900
Automobile Privilege	188,197	186,300	168,602	147,466

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not provided. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current period available is 2013.

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

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ (46,725)	\$ (134,000)	\$ (78,000)	\$ (61,000)	\$ (24,000)	\$ (2,000)
104,000	111,000	118,000	123,000	116,000	112,000
2,958,000	3,410,000	2,871,000	2,682,000	2,363,000	2,050,000
2,301,000	2,453,000	2,362,000	2,393,000	2,079,000	1,868,000
3,334,000	3,919,000	3,925,000	3,951,000	3,932,000	3,917,000
1,990,000	1,989,000	1,856,000	1,813,000	1,722,000	1,672,000
1,442,000	1,513,000	1,478,000	1,453,000	1,327,000	1,223,000
2,832,000	2,720,000	2,658,000	2,611,000	2,493,000	2,417,000
1,591,000	1,619,000	1,551,000	1,492,000	1,409,000	1,355,000
12,808,000	11,998,000	11,272,000	11,041,000	10,362,000	9,914,000
2,496,000	2,181,000	2,100,000	1,956,000	1,892,000	1,794,000
535,000	436,000	405,000	419,000	436,000	367,000
7,252,000	6,082,000	5,763,000	5,368,000	5,182,000	4,987,000
1,110,000	1,109,800	1,129,500	1,125,800	960,200	928,000
1,557,400	1,518,700	1,360,500	1,297,700	1,170,100	1,068,200
359,600	338,200	312,200	314,700	248,100	184,400
270,200	388,000	358,400	347,600	280,800	181,500
384,500	404,200	349,200	320,700	311,600	309,300
141,930	169,095	171,429	170,484	178,763	173,225

**Schedule 6  
Revenue Rates  
Last Ten Calendar Years**

**Personal Income Tax**

**Single, Head of Household, Widow(er) with Dependent Child  
and Married Filing Jointly (Unchanged Over Last Ten Years)**

Less than \$10,000.....3% of the taxable income

At least---	But less than---	
\$10,000	\$25,000.....	\$ 300.00 plus 4.0% of excess over \$10,000
\$25,000	\$40,000.....	\$ 900.00 plus 4.5% of excess over \$25,000
\$40,000	\$60,000.....	\$ 1,575.00 plus 6.0% of excess over \$40,000
\$60,000	.....	\$ 2,775.00 plus 6.5% of excess over \$60,000

**Business**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Corporate Net Income (applies to C corporations)	7.00%	8.50%	8.50%	8.50%
Severance Timber	Temporarily Discontinued	1.22%	1.22%	Temporarily Discontinued
Oil/Gas Coal	5% Various	5% Various	5% Various	5% Various
Consumer Sales Tax	6%	6%	6%	6%
Food Tax *	0%	1%	3%/2%	3%
Motor Fuel Excise and Sales Tax** (cents per gallon)	34.7	33.4	32.2/33.4	32.2
Automobile Privilege Tax	5%	5%	5%	5%

\*On July 1, 2012, the tax rate on food declined from 2% to 1%. On July 1, 2013, the food tax was eliminated except when sold prepared or via vending machine.

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

All rates are set by the Legislature.

Sources: State Tax Department and the Division of Motor Vehicles.

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

Less than \$5,000.....3% of the taxable income

At least--	But less than----	
\$5,000	\$12,500.....	\$ 150.00 plus 4.0% of excess over \$ 5,000
\$12,500	\$20,000.....	\$ 450.00 plus 4.5% of excess over \$ 12,500
\$20,000	\$30,000.....	\$ 787.50 plus 6.0% of excess over \$ 20,000
\$30,000	.....	\$1,387.50 plus 6.5% of excess over \$ 30,000

	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2005</u></b>
	8.50%	8.50%	8.75%	8.75%	9.00%	9.00%
Temporarily Discontinued		1.22%	1.22%	1.22%	3.22%	3.22%
5% Various		5% Various	5% Various	5% Various	5% Various	5% Various
6%		6%	6%	6%	6%	6%
3%		3%	4%	5%	5%	6%
32.2		32.2	32.2	31.5	27.0	27.0
5%		5%	5%	5%	5%	5%

**Schedule 7**

**Revenue Payers by Industry/Category**

**Most Current Available Year and**

**Historical Comparison**

(Dollars Expressed in Thousands)

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

**Tax Year 2013**

<b><u>Industry</u></b>	<b><u>Remittance</u></b>	<b><u>Percent of Total</u></b>	<b><u>Accounts</u></b>	<b><u>Percent of Total</u></b>
Agriculture, Forestry, Fishing and Hunting	\$ 2,562,463	0.21%	649	1.56%
Mining, Quarrying, and Oil and Gas Extraction	14,747,163	1.19%	295	0.71%
Construction	39,145,299	3.15%	3,716	8.92%
Manufacturing	73,281,413	5.90%	3,083	7.40%
Wholesale Trade	109,243,636	8.80%	2,838	6.81%
Retail Trade	565,962,381	45.61%	9,406	22.58%
Finance and Insurance	11,623,578	0.94%	471	1.13%
Services	348,897,658	28.11%	18,783	45.10%
Other	<u>75,533,745</u>	<u>6.09%</u>	<u>2,411</u>	<u>5.79%</u>
<b>Total</b>	<b><u>\$1,240,997,336</u></b>	<b><u>100.00%</u></b>	<b><u>41,652</u></b>	<b><u>100.00%</u></b>

**Tax Year 2004**

<b><u>Industry</u></b>	<b><u>Remittance</u></b>	<b><u>Percent of Total</u></b>	<b><u>Accounts</u></b>	<b><u>Percent of Total</u></b>
Agriculture, Forestry, Fishing and Hunting	\$4,263,248	0.40%	1,520	2.16%
Mining, Quarrying, and Oil and Gas Extraction	5,715,604	0.53%	1,502	2.13%
Construction	32,432,170	3.00%	11,977	17.02%
Manufacturing	53,336,059	4.94%	4,062	5.77%
Wholesale Trade	90,177,184	8.35%	3,164	4.50%
Retail Trade	582,626,343	53.95%	16,075	22.84%
Finance and Insurance	3,115,399	0.29%	579	0.82%
Services	244,810,238	22.67%	26,800	38.08%
Other	<u>63,413,908</u>	<u>5.87%</u>	<u>4,698</u>	<u>6.68%</u>
<b>Total</b>	<b><u>\$1,079,890,153</u></b>	<b><u>100.00%</u></b>	<b><u>70,377</u></b>	<b><u>100.00%</u></b>

Note: Due to confidentiality issues, the names of revenue payers are not provided. This information is an alternative regarding the sources of the State's revenue.

