

# West Virginia



**Comprehensive Annual Financial Report**  
**Fiscal Year Ended June 30, 2018**

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# *West Virginia*

*Comprehensive Annual  
Financial Report  
For the Fiscal Year  
Ended June 30, 2018*

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*Jim Justice*  
Governor

*Sarah H. Long, CPA*  
Chief Financial Officer and  
Assistant Cabinet Secretary  
Department of Administration

*David Mullins*  
Acting Finance Director  
Department of Administration

*Prepared by the Financial Accounting  
and Reporting Section*

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*Governor Jim Justice*

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*Jim Justice*  
*Governor of West Virginia*

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 ending June 30, 2018. 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, reading "Jim Justice".

Jim Justice  
Governor

# ***ACKNOWLEDGMENTS***

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Sarah H. Long, 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 West Virginia Our Advanced Solution with Integrated Systems (wvOASIS) has been invaluable.

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

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# INTRODUCTORY SECTION

Letter of Transmittal

Certificate of  
Achievement for  
Excellence in  
Financial Reporting

Organization Chart

Principal Officials

*The Union Statue is a memorial to the Union Soldiers and Sailors from West Virginia who fought in the Civil War. It faces Kanawha Blvd. east of the Governor's Mansion. One of the four plaques reads: "In Memory of the thirty-two thousand soldiers, sailors and marines, contributed by West Virginia to the service of the Union during the Civil War. 1861 - 1865."*



STATE OF WEST VIRGINIA  
DEPARTMENT OF ADMINISTRATION

Office of the Cabinet Secretary

December 21, 2018

The Honorable Jim Justice, Governor  
The Honorable Members of the West Virginia Legislature  
Citizens of the State of West Virginia

Dear Governor, Senators, Delegates and Citizens:

I am pleased to present the 2018 Comprehensive Annual Financial Report (2018 CAFR) of the State of West Virginia for the fiscal year ended June 30, 2018. This report was prepared by the Financial Accounting and Reporting Section (FARS) within the Finance Division of the Department of Administration (Management).

The 2018 CAFR was 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, 2018, are fairly presented in conformity with generally accepted accounting principles in the United States (GAAP).

This 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 West Virginia's internal controls and compliance with requirements applicable to major programs.

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 2018 CAFR consists of Management's representations concerning the financial information of the State of West Virginia. Consequently, Management assumes

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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 sufficiently 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 is designed to provide reasonable, rather than absolute, assurance that these 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 were 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 financial information regarding 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

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The Honorable Members of the West Virginia Legislature  
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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 Review**

West Virginia leads the nation with its commitment to energy research and a diverse energy portfolio that includes not only coal, but natural gas, wind, hydroelectric, geothermal, biomass and solar.

The State has long been, and remains today, one of America's leading net exporters of electricity. West Virginia is a net supplier of electricity to the regional grid, and is among the top 10 states in the nation in net interstate sales of electricity. West Virginia remains competitive in low cost energy.

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.

West Virginia's cost of doing business is among the lowest in the country and ranks 11<sup>th</sup> in CNBC's America's Top States for Business 2018 "cost of doing business" category. CNBC considers the competitiveness of each state's tax climate, state sponsored incentives, utilities, wages, and rental costs for office and industrial space when determining a state's cost of doing business. West Virginia has the 19<sup>th</sup> most competitive tax code in the nation, according to the Tax Foundation's 2019 State Business Tax Climate Index.

West Virginia continues to diversify its economy, which includes industries such as chemicals and polymers, automotive, manufacturing, natural gas, aerospace, metals, identity technology, fulfillment distribution and building products.

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

- The U.S. Department of Labor reported West Virginia led the nation in percentage of new construction job growth in 2017.

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- Bidell Gas Compression announced plans to base its first U.S. manufacturing operation in West Virginia, bring a 100,000-square-foot machine shop back into productive use and employ up to 130 workers by 2019.
- Procter and Gamble expanded its previously announced intention to build its new manufacturing facility in West Virginia and create 700 good-paying, full-time jobs. Procter & Gamble Co. plans to add 200 more jobs by 2020, increasing the total to 900.
- Since opening in 1996, Toyota Motor Manufacturing West Virginia (TMMWV )has demonstrated its confidence in West Virginia with numerous expansions and millions in investment. Most recently, TMMWV announced it will invest \$115.3 million to add a hybrid transaxle product line to the facility in Buffalo. These hybrid transaxles will be the first built outside of Japan. Production of the transaxles is scheduled to begin at the Buffalo, West Virginia, Toyota engine and transmission plant in 2020. This latest investment will ensure the company — and its more than 1,000 West Virginia employees — can continue to perform competitively well into the future.
- Hino Motors Manufacturing U.S.A. plans to expand its truck manufacturing and assembly operations in West Virginia. The company will move from its current 245,000-square-foot site in Williamstown into the significantly larger 962,000-square-foot former Coldwater Creek facility in Mineral Wells. The new facility will house several operations, including cab assembly currently handled in Japan. The expansion represents a total investment of approximately \$100 million. The company is not only retaining its existing crew of 300 employees but also plans to hire an additional 250. The facility is expected to be operational in 2019.
- US Methanol has begun construction for its new methanol production facility in Institute in Kanawha County. The Liberty One plant will convert natural gas into methanol. The plant is expected to produce approximately 200,000 metric tons of methanol a year. US Methanol plans to supply high-quality, made-in-the USA methanol to industrial customers by barge, rail and truck. High-grade methanol is valuable as a feedstock for resin and as material in the production of a wide range of products such as carpeting and plastic water bottles. The plant is

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expected to create up to 50 jobs. The West Virginia plant is US Methanol's first in the United States.

- Armacell, a world leader in engineered foams, will expand its crosslinked polyethylene block or "bun" manufacturing capabilities. The company will move from its 40,000-square-foot space to a 103,000-square-foot facility in the city of Spencer. The new facility is scheduled to begin production during 2018. The expansion will add 20 new jobs, increasing the Spencer facility's workforce to 90 employees. The West Virginia plant will help support Armacell's East Coast customers.
- The Armstrong Flooring Corporation will add 85,000 square feet to its facility in the city of Beverly to create a distribution center. The expansion will allow the company to streamline its distribution capabilities by storing its finished flooring products on-site. Construction is expected to be completed by summer 2019. The Armstrong facility is the largest pre-finished hardwood flooring plant in the United States, producing flooring from oak, hickory and maple.
- Solvay Technology Solutions has committed to doubling the manufacturing facility to the capacity of its Technology Solutions global business unit's high molecular weight (HMW) hindered amine light stabilizers (HALS) production facility in Willow Island in Pleasants County. Solvay will construct a second, fully independent HMW HALS manufacturing unit to complement its existing line at Willow Island. The \$70 million investment is expected to create as many as 40 new jobs over the next two to three years. Construction is expected to be completed by mid-2019. The products provide ultraviolet light stabilization polymers that are used to extend the life and performance of plastic in outdoor conditions, outdoor construction and other uses.
- Italian-based TeMa North America plans to build its first North American manufacturing facility in the Burr Business Park in Kearneysville. The 42,000-square-foot plant is expected to create 30 jobs. The \$10 million facility will produce insulation and drainage systems for residential, commercial and industrial use. Parent company TeMa Group is a European leader in the insulation, drainage and geotechnical sector.

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These investments reflect the increasingly 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 turnover rate;
- A cost of doing business that is among the lowest in the country;
- Electricity rates that are nearly 20 percent below the national average;
- A strategic location within an eight-hour drive to half the U.S. population and a third of the Canadian market;
- A community and technical college system that is highly responsive to business and workforce needs; and
- High quality of life, low cost of living and unparalleled outdoor recreational activities.

## **Major Initiatives**

The State of West Virginia focused on several major initiatives during Fiscal Year 2018. Some of these initiatives are outlined below:

### Pro-Growth Tax Reforms

West Virginia enacted significant business tax reductions between 2006 and 2011 to help boost future investment in the State's economy. The Corporation Net Income Tax rate was reduced from 9 percent to 6.5 percent. In addition, West Virginia eliminated the Business Franchise Tax, the Corporate Charter Tax, the Telecommunications Tax and a Business Registration Fee renewal requirement. The latest estimates project a net reduction of more than 70 percent in Corporation Net Income Tax for businesses over a decade.

In addition to lower business taxes, 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 technology, pollution abatement equipment and property tied to specified customer



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Citizens of the State of West Virginia

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.

### Roads and Highways

During Fiscal Year 2018, the Division continued work on several of its major initiatives around the State including Corridor H, the Wellsburg Bridge, US 35, WV 10 and the East Beckley Bypass (to name a few). As a result of increased funding available to the Division from the Roads to Prosperity Initiative, the Division was able to direct additional resources to roadway and bridge preservation and renovation programs. During Fiscal Year 2018, the Division authorized 1,213 highway and bridge construction projects statewide. Rugged mountainous terrain and numerous streams and rivers characterize the topography of the State and consequently, West Virginia's road system includes 7,233 vehicular bridges, of which the Division is responsible for 7,004. The Division's bridge program in Fiscal Year 2018, enhanced by an infusion of General Obligation and GARVEE Bond proceeds, in conjunction with a traditional state-funded program that started in 1988, allowed for construction starts on 156 bridge initiatives ranging from full replacement to deck overlays. Some of the larger projects include, Tom Williams +3 in Kanawha County, the McDonalds/Upper Plaza Bridge in Marshall County, the Harmon Creek Bridge in Brooke County, Rock Cliff Drive Bridge in Berkeley County, and the Stuart Justice Bridge in Mingo County (to name a few). Other accomplishments this year included several stretches of major Interstate reconstruction across the State. The badly needed reconstruction projects were part of a larger statewide resurfacing initiative comprised of 600 resurfacing projects, which addressed nearly 1,843 miles of roadway at a cost of approximately \$279 million.

### State Park Enhancements

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

The system is composed of 35 state parks, nine state forests, the Greenbrier River Trail, and the North Bend Rail Trail. The parks section manages or assists in managing more than 160,885 acres of public land and sees up to 7 million visitors annually. Facility inventory includes 798 lodge rooms, 358 cabins, 1,546 campsites, 144 picnic shelters and 549 playground units. More than 1,400 miles of hiking trails are provided across 46 areas.

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The park system serves as a strong foundation for the growing tourism industry as destination locations. According to the Outdoor Industry Association research, the outdoor recreation economy in West Virginia contributes 82,000 direct state jobs resulting in \$2 billion in wages and salaries. Consumers spend \$7.6 billion annually on outdoor recreation. The West Virginia State Park system helps make West Virginia a leader in outdoor recreation and the associated economic impact it provides.

According to the Institute for Service Research, FY15 research study of the Economic Significance and Impacts of West Virginia's State Parks and Forests:

- \* In FY15, West Virginia State Parks and Forests attracted 7.1 million visitors.
- \* The total economic impact of West Virginia State Parks and Forests during FY15 was between \$160.5 million and \$189.5 million. Economic impact is a measure of fresh money infused into the State's economy that likely would have not been generated in the absence of the park system.
- \* Economic activity stimulated by visitation to West Virginia State Parks and Forests was associated with approximately \$140.9 million in value-added effects, which is a measure of the park system's contribution to the gross domestic product of the state.
- \* Visitors to West Virginia's state parks and forests have an overwhelmingly safe and satisfying experience. The agency is constantly assuring the appropriate operations of complex facilities such as trams, excursion boats, marinas, historic structures, pools, lakes, dams, water and sewage systems, and similar facilities necessary for a pleasant visitor experience. Comment cards show a 94 percent excellent or good rating, demonstrating outstanding guest service.
- \* Since 1993, state park operations have added 38 cabins; three major conference centers at Blackwater Falls, Cacapon and Pipestem; one major campground at Little Beaver; Chief Logan Lodge & Conference Center; a new 27-room lodge wing at Twin Falls; a lodge construction at Canaan with 160 guest rooms; overhaul of ski operations at Canaan Valley and major renovation of the sled run at Blackwater Falls.
- \* The online reservation system for all lodge rooms and cabins and the call center have been fully implemented, making it easier for customers to plan their overnight stays.

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- \* Sixty million dollars of park maintenance and renovation projects funded through excess lottery bond sales have been approved with work to be completed over the next three years.
- \* The West Virginia State Park system is continually focused on their mission of protecting natural resources, promoting outdoor recreation such as hiking, fishing, biking and canoeing, and educating visitors about the natural world through interpretative services and activities.

### Workers' Compensation Reforms

West Virginia continues to reduce its workers' compensation rates. The loss costs have decreased for thirteen consecutive filings since the privatization in January 2006. Employers will have saved \$398 million since July 2006. The workers' compensation market is competitive, with more than 275 carriers providing workers' compensation.

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. During FY 2018, the State allocated approximately \$3.9 million to reduce the unfunded liability. As of Fiscal Year June 30, 2018, the unfunded liability for the Old Fund was \$25 million.

### Environmental Protection Initiatives

In Fiscal Year 2018, the West Virginia Department of Environmental Protection's Rehabilitation Environmental Action Plan (REAP) awarded 23 Recycling Assistance grants totaling more than \$1.3 million to local governments, universities, private and nonprofit organizations for the purpose of planning, initiating, expanding, or upgrading recycling programs, providing related public education programs, and assisting in recycling market procurement efforts; 10 Covered Electronic Devices Recycling grants totaling more than \$121,000 to conduct electronic collection events and programs; and 31 Litter Control grants totaling over \$85,000 to initiate, continue, or expand local litter control programs.

The Abandoned Mine Lands and Reclamation Division (AMLR) completed 22 reclamation projects totaling \$8.2 million; and 26 Emergency projects totaling \$7.4 million. AMLR solicited bids for 21 AML reclamation projects at a cost of \$6.04 million, 8 waterline construction projects at a cost of \$4.56 million, and 4 AML Pilot Projects at a cost of \$11.68 million. These waterline projects brought drinking water to citizens whose drinking water was affected by mining activity that occurred before enactment of the Federal Mining Act in 1977. The Act requires companies to reclaim the land when mining ceases.

The Honorable Jim Justice, Governor  
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Citizens of the State of West Virginia

Through the Clean Water State Revolving Fund, DEP disbursed more than \$44.6 million to communities for municipal sewer projects under construction; disbursed \$450,000 to nonpoint source pollution control projects; closed new loans on an additional 10 municipal construction projects, worth \$42.9 million; and have already issued 9 preliminary binding commitment letters and/or loan agreements for additional projects, worth \$64.1 million.

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

In order to continue disciplined financial management, the State adheres to certain financial policies and prepares a long-term financial plan.

#### Pro-Growth Tax Reforms

West Virginia enacted significant business tax reductions between 2006 and 2011 to help boost future investment in the State's economy. The Corporation Net Income Tax rate was reduced from 9 percent to 6.5 percent. In addition, West Virginia eliminated the Business Franchise Tax, the Corporate Charter Tax, the Telecommunications Tax and a Business Registration Fee renewal requirement. The latest estimates project a net reduction of more than 70 percent in Corporation Net Income Tax for businesses over a decade.

In addition to lower business taxes, 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 technology, 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.

#### Long-Term Financial Planning

The State's Six-Year Financial Plan includes information on anticipated General and Lottery Funds revenues and expenditures over a six-year horizon with the goal of providing policymakers and citizens a clear understanding of not only the current budget, but also the larger, long-term implications of budget decisions on the State's future fiscal outlook.

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Citizens of the State of West Virginia

### Financial Policies

Under current law, the State is required to deposit the first 50 percent of all surplus from the General Fund accrued during the fiscal year just ended into its Rainy Day Fund until the aggregate amount of the fund is equal to 13 percent of total appropriations from the fiscal year just ended. In Fiscal Year 2019, the State deposited \$18 million in the State's Rainy Day Fund, which was 50 percent of the State's Fiscal Year 2018 General Fund surplus.

### Strong Financial Performance

In 2018, fiscal accountability and unwavering policies 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 2018 fiscal year with a General Fund surplus of \$36 million, half of which is transferred to the State's Revenue Shortfall Reserve Fund (Rainy Day Fund A). West Virginia's Rainy Day Funds rank in the top five in the country as a percentage of the State's General Revenue appropriations at 16.8 percent.

### **CONCLUSION**

West Virginia continues to aggressively address the fiscal challenges associated with a changing economy. During Fiscal Year 2018, the State was able to manage its budgetary demands in a challenging economic environment. Governor Jim Justice and the members of the State Legislature worked collaboratively to ensure that financial and strategic decisions were made for the betterment of the State's citizens so that programs and services continue to operate efficiently. Meanwhile, our State's leadership also maintains a competitive atmosphere for current and future businesses to ignite job growth.

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of West Virginia for its CAFR for the fiscal years ended June 30, 1997 through 2017. 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. We 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

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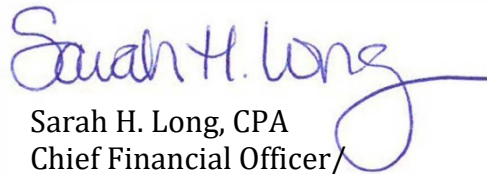
Management, the Consolidated Public Retirement Board, the Department of Transportation, the Housing Development Fund, the Parkways Authority, the West Virginia Lottery, the Board of Treasury Investments and the West Virginia Prepaid College Plan.

## **Acknowledgments**

The annual budget document, prepared by the State Budget Office, provides additional information related to budget priorities and goals, including acknowledgement 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 2018 budgets.

The 2018 CAFR is an example of Governor Justice'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,



Sarah H. Long, CPA  
Chief Financial Officer/  
Assistant Cabinet Secretary of Administration

SHL/cjn



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**State of West Virginia**

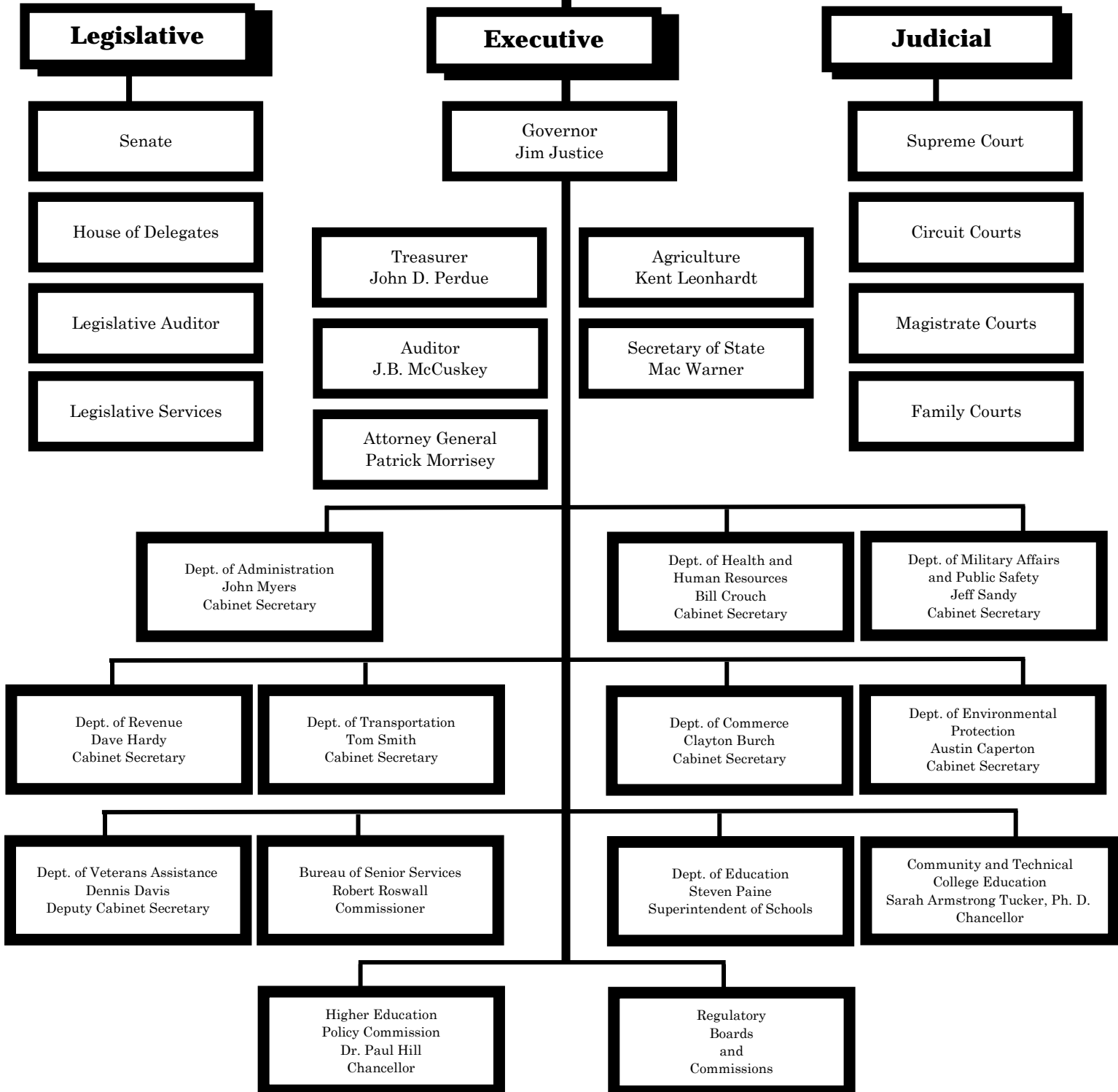
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**



Executive Director/CEO

# ORGANIZATION CHART





# State of WEST VIRGINIA Principal Officials

**Executive Branch**

Governor  
Jim Justice

Agriculture Commissioner  
Kent Leonhardt

Attorney General  
Patrick Morrisey

State Auditor  
J.B. McCuskey

Secretary of State  
Mac Warner

State Treasurer  
John D. Perdue

**Legislative Branch**

Senate President  
Mitch Carmichael

Speaker of the House  
Tim Armstead

Chairman  
Senate Finance  
Craig Blair

Chairman  
House Finance  
Eric Nelson

**Judicial Branch**

Supreme Court Chief Justice  
Allen H. Loughry, II

Supreme Court Justice  
Robin Jean Davis

Supreme Court Justice  
Menis E. Ketchum, II

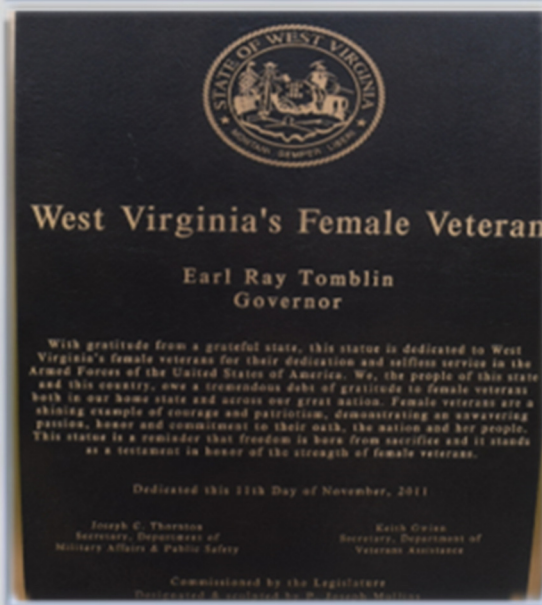
Supreme Court Justice  
Beth Walker

Supreme Court Justice  
Margaret Workman

# FINANCIAL SECTION

## Report of Independent Auditors

## Management's Discussion and Analysis



*The 8-foot-tall West Virginia's Female Veteran statue is located near the state Veterans Memorial. Sculpted by Charleston artist Joe Mullins, it features bronze plaques depicting military women from different eras*



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## Report of Independent Auditors

The Honorable Jim Justice, 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, 2018, and the related notes to the financial statements, which collectively comprise the 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 certain entities or funds within the aggregate remaining fund information, which represent 65 percent of total assets, 78 percent of net position, and 12 percent of total revenues for the governmental activities; 100 percent of total assets, 100 percent of net position, and 99 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; 96 percent of total assets, 97 percent of fund balance, and 98 percent of revenues of the major 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 93 percent of total assets, 94 percent of net position/fund balance, and 58 percent of the total revenues/additions for the aggregate remaining fund information, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for certain entities or funds within the governmental activities, the business-type activities, the aggregate discretely presented component units, certain major funds, and certain entities or funds within the aggregate remaining fund information, is

based solely 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 the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of West Virginia, at June 30, 2018, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

### ***Emphasis of Matter***

#### *Change in Method of Accounting for Other Postemployment Benefits*

As discussed in Note 2 to the financial statements, the State changed its method for accounting and financial reporting of other postemployment benefit as a result of the adoption of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* effective July 1, 2017. Our opinion is not modified with respect to this matter.

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

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison information for the general fund and each major special revenue fund when such information is presented as required supplementary information, Schedule of the

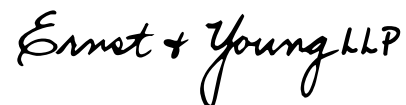
State's Proportionate Share of the Net Pension Liability, Schedules of State Contributions for Pension Plans, Schedules of Changes in the State's Net Pension Liability and Related Ratios, Schedule of the State's Proportionate share of the Net OPEB Liability, and Schedule of Contributions for the OPEB Plan on pages 199 through 220 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 and the other auditors 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 of West Virginia's basic financial statements. The accompanying supplementary information, such as the combining and individual nonmajor funds 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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors 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, based on our audit, the procedures performed as described above, and the report of the other auditors, the accompanying combining and individual nonmajor funds financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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.



December 21, 2018



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State of West Virginia's (the State) Comprehensive Annual Financial Report presents management's discussion and analysis of the State's financial performance during the fiscal year ended June 30, 2018. 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 \$7.9 billion, reported as net position. Governmental activities reported \$5.7 billion in net position, a \$767 million increase, up 15.5% from last year, while the business-type activities reported net position of \$2.2 billion, a \$136 million decrease.

#### **Fund Level:**

At year-end, the governmental funds reported combined fund balances of \$3.8 billion, an increase of \$2.9 billion, or 78% higher than the prior year. The unrestricted fund balance, including the committed, assigned, and unassigned balances, was \$1.8 billion. The nonspendable balance was \$174 million, and \$1.8 million was restricted to capital projects, debt service, general government operations, development, tourism and recreation, education, health and social services, public protection, and transportation. General Revenue cash surpluses allowed \$18.1 million to be transferred to the Revenue Shortfall Reserve Fund (Rainy Day Fund); this transfer was down from the previous year by \$20 million.

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

There was a net increase in the State's long-term obligations of \$106 million. The Governmental Activities increased by \$213 million and the Business-type Activities decreased by \$84 million. The net increase of \$106 million consisted of a decrease in net pension liability in the amount of \$940 million, an increase of other postemployment benefit liability of \$80 million, a decrease of \$56 million in accrued and other liabilities and an increase of payments on bonds, capital leases, and notes payable in the amount of \$1.1 billion. The decrease in accrued and other liabilities is related to a decrease in Medicaid of \$32 million, and an increase of \$16 million in taxes, a decrease of \$33 million in claims and judgements.

The insurance and compensation benefits liability decreased \$66 million. The decrease consisted of \$2 million at the Board of Risk and Insurance Management due to an increase in estimated claims expense and \$61 million in Unemployment Compensation due to a projected decrease in claims. There was a \$1.9 million decrease at the Public Employee's Insurance Agency due to a decrease in the premium deficiency reserve. See Note 14 for a more detailed explanation about risk management.

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, pension plans, and OPEB plan information 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.
- Net pension and OPEB liabilities or asset along with related deferrals are reported on the government-wide statements, but not reported 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, pension plans, and OPEB plan information 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 Statement of Net Position below reflects the adoption of GASB 75 and the June 30, 2017 balances have been restated for the net OPEB liability and deferred outflows related to OPEB for contributions subsequent to the measurement date. Being that the information was not available for the other GASB 75 deferred inflows and outflows, the June 30, 2017 balances were not restated for these amounts. Comparing June 30, 2018 to June 30, 2017 government-wide balances, current and other assets increased \$1.6 billion due to an increase in cash equivalents, primarily from the issuance of bonds related to capital projects such as state roads and the construction and ongoing projects for state parks. Significant changes in capital assets and long-term liabilities are discussed later in the management's discussion and analysis.

The State's combined net position, governmental and business-type, increased \$564 million over the course of this fiscal year's operations. The net position of the governmental activities increased \$428 million, and the net position of the business-type activities increased \$136 million.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<u>2018</u>	<u>2017*</u> (as restated)	<u>2018</u>	<u>2017*</u> (as restated)	<u>2018</u>	<u>2017*</u> (as restated)
Current and Other Assets	\$ 5,799,910	\$ 4,253,582	\$ 4,255,661	\$ 4,193,111	\$ 10,055,571	\$ 8,446,693
Capital Assets	<u>9,592,248</u>	<u>9,570,027</u>	<u>2,676</u>	<u>2,863</u>	<u>9,594,924</u>	<u>9,572,890</u>
Total Assets	<u>15,392,158</u>	<u>13,823,609</u>	<u>4,258,337</u>	<u>4,195,974</u>	<u>19,650,495</u>	<u>18,019,583</u>
Deferred Outflows of Resources	<u>1,485,246</u>	<u>1,512,447</u>	<u>2,879</u>	<u>3,723</u>	<u>1,488,125</u>	<u>1,516,170</u>
Current and Other Liabilities	1,922,553	3,032,896	377,286	380,741	2,299,839	3,413,637
Long-term Liabilities	<u>8,492,380</u>	<u>6,728,432</u>	<u>1,650,386</u>	<u>1,723,187</u>	<u>10,142,766</u>	<u>8,451,619</u>
Total Liabilities	<u>10,414,933</u>	<u>9,761,328</u>	<u>2,027,672</u>	<u>2,103,928</u>	<u>12,442,605</u>	<u>11,865,256</u>
Deferred Inflows of Resources	<u>752,749</u>	<u>292,779</u>	<u>1,983</u>	<u>373</u>	<u>754,732</u>	<u>293,152</u>
Net Position:						
Net Investment in Capital Assets	8,875,443	8,996,053	2,676	2,863	8,878,119	8,998,916
Restricted	953,572	402,490	1,895,646	1,809,614	2,849,218	2,212,104
Unrestricted (Deficit)	<u>(4,119,293)</u>	<u>(4,116,594)</u>	<u>333,239</u>	<u>282,919</u>	<u>(3,786,054)</u>	<u>(3,833,675)</u>
Total Net Position	<u>\$ 5,709,722</u>	<u>\$ 5,281,949</u>	<u>\$ 2,231,561</u>	<u>\$ 2,095,396</u>	<u>\$ 7,941,283</u>	<u>\$ 7,377,345</u>

\* Restated for Implementation of GASB 75

## 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.

Restricted net position comprises 36% of total net position and are subject to constitutional, legal, or external constraints on how they can be used. Net position that are restricted include funds for construction projects, debt service, lending activities, insurance activities, transportation, public protection, and economic development and tourism programs of the State.

**Changes in Net 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, 2018 and 2017 (expressed in thousands):

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for Services	\$ 513,286	\$ 431,105	\$ 987,268	\$ 1,008,535	\$ 1,500,554	\$ 1,439,640
Operating Grants and Contributions	4,810,944	5,151,321	—	—	4,810,944	5,151,321
Capital Grants and Contributions	372,075	531,826	—	—	372,075	531,826
General Revenues:						
Personal Income Tax	1,939,977	1,830,106	—	—	1,939,977	1,830,106
Consumer Sales Tax	1,355,135	1,312,353	—	—	1,355,135	1,312,353
Business Taxes	626,743	581,896	—	—	626,743	581,896
Transportation Taxes	674,795	593,158	—	—	674,795	593,158
Other Taxes	613,632	627,091	—	—	613,632	627,091
Lottery Revenue	322,845	336,294	48,750	31,500	371,595	367,794
Other Revenues	272,669	241,504	106,591	173,543	379,260	415,047
Total Revenues	<u>11,502,101</u>	<u>11,636,654</u>	<u>1,142,609</u>	<u>1,213,578</u>	<u>12,644,710</u>	<u>12,850,232</u>
Program Expenses:						
Legislative	24,352	24,189	—	—	24,352	24,189
Judicial	136,825	134,351	—	—	136,825	134,351
Executive	213,285	176,485	—	—	213,285	176,485
Administration	235,485	262,684	—	—	235,485	262,684
Commerce	196,759	166,225	—	—	196,759	166,225
Environmental Protection	112,962	173,689	—	—	112,962	173,689
Employment Programs	43,287	55,231	—	—	43,287	55,231
Education	2,669,868	2,777,727	—	—	2,669,868	2,777,727
Health and Human Resources	5,483,893	5,810,783	—	—	5,483,893	5,810,783
Military Affairs and Public Safety	479,783	502,408	—	—	479,783	502,408
Revenue	93,815	89,178	—	—	93,815	89,178
Transportation	1,150,909	1,153,708	—	—	1,150,909	1,153,708
Veterans Assistance	24,369	20,572	—	—	24,369	20,572
Regulatory Board and Commissions	44,825	41,934	—	—	44,825	41,934
Senior Services	55,422	53,909	—	—	55,422	53,909
Interest on Long-term Debt	118,156	110,722	—	—	118,156	110,722
Workers' Compensation Fund	—	—	117,132	134,443	117,132	134,443
Unemployment Compensation	—	—	142,103	169,197	142,103	169,197
West Virginia Infrastructure and Jobs Development Council	—	—	35,937	23,941	35,937	23,941
Water Pollution Control Revolving Fund	—	—	4,067	3,467	4,067	3,467
Public Employees' Insurance Agency	—	—	537,044	552,882	537,044	552,882
Board of Risk and Insurance Management	—	—	61,797	66,152	61,797	66,152
Other Nonmajor Business-type	—	—	98,697	98,901	98,697	98,901
Total Expenses	<u>11,083,995</u>	<u>11,553,795</u>	<u>996,777</u>	<u>1,048,983</u>	<u>12,080,772</u>	<u>12,602,778</u>
Increase (Decrease) in Net Position, Before Transfers	418,106	82,859	145,832	164,595	563,938	247,454
Transfers	9,667	15,204	(9,667)	(15,204)	—	—
Increase (Decrease) in Net Position	<u>427,773</u>	<u>98,063</u>	<u>136,165</u>	<u>149,391</u>	<u>563,938</u>	<u>247,454</u>
Net Position, Beginning of Year, as Originally Reported	<u>4,942,579</u>	<u>4,845,822</u>	<u>2,095,289</u>	<u>1,945,898</u>	<u>7,037,868</u>	<u>6,791,720</u>
Restatement (See Note 2)	339,370	(1,306)	107	—	339,477	(1,306)
Net Position, Beginning of Year, as Restated	<u>5,281,949</u>	<u>4,844,516</u>	<u>2,095,396</u>	<u>1,945,898</u>	<u>7,377,345</u>	<u>6,790,414</u>
Net Position, End of Year	<u>\$ 5,709,722</u>	<u>\$ 4,942,579</u>	<u>\$ 2,231,561</u>	<u>\$ 2,095,289</u>	<u>\$ 7,941,283</u>	<u>\$ 7,037,868</u>

## **Governmental Activities**

For the year ended June 30, 2018, the State's change in net position before transfers increased by \$335 million for governmental activities. Revenues were lower by \$135 million and expenses were lower \$470 million comparing the years ending June 30, 2018 and 2017. Overall tax revenue increased \$298 million from the previous year. This is due primarily to an increase in severance tax caused by a combination of increased foreign coal exports and slightly higher energy prices. Personal income tax also increased due to an upswing in employment growth. Operating grants and contributions decreased \$340 million due to a decrease in Medicaid reimbursements. There was also a decrease in capital grants and contributions of \$160 million for the Department of Transportation that was related to Fixing America's Surface Transportation Act (FAST). State Road bonds were also issued to greatly improve the State's infrastructure over the next several years.

Program expenses decreased approximately \$470 million in total. Health and Human Resources expenses were down \$326 million due to Medicaid decrease. Education program expenses decreased \$108 million due to primarily to a decrease in pension liability.

The charts on the next page depict revenues and expenses, respectively, of the governmental activities for the fiscal year. Approximately 40% of the total revenues came from personal income, consumer sales, business taxes, and transportation taxes, while 45% was in the form of grants and contributions (see Chart A). The State's governmental activities expenses include 50% for health and human resources and 24% for education (see Chart B).

Chart A

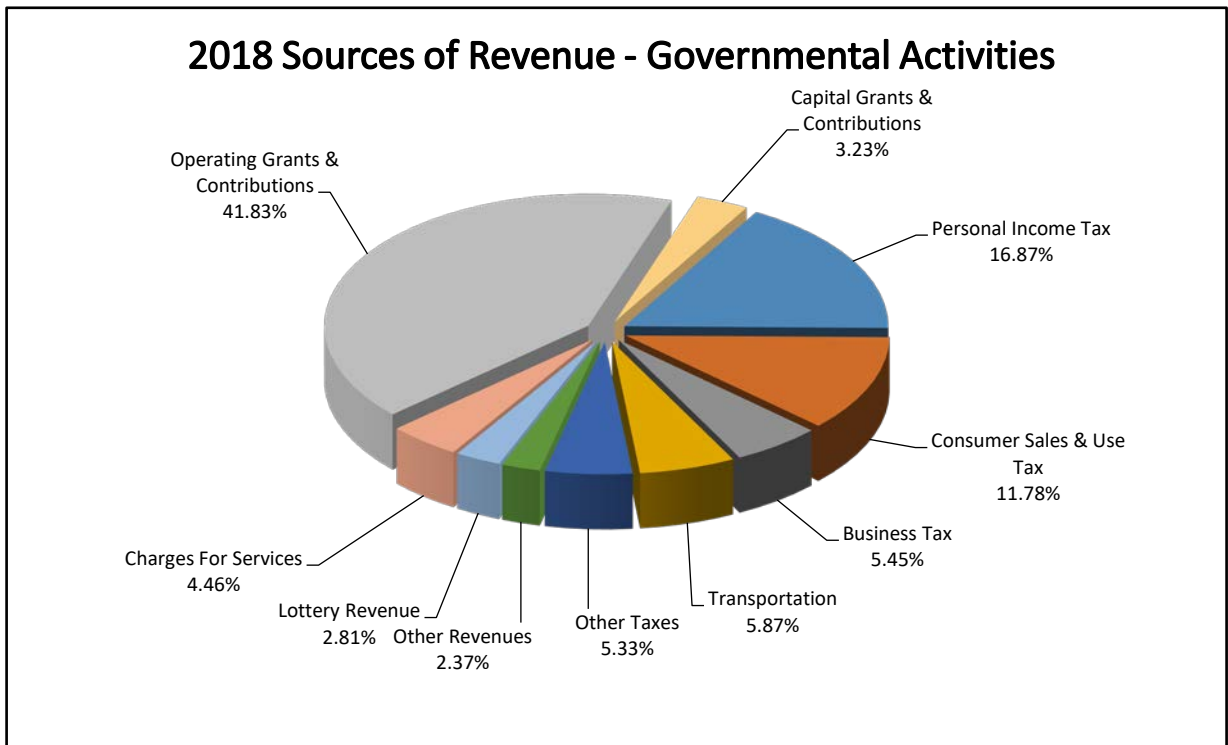
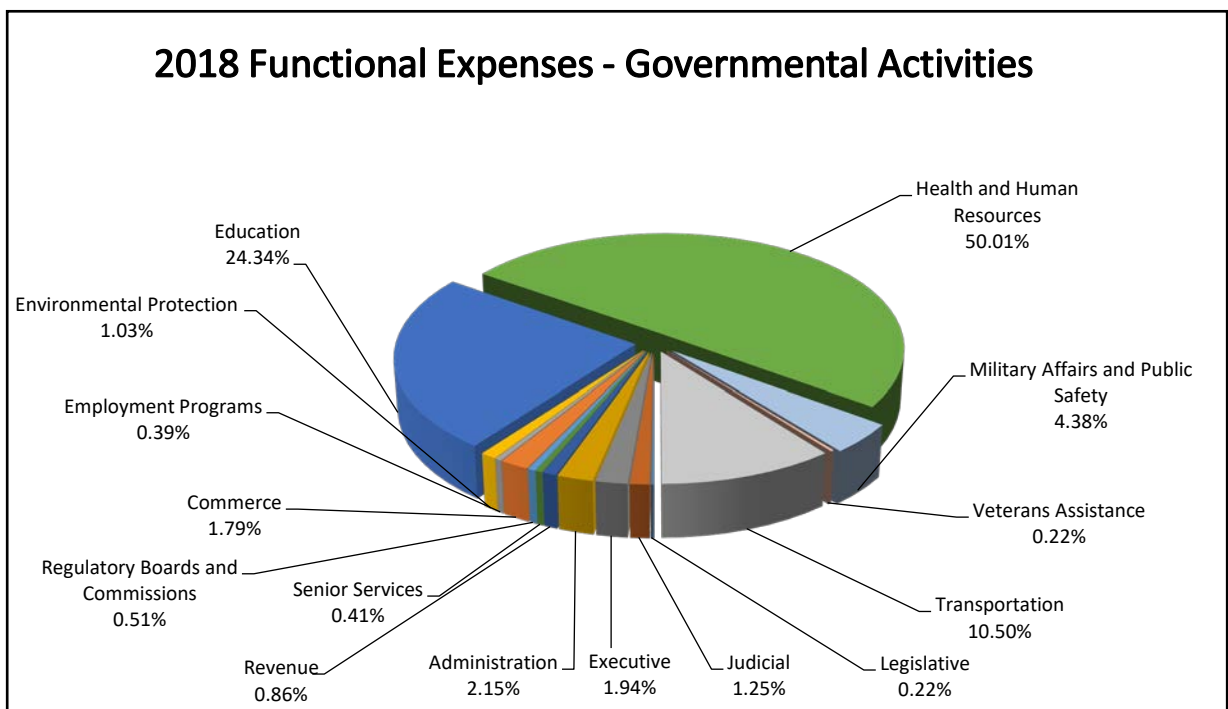


Chart B



## **Business-type Activities**

For fiscal year 2018, business-type activities increased the State's net position by \$146 million before transfers. Significant contributors to this change were:

- The Unemployment Compensation Fund had an \$11 million increase in net position before transfers. Revenues were lower by \$16 million and expenses were lower by \$27 million comparing the years ending June 30, 2018 and 2017.
- West Virginia Infrastructure and Jobs Development Council had a \$13.6 million decrease from the prior year in net position. This was due primarily to the receipt of excess lottery revenue that was offset by an internal transfer to restricted funds of \$42.5 million and \$10.9 for the State match of the federally funded Drinking Water Revolving Fund and Clean Water State Revolving Fund.
- West Virginia Public Employees Insurance Agency saw a \$45 million increase in net position before transfers. This was due to reduced operating expenses and a \$10 million state funding appropriation.
- West Virginia Board of Risk and Insurance Management (BRIM) recorded an increase in net position before transfers of \$17 million. This was primarily due to an increase in premium revenue and a decrease in claims expense.

## **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 \$3.8 billion, an increase of \$2.9 billion in comparison to that of the prior year.

There was a net decrease in revenue of \$179 million. Total tax revenues increased by \$228 million, this differs from the tax increase for governmental activities due to government wide statements including other specific program revenues. Federal revenues decreased \$431 million, primarily from decreases in the Medicaid program and Transportation revenues from FAST; other revenue increased \$35 million; food stamp revenue decreased \$40 million; investment earnings decreased \$18 million; motor vehicle



registration increased \$48 million. Expenses were down by \$470 million, primarily due to the Health and Human Resources.

At year end, nonmajor governmental funds had a net increase in fund balance of approximately \$1 billion. The capital projects fund balance increased approximately \$957 million primarily due to the issuance of bonds that will be used for state road projects, the construction of ongoing projects for the state parks, capital complex, and higher education institutions. The special revenue fund balance increased by a net of \$73 million. This increase was primarily due to Environmental Protection increasing revenues. Restricted fund balance is \$1.1 billion, of which \$56 million was available for debt service, \$967 million to fund capital projects, \$65 million for development, tourism and recreation, and \$87 million for public protection. Committed fund balance is \$293 million, \$5 million for general government operations and \$288 million for public protection.

**Governmental Fund Balances at June 30, 2018**  
(Expressed in Thousands)

	<u>General Fund</u>	<u>Transportation</u>	<u>Tobacco Settlement Finance Authority</u>
Nonspendable	\$ 124,008	\$ 49,137	\$ —
Restricted	4,096	17,550	621,229
Unrestricted:			
Committed	765,933	—	—
Assigned	4,140	220,966	—
Unassigned	<u>305,331</u>	<u>207,940</u>	<u>—</u>
Total	<u>\$ 1,203,508</u>	<u>\$ 495,593</u>	<u>\$ 621,229</u>

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the General Fund maintained a committed fund balance of \$766 million, nonspendable fund balance of \$124 million offset by an unassigned fund balance of \$305 million and a total fund balance of \$1.2 billion. 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 (3.2)% of total General Fund expenditures, while total fund balance represents (12.6)% of the same amount.

Cash and cash equivalents in the General Fund were up \$190 million, primarily due to investment earnings at the Board of Treasury Investments. General fund revenues decreased in fiscal year 2018 from 2017 by \$205 million. This is due to decreases in Medicaid revenue. Revenues were \$232 million more than expenditures. Expenses for the health and human resource function were down \$385 million in 2018.

At year end, Transportation had an \$18 million restricted fund balance and a nonspendable fund balance of \$49 million in inventory. Total fund balance was higher by approximately \$362 billion from 2017, primarily due to the increase in federal reimbursement to the Division of Highways.