Source: West Virginia State Tax Department

**Personal Income Tax****Tax Year 2012**

<b><u>Income Level</u></b>	<b><u>Tax Liability</u></b>	<b><u>Percent of Total</u></b>	<b><u>Returns</u></b>	<b><u>Percent of Total</u></b>
\$0 - \$10,000	\$ 985,224	0.06%	155,494	18.84%
\$10,000 - \$20,000	26,922,246	1.64%	139,711	16.94%
\$20,000 - \$40,000	140,309,105	8.53%	179,751	21.78%
\$40,000 - \$60,000	187,210,355	11.39%	112,099	13.59%
Over \$60,000	<u>1,288,551,244</u>	<u>78.38%</u>	<u>238,089</u>	<u>28.85%</u>
Total	<u>\$ 1,643,978,174</u>	<u>100.00%</u>	<u>825,144</u>	<u>100.00%</u>

**Tax Year 2003**

<b><u>Income Level</u></b>	<b><u>Tax Liability</u></b>	<b><u>Percent of Total</u></b>	<b><u>Returns</u></b>	<b><u>Percent of Total</u></b>
\$0 - \$10,000	\$ 2,650,794	0.26%	159,697	21.75%
\$10,000 - \$20,000	42,199,307	4.19%	149,607	20.37%
\$20,000 - \$40,000	146,764,570	14.57%	181,390	24.70%
\$40,000 - \$60,000	185,029,425	18.37%	109,022	14.85%
Over \$60,000	<u>630,789,784</u>	<u>62.61%</u>	<u>134,643</u>	<u>18.33%</u>
Total	<u>\$1,007,433,880</u>	<u>100.00%</u>	<u>734,359</u>	<u>100.00%</u>



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

	<b>Primary Government – Debt</b>			
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental Activities:				
General Obligation Bonds	\$ 460,428	\$ 498,776	\$ 533,304	\$ 580,357
Revenue Bonds	1,226,587	1,266,848	1,330,795	1,366,199
Capital Leases and Notes Payable	27,405	34,104	34,025	330,722
Capital Leases Payable to Component Units	<u>243,790</u>	<u>256,155</u>	<u>275,530</u>	<u>—</u>
Total Governmental Activities	<u>1,958,210</u>	<u>2,055,883</u>	<u>2,173,654</u>	<u>2,277,278</u>
Enterprise Activities:				
Revenue Bonds	<u>112,735</u>	<u>115,497</u>	<u>113,950</u>	<u>116,319</u>
Total Primary Government Debt	<u>\$2,070,945</u>	<u>\$2,171,380</u>	<u>\$2,287,604</u>	<u>\$2,393,597</u>

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

**Governmental Activities Tax Income**

<u>Year</u>	<u>Personal Income</u>	<u>Consumer Sales and Use</u>	<u>Business</u>	<u>Transportation</u>	<u>Other</u>	<u>Total</u>
2014	\$1,771,473	\$1,216,812	\$ 937,751	\$628,989	\$493,000	\$5,048,025
2013	1,771,481	1,198,983	923,575	605,768	508,114	5,007,921
2012	1,790,146	1,216,561	905,515	594,871	509,357	5,016,450
2011	1,657,258	1,150,887	977,252	574,949	437,363	4,797,709
2010	1,534,970	1,131,075	844,405	541,023	435,504	4,486,977
2009	1,630,492	1,088,901	912,252	533,833	297,644	4,463,122
2008	1,557,957	990,051	1,040,604	564,736	394,798	4,548,146
2007	1,372,646	1,020,128	906,022	535,979	393,400	4,228,175
2006	1,330,913	981,536	920,940	501,022	382,718	4,117,129
2005	1,163,211	979,357	726,878	502,659	377,878	3,749,983

**General Obligation Bond Debt Ratios**

<u>Year</u>	<u>General Obligation Bond Debt</u>	<u>Percent of Tax Income</u>	<u>Percent of Personal Income</u>	<u>Amount of Debt Per Capita*</u>
2014	\$460,428	9.12%	0.70%	\$0.25
2013	498,776	9.96%	0.78%	0.27
2012	533,304	10.63%	0.86%	0.29
2011	580,357	12.10%	0.98%	0.31
2010	622,928	13.88%	1.08%	0.34
2009	665,294	14.91%	1.16%	0.37
2008	705,955	15.52%	1.30%	0.39
2007	744,790	17.61%	1.44%	0.41
2006	772,912	18.77%	1.61%	0.43
2005	798,490	21.29%	1.72%	0.44

**Primary Government – Debt**

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 622,928	\$ 665,294	\$ 705,955	\$ 744,790	\$ 772,912	\$ 798,490
1,243,106	1,405,645	1,362,022	1,742,647	726,249	763,761
336,143	322,776	338,603	343,813	354,000	354,337
<u>      —</u>	<u>      —</u>	<u>      —</u>	<u>      —</u>	<u>      —</u>	<u>      —</u>
<u>2,202,177</u>	<u>2,393,715</u>	<u>2,406,580</u>	<u>2,831,250</u>	<u>1,853,161</u>	<u>1,916,588</u>
 <u>118,612</u>	 <u>      —</u>	 <u>      —</u>	 <u>      —</u>	 <u>      —</u>	 <u>      —</u>
<u>\$2,320,789</u>	<u>\$2,393,715</u>	<u>\$2,406,580</u>	<u>\$2,831,250</u>	<u>\$1,853,161</u>	<u>\$1,916,588</u>

**Total Debt Ratios**

<u>Year</u>	<u>Total Debt</u>	<u>Percent of Tax Income</u>	<u>Percent of Personal Income</u>	<u>Amount of Debt Per Capita*</u>
2014	\$2,070,745	41.35%	3.24%	\$1.12
2013	2,171,380	43.36%	3.39%	1.17
2012	2,287,604	45.60%	3.68%	1.23
2011	2,393,597	49.89%	4.03%	1.29
2010	2,320,789	51.72%	4.03%	1.28
2009	2,393,715	53.63%	4.16%	1.32
2008	2,406,580	52.91%	4.45%	1.33
2007	2,831,250	66.96%	5.46%	1.57
2006	1,853,161	45.01%	3.85%	1.03
2005	1,916,588	51.11%	4.12%	1.09

All General Obligation Bonds carry a pledge of the State to levy taxes if funds are insufficient to meet debt service.