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 \$52 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 Fund, 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 were higher than the amount originally anticipated. The general revenue fund budget to actual overall revenue variance was positive by \$20 million due to changes in revenue collection in several tax categories. Personal income taxes increased by \$60 million, consumer sales taxes decreased by \$12 million, severance taxes decreased by \$15 million, and other taxes decreased \$11 million, and interest income decreased \$8 million.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2018 the State had invested \$9.6 billion, net of accumulated depreciation, in a broad range of capital assets shown below. Depreciation expense for the year totaled \$390 million.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Land and Improvements	\$1,370,624	\$1,351,433	\$ 611	\$ 611	\$1,371,235	\$1,352,044
Building and Improvements	1,013,921	1,036,689	740	818	1,014,661	1,037,507
Equipment	99,244	98,090	1,070	1,136	100,314	99,226
Library Holdings	511	610	—	—	511	610
Intangibles	107,670	108,204	255	298	107,925	108,502
Construction in Progress	955,872	766,406	—	—	955,872	766,406
Infrastructure	<u>6,044,406</u>	<u>6,208,595</u>	<u>—</u>	<u>—</u>	<u>6,044,406</u>	<u>6,208,595</u>
Totals	<u>\$9,592,248</u>	<u>\$9,570,027</u>	<u>\$2,676</u>	<u>\$2,863</u>	<u>\$9,594,924</u>	<u>\$9,572,890</u>

The total increase, net of disposals and accumulated depreciation, in the State’s net investment in capital assets for the current fiscal year, approximated \$22 million. The most significant changes in capital assets during the year were in the Transportation and Administration functions. Transportation continues to expand the state road system, focusing primarily on upgrading existing roadways and completion of Appalachian Highway Corridors. Although Transportation had significant construction projects, infrastructure capital asset additions of \$142 million were lower than the prior year amount, resulting in a net decrease of \$162 million in infrastructure, due to depreciation of \$304 million. Transportation had net increases of \$18 million and \$3 million in land acquisition and land improvements, respectively. The \$189 million increase in construction in progress was due primarily to a \$336 million increase in Transportation for various bridge and roadway projects, including construction related to US 35 in Putnam County, the Coalfields Expressway in Wyoming County, and Corridor H in Tucker County; this increase in construction was offset by a decrease of \$146 million in Transportation for various completed infrastructure projects. The net decrease in buildings of \$23 million is primarily due to an increase in Commerce for completed construction to various lodges in Cacapon State Park and Pipestem State Park of \$5 million and an increase of \$8 million in the General Services Division for interior renovations to Buildings 5 and 6, offset by depreciation expense of \$36 million. 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 \$11.5 billion in bonds, capital leases, notes payable, claims and judgments, compensated absences, pension and OPEB liability, and other long-term obligations outstanding, as shown in the following table. The State's general obligation bonds are rated AA by Fitch Investors Service, Moody's Investors Service rating is Aa2 and Standard and Poor's Corporation have an AA- rating.

The decrease in accrued and other liabilities of \$56 million is related to a \$15 million increase in taxes, a decrease in the Medicaid liability of \$32 million, and \$33 million in claims and judgments. More detailed information related to the State's overall debt position is presented in Note 10 to the financial statements.

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

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017 (as restated)	2018	2017 (as restated)	2018	2017 (as restated)
General Obligation Bonds	\$ 1,240,350	\$ 359,261	\$ —	\$ —	\$ 1,240,350	\$ 359,261
Revenue Bonds	1,415,049	1,182,921	178,395	185,290	1,593,444	1,368,211
Capital Leases	260,544	272,534	—	—	260,554	272,534
Notes Payable	30,004	14,589	—	—	30,004	14,589
Accrued and Other Liabilities	1,365,565	1,409,169	63,417	76,289	1,428,982	1,485,458
Insurance and Compensation Benefits	—	—	1,738,185	1,804,193	1,738,185	1,804,458
Compensated Absences	90,028	89,703	613	614	90,641	90,317
Net Pension Liability	3,600,429	4,537,800	2,011	4,444	3,602,440	4,542,244
Net OPEB Liability *	<u>1,610,982</u>	<u>1,533,492</u>	<u>4,056</u>	<u>1,094</u>	<u>1,615,038</u>	<u>1,534,586</u>
Totals	<u>\$ 9,612,961</u>	<u>\$ 9,399,469</u>	<u>\$ 1,986,677</u>	<u>\$ 2,071,924</u>	<u>\$ 11,599,638</u>	<u>\$ 11,471,658</u>

\*Restated for GASB 75 implementation

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The general revenue estimate for FY 2019 is projected to be \$4.36 billion, or \$131 million above the FY 2018 official revenue estimate, and lottery revenues available for appropriation are expected to decrease by \$15 million. Our current FY 2018 General Revenue actual collections are projected to be on target with the official revenue estimate. The Lottery Funds' actual revenue collections for FY 2018 are again on pace to exceed their original estimates

The budget for FY 2019 includes increases for social programs, deferred maintenance, economic development programs, 100% funding of the required state employer's contributions to the retirement systems, and pay raises for all state employees and teachers.

The FY 2019 budget includes a six-year plan showing the projected revenues and expenditures through FY 2023. The goal of the six-year plan is to provide the West Virginia Legislature and citizens a clear understanding of not only the FY 2019 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

**Statement of Net Position  
June 30, 2018  
(Expressed in Thousands)**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 3,071,797	\$ 2,053,268	\$ 5,125,065	\$ 915,320
Investments	833,081	95,922	929,003	217,435
Receivables, Net	905,743	151,778	1,057,521	237,192
Capital Leases Receivable from Primary Government	—	—	—	17,396
Due from Other Governments	604,607	367	604,974	—
Due from Primary Government	—	—	—	12,308
Due from Fiduciary Funds	261	16,537	16,798	—
Due from Component Units	110,569	5,163	115,732	—
Internal Balances	882	(882)	—	—
Inventories	61,854	2,489	64,343	9,914
Other Assets	2,468	18,620	21,088	18,622
Restricted Assets:				
Cash and Cash Equivalents	5,341	13,668	19,009	112,595
Investments	—	—	—	34,184
Receivables, Net	—	878	878	3,557
Other Restricted Assets	—	201,377	201,377	4
Total Current Assets	<u>5,596,603</u>	<u>2,559,185</u>	<u>8,155,788</u>	<u>1,578,527</u>
Noncurrent Assets:				
Cash and Cash Equivalents	—	—	—	56,012
Investments	—	337,176	337,176	575,017
Receivables, Net	—	1,288,717	1,288,717	281,702
Capital Leases Receivable from Primary Government	—	—	—	227,467
Other Assets	202	—	202	88,433
Advance to Component Units	109,033	—	109,033	—
Net Pension Asset	76,230	—	76,230	—
Net OPEB Asset	—	—	—	572
Restricted Assets:				
Cash and Cash Equivalents	17,842	15,089	32,931	40,346
Investments	—	55,494	55,494	98,906
Receivables, Net	—	—	—	821,678
Other Restricted Assets	—	—	—	4,623
Land and Other Capital Assets				
Not Being Depreciated	2,300,495	611	2,301,106	382,939
Capital Assets, Being Depreciated (Net of Accumulated Depreciation)	<u>7,291,753</u>	<u>2,065</u>	<u>7,293,818</u>	<u>3,592,480</u>
Total Noncurrent Assets	<u>9,795,555</u>	<u>1,699,152</u>	<u>11,494,707</u>	<u>6,170,175</u>
Total Assets	<u>15,392,158</u>	<u>4,258,337</u>	<u>19,650,495</u>	<u>7,748,702</u>
Deferred Outflows of Resources:				
Accumulated Decrease in Fair Value of Hedging Derivative				
	—	—	—	423
Deferred Loss on Bond Refundings	5,493	984	6,477	45,185
Related to Pensions	1,014,239	1,547	1,015,786	16,084
Related to OPEB	<u>465,514</u>	<u>348</u>	<u>465,862</u>	<u>27,946</u>
Total Deferred Outflows of Resources	<u>1,485,246</u>	<u>2,879</u>	<u>1,488,125</u>	<u>89,638</u>

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

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts Payable	343,477	8,759	352,236	88,692
Interest Payable	8,025	—	8,025	12,754
Accrued Tuition Contract Benefits	—	15,533	15,533	—
Accrued and Other Liabilities	937,153	12,153	949,306	289,508
Due to Other Governments	376,350	2,617	378,967	—
Due to Primary Government	—	—	—	115,732
Due to Fiduciary Funds	49,399	447	49,846	1,805
Due to Component Units	11,823	485	12,308	—
Unearned Revenue	12,829	28,687	41,516	80,376
Insurance and Compensation Benefits Obligations	—	302,148	302,148	—
General Obligation Debt	59,901	—	59,901	—
Revenue Bonds Payable	35,481	6,350	41,831	140,813
Capital Leases and Other Debt	12,463	—	12,463	9,402
Capital Leases Payable to Component Units	17,396	—	17,396	—
Compensated Absences	<u>58,256</u>	<u>107</u>	<u>58,363</u>	<u>50,559</u>
Total Current Liabilities	<u>1,922,553</u>	<u>377,286</u>	<u>2,299,839</u>	<u>789,641</u>
<b>Noncurrent Liabilities:</b>				
Accrued Tuition Contract Benefits	—	35,731	35,731	—
Accrued and Other Liabilities	428,413	—	428,413	134,187
Due to Other Governments	70	—	70	—
Unearned Revenue	—	—	—	332
Insurance and Compensation Benefits Obligations	—	1,436,037	1,436,037	—
Advances from Primary Government	—	—	—	109,033
Liabilities Payable from Restricted Assets	—	—	—	84,431
General Obligation Debt	1,180,449	—	1,180,449	—
Revenue Bonds Payable	1,379,568	172,045	1,551,613	2,366,204
Capital Leases and Other Debt	33,100	—	33,100	145,040
Capital Leases Payable to Component Units	227,599	—	227,599	—
Net Pension Liability	3,600,429	2,011	3,602,440	45,212
Net OPEB Liability	1,610,982	4,056	1,615,038	324,702
Compensated Absences	<u>31,770</u>	<u>506</u>	<u>32,276</u>	<u>4,585</u>
Total Noncurrent Liabilities	<u>8,492,380</u>	<u>1,650,386</u>	<u>10,142,766</u>	<u>3,213,726</u>
Total Liabilities	<u>10,414,933</u>	<u>2,027,672</u>	<u>12,442,605</u>	<u>4,003,367</u>
<b>Deferred Inflows of Resources:</b>				
Fair Value of Hedging Derivative Instrument	—	—	—	158
Gain on bond refundings	—	—	—	941
Related to Pensions	521,468	1,263	522,731	15,598
Related to OPEB	231,281	720	232,001	57,151
Service Concession Arrangements	—	—	—	38,484
Grants and Contributions	—	—	—	<u>1,566</u>
Total Deferred Inflows of Resources	<u>752,749</u>	<u>1,983</u>	<u>754,732</u>	<u>113,898</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	8,875,443	2,676	8,878,119	2,771,480
Restricted for:				
Capital Projects	—	—	—	29,566
Debt Service	699,510	—	699,510	570,223
General Government Operations	3,113	2,267	5,380	—
Permanent Funds:				
Nonexpendable	1,000	—	1,000	265,288
Expendable	360	—	360	—
Lending Activities	—	1,555,430	1,555,430	103,452
Insurance Activities	—	337,949	337,949	—
Development, Tourism, and Recreation	67,891	—	67,891	—
Education	95	—	95	—
Health and Social Services	372	—	372	—
Public Protection	163,681	—	163,681	—
Transportation	17,550	—	17,550	—
Specific Fund/Component Unit Purposes	—	—	—	221,509
Unrestricted (Deficit)	<u>(4,119,293)</u>	<u>333,239</u>	<u>(3,786,054)</u>	<u>(240,443)</u>
Total Net Position	<u>\$ 5,709,722</u>	<u>\$ 2,231,561</u>	<u>\$ 7,941,283</u>	<u>\$ 3,721,075</u>

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



**Statement of Activities  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Functions</b>				
<b>Primary Government:</b>				
Governmental Activities:				
Legislative	\$ 24,352	\$ 1,277	\$ 3,786	\$ —
Judicial	136,825	—	2,472	—
Executive	213,285	19,326	29,404	—
Administration	235,485	46,708	—	—
Commerce	196,759	46,986	60,551	—
Environmental Protection	112,962	68,595	99,742	—
Employment Programs	43,287	—	49,969	—
Education	2,669,868	—	435,775	—
Health and Human Resources	5,483,893	56,589	4,005,927	—
Military Affairs and Public Safety	479,783	18,449	85,058	2,364
Revenue	93,815	44,703	1,316	—
Transportation	1,150,909	169,142	—	369,711
Veterans Assistance	24,369	3	11,805	—
Senior Services	44,825	—	22,005	—
Regulatory Boards and Commissions	55,422	41,508	3,134	—
Interest on Long-Term Debt	<u>118,156</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Governmental Activities	<u>11,083,995</u>	<u>513,286</u>	<u>4,810,944</u>	<u>372,075</u>
Business-type Activities:				
Water Pollution Control Revolving Fund	4,067	6,061	—	—
Workers' Compensation Fund	117,132	35,905	—	—
Unemployment Compensation	142,103	188,153	—	—
West Virginia Infrastructure and Jobs Development Council	35,937	3,344	—	—
Public Employees' Insurance Agency	537,044	560,051	—	—
Board of Risk and Insurance Management	61,797	72,270	—	—
Other Activities	<u>98,697</u>	<u>121,484</u>	<u>—</u>	<u>—</u>
Total Business-type Activities	<u>996,777</u>	<u>987,268</u>	<u>—</u>	<u>—</u>
Total Primary Government	<u>12,080,772</u>	<u>1,500,554</u>	<u>4,810,944</u>	<u>372,075</u>
<b>Component Units:</b>				
West Virginia Lottery	1,104,307	1,092,564	—	—
Economic Development Authority	12,021	9,883	—	—
Housing Development Authority	94,716	37,889	69,164	—
Parkways Authority	87,904	102,470	—	—
Water Development Authority	10,048	12,024	—	—
Higher Education	1,950,844	955,693	448,650	37,369
Regional Jail Authority	101,787	98,876	5,433	—
School Building Authority	84,184	—	—	—
Other Component Units	<u>59,774</u>	<u>11,004</u>	<u>1,601</u>	<u>—</u>
Total Component Units	<u>\$ 3,505,585</u>	<u>\$ 2,320,403</u>	<u>\$ 524,848</u>	<u>\$ 37,369</u>
<b>General Revenues:</b>				
Taxes:				
Personal Income				
Consumer Sales				
Business				
Medicaid				
Transportation				
Other				
Grants and Contributions not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Tobacco Settlement Revenue				
Payments from State of West Virginia				
Lottery Revenues				
Miscellaneous				
Special Item				
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 Assets**

**Primary Government**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (19,289)	\$ —	\$ (19,289)	\$ —
(134,353)	—	(134,353)	—
(164,555)	—	(164,555)	—
(188,777)	—	(188,777)	—
(89,222)	—	(89,222)	—
55,375	—	55,375	—
6,682	—	6,682	—
(2,234,093)	—	(2,234,093)	—
(1,421,377)	—	(1,421,377)	—
(373,912)	—	(373,912)	—
(47,796)	—	(47,796)	—
(612,056)	—	(612,056)	—
(12,561)	—	(12,561)	—
(22,820)	—	(22,820)	—
(10,780)	—	(10,780)	—
<u>(118,156)</u>	<u>—</u>	<u>(118,156)</u>	<u>—</u>
<u>(5,387,690)</u>	<u>—</u>	<u>(5,387,690)</u>	<u>—</u>
—	1,994	1,994	—
—	(81,227)	(81,227)	—
—	46,050	46,050	—
—	(32,593)	(32,593)	—
—	23,007	23,007	—
—	10,473	10,473	—
—	<u>22,787</u>	<u>22,787</u>	<u>—</u>
—	<u>(9,509)</u>	<u>(9,509)</u>	<u>—</u>
<u>(5,387,690)</u>	<u>(9,509)</u>	<u>(5,397,199)</u>	<u>—</u>
—	—	—	(11,743)
—	—	—	(2,138)
—	—	—	12,337
—	—	—	14,566
—	—	—	1,976
—	—	—	(509,132)
—	—	—	2,522
—	—	—	(84,184)
—	—	—	<u>(47,169)</u>
—	—	—	<u>(622,965)</u>
1,939,977	—	1,939,977	—
1,355,135	—	1,355,135	—
626,743	—	626,743	—
222,859	—	222,859	—
674,795	—	674,795	—
390,773	—	390,773	—
—	—	—	1,297
56,933	99,883	156,816	56,734
62,930	—	62,930	—
—	—	—	585,630
322,845	48,750	371,595	—
152,806	6,708	159,514	101,833
—	—	—	4,469
<u>9,667</u>	<u>(9,667)</u>	<u>—</u>	<u>—</u>
5,815,463	145,674	5,961,137	749,963
427,773	136,165	563,938	126,998
<u>5,281,949</u>	<u>2,095,396</u>	<u>7,377,345</u>	<u>3,594,077</u>
<u>\$ 5,709,722</u>	<u>\$ 2,231,561</u>	<u>\$ 7,941,283</u>	<u>\$ 3,721,075</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 (Transportation) 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 Transportation. Transportation 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 224.

# West Virginia

## Balance Sheet Governmental Funds June 30, 2018 (Expressed in Thousands)

	<u>Major Special Revenue</u>				<u>Total</u>
	<u>General</u>	<u>Transportation</u>	<u>Tobacco Settlement Finance Authority</u>	<u>Other Governmental Funds</u>	
Assets:					
Cash and Cash Equivalents	\$ 1,225,703	\$ 419,858	\$ 27,848	\$ 1,370,595	\$ 3,044,004
Investments	608,325	—	71,181	153,575	833,081
Receivables, Net	680,052	179,584	30,188	6,737	896,561
Due from Other Governments	600,173	—	—	4,434	604,607
Due from Other Funds	1,864	501	—	51	2,416
Due from Component Units	109,026	311	—	1,062	110,399
Advance to Component Units	109,033	—	—	—	109,033
Inventories	11,888	49,137	—	26	61,051
Other Assets	1,572	751	—	—	2,323
Restricted Assets:					
Cash and Cash Equivalents	—	—	—	1,536	1,536
<b>Total Assets</b>	<u>3,347,636</u>	<u>650,142</u>	<u>129,217</u>	<u>1,538,016</u>	<u>5,665,011</u>
Deferred Outflows of Resources:					
Deferred Payments to Tobacco Settlement Finance Authority	—	—	522,182	—	522,182
<b>Total Deferred Outflows of Resources</b>	—	—	522,182	—	522,182
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 3,347,636</u>	<u>\$ 650,142</u>	<u>\$ 651,399</u>	<u>\$ 1,538,016</u>	<u>\$ 6,187,193</u>
Liabilities:					
Accounts Payable	\$ 193,429	\$ 112,708	\$ —	\$ 19,990	\$ 326,127
Accrued and Other Liabilities	957,410	16,884	—	22,096	996,390
Unearned Revenue	7,910	4,919	—	—	12,829
Due to Other Governments	345,094	15,519	—	15,504	376,117
Due to Other Funds	54,539	4,472	—	1,370	60,381
Due to Component Units	11,746	47	—	30	11,823
<b>Total Liabilities</b>	<u>1,570,128</u>	<u>154,549</u>	—	<u>58,990</u>	<u>1,783,667</u>
Deferred Inflows of Resources:					
Tax Revenue	51,818	—	—	—	51,818
Tobacco Settlement Revenue	—	—	30,170	—	30,170
Advances to Tobacco Settlement Finance Authority	522,182	—	—	—	522,182
<b>Total Deferred Inflows of Resources</b>	<u>574,000</u>	—	<u>30,170</u>	—	<u>604,170</u>

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

	<u>Major Special Revenue</u>				<u>Total</u>
	<u>General</u>	<u>Transportation</u>	<u>Tobacco Settlement Finance Authority</u>	<u>Other Governmental Funds</u>	
Fund Balances:					
Nonspendable:					
Inventories	11,888	49,137	—	26	61,051
Permanent Fund	—	—	—	1,000	1,000
Receivables	112,120	—	—	—	112,120
Restricted for:					
Capital Projects	—	—	—	967,400	967,400
Debt Service	—	—	621,229	56,118	677,347
General Government Operations	818	—	—	—	818
Development, Tourism, and Recreation	2,409	—	—	65,482	67,891
Education	95	—	—	360	455
Health and Social Services	372	—	—	—	372
Public Protection	402	—	—	87,049	87,451
Transportation	—	17,550	—	—	17,550
Committed to:					
General Government Operations	6,483	—	—	5,144	11,627
Rainy Day	720,323	—	—	—	720,323
Development, Tourism, and Recreation	2,755	—	—	—	2,755
Education	25,038	—	—	—	25,038
Health and Social Services	9,219	—	—	—	9,219
Public Protection	2,115	—	—	287,855	289,970
Assigned to:					
General Government Operations	1,978	—	—	—	1,978
Development, Tourism, and Recreation	615	—	—	—	615
Education	267	—	—	—	267
Health and Social Services	860	—	—	—	860
Public Protection	420	—	—	5,738	6,158
Transportation	—	220,966	—	—	220,966
Unassigned	<u>305,331</u>	<u>207,940</u>	<u>—</u>	<u>2,854</u>	<u>516,125</u>
Total Fund Balances	<u>1,203,508</u>	<u>495,593</u>	<u>621,229</u>	<u>1,479,026</u>	<u>3,799,356</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$3,347,636</u>	<u>\$ 650,142</u>	<u>\$ 651,399</u>	<u>\$ 1,538,016</u>	<u>\$ 6,187,193</u>

# West Virginia

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2018 (Expressed in Thousands)

Total Fund Balances - Governmental Funds \$ 3,799,356

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	\$ 1,330,532	
Construction in Progress	949,961	
Infrastructure Assets	12,918,636	
Buildings, Equipment, and Other Depreciable Assets	1,868,250	
Intangibles	51,670	
Accumulated Depreciation	<u>(7,802,717)</u>	
Total Capital Assets		9,316,332

The Net Pension Asset is not recognized at the fund level. 76,230

Certain tax and other revenues are earned but not available and therefore are deferred inflows in the funds. 81,988

Deferred inflows of resources for pensions and OPEB (excluding internal service funds) are reported in the statement of net position, but not reported in the funds. (745,631)

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. 232,656

Bonds issued by the State have associated 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. 202

Deferred outflows of resources for pensions, OPEB, and loss on bond refundings (excluding internal service funds) are reported in the statement of net position, but not reported in the funds. 1,478,321

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	(1,240,350)	
Revenue Bonds	(1,415,048)	
Notes Payable	(11,535)	
Capital Leases	(201,205)	
Compensated Absences	(88,251)	
Net Pension Liability	(3,594,866)	
Net OPEB Liability	(1,601,942)	
Accrued Interest Payable and Other Liabilities	<u>(376,535)</u>	
Total Long-Term Liabilities		<u>(8,529,732)</u>

Net Position of Governmental Activities \$ 5,709,722

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, 2018  
(Expressed in Thousands)**