Infrastructure bonds are paid from the dedication of the first \$24 million in severance tax collections.

Safe Roads Bonds are paid from a debt service fund which is administered by the West Virginia State Treasurer's Office. The Division of Highways makes a monthly transfer to this fund from the Road Fund. The monthly transfer amount is equal to 10% of the annual debt service requirements on all Safe Roads Bonds.

\*These ratios are calculated using the current fiscal year debt total divided by personal income and population for the prior calendar year. See Schedule 10 for personal income and population data.

Beginning in FY 2008, the School Building Authority is no longer included in the Governmental Funds. It is now accounted for as a discretely presented component unit. The 2005-2007 amounts above have not been restated to reflect this change in presentation because the necessary information is not readily available.

**Schedule 9**

**Pledged Revenue Coverage**

**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

**Department of Transportation**

West Virginia Code Chapter 17, Article 17A provides for the issuance of Surface Transportation Improvement Special Obligation Notes (GARVEE bonds) to facilitate the construction of highways, secondary roads and bridges to be funded wholly or in part by federal dollars and in anticipation of reimbursement from such sources. Title 23, Section 122 federal legislation allows this reimbursement. There is a Memorandum of Agreement between the Federal Highway Administration and the Division of Highways that documents the procedures for managing the stewardship and oversight of highway projects that are financed with the proceeds of these notes first issued in fiscal year 2007.

<u>Fiscal Year</u>	<u>Operating Revenue</u>	<u>Direct Operating Expense</u>	<u>Net Revenue Available for Debt Service</u>	<u>Current Year Debt Service Requirements</u>			
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
2014	\$27,519	\$ —	\$27,519	\$24,475	\$3,044	\$27,519	1.00
2013	27,547	—	27,547	23,370	4,177	27,547	1.00
2012	27,588	—	27,588	22,425	5,163	27,588	1.00
2011	27,575	—	27,575	21,520	6,055	27,575	1.00
2010	27,591	—	27,591	20,845	6,746	27,591	1.00
2009	14,692	—	14,692	10,550	4,200	14,750	1.00
2008	14,745	—	14,745	10,285	4,460	14,745	1.00
2007	1,207	—	1,207	—	1,207	1,207	1.00

**WV Infrastructure and Jobs Development Council**

The primary source of repayment for the revenue and refunding bonds is the receipt of payments of principal and interest on a set of loans, known as defined loans, previously made to projects from general obligation and revenue bond proceeds. New bonds were issued in 2006, 2007, 2011, and 2012 to refund earlier bond issues.

2014	\$49,441	\$30,909	\$18,532	\$2,710	\$4,845	\$7,555	2.45
2013	49,211	18,762	30,449	29,230	4,410	33,640	0.91
2012	50,861	26,532	24,329	2,465	5,476	7,941	3.06
2011	48,900	18,101	30,799	2,390	5,563	7,953	3.87
2010	43,671	20,913	22,758	2,310	5,644	7,954	2.86
2009	79,414	16,309	63,105	15,035	19,987	35,022	1.80
2008	78,698	18,988	59,710	14,625	20,492	35,117	1.70
2007	78,363	17,121	61,242	14,600	20,636	35,236	1.74
2006	89,442	20,041	69,401	8,150	19,822	27,972	2.48
2005	24,150	18,759	5,391	840	4,517	5,357	1.01

**Tobacco Settlement Finance Authority**

Pursuant to the Code, and a Purchase and Sale Agreement, dated June 1, 2007, by and between the Authority and the State, the State sold to the Authority its right, title, and interest in and to all tobacco settlement revenue that is received by the State, under the terms of the Master Settlement Agreement entered into by participating tobacco product manufacturers, West Virginia, 45 other states, and six other U.S. jurisdictions in November 1998. The Series 2007 Bonds are secured by and are payable solely from the right, title, and interest of the Authority of 100% of the tobacco receipts, and investment earnings on the accounts with the trustee under the Indenture.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2014	\$67,499	\$149	\$67,350	\$11,815	\$56,068	\$67,883	0.99
2013	93,889	24	93,865	36,360	58,790	95,150	0.99
2012	67,599	34	67,565	8,515	59,425	67,940	0.99
2011	66,382	27	66,355	6,690	59,925	66,615	1.00
2010	70,404	21	70,383	10,070	60,677	70,747	0.99
2009	83,205	58	83,147	19,910	62,237	82,147	1.01
2008	77,447	25	77,422	12,320	58,771	71,091	1.09

**Economic Development Project Fund**

West Virginia State Code Chapter 29, Article 22, Section 18a designates \$19 million annually from the “excess lottery revenue fund” to be paid into the Economic Development Project Fund created in subsection (d) for payment of revenue bonds issued pursuant to the same subsection. Interest on the account and any other amounts paid into the Economic Development Project Fund are also to be used for the repayment of the bonds, which were issued in 2004.

2014	\$19,852	\$ —	\$19,852	\$9,240	\$9,538	\$18,778	1.06
2013	20,210	—	20,210	8,850	9,944	18,794	1.08
2012	19,290	—	19,290	8,495	10,317	18,812	1.03
2011	19,569	—	19,569	8,175	10,655	18,830	1.04
2010	19,411	—	19,411	7,890	10,955	18,845	1.03
2009	19,698	—	19,698	7,645	11,220	18,865	1.04
2008	20,560	—	20,560	7,440	11,446	18,886	1.09
2007	19,888	—	19,888	7,275	11,629	18,904	1.05
2006	22,627	100	22,527	7,165	11,767	18,932	1.19
2005	20,461	—	20,461	13,890	11,009	24,899	0.82

(Continued)

**Schedule 9**

**Pledged Revenue Coverage**

**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

(Continued)

**Education, Arts, Sciences, and Tourism**

Certain net profits of the Lottery as set forth in Chapter 29, Article 22 of the Code of West Virginia are transferred to the Trustee under the bond indenture. These bonds are subordinate as to lien and source of payment only to those certain School Building Authority Capital Improvement Bonds, Series 2004 and 2012.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2014	\$9,999	\$ —	\$9,999	\$2,880	\$7,119	\$ 9,999	1.00
2013	10,000	—	10,000	2,770	7,230	10,000	1.00
2012	10,012	3	10,009	2,685	7,310	9,995	1.00
2011	8,001	315	7,686	9,605	6,285	15,890	0.48
2010	8,242	3	8,239	9,115	643	9,758	0.84
2009	10,046	3	10,043	8,660	1,109	9,769	1.03
2008	10,601	3	10,598	8,210	1,563	9,773	1.08
2007	11,002	3	10,999	7,780	2,002	9,782	1.12
2006	10,860	—	10,860	7,375	2,421	9,796	1.11
2005	10,404	—	10,404	7,025	2,803	9,828	1.06

**Economic Development Authority**

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

2014	\$ —	\$ —	\$23,290	\$12,365	\$10,925	\$23,290	1.00
2013	—	—	22,681	10,885	11,796	22,681	1.00
2012	—	—	259,285	251,468	7,817	259,285	1.00

**Housing Development Fund**

Operating revenue includes revenues and principal loan repayments. Both are used for bond repayment. The Fund is authorized by West Virginia State Code to issue bonds and notes for its various programs in an aggregate principal amount not to exceed \$1.25 billion outstanding at any one time, exclusive of refunded obligations. Bonds and notes issued by the Fund are considered obligations of the Fund and are not deemed to constitute a debt or liability of the State. All bonds are secured by a pledge of all mortgage loan repayments, all proceeds of federal or private mortgage insurance, interest received on any monies or securities held pursuant to the resolution, and the rights and interest of the Fund in and to the mortgage loans.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2014	\$102,230	\$7,334	\$ 94,896	\$22,970	\$16,139	\$39,109	2.42
2013	130,658	7,393	123,265	25,065	20,168	45,233	2.73
2012	144,583	9,462	135,121	20,651	25,694	46,345	2.92
2011	125,325	9,325	116,000	16,594	30,479	47,073	2.46
2010	130,282	6,009	124,273	19,198	33,963	53,161	2.34
2009	136,802	7,367	129,435	21,816	37,681	59,497	2.18
2008	146,744	7,230	139,514	23,521	39,135	62,656	2.23
2007	154,643	8,123	146,520	20,180	36,402	56,582	2.59
2006	154,190	9,783	144,407	19,560	33,896	53,456	2.70
2005	185,696	7,448	178,248	20,050	34,595	54,645	3.26

### Water Development Authority

The Authority maintains a variety of programs to provide long-term, short-term and private-activity financing at favorable interest rates for design, construction, and/or acquisition of wastewater and/or water systems. Monies are loaned to municipalities, public service districts, and other political subdivisions through purchase of revenue bonds or notes issued by these local governmental agencies. The loans are repaid from the revenues of the systems or other permanent financing. The aggregate principal amount of bonds and/or notes issued by the Authority may not exceed \$500 million outstanding at any time; provided that before the Authority issues bonds or notes in excess of \$400 million, the Legislature must pass a resolution authorizing this action. An additional aggregate principal amount of \$180 million may be issued for the limited purpose of providing grants for capital improvements for designated projects in the Chesapeake Bay and Greenbrier Watershed areas. The Authority's long-term planning is accomplished within the confines of its authorized borrowing limit. Operating revenue includes revenues and principal loan repayments. Both are used for bond repayment. Fiscal years 2004 and 2013 include retirement of revenue bonds.

2014	\$14,134	\$2,347	\$11,787	\$50,610	\$9,537	\$60,147	0.20
2013	14,538	2,723	11,815	75,830	6,886	82,716	0.14
2012	14,715	2,166	12,549	6,930	11,334	18,264	0.69
2011	15,274	2,283	12,991	7,160	11,616	18,776	0.69
2010	15,355	1,091	14,264	6,930	11,874	18,804	0.76
2009	15,731	809	14,922	6,685	12,110	18,795	0.79
2008	15,882	620	15,262	6,330	12,326	18,656	0.82
2007	15,829	502	15,327	6,585	12,537	19,122	0.80
2006	16,334	569	15,765	5,120	12,123	17,243	0.91
2005	14,304	650	13,654	4,065	11,025	15,090	0.90

(Continued)

**Schedule 9**

**Pledged Revenue Coverage**

**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

(Continued)

**Higher Education Fund**

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

<u>Fiscal Year</u>	<u>Operating Revenue</u>	<u>Direct Operating Expense</u>	<u>Net Revenue Available for Debt Service</u>	<u>Current Year Debt Service Requirements</u>			
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
2014	\$1,625,089	\$1,620,246	\$ 4,843	\$ 45,900	\$53,211	\$ 99,111	0.05
2013	1,640,124	1,613,438	26,686	229,125	20,349	249,474	0.11
2012	1,596,324	1,664,940	(68,616)	226,945	57,079	284,024	(0.24)
2011	1,554,057	1,620,575	(66,518)	71,574	32,361	103,935	(0.64)
2010	1,467,996	1,547,741	(79,745)	25,184	30,716	55,900	(1.43)
2009	1,447,422	1,409,047	38,375	24,169	31,745	55,914	0.69
2008	1,508,466	1,317,474	190,992	24,006	31,650	55,656	3.43
2007	1,333,158	1,217,652	115,506	46,439	32,636	79,075	1.46
2006	1,254,971	1,147,583	107,388	20,527	33,149	53,676	2.00
2005	1,196,325	1,055,456	140,869	94,782	17,976	112,758	1.25

**West Virginia Regional Jail and Correctional Facility Authority**

Revenue bonds are secured by the regional jails and correctional facilities and an irrevocable pledge of the lease payments, which are generated by court fees, and are required to be in sufficient amount to pay principal and interest on the bonds when due.