	<u>Major Special Revenue</u>				<u>Total</u>
	<u>General</u>	<u>Transportation</u>	<u>Tobacco Settlement Finance Authority</u>	<u>Other Governmental Funds</u>	
Revenues:					
Taxes:					
Personal Income	\$ 1,936,836	\$ —	\$ —	\$ —	\$ 1,936,836
Consumer Sales and Use	1,355,092	—	—	—	1,355,092
Severance	393,278	—	—	—	393,278
Corporate Net Income	109,113	—	—	—	109,113
Business and Occupation	115,772	—	—	—	115,772
Medicaid	226,212	—	—	—	226,212
Gasoline and Motor Carrier	—	443,273	—	—	443,273
Automobile Privilege	—	231,522	—	—	231,522
Other	386,613	4,078	—	—	390,691
Intergovernmental	4,157,760	390,276	—	148,420	4,696,456
Licenses, Permits, and Fees	109,261	6,687	—	129,486	245,434
Motor Vehicle Registration	—	156,931	—	—	156,931
Charges for Services	122,738	—	—	237	122,975
Lottery Revenues	305,063	—	—	12,077	317,140
Food Stamp Revenue	451,228	—	—	—	451,228
Investment Earnings	39,359	4,899	4,048	18,216	66,522
Other	110,938	27,951	61,256	12,071	212,216
Total Revenues	<u>9,819,263</u>	<u>1,265,617</u>	<u>65,304</u>	<u>320,507</u>	<u>11,470,691</u>
Expenditures:					
Current:					
Legislative	21,902	—	—	1,537	23,439
Judicial	130,832	—	—	—	130,832
Executive	202,686	—	—	—	202,686
Administration	108,307	—	127	3,269	111,703
Commerce	206,208	—	—	273	206,481
Environmental Protection	868	—	—	126,889	127,757
Employment Programs	—	—	—	48,895	48,895
Education	2,796,313	—	—	—	2,796,313
Health and Human Resources	5,484,857	—	—	—	5,484,857
Military Affairs and Public Safety	478,049	—	—	3	478,052
Revenue	63,915	—	—	22,735	86,650
Transportation	6,009	867,267	—	—	873,276
Veterans Assistance	23,104	—	—	—	23,104
Senior Services	44,295	—	—	—	44,295
Regulatory Boards and Commissions	19,499	—	—	19,838	39,337
Capital Outlay	—	364,683	—	1,266	365,949
Debt Service:					
Principal	—	75,321	13,410	42,170	130,901
Interest	—	12,360	52,228	27,873	92,461
Total Expenditures	<u>9,586,844</u>	<u>1,319,631</u>	<u>65,765</u>	<u>294,748</u>	<u>11,266,988</u>
Excess of Revenues Over (Under) Expenditures	<u>232,419</u>	<u>(54,014)</u>	<u>(461)</u>	<u>25,759</u>	<u>203,703</u>
Other Financing Sources (Uses):					
Face Value of Long-Term Debt Issued	—	219,985	—	966,114	1,186,099
Premiums on Bonds Issued	—	39,882	—	132,334	172,216
Capital Lease Acquisition	11,737	—	—	—	11,737
Payments to Refunded Bond Escrow Agent	—	—	—	(142,788)	(142,788)
Transfers In	96,188	3,555	—	63,650	163,393
Transfers Out	(86,144)	—	(21,406)	(47,738)	(155,288)
Total Other Financing Sources (Uses)	<u>21,781</u>	<u>263,422</u>	<u>(21,406)</u>	<u>971,572</u>	<u>1,235,369</u>
Net Change in Fund Balance	<u>254,200</u>	<u>209,408</u>	<u>(21,867)</u>	<u>997,331</u>	<u>1,439,072</u>
Fund Balances, Beginning of Year, as Restated	<u>949,308</u>	<u>286,185</u>	<u>643,096</u>	<u>481,695</u>	<u>2,360,284</u>
Fund Balances, End of Year	<u>\$ 1,203,508</u>	<u>\$ 495,593</u>	<u>\$ 621,229</u>	<u>\$ 1,479,026</u>	<u>\$ 3,799,356</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, 2018  
(Expressed in Thousands)**

Net Change in Fund Balances – Total Governmental Funds		\$ 1,439,072
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	\$ 377,226	
Depreciation Expense	<u>(352,356)</u>	
Excess of Capital Outlay Over Depreciation Expense		24,870
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.		(11,737)
Accretion of interest related to capital appreciation bonds is an expense of the governmental activities.		(1,376,323)
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	24,295	
Capital Lease Payments	<u>245,934</u>	
Total Long-Term Debt Repayment		270,229
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 monies, to individual funds. The net increase in net position of the internal service funds is reported with governmental activities.		2,138
Revenues in the statement of activities that do provide current financial resources are not reported as revenues in the funds.		10,167
Loss on issuance of new refunding bonds in the current fiscal year, but was deferred on the statement of activities.		(659)
Retirement contributions (excluding internal service funds) to defined benefit pension plans the current fiscal year are not included on the statement of activities.		589,231
OPEB contributions (excluding internal service funds) to defined benefit OPEB plan in the current fiscal year are not included on the statement of activities.		127,436
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 in Accrued Interest (Asset)	(21)	
Increase in Compensated Absences	(290)	
Decrease in Accrued and Other Liabilities	7,473	
Decrease in Net Pension Liability (Asset), net of deferrals	(350,576)	
Increase in OPEB Liability, net of deferrals	(308,874)	
Increase in Notes Payable	(11,535)	
Amortization in Bond Premiums/Discounts	<u>17,172</u>	
Total Change in Expenditures		<u>(646,651)</u>
Change in Net Position of Governmental Activities		<u>\$ 427,773</u>

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 Water Pollution 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 246.

# West Virginia

## Statement of Net Position Proprietary Funds June 30, 2018

(Expressed in Thousands)

	Business-type Activities – Enterprise Funds			
	Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation	West Virginia Infrastructure and Jobs Development Council
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 123,648	\$ 1,531,580	\$ 137,219	\$ 143,344
Investments	—	—	—	95,922
Receivables, Net	35,971	7,892	33,924	25,279
Due from Other Governments	—	—	367	—
Due from Other Funds	—	—	247	—
Due from Component Units	—	—	205	—
Inventories	—	—	—	—
Other Assets	—	—	—	—
Restricted Assets:				
Cash and Cash Equivalents	—	—	—	—
Receivables, Net	—	—	—	—
Other Restricted Assets	—	—	—	—
Total Current Assets	<u>159,619</u>	<u>1,539,472</u>	<u>171,962</u>	<u>264,545</u>
Noncurrent Assets:				
Investments	—	—	—	—
Receivables, Net	612,017	—	—	545,408
Restricted Assets:				
Cash and Cash Equivalents	—	—	—	—
Investments	—	—	—	—
Capital Assets, Net	—	—	—	—
Total Noncurrent Assets	<u>612,017</u>	<u>—</u>	<u>—</u>	<u>545,408</u>
Total Assets	<u>771,636</u>	<u>1,539,472</u>	<u>171,962</u>	<u>809,953</u>
Deferred Outflows of Resources:				
Deferred Loss on Bond Refundings	—	—	—	984
Related to Pensions	138	—	—	33
Related to OPEB	51	—	—	3
Total Deferred Outflows of Resources	<u>189</u>	<u>—</u>	<u>—</u>	<u>1,020</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	34	—	—	11
Accrued Tuition Contract Benefits	—	—	—	—
Accrued and Other Liabilities	—	5,405	1,072	2,715
Unearned Revenue	5,004	—	—	—
Due to Other Governments	—	—	2,617	—
Due to Other Funds	—	—	—	—
Due to Component Units	16	—	—	210
Insurance and Compensation Benefits Obligations	—	161,700	16,390	—
Revenue Bonds Payable	—	—	—	6,350
Capital Leases and Other Debt	—	—	—	—
Capital Leases Payable to Component Units	—	—	—	—
Compensated Absences	56	—	—	—
Total Current Liabilities	<u>5,110</u>	<u>167,105</u>	<u>20,079</u>	<u>9,286</u>
Noncurrent Liabilities:				
Accrued Tuition Contract Benefits	—	—	—	—
Insurance and Compensation Benefits Obligations	—	1,295,500	—	—
Revenue Bonds Payable	—	—	—	172,045
Capital Leases and Other Debt	—	—	—	—
Capital Leases Payable to Component Units	—	—	—	—
Compensated Absences	24	—	—	—
Net Pension Liability	321	—	—	56
Net OPEB Liability	605	—	—	50
Total Noncurrent Liabilities	<u>950</u>	<u>1,295,500</u>	<u>—</u>	<u>172,151</u>
Total Liabilities	<u>6,060</u>	<u>1,462,605</u>	<u>20,079</u>	<u>181,437</u>
Deferred Inflows of Resources:				
Related to Pensions	104	—	—	31
Related to OPEB	102	—	—	19
Total Deferred Inflows of Resources	<u>206</u>	<u>—</u>	<u>—</u>	<u>50</u>
Net Position:				
Net Investment in Capital Assets				
Restricted for:				
Capital Projects	—	—	—	—
General Government Operations	—	—	—	—
Lending Activities	765,559	—	—	621,723
Insurance Activities	—	102,121	151,883	—
Unrestricted (Deficit)	—	(25,254)	—	7,763
Total Net Position	<u>\$ 765,559</u>	<u>\$ 76,867</u>	<u>\$ 151,883</u>	<u>\$ 629,486</u>

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

Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise Funds	Total	Government Activities - Internal Service Funds
\$ 28,881	\$ 26,926	\$ 61,670	\$ 2,053,268	\$ 27,793
—	—	—	95,922	—
36,133	1,900	10,679	151,778	9,182
—	—	—	367	—
16,970	—	526	17,743	10,200
4,913	—	45	5,163	170
—	—	2,489	2,489	803
—	—	18,620	18,620	145
—	13,668	—	13,668	5,019
—	878	—	878	—
—	<u>201,377</u>	—	<u>201,377</u>	—
<u>86,897</u>	<u>244,749</u>	<u>94,029</u>	<u>2,561,273</u>	<u>53,312</u>
198,826	96,094	42,256	337,176	—
—	—	131,292	1,288,717	—
15,089	—	—	15,089	16,628
—	55,494	—	55,494	—
<u>196</u>	—	<u>2,480</u>	<u>2,676</u>	<u>275,916</u>
<u>214,111</u>	<u>151,588</u>	<u>176,028</u>	<u>1,699,152</u>	<u>292,544</u>
<u>301,008</u>	<u>396,337</u>	<u>270,057</u>	<u>4,260,425</u>	<u>345,856</u>
—	—	—	984	—
497	438	441	1,547	6,219
<u>65</u>	<u>44</u>	<u>185</u>	<u>348</u>	<u>706</u>
<u>562</u>	<u>482</u>	<u>626</u>	<u>2,879</u>	<u>6,925</u>
3,911	1,371	3,432	8,759	17,350
—	—	15,533	15,533	—
2,320	411	230	12,153	666
13,661	10,022	—	28,687	—
—	—	—	2,617	303
2,495	13	27	2,535	491
205	22	32	485	—
67,605	50,453	6,000	302,148	—
—	—	—	6,350	—
—	—	—	—	7,825
—	—	—	—	1,730
—	—	51	107	—
<u>90,197</u>	<u>62,292</u>	<u>25,305</u>	<u>379,374</u>	<u>28,365</u>
—	—	35,731	35,731	—
15,089	116,548	8,900	1,436,037	—
—	—	—	172,045	—
—	—	—	—	13,234
—	—	—	—	55,030
—	122	360	506	1,775
397	331	906	2,011	5,563
<u>755</u>	<u>512</u>	<u>2,134</u>	<u>4,056</u>	<u>9,040</u>
<u>16,241</u>	<u>117,513</u>	<u>48,031</u>	<u>1,650,386</u>	<u>84,642</u>
<u>106,438</u>	<u>179,805</u>	<u>73,336</u>	<u>2,029,760</u>	<u>113,007</u>
434	329	365	1,263	5,594
<u>144</u>	<u>73</u>	<u>382</u>	<u>720</u>	<u>1,524</u>
<u>578</u>	<u>402</u>	<u>747</u>	<u>1,983</u>	<u>7,118</u>
196	—	2,480	2,676	204,773
—	—	—	—	16,628
—	—	2,267	2,267	2,295
—	—	168,148	1,555,430	—
—	66,865	17,080	337,949	—
<u>194,358</u>	<u>149,747</u>	<u>6,625</u>	<u>333,239</u>	<u>8,960</u>
<u>\$ 194,554</u>	<u>\$ 216,612</u>	<u>\$ 196,600</u>	<u>\$ 2,231,561</u>	<u>\$ 232,656</u>

# West Virginia

Statement of Revenues, Expenses, and  
Changes in Fund Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2018  
(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>
Operating Revenues:				
Charges for Services and Sales	\$ —	\$ —	\$ 188,153	\$ 3,344
Insurance Premiums	—	35,905	—	—
Tuition Contracts	—	—	—	—
Investment Earnings	2,830	—	—	—
Licenses, Permits, and Fees	3,231	—	—	—
Other	—	25	—	—
Total Operating Revenues	<u>6,061</u>	<u>35,930</u>	<u>188,153</u>	<u>3,344</u>
Operating Expenses:				
Cost of Sales and Services	—	—	—	—
Insurance Claims and Claims Adjustment	—	107,542	—	—
Tuition Contract Benefits and Expenses	—	—	—	—
Infrastructure and Economic Development	—	—	—	18,637
Unemployment Insurance Benefits	—	—	142,103	—
General and Administrative	4,002	9,590	—	796
Pension Expense	50	—	—	—
OPEB Expense	70	—	—	6
Depreciation and Amortization	—	—	—	—
Provisions for Uncollectible Loans	—	—	—	9,754
Other	—	—	—	—
Total Operating Expenses	<u>4,122</u>	<u>117,132</u>	<u>142,103</u>	<u>29,193</u>
Operating Income (Loss)	<u>1,939</u>	<u>(81,202)</u>	<u>46,050</u>	<u>(25,849)</u>
Nonoperating Revenues (Expenses):				
Gain (Loss) on Sale of Equipment	—	—	—	—
Interest and Other Investment Income (Loss)	1,243	76,938	2,040	2,599
Interest Expense	—	—	—	(6,744)
Lottery Revenues	—	2,750	—	46,000
Other Nonoperating Revenues	38	—	—	6
Total Nonoperating Revenues (Expenses), Net	<u>1,281</u>	<u>79,688</u>	<u>2,040</u>	<u>41,861</u>
Income (Loss) Before Transfers	<u>3,220</u>	<u>(1,514)</u>	<u>48,090</u>	<u>16,012</u>
Transfers:				
Transfers In	24,802	1,144	—	34
Transfers Out	—	(26,062)	—	(1,648)
Total Transfers	<u>24,802</u>	<u>(24,918)</u>	<u>—</u>	<u>(1,614)</u>
Change in Net Position	28,022	(26,432)	48,090	14,398
Net Position, Beginning of Year, as Restated	<u>737,537</u>	<u>103,299</u>	<u>103,793</u>	<u>615,088</u>
Net Position, End of Year	<u>\$ 765,559</u>	<u>\$ 76,867</u>	<u>\$ 151,883</u>	<u>\$ 629,486</u>

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

Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise Funds	Total	Governmental Activities Internal Service Funds
\$ —	\$ —	\$ 105,769	\$ 297,266	\$ 135,954
560,072	72,433	11,671	680,081	—
—	—	98	98	—
—	—	—	2,830	—
—	—	3,981	7,212	—
<u>4,782</u>	<u>—</u>	<u>1,534</u>	<u>6,341</u>	<u>—</u>
<u>564,854</u>	<u>72,433</u>	<u>123,053</u>	<u>993,828</u>	<u>135,954</u>
—	—	77,268	77,268	106,757
518,496	57,393	9,363	692,794	—
—	—	964	964	—
—	—	—	18,637	—
—	—	—	142,103	—
11,222	4,363	9,915	39,888	10,277
100	17	149	316	1,402
39	30	248	393	1,005
64	—	177	241	20,070
—	—	—	9,754	—
<u>7,155</u>	<u>—</u>	<u>739</u>	<u>7,894</u>	<u>—</u>
<u>537,076</u>	<u>61,803</u>	<u>98,823</u>	<u>990,252</u>	<u>139,511</u>
<u>27,778</u>	<u>10,630</u>	<u>24,230</u>	<u>3,576</u>	<u>(3,557)</u>
—	—	(8)	(8)	(63)
7,525	6,712	2,826	99,883	82
—	—	—	(6,744)	(2,392)
—	—	—	48,750	5,705
<u>—</u>	<u>—</u>	<u>331</u>	<u>375</u>	<u>801</u>
<u>7,525</u>	<u>6,712</u>	<u>3,149</u>	<u>142,256</u>	<u>4,133</u>
<u>35,303</u>	<u>17,342</u>	<u>27,379</u>	<u>145,832</u>	<u>576</u>
10,000	—	3,838	39,818	6,902
<u>—</u>	<u>—</u>	<u>(21,775)</u>	<u>(49,485)</u>	<u>(5,340)</u>
<u>10,000</u>	<u>—</u>	<u>(17,937)</u>	<u>(9,667)</u>	<u>1,562</u>
45,303	17,342	9,442	136,165	2,138
<u>149,251</u>	<u>199,270</u>	<u>187,158</u>	<u>2,095,396</u>	<u>230,518</u>
<u>\$ 194,554</u>	<u>\$ 216,612</u>	<u>\$ 196,600</u>	<u>\$ 2,231,561</u>	<u>\$ 232,656</u>



# West Virginia

## Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2018 (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>Cash Flows from Operating Activities:</b>				
Receipts from Customers	\$ 41,855	\$ 36,392	\$ 205,626	\$ 24,192
Receipts from State Agencies	—	—	—	—
Payments to Suppliers	—	(9,769)	—	(310)
Payments to Employees	(1,189)	(19)	—	(317)
Payments to Beneficiaries	—	—	—	—
Payments for Loans Originated	(42,829)	—	—	(60,144)
Payments for Premiums	—	—	—	—
Payments to Claimants	—	(168,342)	(147,814)	—
Other Operating Cash Receipts	—	25	8,989	—
Other Operating Cash Payments	<u>(2,995)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Cash Provided by (Used For) Operating Activities	<u>(5,158)</u>	<u>(141,713)</u>	<u>66,801</u>	<u>(36,579)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Repayment of Operating Debt	—	—	—	(6,060)
Interest Paid on Operating Debt	—	—	—	(7,580)
Transfers In	29,806	513	—	34
Transfers Out	—	(26,395)	—	—
Entitlements and Grants	—	—	—	—
Distributions or Subsidies from (to) Other Organizations	<u>—</u>	<u>2,750</u>	<u>—</u>	<u>46,000</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>29,806</u>	<u>(23,132)</u>	<u>—</u>	<u>32,394</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from Sale of Capital Bonds and Other Debts	—	—	—	5
Repayment of Capital Debt	—	—	—	—
Interest Paid on Capital Debt	—	—	—	—
Acquisition and Construction of Capital Assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>—</u>	<u>—</u>	<u>—</u>	<u>5</u>
<b>Cash Flows from Investing Activities:</b>				
Purchase of Investments	—	—	—	(271,551)
Proceeds from Sale of Investments	—	—	—	275,937
Investment Earnings	<u>1,243</u>	<u>76,938</u>	<u>2,040</u>	<u>2,300</u>
Net Cash Provided by (Used for) Investing Activities	<u>1,243</u>	<u>76,938</u>	<u>2,040</u>	<u>6,686</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>25,891</u>	<u>(87,907)</u>	<u>68,841</u>	<u>2,506</u>
Cash and Cash Equivalents, Beginning of Year	<u>97,757</u>	<u>1,619,487</u>	<u>68,378</u>	<u>140,838</u>
Cash and Cash Equivalents, End of Year	<u>\$ 123,648</u>	<u>\$ 1,531,580</u>	<u>\$ 137,219</u>	<u>\$ 143,344</u>

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

Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise Funds	Total	Governmental Activities Internal Service Funds
\$ 558,673	\$ 72,418	\$ 136,902	\$ 1,076,058	\$ —
—	—	—	—	134,308
(17,315)	(2,752)	(79,915)	(110,061)	(94,774)
(1,005)	(1,595)	(6,452)	(10,577)	(24,336)
(560,388)	(55,311)	(11,341)	(627,040)	—
—	—	(7,118)	(110,091)	—
—	—	(9,031)	(9,031)	—
—	—	(7,811)	(323,967)	—
44,848	—	1,482	55,344	—
—	(8,090)	(1,571)	(12,656)	—
<u>24,813</u>	<u>4,670</u>	<u>15,145</u>	<u>(72,021)</u>	<u>15,198</u>
—	—	—	(6,060)	—
—	—	—	(7,580)	—
(15,088)	—	3,838	19,103	6,902
—	—	(21,775)	(48,170)	(5,340)
—	—	196	196	—
<u>7,500</u>	<u>—</u>	<u>—</u>	<u>56,250</u>	<u>5,705</u>
<u>(7,588)</u>	<u>—</u>	<u>(17,741)</u>	<u>13,739</u>	<u>7,267</u>
—	—	—	5	11,707
—	—	—	—	(9,249)
—	—	—	—	(2,392)
<u>(13)</u>	<u>—</u>	<u>(150)</u>	<u>(163)</u>	<u>(17,712)</u>
<u>(13)</u>	<u>—</u>	<u>(150)</u>	<u>(158)</u>	<u>(17,646)</u>
(99,073)	(13,357)	(781)	(384,762)	—
54,156	11,757	9,000	350,850	—
<u>7,525</u>	<u>1,065</u>	<u>1,325</u>	<u>92,436</u>	<u>79</u>
<u>(37,392)</u>	<u>(535)</u>	<u>9,544</u>	<u>58,524</u>	<u>79</u>
<u>(20,180)</u>	<u>4,135</u>	<u>6,798</u>	<u>84</u>	<u>4,898</u>
<u>64,150</u>	<u>36,459</u>	<u>54,872</u>	<u>2,081,941</u>	<u>44,542</u>
<u>\$ 43,970</u>	<u>\$ 40,594</u>	<u>\$ 61,670</u>	<u>\$ 2,082,025</u>	<u>\$ 49,440</u>

# West Virginia

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2018**  
(Expressed in Thousands)  
(Continued)

	<b>Business-type Activities – Enterprise Funds</b>			
	<b>Water Pollution Control Revolving Fund</b>	<b>Workers' Compensation Fund</b>	<b>Unemployment Compensation</b>	<b>West Virginia Infrastructure and Jobs Development Council</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	\$ 1,939	\$ (81,202)	\$ 46,050	\$ (25,849)
Adjustments to Reconcile Operating Income (Loss)				
Net Cash Provided by (Used for)				
Operating Activities:				
Depreciation and Amortization	—	—	—	—
Provisions for Uncollectible Loans	—	—	—	9,754
Pension Expense	50	—	—	—
OPEB Expense	70	—	—	6
Changes in Assets and Liabilities and Deferred Outflow of Resources:				
Receivables	(7,035)	419	26,772	(19,011)
Inventories	—	—	—	—
Other Assets	—	—	—	206
Accounts Payable and Accrued Liabilities	(7)	(60,800)	(6,155)	(1,698)
Tuition Contracts Benefits and Expenses	—	—	—	—
Unearned Revenue	—	—	—	—
Escrow Deposits	—	—	—	—
Due to/from Other Funds	—	—	134	42
Unpaid Claims Liabilities	—	—	—	—
Other Liabilities	—	(130)	—	—
Compensated Absences	(16)	—	—	—
Deferred Outflows of Resources	(159)	—	—	(29)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (5,158)</u>	<u>\$ (141,713)</u>	<u>\$ 66,801</u>	<u>\$ (36,579)</u>
Schedule of Noncash Capital and Financing Activities:				
Loans Originated with Principal Forgiveness Features	\$ —	\$ —	\$ —	\$ —
Unrealized Gain (Loss) on Investments	—	—	—	—
On Behalf OPEB Payments	38	—	—	—

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>
\$ 27,778	\$ 10,630	\$ 24,230	\$ 3,576	\$ (3,557)
64	—	177	241	20,070
—	—	—	9,754	—
100	17	149	316	1,402
35	30	248	389	1,005
(5,652)	(865)	1,648	(3,724)	(1,646)
—	—	(606)	(606)	53
—	—	—	206	(47)
1,787	—	86	(66,787)	2,641
—	—	(10,440)	(10,440)	—
6,409	135	—	6,544	—
—	(8,025)	—	(8,025)	—
—	—	—	176	—
—	2,082	—	2,082	—
(5,504)	848	152	(4,634)	(2,159)
—	—	1	(15)	—
(204)	(182)	(500)	(1,074)	(2,564)
<u>\$ 24,813</u>	<u>\$ 4,670</u>	<u>\$ 15,145</u>	<u>\$ (72,021)</u>	<u>\$ 15,198</u>
\$ —	\$ —	\$ 654	\$ 654	\$ —
5,000	5,648	1,450	12,098	—
—	—	135	173	571



# *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 256.

## West Virginia

### Statement of Fiduciary Net Position Fiduciary Funds June 30, 2018 (Expressed in Thousands)

	Pension and Other Benefit Trust Funds	Investment Trust Funds	SMART 529	Agency Funds
Assets:				
Cash and Cash Equivalents	\$ 66,230	\$ 370,333	\$ —	\$ 101,529
Investments:				
Equity Pooled Investments	16,696,625	—	—	9,745
Mutual Funds	515,304	—	2,593,386	—
Receivables, Net:				
Contributions	32,795	—	2,366	—
Participant Loans	2,642	—	—	—
Accrued Interest	—	—	—	47
Accounts	22,984	—	—	—
Due from Other Funds	49,951	—	—	659
Due from Component Units	<u>1,805</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Assets	<u>17,388,336</u>	<u>370,333</u>	<u>2,595,752</u>	<u>\$ 111,980</u>
Deferred Outflows of Resources:				
Related to Pensions	269	—	—	—
Related to OPEB	<u>34</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deferred Outflows of Resources	<u>303</u>	<u>—</u>	<u>—</u>	<u>—</u>
Liabilities:				
Accounts Payable	29	—	2,084	9
Accrued and Other Liabilities	5,225	—	519	—
Due to Other Governments	—	—	—	7,154
Due to Other Funds	17,562	—	—	—
Insurance Claims Payable	10,613	—	—	—
Agency Liabilities	—	—	—	104,817
Net Pension Liability	219	—	—	—
Net OPEB Liability	<u>406</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities	<u>34,054</u>	<u>—</u>	<u>2,603</u>	<u>\$ 111,980</u>
Deferred Inflows of Resources:				
Related to Pensions	239	—	—	—
Related to OPEB	<u>77</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deferred Inflows of Resources	<u>316</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Position:				
Restricted for:				
Pension Benefits	16,391,154	—	—	—
Other Postemployment Benefits	963,115	—	—	—
Held in Trust for:				
External Investment Pool Participants	—	370,333	—	—
Individuals and Organizations	<u>—</u>	<u>—</u>	<u>2,593,149</u>	<u>—</u>
Total Net Position	<u>\$ 17,354,269</u>	<u>\$ 370,333</u>	<u>\$ 2,593,149</u>	<u>—</u>

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

**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2018**  
**(Expressed in Thousands)**

	<b>Pension and Other Benefit Trust Funds</b>	<b>Investment Trust Funds</b>	<b>SMART 529</b>
Additions:			
Contributions:			
Members	\$ 172,258	\$ —	\$ —
Employer	425,836	—	—
Account Holder Contributions	—	—	206,199
Deposits, Pool Participants	—	523,703	—
Other	<u>454,258</u>	<u>—</u>	<u>—</u>
Total Contributions	<u>1,052,352</u>	<u>523,703</u>	<u>206,199</u>
Investment Income (Loss):			
Net Appreciation (Depreciation) in Fair Value of Investments	1,445,258	4,982	14,840
Interest	87,203	—	171,585
Investment Expense	<u>—</u>	<u>—</u>	<u>(5,000)</u>
Net Investment Income	<u>1,532,461</u>	<u>4,982</u>	<u>181,425</u>
Other	<u>7,311</u>	<u>—</u>	<u>—</u>
Total Additions	<u>2,592,124</u>	<u>528,685</u>	<u>387,624</u>
Deductions:			
Benefits Expense	1,425,919	—	—
Forfeitures	1,530	—	—
Payments in Accordance with Trust Agreements	—	—	250,658
Refunds of Contributions	35,498	—	—
Withdrawals	—	471,871	—
Pension Expense	64	—	—
OPEB Expense	19	—	—
Administrative Expense	<u>21,197</u>	<u>—</u>	<u>5,357</u>
Total Deductions	<u>1,484,227</u>	<u>471,871</u>	<u>256,015</u>
Change in Net Position Held in Trust For:			
Pension Benefits	968,797	—	—
Other Postemployment Benefits	139,100	—	—
External Investment Pool Participants	—	56,814	—
Individuals and Organizations	—	—	131,609
Net Position, Beginning of Year, as Restated	<u>16,246,372</u>	<u>313,519</u>	<u>2,461,540</u>
Net Position, End of Year	<u>\$ 17,354,269</u>	<u>\$ 370,333</u>	<u>\$ 2,593,149</u>

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



# *DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS*

## *Major Component Units*

**West Virginia Lottery** The West Virginia Lottery's responsibilities include the distribution and sale of lottery tickets and the awarding of prizes. The West Virginia Lottery has a duty to establish rules for conducting games, to select the type and number of gaming systems or games, and to enter into contracts and agreements to operate in a highly efficient manner. The Lottery derives its revenues from instant, 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 270.

# West Virginia

## Combining Statement of Net Position Discretely Presented Component Units June 30, 2018 (Expressed in Thousands)

	West Virginia Lottery	Economic Development Authority	Housing Development Fund	Parkways Authority
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 146,661	\$ 61,131	\$ 21,097	\$ 5,054
Investments	—	—	—	—
Receivables, Net	32,126	21,544	1,152	3,844
Capital Leases Receivable from Primary Government	—	17,396	—	—
Due from Primary Government	1	—	—	—
Due from Component Units	9	—	—	—
Inventories	529	—	—	4,118
Other Assets	1,175	—	—	1,526
Restricted Assets:				
Cash and Cash Equivalents	—	297	43,095	26,692
Investments	—	—	—	34,184
Receivables, Net	—	—	2,973	—
Other Restricted Assets	—	—	—	—
Total Current Assets	<u>180,501</u>	<u>100,368</u>	<u>68,317</u>	<u>75,418</u>
Noncurrent Assets:				
Cash and Cash Equivalents	—	—	—	—
Investments	—	2,170	—	—
Receivables, Net	—	163,410	58,106	—
Capital Leases Receivable from Primary Government	—	227,467	—	—
Other Assets	—	—	—	—
Net OPEB Asset	—	—	572	—
Restricted Assets:				
Cash and Cash Equivalents	—	7,450	22,430	—
Investments	—	—	75,667	19,770
Receivables, Net	—	—	647,309	—
Other Restricted Assets	—	—	4,320	—
Capital Assets, Net	<u>48,047</u>	<u>24,396</u>	<u>9,524</u>	<u>457,290</u>
Total Noncurrent Assets	<u>48,047</u>	<u>424,893</u>	<u>817,928</u>	<u>477,060</u>
Total Assets	<u>228,548</u>	<u>525,261</u>	<u>886,245</u>	<u>552,478</u>
Deferred Outflows:				
Accumulated Decrease in Fair Value of Hedging Derivatives	—	—	—	158
Loss on Bond Refundings	—	—	—	501
Related to Pensions	1,036	97	746	2,165
Related to OPEB	<u>303</u>	<u>27</u>	<u>355</u>	<u>904</u>
Total Deferred Outflows of Resources	<u>1,339</u>	<u>124</u>	<u>1,101</u>	<u>3,728</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>
\$ 28,274	\$ 409,685	\$ 15,137	\$ 171,773	\$ 56,508	\$ 915,320
—	132,045	—	82,679	2,711	217,435
11,368	146,307	18,018	413	2,420	237,192
—	—	—	—	—	17,396
259	11,627	4	—	417	12,308
—	4,909	—	—	—	4,918
—	3,717	1,529	—	21	9,914
—	15,879	—	—	42	18,622
—	—	21,455	—	21,056	112,595
—	—	—	—	—	34,184
—	—	—	—	584	3,557
4	—	—	—	—	4
<u>39,905</u>	<u>724,169</u>	<u>56,143</u>	<u>254,865</u>	<u>83,759</u>	<u>1,583,445</u>
—	56,012	—	—	—	56,012
1,200	569,138	—	—	2,509	575,017
9,205	47,348	—	—	3,633	281,702
—	—	—	—	—	227,467
—	88,359	—	—	74	88,433
—	—	—	—	—	572
10,466	—	—	—	—	40,346
3,469	—	—	—	—	98,906
173,960	—	—	—	409	821,678
81	—	—	—	222	4,623
4,560	3,275,580	111,639	671	43,712	3,975,419
<u>202,941</u>	<u>4,036,437</u>	<u>111,639</u>	<u>671</u>	<u>50,559</u>	<u>6,170,175</u>
<u>242,846</u>	<u>4,760,606</u>	<u>167,782</u>	<u>255,536</u>	<u>134,318</u>	<u>7,753,620</u>
—	265	—	—	—	423
7,974	31,520	—	5,190	—	45,185
77	3,982	4,891	145	2,945	16,084
18	24,101	1,464	17	757	27,946
<u>8,069</u>	<u>59,868</u>	<u>6,355</u>	<u>5,352</u>	<u>3,702</u>	<u>89,638</u>

# West Virginia

## Combining Statement of Net Position Discretely Presented Component Units June 30, 2018 (Expressed in Thousands) (Continued)

	West Virginia Lottery	Economic Development Authority	Housing Development Fund	Parkways Authority
Liabilities:				
Current Liabilities:				
Accounts Payable	23,691	14	—	4,105
Interest Payable	—	—	1,464	55
Accrued and Other Liabilities	28,684	2,738	15,809	5,730
Unearned Revenue	—	—	—	—
Due to Primary Government	109,654	257	—	33
Due to Component Units	4,879	9	—	—
Revenue Bonds Payable	—	17,396	27,280	10,373
Capital Leases and Other Debt	—	570	—	—
Compensated Absences	631	31	435	716
Total Current Liabilities	<u>167,539</u>	<u>21,015</u>	<u>44,988</u>	<u>21,012</u>
Noncurrent Liabilities:				
Unearned Revenue	—	282	—	—
Advances from Primary Government	—	109,033	—	—
Liabilities Payable from Restricted Assets	—	—	67,873	—
Accrued and Other Liabilities	—	—	—	—
Revenue Bonds Payable	—	227,467	253,244	—
Capital Leases and Other Debt	—	5,537	1,080	—
Net Pension Liability	2,274	196	1,648	4,615
Net OPEB Liability	3,501	495	1,026	9,253
Compensated Absences	—	35	—	368
Total Noncurrent Liabilities	<u>5,775</u>	<u>343,045</u>	<u>324,871</u>	<u>14,236</u>
Total Liabilities	<u>173,314</u>	<u>364,060</u>	<u>369,859</u>	<u>35,248</u>
Deferred Inflows of Resources:				
Fair Value of Hedging Derivative Instruments	—	—	—	158
Gain on Bond Refundings	—	—	—	—
Related to Pensions	762	59	616	1,501
Related to OPEB	612	174	870	1,442
Service Concession Arrangements	—	—	—	—
Grants and Contributions	—	—	—	—
Total Deferred Inflows	<u>1,374</u>	<u>233</u>	<u>1,486</u>	<u>3,101</u>
Net Position:				
Net Investment in Capital Assets	48,047	23,194	8,538	447,418
Restricted for:				
Capital Projects	—	—	—	—
Debt Service	—	—	357,312	67,677
Nonexpendable	—	—	—	—
Lending Activities	—	7,150	72,410	—
Specific Component Unit Purposes	—	—	—	—
Unrestricted	<u>7,152</u>	<u>130,748</u>	<u>77,741</u>	<u>2,762</u>
Total Net Position (Deficit)	<u>\$ 55,199</u>	<u>\$ 161,092</u>	<u>\$ 516,001</u>	<u>\$ 517,857</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>
9	55,089	3,408	5	2,371	88,692
1,406	9,829	—	—	—	12,754
—	218,425	2,816	14,662	644	289,508
—	80,358	—	—	18	80,376
1	6,578	610	4	400	117,537
—	—	30	—	—	4,918
9,681	40,213	7,585	28,285	—	140,813
—	8,732	100	—	—	9,402
—	<u>45,130</u>	<u>2,223</u>	<u>45</u>	<u>1,348</u>	<u>50,559</u>
<u>11,097</u>	<u>464,354</u>	<u>16,772</u>	<u>43,001</u>	<u>4,781</u>	<u>794,559</u>
—	—	—	—	50	332
—	—	—	—	—	109,033
—	—	—	—	16,558	84,431
—	133,987	—	—	200	134,187
171,035	1,283,030	16,410	415,018	—	2,366,204
—	138,287	136	—	—	145,040
164	20,016	10,245	500	5,554	45,212
159	283,628	18,585	190	7,865	324,702
50	<u>3,942</u>	<u>—</u>	<u>—</u>	<u>190</u>	<u>4,585</u>
<u>171,408</u>	<u>1,862,890</u>	<u>45,376</u>	<u>415,708</u>	<u>30,417</u>	<u>3,213,726</u>
<u>182,505</u>	<u>2,327,244</u>	<u>62,148</u>	<u>458,709</u>	<u>35,198</u>	<u>4,008,285</u>
—	—	—	—	—	158
596	—	—	345	—	941
92	7,306	3,128	111	2,023	15,598
61	48,457	4,003	31	1,501	57,151
—	38,484	—	—	—	38,484
—	<u>1,566</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,566</u>
<u>749</u>	<u>95,813</u>	<u>7,131</u>	<u>487</u>	<u>3,524</u>	<u>113,898</u>
4,560	2,107,932	87,408	671	43,712	2,771,480
—	29,566	—	—	—	29,566
—	12,560	9,197	123,477	—	570,223
—	265,066	—	—	222	265,288
23,892	—	—	—	—	103,452
—	179,195	8,253	—	34,061	221,509
<u>39,209</u>	<u>(196,902)</u>	<u>—</u>	<u>(322,456)</u>	<u>21,303</u>	<u>(240,443)</u>
<u>\$ 67,661</u>	<u>\$ 2,397,417</u>	<u>\$ 104,858</u>	<u>\$ (198,308)</u>	<u>\$ 99,298</u>	<u>\$ 3,721,075</u>

# West Virginia

**Combining Statement of Activities  
Discretely Presented Component Units  
For the Fiscal Year Ended June 30, 2018  
(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>
<b>Component Units:</b>					
West Virginia Lottery	\$ 1,104,572	\$ 1,091,173	\$ —	\$ —	\$ (13,399)
Economic Development Authority	10,630	9,883	—	—	(747)
Housing Development Fund	94,716	37,889	69,164	—	12,337
Parkways Authority	87,904	102,470	—	—	14,566
Water Development Authority	10,048	12,024	—	—	1,976
Higher Education	1,950,844	955,988	448,650	37,369	(508,837)
Regional Jail Authority	101,817	98,876	5,433	—	2,492
School Building Authority	84,184	—	—	—	(84,184)
Other Component Units	<u>59,774</u>	<u>11,004</u>	<u>1,601</u>	<u>—</u>	<u>(47,169)</u>
Total Component Units	<u>\$ 3,504,489</u>	<u>\$ 2,319,307</u>	<u>\$ 524,848</u>	<u>\$ 37,369</u>	<u>\$ (622,965)</u>

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

General Revenue

<u>Unrestricted Investment</u>	<u>Grants and Contributions Not Restricted for Specific Programs</u>	<u>Miscellaneous</u>	<u>Payments from the State of West Virginia</u>	<u>Special Item</u>	<u>Total General Revenues and Special Item</u>	<u>Change in Net Position</u>	<u>Net Position (Deficit) Beginning of Year, As Restated</u>	<u>Net Position (Deficit) End of Year</u>
\$ 1,573	\$ —	\$ 12,734	\$ —	\$ —	\$ 14,307	\$ 908	\$ 54,291	\$ 55,199
737	—	1,440	—	—	2,177	1,430	159,662	161,092
877	—	—	—	4,469	5,346	17,683	498,318	516,001
632	—	584	—	—	1,216	15,782	502,075	517,857
590	—	10	—	—	600	2,576	65,085	67,661
49,786	—	84,206	442,458	—	576,450	67,613	2,329,804	2,397,417
395	—	1,172	—	—	1,567	4,059	100,799	104,858
1,089	—	12	97,986	—	99,087	14,903	(213,211)	(198,308)
<u>1,055</u>	<u>1,297</u>	<u>1,675</u>	<u>45,186</u>	<u>—</u>	<u>49,213</u>	<u>2,044</u>	<u>97,254</u>	<u>99,298</u>
<u>\$ 56,734</u>	<u>\$ 1,297</u>	<u>\$ 101,833</u>	<u>\$585,630</u>	<u>\$ 4,469</u>	<u>\$ 749,963</u>	<u>\$126,998</u>	<u>\$3,594,077</u>	<u>\$3,721,075</u>





**STATE OF WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 1**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The State of West Virginia (the State) is governed by elected officials. 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 (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-109  
Charleston, WV 25305

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

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

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

## **Discretely Presented Component Units**

Discretely presented component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. Because of the nature of the services they provide and the State's ability to impose its will on them, the following component units are discretely presented. 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 (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 (Parkways) is composed of seven members. The Governor or his designee serves as its chairperson, the Secretary of the Department of Transportation 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 Transportation. Parkways sets the rates for using the Turnpike and may issue Parkways' revenue refunding bonds payable solely from revenues of the Turnpike. Transportation, as well as the State, is able to impose its will on Parkways.

### Water Development Authority

The Water Development Authority (Water Development) 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, who serves as the chair. The Governor serves as the chair. Water Development is responsible for assisting in the preservation, protection, improvement, and management of the State's water resources. Water Development oversees a loan pool program which provides low-interest financing to local governments for water and wastewater projects. Water Development 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. Water Development 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, BridgeValley 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, 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 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.

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 Governmental Accounting Standards Board (GASB) Statement No. 39. Those organizations report under Financial Accounting Standards Board (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, which 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 individual Institutions and are therefore included with the Fund's financial statements.

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 Kanawha Valley Community and Technical College Foundation, Inc., the Bridgemont Community and Technical College Foundation, the Eastern West Virginia 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 (Regional Jail) 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's correctional institutions, the Regional Jail 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 (SBA) 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 SBA 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 SBA'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 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 (JIT) 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. JIT 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 (Solid Waste) 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. Solid Waste is responsible for improving collection and disposal of solid wastes and encouraging recycling, reuse, and recovery of resources from wastes.



Solid Waste 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 State Legislature has the ability to approve and modify the Racing Commission's budget. 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 firemen's pension and relief funds. The board, which is the governing body, 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 Consolidated Public Retirement Board, 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. It would be misleading to exclude the Municipal Pension Oversight Board, so it is presented as a discretely presented component unit.

## **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

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

Racing Commission  
900 Pennsylvania Avenue, Ste. 533  
Charleston, WV 25302

Municipal Pension Oversight Board  
301 Eagle Mountain Road, Suite 251  
Charleston, WV 25311

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 Boulevard, East  
Suite 700  
Charleston, WV 25301

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

Jobs Investment Trust  
1012 Kanawha Boulevard, East  
5<sup>th</sup> Floor  
Charleston, WV 25301-2877

Solid Waste Management Board  
601 57<sup>th</sup> Street, SE  
Charleston, WV 25304

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

## **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. 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 of resources that are attributed to 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 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 and reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position consists of net position which does not meet the definition of the two preceding categories. Unrestricted net position is often designated, which indicates 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.

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 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 the State's health insurance and risk management funds and 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 invest monies for college tuition and defer taxes on earnings from those investments.

Agency Funds report assets held by the State, functioning as an agent for individuals, private organizations, or other governments. 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 Rainy Day 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 BTI and any amounts over \$100 million are invested by the IMB. As of June 30, 2018, the fund contained \$268.9 million, which amounted to six percent of FY 2018 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 IMB 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, 2018, the balance in the Rainy Day Fund—Part B was \$440.7 million.

The Income Tax Refund Reserve Fund was established during FY 1990 by West Virginia Code §11-21-93 to pay personal income tax refunds, interest, and penalties to taxpayers in a timely manner. It may also be used by the Legislature to make appropriations from the fund to address other items as the Legislature so desires. Personal income taxes received by the State can be added to this fund, if the state tax commissioner determines the balance in the fund is not enough to ensure the timely payment of income tax refunds. On June 30, 2018, the balance in the Income Tax Refund Reserve Fund was \$11 million.

### **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. 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 net asset value of the individual funds. The State also 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 quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date and by inputs that are observable for an asset or liability, either directly or indirectly. 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 acquisition 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 Fund 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 Transportation in the annual reports for those years, less an amount estimated for the historical cost of the acquisition of land for right-of-way. Transportation 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. Works of art and historical treasures that 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 are not capitalized.

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. 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 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, 2018, of approximately \$244.8 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, 2018, is approximately \$109 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 (\$108.6 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. Another revolving loan agreement exists with the BTI to borrow up to \$50 million (\$1.4 million outstanding) to provide loan insurance for broadband projects, with interest equal to the twelve-month average of BTI’s yield on its money market pool, adjusted quarterly. There is also a note payable to the BTI, nonrecourse with right of offset against a note receivable, amount not to exceed \$25 million (\$494 thousand 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, net pension liability, net other post-employment benefits liability (OPEB), 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 when remediation costs are not reasonably estimable liabilities, a liability for such cases is not reported. For a more detailed explanation of the liability, see Note 15, Commitments and Contingencies.