2014	\$ 89,254	\$72,944	\$16,310	\$5,840	\$3,030	\$8,870	1.83
2013	98,547	74,860	23,687	5,550	3,321	8,871	2.67
2012	102,043	77,064	24,979	5,270	3,592	8,862	2.82
2011	88,773	77,797	10,976	5,015	3,975	8,990	1.22
2010	75,434	79,054	(3,620)	4,770	4,097	8,867	(0.41)
2009	97,048	79,508	17,540	4,550	4,320	8,870	1.98
2008	85,688	70,194	15,494	4,335	4,533	8,868	1.75
2007	84,597	69,267	15,330	4,130	4,735	8,865	1.73
2006	85,389	67,623	17,766	3,940	4,926	8,866	2.00
2005	76,522	57,650	18,872	3,760	5,110	8,870	2.13

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

### School Building Authority

The Authority provides funds for modern efficient public school facilities throughout the State by promoting the consolidation of elementary and secondary public schools. The bonds are paid by certain net profits of the West Virginia Lottery.

<u>Fiscal Year</u>	<u>Operating Revenue</u>	<u>Direct Operating Expense</u>	<u>Net Revenue Available for Debt Service</u>	<u>Current Year Debt Service Requirements</u>			
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
2014	\$64,779	\$ —	\$64,779	\$36,930	\$15,564	\$52,494	1.23
2013	58,758	—	58,758	35,275	16,047	51,322	1.14
2012	62,068	—	62,068	33,980	17,077	51,057	1.22
2011	59,003	—	59,003	31,620	17,972	49,592	1.19
2010	52,931	—	52,931	29,850	18,877	48,727	1.09
2009	47,636	—	47,636	14,940	16,743	31,683	1.50
2008	43,166	17,891	25,275	23,725	13,584	37,309	0.68
2007	43,359	2,367	40,992	22,760	18,383	41,143	1.00
2006	42,754	1,252	41,502	20,030	19,349	39,379	1.05
2005	41,099	1,124	39,975	31,585	17,321	48,906	0.82

### Parkways Authority

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

<u>Fiscal Year</u>	<u>Operating Revenue</u>	<u>Direct Operating Expense</u>	<u>Net Revenue Available for Debt Service</u>	<u>Total Debt Service</u>	<u>Coverage</u>
2014	\$84,730	\$39,070	\$45,660	\$10,529	4.34
2013	83,438	35,772	47,666	11,186	4.26
2012	83,574	35,043	48,531	10,541	4.60
2011	82,440	35,891	46,549	10,515	4.43
2010	79,188	33,134	46,054	10,670	4.32
2009	53,541	30,908	22,633	12,218	1.85
2008	56,690	31,183	25,507	11,852	2.15
2007	58,219	32,606	25,613	10,876	2.36
2006	61,806	31,478	30,328	10,801	2.81
2005	58,152	30,258	27,894	10,505	2.66

Sources: Department of Transportation; School Building Authority; West Virginia Infrastructure and Jobs Development Council; Housing Development Fund; Water Development Authority; Higher Education Fund; West Virginia Regional Jail and Correctional Facility Authority; Parkways Authority; Tobacco Settlement Finance Authority; and bond indentures.



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

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Population</b>				
West Virginia	1,854,304	1,855,413	1,855,364	1,852,994
Change	(0.06)%	–	0.13%	1.83%
National	316,128,839	313,914,040	311,591,917	308,745,538
Change	0.70%	0.75%	0.92%	0.57%
<b>Total Personal Income (Dollars in Millions)</b>				
West Virginia	\$65,889	\$63,968	\$62,178	\$59,417
Change	3.00%	2.88%	4.65%	3.27%
National	\$14,151,427	\$13,401,869	12,981,741	\$12,353,577
Change	5.59%	3.24%	5.08%	3.67%
<b>Per Capita Personal Income* (In Dollars)</b>				
West Virginia	\$35,533	\$34,477	\$33,513	\$32,042
Change	3.06%	2.88%	4.59%	2.91%
National	\$44,765	\$42,693	\$41,663	\$39,937
Change	4.85%	2.47%	4.32%	2.81%
<b>Median Age</b>	41.3	41.3	41.1	41.3
<b>Educational Attainment</b>				
9th Grade or Less	5.4%	5.6%	6.8%	6.1%
Some High School, No Diploma	10.0%	9.9%	11.3%	10.7%
High School Diploma	40.2%	40.6%	41.3%	41.6%
Some College, No Degree	18.6%	19.0%	17.6%	18.3%
Associate, Bachelor's or Graduate Degree	25.7%	25.0%	23.0%	23.3%
<b>Labor Force and Employment (People in Thousands)</b>				
Civilian Labor Force	797.4	805.0	799.9	782.3
Employed	744.6	746.0	736.1	711.1
Unemployed	52.8	59.0	63.8	71.2
Unemployment Rate	6.6%	7.3%	8.0%	9.1%
Nonfarm Wage and Salary Workers Employed in West Virginia Goods Producing Industries:				
Mining	33.3	33.7	33.6	29.9
Construction	31.9	35.6	33.0	32.6
Manufacturing - Durable Goods	30.1	29.6	30.0	29.6
Manufacturing - Nondurable Goods	<u>18.9</u>	<u>19.6</u>	<u>19.5</u>	<u>19.5</u>
Total Goods Producing Industries	114.2	118.5	116.1	111.6
Non-Goods Producing Industries:				
Trade	108.8	111.0	109.9	109.2
Service	398.4	381.7	376.2	372.5
State and Local Government	132.8	130.7	128.3	128.3
Federal Government	<u>23.2</u>	<u>23.3</u>	<u>23.5</u>	<u>24.3</u>
Total Non-Goods Producing Industries	663.2	646.7	637.9	634.3
<b>Total Nonfarm Wage and Salary Employment</b>	<b>777.4</b>	<b>765.2</b>	<b>754.0</b>	<b>745.9</b>

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

The most current period available is 2013.