Pensions – The State’s retirement pension plans cover all employees of the State and are funded according to matching portions of employee payroll prescribed by the Plans. For purposes of measuring the net pension asset, net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, and information about the fiduciary net positions of the Plans, and additions to/deductions from their respective fiduciary net positions, have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The actuarial cost method used for accounting and financial reporting purposes was individual entry age normal. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB) – The State OPEB plan covers all employees of the State as set forth in the West Virginia Code. For purposes of measuring net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, and information about the fiduciary net position of the Plan, and additions to/deductions from their fiduciary net position, have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The actuarial cost method used for accounting and financial reporting purposes was individual entry age normal. Investments are reported at fair value.

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 Other

Postemployment Benefits 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.

Net Position/Fund Balance – The difference between assets plus deferred outflows of resources less liabilities plus deferred inflows or resources is “Net Position” on the government-wide, proprietary, and fiduciary fund 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 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 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. Any negative fund balances are unassigned.

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. 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. 83, “Certain Asset Retirement Obligations”, which addresses accounting and financial reporting for certain asset retirement obligations. Certain asset retirement obligations are a legally enforceable liability associated with the retirement of a tangible capital asset. This statement is effective for fiscal year 2019, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 84, “Fiduciary Activities”, this statement is to improve guidance with the identification of fiduciary activities for accounting and financial reporting and how those activities should be reported. This statement is effective for fiscal year 2020, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 87, “Leases,” to improve the accounting and financial reporting for leases by governments and to increase the usefulness of the governments’ financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. This statement is effective for fiscal year 2021, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 88, “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”, improves the information disclosed in notes to governmental financial statements related to debt, and clarifies which liabilities should be included when disclosing information related to debt. The statement is effective for fiscal year 2019, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 89, “Accounting for Interest Cost Incurred Before the End of a Construction Period”, enhances the relevance and comparability of information relating to capital assets and the cost of borrowing for a reporting period, as well as simplify accounting for interest cost incurred before the end of a construction period. The statement is effective for fiscal year 2021, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 90, “Majority Equity Interests – An amendment of GASB statements No. 14 and No. 61”, improves the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement is effective for fiscal year 2019, and management has not yet determined the financial statement impact of the pronouncement.





**NOTE 2****RESTATEMENTS AND RESTRICTED BALANCES****Restatement of Beginning Balances**

On July 1, 2017, the State adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", which established accounting and financial reporting standards for recognizing and measuring liabilities, deferred outflows and inflows of resources, and expenses. Cost-sharing employers contributing to an OPEB Plan will recognize their proportionate share of the collective OPEB amounts. The implementation of GASB 75 resulted in the reporting of an OPEB liability and a deferred outflow of resources as of July 1, 2016. Therefore, net position has been restated as of July 1, 2017, to account for the cumulative effect of this change in accounting principle related to accounting for other postemployment benefits. The effect of the restatement was an increase to beginning net position and a corresponding decrease to previously reported liabilities for the Governmental Activities of \$335,894,000, Business-type Activities of \$107,000, and Component Units of \$22,751,000.

Workforce's net position increased \$3,931,000 for payroll payable and Due to Other Governments being incorrectly stated as of July 1, 2017. This also resulted in a \$455,000 decrease in the Governmental Activities net position.

The Higher Education Fund's net position increased \$2,384,000 for deposits and interest payable being incorrectly stated as of July 1, 2017.

## West Virginia

The effect of the adjustment on all of the State's reporting units are as follows (expressed in thousands):

<u>Entity/Reporting Unit</u>	<u>Fund Balances or Net Position</u>		
	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
Governmental Funds:			
General	\$ (387,612)	\$ 1,336,920	\$ 949,308
Transportation	133,021	153,164	286,185
PSC	4,029	8,112	12,141
Insurance Commission	19,028	10,296	29,324
Workforce	(13,595)	15,397	1,802
Total Governmental Funds	836,395	1,523,889	2,360,284
Enterprise Funds:			
Water Pollution Control Revolving Fund	737,858	(321)	737,537
Infrastructure	615,158	(70)	615,088
Public Employees' Insurance Agency	149,046	205	149,251
Board of Risk and Insurance Management	199,328	(58)	199,270
Other Enterprise Funds	186,807	351	187,158
Total Enterprise Funds	2,095,289	107	2,095,396
Internal Service Funds	229,129	1,389	230,518
Component Units:			
West Virginia Lottery	53,019	1,272	54,291
Economic Development Authority	160,330	(668)	159,662
Housing Development Fund	499,454	(1,136)	498,318
Parkways, Economic Development, and Tourism Authority	501,018	1,057	502,075
Water Development Authority	65,079	6	65,085
Higher Education	2,308,749	21,055	2,329,804
Regional Jail	97,399	3,400	100,799
School Building Authority	(213,280)	69	(213,211)
Other Component Units	97,174	80	97,254
Total Component Units	3,568,942	25,135	3,594,077
Government-wide:			
Governmental Activities	4,942,579	339,370	5,281,949
Business-type Activities	2,095,289	107	2,095,396
Total Primary Government	7,037,868	339,477	7,377,345
Total Component Units	3,568,942	25,135	3,594,077
Pension and Other Employee Benefit Trust Funds			
Trust Funds	16,246,268	104	16,246,372

**Restricted Net Position**

The following table summarizes the restricted net position of funds included in “other” columns at June 30, 2018 (expressed in thousands):

<b>Fund Type/Fund</b>	<b>Restricted for:</b>						
	<b>Total Reporting Entity</b>	<b>Capital Projects</b>	<b>Lending Activities</b>	<b>Insurance Activities</b>	<b>General Government Activities</b>	<b>Non-Expendable</b>	<b>Other Specific Fund Purposes</b>
<b>Enterprise Funds:</b>							
Drinking Water Treatment Revolving	\$ 168,148	\$ —	\$ 168,148	\$ —	\$ —	\$ —	\$ —
West Virginia Prepaid College Plan	2,267	—	—	—	2,267	—	—
State Entities Workers' Compensation	<u>17,080</u>	<u>—</u>	<u>—</u>	<u>17,080</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>187,495</u>	<u>—</u>	<u>168,148</u>	<u>17,080</u>	<u>2,267</u>	<u>—</u>	<u>—</u>
<b>Internal Service Funds:</b>							
State Building Fund	16,628	16,628	—	—	—	—	—
Travel Management	<u>2,295</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,295</u>	<u>—</u>	<u>—</u>
	<u>18,923</u>	<u>16,628</u>	<u>—</u>	<u>—</u>	<u>2,295</u>	<u>—</u>	<u>—</u>
<b>Discretely Presented Component Units:</b>							
Educational Broadcasting Authority	222	—	—	—	—	222	—
Solid Waste Management Board	4,503	—	—	—	—	—	4,503
Municipal Pensions Oversight Board	<u>29,558</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>29,558</u>
	<u>34,283</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>222</u>	<u>34,061</u>
<b>Total</b>	<u>\$ 240,701</u>	<u>\$ 16,628</u>	<u>\$ 168,148</u>	<u>\$ 17,080</u>	<u>\$ 4,562</u>	<u>\$ 222</u>	<u>\$ 34,061</u>

The government-wide statement of net position reports \$2,849,218 of restricted net position for the primary government of which \$1,779,882 is restricted by enabling legislation.

## West Virginia

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### 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, 2018 (expressed in thousands):

<u>Fund Type/Fund</u>	<u>Total Reporting Entity</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Development Tourism, and Recreation</u>	<u>Education</u>	<u>Public Protection</u>
Governmental Funds:						
Special Revenue Funds:						
Environmental Protection	\$ 78,825	\$ —	\$ —	\$ —	\$ —	\$ 78,825
Public Service Commission	8,224	—	—	—	—	8,224
Wildlife Resources	<u>65,482</u>	<u>—</u>	<u>—</u>	<u>65,482</u>	<u>—</u>	<u>—</u>
	<u>152,531</u>	<u>—</u>	<u>—</u>	<u>65,482</u>	<u>—</u>	<u>87,049</u>
Capital Projects Funds:						
Education, Arts, Sciences, and Tourism Fund	13,685	13,685	—	—	—	—
Cacapon Project Fund	28,580	28,580	—	—	—	—
State Road	914,727	914,727	—	—	—	—
Lease Purchase Accounts	<u>10,408</u>	<u>10,408</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>967,400</u>	<u>967,400</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Debt Service:						
Education, Arts, Sciences, and Tourism Fund	1,026	—	1,026	—	—	—
Cacapon Project Fund	1,000	—	1,000	—	—	—
Lease Purchase Accounts	7,238	—	7,238	—	—	—
Economic Development Project Fund	<u>46,854</u>	<u>—</u>	<u>46,854</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>56,118</u>	<u>—</u>	<u>56,118</u>	<u>—</u>	<u>—</u>	<u>—</u>
Permanent Funds:						
Irreducible School	<u>360</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>360</u>	<u>—</u>
Total	<u>\$ 1,176,409</u>	<u>\$ 967,400</u>	<u>\$ 56,118</u>	<u>\$ 65,482</u>	<u>\$ 360</u>	<u>\$ 87,049</u>

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

Individual funds with net position/deficits at June 30, 2018, were as follows (expressed in thousands):

	<u>Net Position/ Deficit</u>
<b>Enterprise Funds:</b>	
West Virginia Prepaid College Plan	\$ 5,434
<b>Discretely Presented Component Units:</b>	
School Building Authority	198,308
Public Defender Corporation	<u>1,855</u>
Total Deficits	<u>\$ 205,597</u>

**Enterprise Funds**

West Virginia Prepaid College Plan (the Plan) has a net position deficiency of approximately \$5.4 million as of June 30, 2018. This deficiency was created over time by investment performance, tuition rate growth, various actuarial assumption adjustments, and certain economic events. 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 million 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 \$2 million for the fifteen years ended June 30, 2018, leaving the account with a balance of \$22.2 million at June 30, 2018. Because there was an actuarially determined unfunded liability of approximately \$7.7 million in the Plan as of June 30, 2018, an additional \$1 million was transferred from the Fund to the Escrow Account on September 12, 2018, 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, 2019. The financial statements do not reflect any adjustments that might result should the 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, 2018, is \$198.3 million. The deficit arose from the issuance of revenue bonds to replace or improve school facilities in the State of West Virginia and the SBA's policy to grant ownership of these new and renovated buildings to the local county boards of education. The West Virginia Supreme Court has ruled that issuing debt service bonds from the School Aid Formula (SAF) are unconstitutional. Through June 30, 2019, the SBA will receive \$23 million per year from an allocation from the West Virginia Department of Education, for debt service. At that time, the debt service payments dedicated from the SAF will be allocated to the SBA's pay-as-you-go construction program, which shall annually receive \$24 million from the SAF. The funds will be used to continue funding school facility construction and improvement projects.

At year-end, the SBA had \$443.3 million in bonds outstanding, compared to \$466.6 million at June 30, 2017, a decrease of 4.99%. This decrease of \$23.3 million was due to the refunding of the Series 2007 bonds, the issuance of the Series 2018 bonds, and the scheduled retirement of the existing bonds. 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, 2018, is \$1.9 million. The deficiency is due to the increase of the net pension liability and related deferred inflows and deferred outflows.





**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, 2018, the reported amount of the primary government's deposits was \$27,146,000 and the bank balance was \$273,508,000. Of that bank balance, \$11,612,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State.

Component Units

At June 30, 2018, the reported amount of the component units' deposits was \$304,625,000 and the bank balance was \$165,772,000. Of that bank balance, \$20,293,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State, and \$274,000 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the State.

**Investments**

The Board of Treasury Investments (BTI) manages the short-term operating funds of the State. The Investment Management Board (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 monies 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 prudent 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**

Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

GASB 72 established a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical financial instruments (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities at the reporting date.

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not considered active; observable inputs other than observable quoted prices for the asset or liability; or inputs derived principally from or corroborated by observable market data.

Level 3 Unobservable pricing inputs for assets and liabilities.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

Generally, the fair value of IMB's fund portfolio securities are determined as outlined in the hierarchy levels above and more specifically as follows and applicable:

- Equity securities and money market mutual funds are valued at the last sale price or official closing price reported in the market in which they are primarily traded.
- Equity securities that trade in non-U.S. markets are valued in U.S. dollars using period-end spot market exchange rates as supplied by the pool's custodian.
- Fixed income securities are valued according to prices furnished by independent pricing services to the pool's custodian. These services determine the security prices by a number of methods including, but not limited to, dealer quotes, live market trading levels when available, live feeds of trade execution data, spreads over U.S. Treasury securities, and other models and formulae appropriate to the specific security type.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Futures and option contracts are valued at the last settlement price established each day by the exchange on which they are traded.
- Repurchase agreements and time deposits are valued at amortized cost, provided such amount approximates fair value.
- Credit default, interest rate, and currency swap values are based on market values received from third parties or are determined by valuation models.
- Foreign currency forward contracts are valued at the difference between the forward contract amount and the month-end forward exchange rate.
- Investments in private equity partnerships, real estate limited partnerships and funds, and other private funds are not securities for which market quotations are readily available. The IMB has concluded that the net asset value reported by the general partners or fund administrators approximates the fair value of these investments and consequently these investments are carried at net asset value as a practical expedient for fair market value. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds, and consequently, the fair value of the IMB's interest in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the IMB were to sell these investments in the secondary market, a buyer may require a discount to the reported net asset value, and the discount could be significant. The IMB believes that the net asset value of such investments is a reasonable estimate of fair value at June 30, 2018.

Investments not generally described above are described in detail in the individual pool disclosures in the pages that follow.

The BTI is an investment vehicle of the State and its component units, all of which are government entities. The investments of the WV Money Market, WV Government Money Market, WV Bank, Loan, and Reserve pools and accounts are carried at amortized cost. The criteria established in GASB 79 specify that the pools must transact with their participants at a stable net asset value per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity, and shadow pricing. The BTI does not place any limitations or restrictions on participant withdrawals from the WV Money Market and WV Government Money Market pools, such as redemption notice periods, maximum transaction amounts, and any authority to impose liquidity fees or redemption gates. 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 which are nonparticipating interest-earning investment contracts.
Loan	Loans receivable arising from lending activities of economic development authorities.
Reserve	Banks depository account that has no market.

The investments of the remaining pools and participant accounts 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 measures fair value at the end of each month. Investments in commingled investment pools are valued at the reported unit values of the individual funds. Commissions on the purchases of securities by the BTI are a component of the security price quoted by the seller and are included in the investment cost.

A more detailed discussion of the IMB's and BTI's investment pools can be found in the IMB's and BTI's annual reports. A copy of the IMB's annual report can be obtained from the following address: 500 Virginia Street East, Suite 200, Charleston, WV 25301 or <http://www.wvimb.org>. A copy of the BTI's annual report can be obtained from the following address: West Virginia Board of Treasury Investments, 315 70<sup>th</sup> Street SE, Charleston, WV 25304 or <http://www.wvbt.com>.

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

In addition to amounts invested with the IMB and BTI, certain governmental funds and discretely presented component units are permitted to invest bond proceeds with third-party trustees named in bond indentures. Governmental funds including the State Building Fund, 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 (EDA); 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 Consolidated Public Retirement Board 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, 2018, IMB held derivative financial investments that included: Futures Contracts, Foreign Exchange Forward Contracts, Currency Swaps, and Interest Rate Swaps. Additionally, IMB also held derivative instruments in option contracts and credit default swaps which were deemed immaterial to the State's financial statements. 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 IMB.

### 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.

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. 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 on a daily basis for the fluctuations of the underlying securities or index. The IMB records futures at fair market value.

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 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's managers generally 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 require an initial margin deposit of cash or securities.

As of June 30, 2018, the futures contracts had the following open positions denominated in U.S. dollars (summarized and expressed in thousands):

<u>Open Positions/Pool</u>	<u>Value Upon Entering Contract (Notional Value)</u>	<u>Fair Value at June 30, 2018</u>	<u>Change in Fair Value</u>
Long:			
Total Return Fixed Income	\$ 1,624	\$ 79	\$ (7,708)
Short:			
Total Return Fixed Income	(609)	(4,121)	910

As of June 30, 2018, the futures contracts had the following open positions denominated in foreign currencies (summarized and expressed in thousands):

<u>Open Positions/Pool</u>	<u>Value Upon Entering Contract (Notional Value)</u>	<u>Fair Value at June 30, 2018</u>	<u>Change in Fair Value</u>
Total Return Fixed Income	\$ 159	\$ 3,415	\$ 3,529

### 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.

### 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.

### Securities Lending

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 net 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. The IMB cannot pledge or sell such collateral without a default.

At June 30, 2018, 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, \$491.6 million was received as cash. The collateral received as cash is invested in the Mellon GSL DBT II Funds.

	<b>Fair Value of Securities on Loan</b>	<b>Collateral Held</b>
Domestic Equity Pool	\$ 482,434	\$ 517,155
International Equity	394,944	440,028
Total Return Fixed Income Pool	250,126	256,471
Core Fixed Income Pool	90,372	92,532
Private Markets Pool	<u>30,218</u>	<u>32,748</u>
Total	<u>\$ 1,248,094</u>	<u>\$ 1,338,934</u>



**Investment Pools**

Schedule of Participation

The following schedule details the participation in the various IMB pools exclusive of those pools comprising the Consolidated Fund or Participant Directed Accounts as of June 30, 2018 (expressed in thousands):

	Domestic	International		Equity	Short-Term Fixed Income
	Equity	Qualified	Nonqualified		
<b>Primary Government:</b>					
Revenue Shortfall Reserve Fund	\$ —	\$ —	\$ —	\$ —	\$ —
Revenue Shortfall Reserve Fund B	49,047	—	17,181	31,305	—
Workers' Compensation Old Fund	176,003	—	66,991	107,375	45,129
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	4,970	—	1,801	3,127	1,425
Workers' Compensation Self-Insured Employer Security Risk Pool	7,885	—	2,891	4,920	2,215
Workers' Compensation Uninsured Pneumoconiosis	1,890	—	639	1,236	1,260
Wildlife Endowment Fund	36,295	—	13,361	22,553	11,120
Prepaid Tuition Trust Fund	16,104	—	5,825	10,105	59
Board of Risk & Insurance Management	—	—	—	—	1,003
Public Employees' Insurance Agency	22,317	—	7,761	14,337	7,629
WV Department of Environmental Protection Trust	24,462	—	8,244	16,061	1
WV Department of Environmental Protection Agency	3,089	—	1,048	2,017	—
	<u>38,287</u>	<u>—</u>	<u>12,836</u>	<u>25,044</u>	<u>—</u>
Total Primary Government	<u>380,349</u>	<u>—</u>	<u>138,578</u>	<u>238,080</u>	<u>69,841</u>
Percentage of Ownership	8.33%	0.00%	64.33%	7.97%	32.00%
<b>Fiduciary Funds:</b>					
Judges' Retirement System	51,654	17,640	—	33,487	346
Emergency Medical Services Retirement System	19,738	6,658	—	13,050	322
Public Employees' Retirement System	1,695,975	570,269	—	1,113,988	3,435
Teachers' Retirement System	1,915,121	642,773	—	1,260,306	118,089
Municipal Police Officers and Firefighters' Retirement System	1,925	634	—	1,281	206
Municipal Policemen's or Firefighter's Pension and Relief Fund	641	221	—	414	59
State Police Retirement System	47,530	15,854	—	31,312	584
State Police Death, Disability and Retirement Fund	166,355	58,103	—	107,614	24,909
Retiree Health Benefit Trust	228,115	—	76,159	149,920	—
Deputy Sheriff's Retirement System	<u>55,237</u>	<u>18,732</u>	<u>—</u>	<u>36,109</u>	<u>478</u>
Total Fiduciary Funds	<u>4,182,291</u>	<u>1,330,884</u>	<u>76,159</u>	<u>2,747,481</u>	<u>148,428</u>
Percentage of Ownership	91.62%	100%	35.36%	91.99%	68.00%
<b>Other Participants:</b>					
Berkeley County Development Authority	<u>1,953</u>	<u>—</u>	<u>671</u>	<u>1,267</u>	<u>—</u>
Total Amount	<u>\$ 4,564,593</u>	<u>\$ 1,330,884</u>	<u>\$ 215,408</u>	<u>\$ 2,986,828</u>	<u>\$ 218,269</u>
State Percentage of Ownership	99.96%	100%	99.69%	99.96%	100%

<b>Total Return Fixed Income</b>	<b>Core Fixed Income</b>	<b>TIPS</b>	<b>Private Equity</b>	<b>Hedge Funds</b>	<b>Total (Memorandum Only)</b>
\$ 57,878	\$ 25,130	\$ 84,658	\$ —	\$ —	\$ 167,666
167,777	72,850	100,551	—	—	438,711
323,583	140,536	124,587	—	201,301	1,185,505
7,999	3,487	3,494	—	7,605	33,908
12,315	5,481	5,529	—	11,968	53,204
2,545	1,115	1,320	—	2,876	12,881
56,952	24,859	25,559	—	55,098	245,797
6,174	2,710	—	15,829	7,017	63,823
20,512	20,741	—	—	—	42,256
35,033	15,310	15,381	—	33,820	151,588
52,652	22,967	30,155	—	44,284	198,826
917	419	—	—	2,168	9,658
<u>52,351</u>	<u>23,184</u>	<u>—</u>	<u>—</u>	<u>43,697</u>	<u>195,399</u>
<u>796,688</u>	<u>358,789</u>	<u>391,234</u>	<u>15,829</u>	<u>409,834</u>	<u>2,799,222</u>
33.68%	34.43%	100%	0.38%	18.29%	14.35%
19,426	8,491	—	50,898	22,542	204,484
7,628	3,334	—	19,524	8,667	78,921
637,623	278,378	—	1,677,031	741,999	6,718,698
714,138	310,183	—	1,893,364	837,944	7,691,918
747	326	—	1,884	840	7,843
350	152	—	512	289	2,638
18,235	7,933	—	46,707	20,757	188,912
61,258	26,667	—	165,045	72,848	682,799
87,553	38,256	—	224,373	99,437	903,813
<u>21,079</u>	<u>9,174</u>	<u>—</u>	<u>54,410</u>	<u>24,149</u>	<u>219,368</u>
<u>1,568,037</u>	<u>682,894</u>	<u>—</u>	<u>4,133,748</u>	<u>1,829,472</u>	<u>16,699,394</u>
66.29%	65.54%	—%	99.57%	81.67%	85.61%
749	327	—	1,923	852	7,742
<u>\$ 2,365,474</u>	<u>\$ 1,042,010</u>	<u>\$ 391,234</u>	<u>\$ 4,151,500</u>	<u>\$ 2,240,158</u>	<u>\$ 19,506,358</u>
99.97%	99.97%	100%	99.95%	99.96%	99.96%

## Investment Pool Descriptions

### Domestic Equity Pool

The pool's objective is to exceed, net of external management fees, the Russell 3000 Stock Index over three-year to five-year periods. Intech Investment Management, LCC and State Street Global Advisors manage assets of this pool.

#### *Credit Risk and Interest Rate Risk*

The pool is exposed to credit risk from investments made with cash collateral for securities loaned. The money market mutual fund has the highest credit rating. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase. The pool is exposed to interest rate risk from certain investments made with cash collateral for securities loaned. As of June 30, 2018, the money market mutual fund has a weighted-average maturity (WAM) of 39 days. The weighted-average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days.

The following table provides the credit ratings indicative of the greatest degree of risk of the Pool's securities lending collateral investments as of June 30, 2018 (expressed in thousands):

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 47,082
AA	5,064
A	5,288
BBB	7,219
Not applicable	<u>110,807</u>
Total securities lending collateral	<u>\$ 175,460</u>

#### *Fair Value Measurements*

The table below summarizes the valuation of the investment securities in accordance with the fair value hierarchy levels as of June 30, 2018 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 2,533,416	\$ —	\$ —	\$ 2,533,416
Commingled Equity Fund	1,924,392	—	—	1,924,392
Securities Lending Mutual Fund	—	175,460	—	175,460
Money Market Mutual Funds	<u>55,540</u>	—	—	<u>55,540</u>
Total	<u>\$ 4,513,348</u>	<u>\$ 175,460</u>	<u>\$ —</u>	<u>\$ 4,688,808</u>

The fair value measurement valuation techniques used for the investments in the Domestic Equity Pool can be found on page 90.

### 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-year 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, 2018, was \$1,330,940,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

*Fair Value Measurements*

U.S. GAAP does not require the pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient. The investment in Silchester is valued using the net asset value per share practical expedient. As Silchester is the only investment in the pool, a fair value hierarchy table is not presented. The investment strategy is to achieve desired exposure to publicly traded equity securities of companies ordinarily incorporated in countries other than the United States. Redemption is monthly within seven business days following month-end.

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, 2018, was \$215,417,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

*Fair Value Measurements*

U.S. GAAP does not require the pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient. The investment in Silchester is valued using the net asset value per share practical expedient. As Silchester is the only investment in the pool, a fair value hierarchy table is not presented. The investment strategy is to achieve desired exposure to publicly traded equity securities of companies ordinarily incorporated in countries other than the United States. Redemption is monthly within seven business days following month-end.

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 Oberweis Asset Management, Inc., inception date 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.

*Credit Risk and Interest Rate Risk*

The pool is exposed to credit risk from investments made with cash collateral for securities loaned. The money market mutual fund has the highest credit rating. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody’s or Standard & Poor’s at the time of purchase. Short-term debt instruments must be rated P-1 by Moody’s or A-1 by Standard & Poor’s at the time of

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## West Virginia

purchase. The pool is exposed to interest rate risk from certain investments made with cash collateral for securities loaned. As of June 30, 2018, the money market mutual fund has a weighted-average maturity (WAM) of 39 days. The weighted-average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days.

The following table provides the credit rating indicative of the greatest degree of risk of the Pool's securities lending collateral investments as of June 30, 2018 (expressed in thousands):

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 20,359
AA	2,190
A	2,287
BBB	3,122
Not applicable	<u>47,916</u>
Total securities lending collateral	<u>\$ 75,874</u>

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, 2018, consisted of the following (expressed in thousands):

<u>Currency</u>	<u>Equity Investments</u>	<u>Cash</u>	<u>Foreign Currency Spot Contracts</u>	<u>Total</u>
Australian Dollar	\$ 90,582	\$ 1	\$ —	\$ 90,583
Brazil Real	98,891	494	(20)	99,365
British Pound	275,749	493	115	276,357
Canadian Dollar	110,687	226	—	110,913
Chilean Peso	4,661	—	—	4,661
Czech Koruna	3,051	—	—	3,051
Danish Krone	19,525	9	1	19,535
Egyptian Pound	1,733	—	—	1,733
Emirati Dirham	—	10	—	10
Euro Currency Unit	434,429	4,008	80	438,517
Hong Kong Dollar	356,625	5,338	(1)	361,962
Hungarian Forint	6,907	28	—	6,935
Indian Rupee	79,014	12,993	—	92,007
Indonesian Rupiah	15,318	93	—	15,411
Israeli Shekel	12,605	27	—	12,632
Japanese Yen	402,074	5,651	(40)	407,685
Malaysian Ringgit	28,119	1,284	(2)	29,401
Mexican Peso	47,526	140	—	47,666
New Taiwan Dollar	100,384	855	—	101,239
New Zealand Dollar	357	5	—	362
Norwegian Krone	25,384	307	(4)	25,687
Pakistan Rupee	2,949	—	—	2,949
Philippine Peso	6,761	5,082	—	11,843
Polish Zloty	4,150	73	(34)	4,189
Qatar Riyal	1,249	40	—	1,289
Singapore Dollar	15,955	207	2	16,164
South African Rand	46,338	10	(55)	46,293
South Korean Won	209,540	1,846	(1)	211,385
Swedish Krona	39,199	129	1	39,329
Swiss Franc	85,297	62	6	85,365
Thailand Baht	53,440	2	(9)	53,433
Turkish Lira	24,459	16	(6)	24,469
Subtotal	<u>2,602,958</u>	<u>39,429</u>	<u>33</u>	<u>2,642,420</u>
United States Currency	<u>337,370</u>	<u>—</u>	<u>—</u>	<u>337,370</u>
Total Assets	<u>\$ 2,940,328</u>	<u>\$ 39,429</u>	<u>\$ 33</u>	<u>\$ 2,979,790</u>

*Fair Value Measurements*

The table below summarizes the valuation of the investment securities in accordance with the fair value hierarchy levels as of June 30, 2018 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 2,875,697	\$ —	\$ —	\$ 2,875,697
Securities Lending Collateral	—	75,874	—	75,874
Money Market Mutual Funds	26,558	—	—	26,558
Preferred Stock	61,720	—	—	61,720
Rights	<u>2,911</u>	<u>—</u>	<u>—</u>	<u>2,911</u>
Total	<u>\$ 2,966,886</u>	<u>\$ 75,874</u>	<u>\$ —</u>	<u>\$ 3,042,760</u>

The fair value measurement valuation techniques used for the investments in the International Equity Pool can be found on page 90.

*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.

*Credit Risk and Interest Rate 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 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 WAM for the different asset types in the Pool as of June 30, 2018, of the Short-Term Fixed Income pool's investments (expressed in thousands):

<u>Investment Type</u>	<u>Carrying Value</u>	<u>WAM Days</u>
Commercial Paper	\$ 22,171	26
U.S. Government Agency Bonds	106,794	46
U.S. Treasury Bonds	49,326	79
Repurchase Agreements (Underlying Securities):		
U.S. Treasury Issues*	<u>40,000</u>	2
Total Investments	<u>\$ 218,291</u>	43

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

*Fair Value Measurements*

The table below summarizes the valuation of the investment securities in accordance with the fair value hierarchy levels as of June 30, 2018 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commercial Paper	\$ —	\$ 22,171	\$ —	\$ 22,171
Repurchase Agreement*	—	40,000	—	40,000
U.S. Government Agency Bonds	—	106,794	—	106,794
U.S. Treasury Bonds	—	49,326	—	49,326
Total	<u>\$ —</u>	<u>\$ 218,291</u>	<u>\$ —</u>	<u>\$ 218,291</u>

\*Underlying Securities:

U.S. Treasury Issues \$40,000

All securities of the Short-Term Fixed Income Pool are valued at amortized cost provided such amount approximates fair value. The basic premise underlying the use of the amortized cost method of valuation is that high-quality, short-term debt securities held until maturity will eventually return to their amortized cost value, regardless of any current disparity between the amortized cost value and market value, and would not ordinarily be expected to fluctuate significantly in value. The pool values its securities at amortized cost so long as the deviation between the amortized cost and current market value remains minimal and results in the computation of a share price that represents fairly the current net asset value per share of the fund.

**Total Return Fixed Income**

The main objective of the Total Return Fixed Income Pool is to generate investment income, provide stability and diversification, but not at the expense of total return. Dodge & Cox (DAC), Franklin Templeton Investments (FTI), and Western Asset Management Company, LLP (Western) manage this pool. The pool's investment objective, net of external investment management fees, is to meet or exceed the Bloomberg Barclays U.S. Universal bond index.

*Credit Risk and Interest Rate 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. Credit risk from securities lending collateral investments are limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's. The IMB reviews available ratings from Standard & Poor's, Moody's and Fitch, and reports the rating indicative of the greatest degree of risk.

The following table provides credit ratings for the pool's fixed income investments as of June 30, 2018 (expressed in thousands):

	<u>Rating</u>	<u>Fair Value</u>
AAA		\$ 22,196
AA		889,097
A		104,870
BBB		587,744
BB		314,638
B		296,262
CCC		12,274
CC		3,716
C		403
D		3,982
Withdrawn		85
Not Rated		<u>38,996</u>
Total fixed income investments		<u>\$ 2,274,263</u>

The following table provides credit ratings for the pool's securities lending collateral investments as of June 30, 2018 (expressed in thousands):

	<u>Rating</u>	<u>Fair Value</u>
AAA		\$ 41,003
AA		4,410
A		4,605
BBB		6,287
Not applicable		<u>96,503</u>
Total securities lending collateral		<u>\$ 152,808</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, 2018, the Total Return Fixed Income Pool held \$525,141,000 of these securities. This represents approximately 23% of the value of the pool's securities.



The following table provides the weighted-average effective duration for the various asset types in the pool as of June 30, 2018 (expressed in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration (years)</u>
Commingled Bond Funds	\$ 304,379	2.5
Corporate ABS Residual	5,487	2.8
Corporate Asset Backed Issues	36,072	0.9
Corporate CMO	71,666	1.0
Foreign Asset Backed Issues	19,588	1.6
Foreign Corporate Bonds	296,352	5.6
Foreign Government Bonds	263,976	5.3
Municipal Bonds	44,629	9.6
Repurchase Agreements (Underlying Securities):		
U.S. Treasury Issues*	10,000	0.0
U.S. Corporate Bonds	401,582	6.9
U.S. Government Agency Bonds	2,721	1.3
U.S. Government Agency CMO	51,608	1.4
U.S. Government Agency CMO Interest-Only	5,664	2.8
U.S. Government Agency MBS	326,082	3.7
U.S. Government Agency TBA	8,974	6.4
U.S. Treasury Bonds	407,697	8.5
U.S. Treasury Inflation Protected Security	<u>17,786</u>	17.2
Total	<u>\$ 2,274,263</u>	

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

### *Fair Value Measurements*

U.S. GAAP does not require the pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient. All of the pool's investments in other funds were valued using the net asset value per share, as such they have not been categorized in the fair value hierarchy. The fair value measurement valuation techniques for the Total Return Fixed Income Pool's asset categories can be found on page 90, except for the investments in other funds which is measured using the net asset value per share practical expedient.

The table below summarizes the valuation of investment securities in accordance with the fair value hierarchy levels as of June 30, 2018 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Asset-Backed Issues	\$ —	\$ 36,072	\$ —	\$ 36,072
Corporate ABS Residual	—	5,487	—	5,487
Corporate Collateralized Mortgage Obligations	—	71,666	—	71,666
Corporate Preferred Security	10,886	—	—	10,886
Foreign Asset-Backed Issues	—	19,588	—	19,588
Foreign Corporate Bonds	—	296,352	—	296,352
Foreign Currency Forward Contracts	—	4,057	—	4,057
Foreign Equity Investments	14	—	—	14
Foreign Government Bonds	—	263,976	—	263,976
Futures Contracts	1,631	—	—	1,631
Securities Lending Collateral	—	152,808	—	152,808
Money Market Mutual Fund	33,322	—	—	33,322
Municipal Bonds	—	44,629	—	44,629
Options Contracts Purchased	1,887	6,106	—	7,993
Repurchase Agreement	—	10,000	—	10,000
Swaps	—	1,599	—	1,599
U.S. Corporate Bonds	—	401,582	—	401,582
U.S. Government Agency Bond	—	2,721	—	2,721
U.S. Government Agency CMO	—	51,608	—	51,608
U.S. Government Agency CMO Interest-Only	—	5,664	—	5,664
U.S. Government Agency MBS	—	326,082	—	326,082
U.S. Government Agency TBAs	—	8,974	—	8,974
U.S. Treasury Bonds	—	407,697	—	407,697
U.S. Treasury Inflation-Protected Securities	—	17,786	—	17,786
Total	<u>\$ 47,740</u>	<u>\$ 2,134,454</u>	<u>\$ —</u>	<u>2,182,194</u>
Investments in Other Funds	—	—	—	304,379
Total	—	—	—	<u>\$2,486,573</u>
<u>Liabilities</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Foreign Currency Forward Contracts	\$ —	\$ (642)	\$ —	\$ (642)
Futures Contracts	(5,673)	—	—	(5,673)
Options Contracts Written	(2,363)	(18)	—	(2,381)
Security Sold Short	—	(489)	—	(489)
Swaps	—	(7,413)	—	(7,413)
Total	<u>\$ (8,036)</u>	<u>\$ (8,562)</u>	<u>\$ —</u>	<u>\$ (16,598)</u>

The pool's investments in commingled debt funds were measured at the net asset value (NAV) as of June 30, 2018. These commingled debt funds invest in certain niche sectors, particularly ones that are not a significant percentage to the pool, to provide economies of scale and efficiencies in establishing and managing a diversified portfolio that would be otherwise difficult to achieve.

The pool can redeem these investments daily.

### Core Fixed Income Pool

The main objective of the 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 Bloomberg Barclays U.S. Aggregate Bond Index.

***Credit Risk and Interest Rate Risk***

The IMB limits the exposure to credit risk in the pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The IMB reviews available ratings from Standard & Poor's, Moody's, and Fitch, and reports the rating indicative of the greatest degree of risk. The money market mutual fund has the highest credit rating. Credit risk from securities lending collateral investments are limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's. The IMB reviews available ratings from Standard & Poor's, Moody's and Fitch, and reports the rating indicative of the greatest degree of risk.

The following table provides the credit ratings in the Core Fixed Income Pool's fixed income investments as of June 30, 2018 (expressed in thousands):

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 54,135
AA	609,075
A	129,011
BBB	169,116
BB	10,953
B	1,877
CCC	1,091
C	4
D	193
Withdrawn	325
Not rated	<u>51,231</u>
Total Investments	<u>\$ 1,027,011</u>

The following table provides credit ratings for the pool's securities lending collateral investments as of June 30, 2018 (expressed in thousands):

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 20,620
AA	2,218
A	2,316
BBB	3,162
Not applicable	<u>48,528</u>
Total securities lending collateral	<u>\$ 76,844</u>

The Core Fixed Income Pool does not invest more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2018, the Pool was in compliance with the restriction and is not exposed to concentration of credit risk.

The IMB monitors rate risk by evaluating the effective duration of the investments in the Pool. Effect duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1% change in interest rates. The effective duration calculation consider the most likely timing of variable cash flows, which is particularly useful for measuring interest rate risk of callable bonds, commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations.

The following table provides the weighted-average effective duration for the Pool's fixed income investments as of June 30, 2018 (expressed in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration (years)</u>
Corporate Asset Backed Issues	\$ 137,199	2.0
Corporate CMO	39,165	3.2
Corporate CMO Interest-Only	396	(6.5)
Corporate CMO Principal-Only	107	3.3
Foreign Asset Backed Issues	3,499	3.6
Foreign Corporate Bonds	64,249	5.4
Foreign Government Bonds	5,887	8.2
Municipal Bonds	9,007	12.9
U.S. Corporate Bonds	205,614	6.5
U.S. Government Agency Bonds	18,746	2.2
U.S. Government Agency CMO	104,772	4.3
U.S. Government Agency CMO Interest-Only	2,337	15.8
U.S. Government Agency CMO Principal-Only	5,683	6.7
U.S. Government Agency MBS	176,391	4.3
U.S. Treasury Bonds	253,524	8.8
U.S. Treasury Inflation Protected Security	<u>435</u>	2.2
Total	<u>\$ 1,027,011</u>	

*Fair Value Measurements*

The table below summarizes the valuation of the investment securities in accordance with the fair value hierarchy levels as of June 30, 2018 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Asset-Backed Issues	\$ —	\$ 137,199	\$ —	\$ 137,199
Corporate CMO	—	39,165	—	39,165
Corporate CMO Interest-Only	—	396	—	396
Corporate CMO Principal-Only	—	107	—	107
Foreign Asset-Backed Issues	—	3,499	—	3,499
Foreign Corporate Bonds	—	64,249	—	64,249
Foreign Government Bonds	—	5,887	—	5,887
Securities Lending Collateral	—	76,844	—	76,844
Money Market Mutual Fund	17,736	—	—	17,736
Municipal Bonds	—	9,007	—	9,007
U.S. Corporate Bonds	—	205,614	—	205,614
U.S. Government Agency Bonds	—	18,746	—	18,746
U.S. Government Agency CMO	—	104,772	—	104,772
U.S. Government Agency CMO Interest-Only	—	2,337	—	2,337
U.S. Government Agency CMO Principal-Only	—	5,683	—	5,683
U.S. Government Agency MBS	—	176,391	—	176,391
U.S. Treasury Bonds	—	253,524	—	253,524
U.S. Treasury Inflation-Protected Security	—	<u>435</u>	—	<u>435</u>
Total	<u>\$ 17,736</u>	<u>\$ 1,103,855</u>	<u>\$ —</u>	<u>\$ 1,121,591</u>

The fair value measurement valuation techniques used for the Core Fixed Income pool can be found on page 90.

TIPS Pool

The pool invests in Treasury Inflation-Protected Securities (TIPS) and its objective is to match the performance of the Bloomberg Barclay’s U.S. Treasury Inflation Protection Index on an annualized basis over rolling three-year to five-year periods, gross of fees. Assets were managed by State Street Global Advisors through April 2, 2018. Effective April 4, 2018, the Pool invests in the BlackRock U.S. Treasury Inflation Protected Securities Fund B (Blackrock). BlackRock invests primarily in a portfolio of debt securities with the objective of closely approximating the total rate of return for all outstanding U.S. Treasury Inflation Protected Securities with a maturity of one year or greater.

*Credit Risk and Interest Rate Risk*

The Pool invests in a commingled bond fund that holds primarily U.S. Treasury inflation protected securities. This investment is exposed to credit and interest rate risk. This fund is not rated by a nationally recognized statistical rating organization. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. The IMB limits the exposure to credit risk in the pool by primarily investing in these securities. The IMB monitors interest rate risk of the pool by evaluating the real modified duration of the investments in the Pool.

*Fair Value Measurements*

The table below summarizes the valuation of the investment securities in accordance with GASB 72 fair value hierarchy levels as of June 30, 2018 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commingled Bond Funds	<u>\$ 391,265</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 391,265</u>
Total	<u>\$ 391,265</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 391,265</u>

The fair value measurement valuation techniques used for the TIPS Pool can be found on page 90.

Private Markets Pool

This pool was established July 1, 2017 to invest primarily in private equity funds, real estate limited partnerships and funds, real estate investment trusts, middle market direct commercial loans, real estate loan funds, and other income focused funds. The assets and liabilities of \$1,627,023,000 from the Private Equity Pool, \$1,640,039,000 from the Real Estate Pool, and \$304,510,000 from the Opportunistic Income Pool were transferred in-kind to the Pool.

The Pool holds the IMB’s investments in a commingled equity fund, opportunistic income funds, private equity funds, real estate investment trusts, and real estate limited partnerships and funds. The selection of investments in the Private Markets Pool are approved by the Board of Trustees or by its established committee.

*Credit Risk and Interest Rate Risk*

The Pool is exposed to credit risk from its fixed income investments, money market fund investment, investments in unrated opportunistic income funds, and certain investments made with cash collateral for securities loaned. The IMB limits the exposure to credit risk in the pool by maintaining at least an average rating of investment grade as defined by a Nationally Recognized Statistical Rating Organization. The IMB reviews available ratings from Standard & Poor's and Moody's, and reports the rating indicative of the greatest degree of risk. The money market fund has the highest credit rating. Credit risk associated with the unrated opportunistic income funds are limited by requiring that underlying fund holdings are at least 90% collateralized by one or more assets of the issuer.

The following table provides the credit ratings in the Private Markets Pool's fixed income investments as of June 30, 2018 (expressed in thousands):

<u>Rating</u>	<u>Fair Value</u>
BBB	\$ 7,162
BB	<u>440</u>
Total Investments	<u>\$ 7,602</u>

Credit risk from securities lending collateral investments are limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. The IMB reviews available ratings from Standard & Poor's and Moody's, and reports the rating indicative of the greatest degree of risk.

The following table provides credit ratings for the pool's securities lending collateral investments as of June 30, 2018 (expressed in thousands):

<u>Rating</u>	<u>Fair Value</u>
AAA	\$ 2,854
AA	307
A	321
BBB	438
Not applicable	<u>6,716</u>
Total securities lending collateral	<u>\$ 10,636</u>

The Pool is exposed to interest rate risk through its investments in U.S. corporate bonds, opportunistic income funds, securities lending collateral investments, and a money market mutual fund. The IMB monitors interest rate risk of U.S. corporate bonds by evaluating the effective duration. Effective duration is a method of disclosing interest rate risk that measures the expected change in the price of a fixed income security for a 1 percent change in interest rates. The effective duration calculation takes into account the most likely timing of variable cash flows, which is particularly useful for measuring interest rate risk of callable bonds. As of June 30, 2018, the effective duration for U.S. corporate bonds was 3.2 years. The IMB manages interest rate risk of the opportunistic income fund by requiring at least 80 percent of the opportunistic income fund holdings that mature in more than one year to have variable or floating interest rate structures. As of June 30, 2018, the money market mutual fund has a weighted-average maturity (WAM) of 39 days. The WAM for securities lending collateral investments is not to exceed 90 days. As of June 30, 2018, the WAM for securities lending collateral was 2 days.