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

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
1,819,777	1,814,873	1,811,198	1,807,237	1,803,920	1,803,302
0.27%	0.20%	0.22%	0.18%	0.03%	0.06%
307,006,550	304,374,846	301,579,895	298,593,212	295,753,151	293,045,739
0.86%	0.93%	1.00%	0.96%	0.92%	0.97%
\$57,535.00	\$57,576.00	\$54,100.00	\$51,862.00	\$48,139.00	\$46,497.00
-0.07%	6.43%	4.32%	7.73%	3.53%	6.06%
\$11,916,773	\$12,451,660	\$11,900,562	\$11,256,516	\$10,476,669	\$9,928,790
(4.30)%	4.63%	5.72%	7.44%	5.52%	8.51%
\$31,137	\$31,286	\$29,497	\$28,372	\$26,443	\$25,784
(0.48)%	6.07%	3.97%	7.29%	2.56%	6.00%
\$38,846	\$40,947	\$39,506	\$37,725	\$35,452	\$33,881
(5.13)%	3.65%	4.72%	6.41%	4.64%	7.50%
40.5	40.6	40.4	40.7	40.7	40.2
6.5%	6.6%	7.0%	7.1%	10.0%	10.0%
10.7%	11.1%	11.8%	11.9%	14.8%	14.8%
41.0%	40.9%	41.1%	42.7%	39.4%	39.4%
18.5%	18.5%	16.7%	16.1%	16.6%	16.6%
23.2%	22.9%	23.4%	22.2%	19.2%	19.2%
797.9	806.0	813.0	810.0	798.0	788.0
734.6	772.0	778.0	773.0	759.0	747.0
63.3	34.0	35.0	37.0	39.0	41.0
7.9%	4.3%	4.3%	4.6%	4.9%	5.3%
29.6	30.7	27.5	28.1	25.9	23.8
34.1	38.4	38.7	39.2	36.8	34.6
30.9	35.2	37.2	38.4	38.8	39.2
<u>19.8</u>	<u>21.1</u>	<u>21.8</u>	<u>22.6</u>	<u>23.0</u>	<u>23.8</u>
114.4	125.4	125.2	128.3	124.5	121.4
110.0	114.4	116.2	115.5	113.6	111.9
369.9	374.0	369.5	367.8	364.9	360.5
126.3	123.7	122.6	122.4	121.7	121.4
<u>23.6</u>	<u>22.9</u>	<u>22.5</u>	<u>22.1</u>	<u>21.9</u>	<u>21.8</u>
629.8	635.0	630.8	627.8	622.1	615.6
744.2	760.4	756.0	756.1	746.6	737.0

**Schedule 11  
Principal Employers  
Current Year and Nine Years Ago****Estimated as of June 30, 2014**

---

<b><u>Major West Virginia Employers</u></b>	<b><u>Number of Employees</u></b>	<b><u>Percentage of Total Employed</u></b>
Local Government	75,000 - 79,999	10.12%
State Government	40,000 - 44,999	5.68%
Federal Government	20,000 - 24,999	3.12%
Wal-Mart Associates, Inc.	10,000 - 13,000	1.54%
West Virginia United Health System	7,000 - 9,999	1.14%
Charleston Area Medical Center, Inc.	5,000 - 6,999	0.81%
Kroger	3,000 - 4,999	0.54%
Mylan Pharmaceuticals, Inc.	3,000 - 4,999	0.54%
Murray American Energy, Inc.	1,000 - 2,999	0.27%
St. Mary's Medical Center, Inc.	1,000 - 2,999	0.27%
Lowe's Home Centers, Inc.	1,000 - 2,999	0.27%
Mentor Management, Inc.	1,000 - 2,999	0.27%
Res-Care Inc.	1,000 - 2,999	0.27%

**Estimated as of June 30, 2005**

---

<b><u>Major West Virginia Employers</u></b>	<b><u>Number of Employees</u></b>	<b><u>Percentage of Total Employed</u></b>
Local Government	70,000 - 74,999	9.67%
State Government	40,000 - 44,999	5.69%
Federal Government	20,000 - 24,999	2.94%
Wal-Mart Associates, Inc.	10,000 - 13,000	1.54%
Charleston Area Medical Center, Inc.	4,000 - 5,999	0.67%
West Virginia University Hospitals	3,000 - 5,999	0.60%
Kroger	3,000 - 5,999	0.60%
CSX Corporation	3,000 - 5,999	0.60%
American Electric Power	1,000 - 2,999	0.27%
E I DuPont De Nemours and Company	1,000 - 2,999	0.27%
Consolidation Coal Company	1,000 - 2,999	0.27%
Verizon	1,000 - 2,999	0.27%
ISG Weirton, Inc.	1,000 - 2,999	0.27%

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

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

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

<u>Year</u>	<u>Elementary (Pre-K to 6)</u>	<u>Secondary (7 to 12)</u>	<u>Total All Grades</u>
2013-14	160,112	120,901	281,013
2012-13	160,721	121,589	282,310
2011-12	160,571	121,517	282,088
2010-11	160,015	122,115	282,130
2009-10	159,205	122,623	281,828
2008-09	157,520	124,388	281,908
2007-08	155,832	125,903	281,735
2006-07	154,479	126,818	281,297
2005-06	152,969	126,819	279,788
2004-05	152,470	126,987	279,457

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

<u>Year</u>	<u>Public</u>		<u>Independent</u>	
	<u>Enrollment</u>	<u>Number of Certificates and Degrees</u>	<u>Enrollment</u>	<u>Number of Certificates and Degrees</u>
2013-14	90,028	18,012	8,496	1,772
2012-13	92,140	16,938	8,758	2,425
2011-12	96,573	16,512	8,758	2,991
2010-11	96,555	15,733	11,496	2,879
2009-10	94,952	15,185	12,168	2,678
2008-09	89,280	14,917	11,279	2,560
2007-08	88,276	15,040	11,131	2,686
2006-07	86,972	14,733	10,639	2,682
2005-06	84,713	14,206	10,811	2,575
2004-05	82,845	13,963	11,650	2,462

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

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Executive *	920	932	958	946
Legislative	210	213	221	216
Judicial	1,079	1,055	1,069	1,042
Administration	908	889	683	693
Commerce				
Natural Resources (Parks)	741	748	756	752
Tourism and Development	146	163	162	160
WORKFORCE West Virginia	390	391	396	409
Other	428	441	439	400
Environmental Protection	883	855	842	832
Education and the Arts				
Department of Education	528	550	584	601
School for the Deaf and the Blind	178	174	193	182
Rehabilitation Services	558	531	564	555
Higher Education	11,676	11,717	11,575	11,431
Other	268	280	279	285
Revenue	1,028	1,062	1,094	1,080
Health and Human Services	5,514	5,630	5,621	5,535
Military Affairs and Public Safety				
Corrections	1,839	1,760	1,758	1,725
Juvenile Services	511	676	712	718
State Police	1,037	1,024	1,067	1,043
Regional Jail Authority	971	911	912	883
Other	569	620	556	530
Veterans Assistance	226	246	240	227
Transportation	5,723	5,876	5,834	5,776
Miscellaneous	<u>535</u>	<u>533</u>	<u>506</u>	<u>509</u>
Total	<u>36,866</u>	<u>37,277</u>	<u>37,021</u>	<u>36,530</u>

## Notes:

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

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

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

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
921	927	916	896	881	902
218	216	213	208	204	203
1,010	961	912	936	882	876
679	696	659	663	573	598
798	836	844	844	813	812
155	162	164	166	182	218
440	399	397	372	405	445
400	391	379	364	353	1,068
823	804	821	820	843	862
576	579	560	519	511	531
195	202	192	192	204	193
563	542	518	544	694	721
10,965	10,762	10,383	10,165	9,959	9,746
274	286	272	261	272	267
1,067	1,057	1,087	1,042	1,024	774
5,562	5,495	5,556	5,596	5,588	5,771
1,700	1,692	1,684	1,648	1,632	1,592
681	640	610	615	601	601
1,033	1,026	1,011	1,011	987	980
886	896	903	938	869	876
511	486	525	450	433	407
213	181	161	134	87	84
5,346	5,658	5,499	5,490	5,296	5,767
<u>497</u>	<u>488</u>	<u>490</u>	<u>496</u>	<u>503</u>	<u>530</u>
<u>35,513</u>	<u>35,382</u>	<u>34,756</u>	<u>34,370</u>	<u>33,796</u>	<u>34,824</u>

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

	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<u>Department of Transportation</u>				
Division of Highways				
Total highway construction projects authorized	757	806	1,305	1,070
Number of roadway resurfacing projects	325	348	775	508
Highway mileage resurfaced (in miles)	975	1,067	1,716	995
<u>WORKFORCE West Virginia (Employment Programs)</u>				
Applications processed for job seekers (in thousands)	114	141	145	141
Filled Job Openings	3,725	4,673	4,943	4,673
<u>Department of Education</u>				
Schools receiving exemplary accreditation status	N/A	8%	7.98%	9.06%
Schools receiving full accreditation status	N/A	63.72%	72.08%	71.57%
School districts receiving full approval status	N/A	89.09%	87.27%	89.09%
<u>Department of Health and Human Resources</u>				
Number of food stamp recipients	351,392	342,831	339,258	338,665
Number of food stamps issued	39,975,70	41,335,676	40,951,366	41,314,740
Medicaid enrollees	551,682	410,770	415,030	414,935
Counties enrolled in managed care	100%	100.00%	100.00%	100.00%
Child support collections (in millions)	208	209	213	222
Students served by school-based health clinics	24,391	20,708	28,436	27,076
<u>Division of Natural Resources</u>				
Attendance at State Parks (in millions)	7.0	7.0	6.8	6.5
Hunting and Fishing License Sales (Calendar year)	927,069	911,219	881,062	879,678
Individuals whitewater rafting on rivers (Calendar year)	130,192	140,027	142,036	156,962
<u>Department of Environmental Protection</u>				
Division of Air Quality				
Number of air quality inspections	700	550	2457	2236
Average Days Open per Complaint	17.00	9.75	10.80	11.06
Division of Land Restoration Programs				
Organizations that adopted highways	1,256	1,227	1,186	1,867
Division of Mining and Reclamation				
Surface mine blasting examinations and certifications	111	114	125	109
Surface mine mineral extractions inspections	21,086	21,790	20,530	21,243
Number of acres reclaimed through reclamation/restoration of land	700	1,202	7,842	5,887
Office of Miners Health and Safety (Calendar Year)				
Total Safety Inspections	6,751	6,690	6,432	5,413
Violations issued by mine inspectors	11,415	13,267	15,705	18,708
Lost time injuries of mining personnel	639	570	648	784
Department of Military Affairs and Public Safety				
Division of Corrections				
Adult inmate housing capacity	5,923	5,778	5,242	5,185
Inmate employment (Prison Industries)	244	250	253	243
Youth successfully completed programs/returned to community(calendar year)	179	180	163	148
Veterans' Home				
Average daily number of residents	87	86	98	100
Average daily cost per resident	\$97.15	\$107.14	\$87.05	77.32
Bureau of Senior Services				
Persons served under Medicaid Aged and Disabled Waiver	6,208	7,107	8,530	8,029

Items in bold italics are estimated figures

N/A - not available

Source: State of West Virginia Executive Budget Operating Detail Reports and state agencies.

This schedule has been revised.

<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
1,231	702	1,169	874	1,105	1,232
584	208	527	324	481	490
1,328	479	1,557	944	1,239	1,208
175	150	141	128	100	97
4,673	7,003	8,380	9,517	11,069	20,511
8.36%	8.17%	10.00%	10.00%	17.00%	4.00%
69.73%	71.80%	80.00%	80.00%	68.00%	76.00%
89.09%	89.09%	96.00%	93.00%	93.00%	96.00%
326,730	288,500	245,931	235,772	261,577	255,281
39,885,163	31,098,046	24,555,462	22,869,066	21,982,039	20,986,880
405,178	393,187	307,686	305,054	311,289	321,158
100.00%	95.00%	93.00%	89.00%	89.00%	85.00%
201	204.0	201.0	192	188	187
24,992	20,380	20,224	26,800	25,950	25,780
6.3	5.9	6.7	6.3	6.7	7.3
914,474	1,005,953	983,544	955,737	968,954	1,058,821
155,712	164,325	181,105	170,266	201,358	209,542
1,503	1,795	2,096	1,584	1,565	1,401
12.87	15.30	32.41	37.34	25.96	19.43
1,536	1,879	1,834	1,882	1,891	1,456
118	149	123	159	191	144
20,812	13,391	21,183	22,092	21,891	20,085
2,784	2,298	2,483	7,261	12,655	10,963
5,873	5,980	5,709	5,508	5,816	5,727
15,306	14,804	16,130	12,488	12,258	10,749
801	809	973	929	1,089	965
5,114	5,113	5,017	4,931	4,520	4,070
242	247	245	238	230	260
159	159	156	115	160	180
97	97	95	89	96	95
76.53	\$70.78	\$71.19	\$68.74	\$64	\$61.54
5,950	6,449	5,300	4,737	4,571	4,901



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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Vehicles				
Executive	219	195	192	178
Judicial	20	19	15	14
Administration				
Agency-Owned	6	6	7	6
Leased to other agencies	<u>2,114</u>	<u>2,021</u>	<u>2,035</u>	<u>1,743</u>
Totals	2,120	2,027	2,042	1,749
Revenue	-	1	1	1
Commerce				
Division of Natural Resources (Parks)	606	549	571	510
Division of Forestry	139	135	96	132
Others	<u>15</u>	<u>17</u>	<u>17</u>	<u>8</u>
Total Commerce	760	701	684	650
Environmental Protection	17	8	11	10
Education	53	48	42	44
Health and Human Services	29	29	25	28
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	895	902	852	947
Division of Corrections	47	45	42	36
Regional Jail	28	27	27	40
Others	<u>37</u>	<u>33</u>	<u>32</u>	<u>34</u>
Total MAPS	1,007	1,007	953	1,057
Veterans Assistance	68	67	75	70
Regulatory Boards and Commissions	2	2	2	2
Boats				
Commerce	97	100	92	93
Environmental Protection	8	7	7	7
Buildings				
Executive	27	26	29	28
Administration	69	71	78	78
Revenue	2	3	3	2
Commerce				
Division of Natural Resources (Parks)	909	907	905	889
Division of Forestry	5	5	5	5
Others	<u>11</u>	<u>11</u>	<u>8</u>	<u>8</u>
Total Commerce	925	923	918	902
Environmental Protection	7	7	7	8
Education	69	69	82	81
Health and Human Services	105	107	108	108
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	91	90	90	85
Division of Corrections	59	55	55	53
Armory Board	112	109	154	157
Others	<u>64</u>	<u>59</u>	<u>55</u>	<u>51</u>
Total MAPS	326	313	354	346
Veterans Affairs	10	10	10	9
Regulatory Boards and Commissions	4	4	3	3

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

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
185	171	169	171	140	123
14	12	10	10	5	6
6	6	4	4	5	6
<u>1,731</u>	<u>1,685</u>	<u>1,648</u>	<u>1,857</u>	<u>1,623</u>	<u>1,588</u>
1,737	1,691	1,652	1,861	1,628	1,594
-	-	1	1	1	3
582	584	570	581	581	572
136	133	130	135	137	137
<u>7</u>	<u>7</u>	<u>7</u>	<u>5</u>	<u>6</u>	<u>6</u>
725	724	707	721	724	715
11	11	11	13	12	12
51	58	42	41	41	44
68	72	68	69	68	65
992	999	1,110	916	811	952
40	40	38	28	25	21
94	99	104	90	87	67
<u>34</u>	<u>31</u>	<u>30</u>	<u>28</u>	<u>24</u>	<u>23</u>
1,160	1,169	1,282	1,062	947	1,063
72	59	56	51	53	32
2	2	2	2	2	2
90	95	94	93	92	93
7	6	5	5	4	4
28	28	28	28	28	28
72	70	68	66	60	52
2	2	2	2	2	2
889	889	884	885	893	888
5	5	5	4	4	4
<u>8</u>	<u>8</u>	<u>8</u>	<u>7</u>	<u>6</u>	<u>6</u>
902	902	897	896	903	898
7	7	7	7	7	7
91	91	90	90	90	90
108	109	109	157	147	147
85	85	83	82	81	81
55	55	54	53	53	50
158	167	165	167	171	171
<u>50</u>	<u>46</u>	<u>43</u>	<u>40</u>	<u>31</u>	<u>30</u>
348	353	345	342	336	332
9	9	9	9	9	9
3	3	3	3	3	2

**Schedule 16**

**Miscellaneous Statistics**

**June 30, 2014**

Date of Statehood

June 20, 1863

West Virginia shares its history with Virginia from 1609 until Virginia seceded from the Union in 1861. The delegates of 40 western counties formed their own government, which was granted statehood in 1863. Declared a state by President Abraham Lincoln, West Virginia is the only state to be designated by Presidential Proclamation.

Form of Government	Constitutional Representative
Government	
Branches of Government	Legislative - Executive - Judicial
Area (Land and Water)	24,231.4 square miles (approximately)
Highest Elevation Point	Spruce Knob - 4,861 feet above sea level
Lowest Elevation Point	Harpers Ferry - 247 feet above sea level
Miles of Public Roads and Streets	38,684
Miles Maintained by the State	35,893
State Police Protection:	
Number of State Police Detachments	59
Number of State Police Troopers	673
Higher Education (State Supported):	
Number of Campuses	21
Number of Students	87,082
Recreation:	
Number of State Parks	34
Area of State Parks	76,961 acres
Number of State Forests	8
Area of State Forests	71,488 acres
Number of State Owned and Operated Rail Trails	2
Distance of Rail Trails	150 miles
Wildlife Fish and Game Management Areas	102
Acreage of Wildlife Management Areas (Owned and Leased)	375,628 acres

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