*Fair Value Measurements*

The fair value measurement valuation techniques for the Private Markets Pool’s asset categories can be found on page 90, except for the opportunistic, private equity partnerships, and real estate limited partnerships and funds which are measured using the net asset value per share practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the pool’s assets and liabilities are measured at June 30, 2018. All the investments valued using the net asset value per share practical expedient are not required to be categorized in the fair value hierarchy below as of June 30, 2018 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commingled Equity Fund	\$ 186,323	\$ —	\$ —	\$ 186,323
Foreign Common Stock	36,435	—	—	36,435
Securities Lending Collateral	—	10,636	—	10,636
Money Market Mutual Fund	202,780	—	—	202,780
U.S. Common Stock	84,550	—	—	84,550
U.S. Corporate Bonds	—	7,602	—	7,602
U.S. Preferred Stock	<u>10,368</u>	<u>—</u>	<u>—</u>	<u>10,368</u>
Total	<u>\$ 520,456</u>	<u>\$ 18,238</u>	<u>\$ —</u>	538,694
Opportunistic Income Funds				428,343
Private Equity Partnerships				1,562,388
Real Estate Limited Partnership and Funds				<u>1,622,300</u>
Total				<u>\$ 4,151,725</u>

The following table presents information on investments measured at the NAV as of June 30, 2018 (expressed in thousands):

<u>Strategies</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Contractual Termination Date Range (a)</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Opportunistic Income:					
Middle Market Loan Funds (b)	\$ 288,855	\$ 69,760	N/A	N/A	N/A
Real Estate Income Funds (c)	139,488	162,553	2021 to 2028	Quarterly	45 days
Private Equity Partnerships:					
Corporate Finance - Buyout (d)	881,830	626,082	2018 to 2032	N/A	N/A
Corporate Finance-Distressed Debt (e)	203,404	65,709	2018 to 2028	N/A	N/A
Corporate Finance - Growth Equity (f)	52,035	38,226	2018 to 2027	N/A	N/A
Corporate Finance – Mezzanine (g)	71,738	61,458	2019 to 2028	N/A	N/A
Corporate Finance – Turnaround (h)	90,752	60,936	2018 to 2026	N/A	N/A
Venture Capital (i)	262,629	100,679	2023 to 2033	N/A	N/A
Real Estate Limited Partnerships and Funds:					
Core Funds (j)	889,165	50,396	2020 to 2022	Quarterly	45-60 days
Opportunistic Funds (k)	264,808	197,298	2018 to 2028	N/A	N/A
Value Funds (l)	<u>468,327</u>	<u>375,776</u>	2018 to 2028	Quarterly	60 days
Total	<u>\$ 3,613,031</u>	<u>\$ 1,808,873</u>			

- (a) Investments without standard redemption frequencies cannot be redeemed until termination of the partnership.
- (b) Middle Market Loan Funds seek to generate current income while preserving capital primarily through investments in senior secured loans to middle-market companies domiciled in North America.
- (c) Real Estate Income Funds invest in U.S. commercial real estate mortgage and debt investments.
- (d) Corporate Finance – Buyout funds acquire controlling or influential interests in companies.
- (e) Corporate Finance – Distressed Debt funds acquire the debt of companies experiencing operational or financial distress usually converting the debt to equity and exercising control of the business.
- (f) Corporate Finance – Growth Equity funds invest in companies to expand or restructure operations, enter new markets, or finance an acquisition.
- (g) Corporate Finance – Mezzanine funds acquire or issue subordinated debentures frequently in businesses controlled by the General Partner, but in another fund.
- (h) Corporate Finance – Turnaround funds acquire the debt and or equity of companies experiencing operational or financial distress in order to radically reorganize and improve the business.
- (i) Venture Capital funds make investments in early-stage through late-stage companies, frequently start-ups in technology or healthcare.

- (j) Core Funds are more conservative real estate investments that use a very modest level of financing to acquire and hold high-quality, stable properties typically located in major markets. These assets tend to have high occupancy rates, higher credit tenants, and staggered lease terms, with a number of long-term leases expiring in five-to-ten years.
- (k) Opportunistic Funds have higher risk/return profiles and have broad strategies to achieve these types of returns. Common strategies are properties that need significant rehabilitation or a total redevelopment to transition to a different type of property (for example, converting an office building to condominiums). It may also include new development, distressed debt strategies, and more complex transactions, as well as a more traditional value-add strategy that is financed with a higher amount of leverage.
- (l) Value Funds typically use more leverage than core funds and target higher return opportunities by acquiring properties that the manager believes they can add value through capital renovations to the physical facility or enhanced leasing and management activities. Most of these properties have in-place cash flow, which is expected to increase as the business plans are implemented. This could include making physical improvements to the asset that will allow it to command higher rents, increasing efforts to lease vacant space at the property to quality tenants, or improving the management of the property and thereby increasing customer satisfaction or lowering operating expenses where possible.

## 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 fund. As of June 30, 2018, the money market mutual fund is rated AAA by Standard & Poor’s and Aaa by Moody’s and has a weighted-average maturity of 39 days. The investments in hedge funds might be indirectly exposed to foreign currency risk, interest rate risk, and/or custodial credit risk.

### *Fair Value Measurements*

U.S. GAAP does not require the pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient.

All of the pool’s investments in hedge funds were valued using the net asset value per share practical expedient.

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Mutual Fund	<u>\$ 52,364</u>	<u>\$ —</u>	<u>\$ —</u>	\$ 52,364
Hedge Funds				<u>2,078,624</u>
Total				<u>\$ 2,130,988</u>



The following table presents information on investments measured at the NAV as of June 30, 2018 (expressed in thousands):

<b>Hedge Fund Strategies</b>	<b>Fair Value</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
Directional (a)	\$ 222,419	Monthly, Quarterly	3 to 60 days
Equity Long/Short (b)	277,653	Monthly, Quarterly, Every 3 years	30 to 60 days
Event-Driven (c)	46,183	Quarterly	65 days
Long-Biased (d)	60,818	Monthly	90 days
Multi-Strategy (e)	1,198,457	Monthly, Quarterly, Annually	3 to 95 days
Relative-Value (f)	<u>273,094</u>	Monthly, Quarterly	45 to 60 days
Total Investment Measured at NAV	<u>\$ 2,078,624</u>		

- a) Directional strategies employ various techniques to forecast the direction of segments of the market and then invest in either short or long positions to take advantage of that. The segments may be geographic economies, industry sectors, currency, or asset class. The investments may be in physical securities or derivatives. The strategies may be trend-following or mean-reverting and may be specific to that segment or universally applied across them.
- b) An equity long/short strategy is an investing strategy, used primarily by hedge funds, that involves taking long positions in stocks that are expected to increase in value and short positions in stocks that are expected to decrease in value. Investments representing approximately 64% of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.
- c) Event-driven managers maintain positions in companies currently or prospectively involved in various corporate transactions including, but not limited to, mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event-driven exposure includes a combination of sensitivities to equity markets, credit markets and company-specific developments. The sole fund in this investment strategy is subject to maximum withdrawal restrictions.
- d) Long-biased strategies employ analytical techniques in which the investment thesis is predicated on assessment of the valuation characteristics on the underlying companies with the goal of identifying undervalued companies. Long-biased strategies may vary the investment level or the level of long exposure over market cycles, but the primary distinguishing characteristic is that the manager maintains consistent long exposure.
- e) Multi-strategy managers combine several strategies within the same fund in order to provide diversification benefits to reduce return volatility and decrease asset-class and single-strategy risks. These funds typically add incremental returns through active allocation adjustments based on market opportunities. Risk is managed through a combination of quantitative and qualitative constraints including, but not limited to, active risk, liquidity risk, currency risk, manager risk, derivative risk, and leverage risk. Investments representing approximately 62% of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.
- f) Relative-value managers maintain positions in which the investment thesis is predicated on the realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment insights, and security types range broadly across equity, fixed income, derivative or other security types. Fixed income strategies are typically quantitatively driven to measure the existing relationship between investments and, in some cases, identify attractive positions in which the risk-adjusted spread between these instruments represent an attractive opportunity.

Investments in hedge funds are not securities for which market quotations are readily available. The IMB has concluded that the net asset value reported by the underlying funds approximates the fair value of these investments and consequently these investments are carried at net asset value as a practical expedient for fair market value. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds, and consequently, the fair value of the IMB's interest in the funds.

Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the IMB were to sell these investments in the secondary market a buyer may require a discount to the reported net asset value, and the discount could be significant. The IMB believes that the net asset value of such investments is a reasonable estimate of fair value at June 30, 2018.

### 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 Federated Investors 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 debt to be rated A+ or higher by Standard & Poor's (or its equivalent) and short-term corporate debt be rated as A-1 or higher by Standard & Poor's (or its equivalent). 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, 2018, 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	P-1	A-1+	\$ 473,172	14.50%
	P-1	A-1	1,351,128	41.39%
	P-2	A-1	44,600	1.37%
Corporate Bonds and Notes	P-1	A-1	18,078	0.55%
U.S. Treasury Notes *	Aaa	AA+	90,330	2.77%
U.S. Treasury Bills *	P-1	A-1+	252,084	7.72%
Negotiable Certificates of Deposit	P-1	A-1+	205,501	6.30%
	P-1	A-1	458,300	14.04%
Money Market Funds	Aaa	AAAm	143,067	4.38%
Repurchase Agreements (Underlying Securities):				
U.S. agency bonds and notes	Aaa	AA+	<u>227,800</u>	<u>6.98%</u>
Total			<u>\$ 3,264,060</u>	<u>100%</u>

\* U.S. Treasury issues are explicitly guaranteed by the U. S. 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 WAM for the various asset types in the WV Money Market Pool as of June 30, 2018 (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	\$ 1,868,900	\$ 1,445,967	\$ 102,416	\$ 42,985	\$ 277,532	36
U.S. Treasury Bills	252,084	195,038	13,814	5,798	37,434	69
Corporate Bonds and Notes	18,078	13,986	991	416	2,685	21
Negotiable Certificates of Deposit	663,801	513,584	36,376	15,267	98,574	29
Money Market Funds	143,067	110,691	7,840	3,291	21,245	3
U.S. Treasury Notes	90,330	69,887	4,951	2,078	13,414	73
Repurchase Agreements (Underlying Securities):						
U.S. Treasury Notes	<u>227,800</u>	<u>176,250</u>	<u>12,483</u>	<u>5,239</u>	<u>33,828</u>	3
Total	<u>\$ 3,264,060</u>	<u>\$ 2,525,403</u>	<u>\$ 178,871</u>	<u>\$ 75,074</u>	<u>\$ 484,712</u>	34
Percentage of Ownership	100%	77.37%	5.48%	2.30%	14.85%	

**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 of the WV Government Money Market Pool's investments as of June 30, 2018 (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 and Notes	Aaa	AA+	\$ 52,300	24.63%
U.S. Treasury Notes *	Aaa	AA+	10,973	5.17%
U.S. Treasury Bills *	P-1	A-1+	23,950	11.28%
U.S. Agency Discount Notes	P-1	A-1+	76,734	36.14%
Money Market Funds	Aaa	AAAm	247	0.12%
Repurchase Agreements (Underlying Securities):				
U.S. agency bonds and notes	Aaa	AA+	6,486	3.06%
U.S. Treasury Notes*	Aaa	AA+	<u>41,614</u>	<u>19.60%</u>
Total			<u>\$ 212,304</u>	<u>100%</u>

\* U.S. Treasury issues are explicitly guaranteed by the U. S. 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 WAM for the various asset types in the WV Government Money Market Pool as of June 30, 2018 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Primary Government</u>	<u>Investment Trust Fund</u>	<u>Component Units</u>	<u>WAM (Days)</u>
U.S. Agency Discount Notes	\$ 76,734	\$ 1,535	\$ 69,314	\$ 5,885	20
U.S. Treasury Bills	23,950	479	21,634	1,837	43
Money Market Funds	247	5	223	19	3
U.S. Agency Bonds and Notes	52,300	1,046	47,243	4,011	17
U.S. Treasury Notes	10,973	219	9,912	842	76
Repurchase Agreements (Underlying Securities):					
U.S. Treasury Notes	41,614	832	37,590	3,192	3
U.S. Agency Notes	<u>6,486</u>	<u>130</u>	<u>5,859</u>	<u>497</u>	3
Total	<u>\$ 212,304</u>	<u>\$ 4,246</u>	<u>\$ 191,775</u>	<u>\$ 16,283</u>	21
Percentage of Ownership	100%	2.00%	90.33%	7.67%	

**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 debt be rated BBB- by Standard & Poor's (or its equivalent) and all short-term corporate debt be rated A-1 or higher by Standard & Poor's (or its equivalent). Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's and Aaa by Moody's.

## West Virginia

The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments as of June 30, 2018 (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	—	—	\$ —	—%
Corporate Asset-Backed Securities	Aaa	AAA	87,146	12.23%
	Aaa	NR	88,599	12.44%
	NR	AAA	66,039	9.27%
Corporate Bonds and Notes	Aaa	AAA	2,878	0.40%
	Aa1	AA+	5,012	0.70%
	Aa2	AA+	3,990	0.56%
	Aa2	AA-	7,094	1.00%
	Aa2	A+	9,940	1.39%
	Aa3	AA-	13,999	1.96%
	Aa3	A+	5,084	0.71%
	A1	AA-	11,813	1.66%
	A1	A+	10,595	1.49%
	A1	A	6,306	0.88%
	A1	A-	3,273	0.46%
	A2	A+	5,968	0.84%
	A2	A	27,673	3.89%
	A2	A-	11,531	1.62%
	A3	A	8,974	1.26%
	A3	A-	29,872	4.19%
	A3	BBB+	27,112	3.80%
	Baa1	A	2,828	0.40%
	Baa1	A-	8,922	1.25%
	Baa1	BBB+	28,242	3.96%
	Baa1	BBB	13,078	1.84%
	Baa2	A-	1,016	0.14%
	Baa2	BBB+	8,353	1.17%
	Baa2	BBB	30,250	4.25%
	Baa2	BBB-	2,946	0.41%
	Baa3	BBB+	3,003	0.42%
	Baa3	BBB	8,548	1.20%
	Baa3	BBB-	12,378	1.74%
	Baa3	NR	2,135	0.30%
	Ba1	A-	350	0.05%
	Ba1	BBB	2,007	0.28%
	Ba1	BBB-	6,219	0.87%
	NR	BBB+	2,572	0.36%
	NR	BBB-	1,953	0.28%
Collateralized mortgage obligations	Aaa	AAA	14,773	2.07%
	Aaa	NR	3,308	0.46%
U.S. Agency collateralized mortgage*	Aaa	AA+	32,546	4.57%
Corporate Mortgage-Backed Securities *	Aaa	NR	3,014	0.42%
U.S. Treasury Notes *	Aaa	AA+	86,189	12.10%
Money Market Funds	Aaa	AAA m	5,054	0.71%
Total			<u>\$ 712,582</u>	<u>100%</u>

NR = Not Rated

\* U.S. agency mortgage-backed securities are explicitly guaranteed by the U. S. 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 as of June 30, 2018 (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 Fixed-Rate Bonds and Notes	\$ 178,097	\$ 161,730	\$ 1,264	\$ 15,103	696
U.S. Treasury Bonds and Notes	86,189	78,268	612	7,309	472
U.S. Agency Collateralized Mortgage Obligations	32,546	29,555	231	2,760	56
Collateralized Mortgage Obligations	18,081	16,420	128	1,533	106
Corporate Floating-Rate Bonds and Notes	147,817	134,232	1,050	12,535	44
Asset-Backed Securities	241,784	219,564	1,717	20,503	374
Commercial Mortgage-Backed Securities	3,014	2,737	21	256	52
Money Market Funds	<u>5,054</u>	<u>4,589</u>	<u>36</u>	<u>429</u>	—
Total	<u>\$ 712,582</u>	<u>\$ 647,095</u>	<u>\$ 5,059</u>	<u>\$ 60,428</u>	372
Percentage of Ownership	100%	90.81%	0.71%	8.48%	

*Fair Value Measurements*

The table below summarizes the valuation for the WV Short Term Bond Pool in accordance with the fair value hierarchy levels as of June 30, 2018 (expressed in thousands):

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Fixed-Rate Bonds and Notes	\$ —	\$ 178,097	\$ —	\$ 178,097
Corporate Floating-Rate Bonds and Notes	—	147,817	—	147,817
Commercial Mortgage-Backed Securities	—	3,014	—	3,014
U.S. Treasury Notes	86,189	—	—	86,189
U.S. Agency Collateralized Mortgage Obligations	—	32,546	—	32,546
Collateralized Mortgage-Backed Obligations	—	18,081	—	18,081
Asset-Backed Securities	—	241,784	—	241,784
Money Market Funds	<u>5,054</u>	<u>—</u>	<u>—</u>	<u>5,054</u>
Total	<u>\$ 91,243</u>	<u>\$ 621,339</u>	<u>\$ —</u>	<u>\$ 712,582</u>

The fair value measurement valuation techniques used for the WV Short Term Bond Pool can be found on page 90.

**WV Bank Pool**

This pool consists of certificates of deposit purchased by the State through the West Virginia CD 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 \$81 million, with maturities ranging from July 2018 to December 2018, and an interest in a money market mutual fund valued at approximately \$60,000.

### **Loan Pool**

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 investment in a money market mutual fund in the amount of approximately \$34,000 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 Pool**

This pool is composed of an interest-bearing depository account with funds totaling approximately \$19,092,000 in a bank depository and an interest in a money market mutual fund valued at approximately \$1,000. 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 \$0.9985. 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 (MBC), 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 three securities issued by the State and Local Government Series (SLGS) with a weighted-average maturity of 236 days.

The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in the MBC account arising from increasing interest rates.

#### *Fair Value Measurements*

The MBC account's SLGS are reported at historical cost (face value) of \$28,257,000. SLGS are special purpose securities the U.S. Department of the Treasury issues to state and local government entities, upon request by those entities, to assist them in complying with federal tax laws and Internal Revenue Service arbitrage regulations when they have cash proceeds to invest from their issuance of tax-exempt bonds. There is no market for these securities as they may only be redeemed at the U.S. Department of Treasury on or before their stated maturity date at face value plus accrued interest.

**School Fund**

The School Fund account holds an interest in a money market mutual fund valued at \$1,252,000 using Level 1 inputs 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, 2018 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Investment Maturities</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	\$ 1,252	\$ 1,252	\$ —	\$ —	\$ —

**EDA-AW**

This account holds a U.S. Treasury bond valued at \$1,686,000 using Level 1 inputs that matures on August 15, 2023. The EDA's investment policy limits this account to holding only U.S. Treasury securities with twenty-year maturities at time of purchase as of June 30, 2018 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Investment Maturities</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	\$ 1,686	\$ —	\$ —	\$ 1,686	\$ —



## West Virginia

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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, 2018 (expressed in thousands):

	<b>Disclosed Value</b>	<b>Pool Receivables/ (Payables)</b>	<b>Net Asset Values</b>
<b><u>IMB Pools</u></b>			
Domestic Equity	\$ 4,457,808	\$ 106,785	\$ 4,564,593
International Qualified	1,330,940	(56)	1,330,884
International Nonqualified	215,417	(9)	215,408
International Equity**	2,940,328	46,500	2,986,828
Short-Term Fixed Income	156,120	62,149	218,269
Total Return Fixed Income**	2,274,263	91,211	2,365,474
Core Fixed Income	1,027,011	14,999	1,042,010
TIPS Pool	391,265	(31)	391,234
TRS Annuity Pool	—	(130)	(130)
Private Markets Pool	3,613,031	538,469	4,151,500
Hedge Fund	2,078,624	161,534	2,240,158
<b><u>BTI Pools</u></b>			
WV Money Market Pool	3,264,060	2,532	3,266,592
WV Government Money Market Pool	212,304	50	212,354
WV Short-Term Bond Pool	712,582	(3,103)	709,479
WV Bank Pool	81,060	388	81,448
Loan Pool	109,067	78	109,145
Reserve Pool	19,093	33	19,126
Municipal Bond Commission Account	28,257	107	28,364
School Fund Account	1,252	2	1,254
EDA-AW	1,686	34	1,720
Total Pooled Investments	<u>22,914,168</u>	<u>1,021,542</u>	<u>23,935,710</u>
Less EDA	107,552	—	107,552
Less MBC	28,257	107	28,364
Less Nonnegotiable Certificates of Deposits	81,000	388	81,388
Less Reserve Pool in Depository	<u>19,093</u>	<u>33</u>	<u>19,126</u>
Total for Disclosure	<u>\$ 22,678,266</u>	<u>\$ 1,021,014</u>	<u>\$ 23,699,280</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, 2018 (expressed in thousands):

Security Type	Carrying Value	Credit Rating	
		S&P	Moody's
<b>Primary Government:</b>			
Money Market/Mutual Funds	\$ 429	Unrated	Unrated
Money Market/Mutual Funds	285,858	AAA	Aaa-mf
Money Market/Mutual Funds	4,269	AAA	Aaa
Corporate Bonds	8,899	A-1+	P-1
Repurchase Agreement*	71,181	AA+	Aaa
U.S. Government and Agency Obligations	87,023	A-1+	P-1
<b>Total Primary Government</b>	<b>\$ 457,659</b>		
<b>Pension &amp; Private Purpose Trust Funds:</b>			
Money Market/Mutual Funds	\$ 2,680,863	Unrated	Unrated
Guaranteed Investment Contract	427,827	Unrated	Unrated
<b>Total Pension &amp; Private Purpose Trust Funds</b>	<b>\$ 3,108,690</b>		
<b>Component Units:</b>			
Common and Preferred Stocks	\$ 150,405	Unrated	Unrated
Corporate Bonds	2,619	Unrated	AAA-Baa3
Corporate Bonds	20,864	Unrated	Unrated
Corporate Stock	2,116	Unrated	Unrated
Fixed Income Fund	5,449	Unrated	Unrated
Fixed Income Fund	95	AAA	Unrated
Fixed Income Fund	9,850	Aa2	Aa2
Money Market/Mutual Funds	2,468	Aa2	Aa2
Money Market/Mutual Funds	207,518	AAA	Aaa-mf
Money Market/Mutual Funds	956	A1	A1
Money Market/Mutual Funds	526	A3	A3
Money Market/Mutual Funds	10,100	A	A
Money Market/Mutual Funds	19,874	Aaa	AA+
Money Market/Mutual Funds	7	AAA	Unrated
Money Market/Mutual Funds	8,342	Aaa	Aaa
Money Market/Mutual Funds	271,082	Unrated	Unrated
Money Market/Mutual Funds	9,197	AAA	Aaa-mf
Mortgages Held for Investment	15,757	Unrated	Unrated
Other Investments	230	AAA	Unrated
Other Investments	187,510	Unrated	Unrated
Repurchase Agreements **	2,018	Unrated	Unrated
State and Local Government Securities	1,168	AA+	Aaa
U.S. Government and Agency Obligations	198,043	AA+	Aaa
U.S. Government and Agency Obligations	3,095	Unrated	AA+
U.S. Government and Agency Obligations	2,167	Unrated	AAA-mf
U.S. Government and Agency Obligations	102	AAA	Aaa
U.S. Government and Agency Obligations	64,252	Unrated	Unrated
<b>Total Component Units</b>	<b>\$ 1,195,810</b>		

#### Underlying Securities:

\* Primary Government:

US Treasury Notes \$77,516

\*\* Component Units:

The \$2,018 is invested in US Government National Mortgage Association Securities.

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### Concentration of Credit Risk

As of June 30, 2018, 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>Carrying Value</u>	<u>Issuer</u>	<u>Percentage of Concentration</u>
<b>Primary Government:</b>			
Repurchase Agreement	\$ 71,181	DEPFA Bank, PLC	15.6%
<b>Component Units:</b>			
Other Investments	175,150	The \$95,606,000 of the \$175,150,000 is invested by the Foundations at the Higher Education institutions which are reported under FASB and the information is not available.	14.6%
Common & Preferred Stock	147,896	Common Stock	12.4%

### Interest Rate Risk

The following table provides information on the interest rate risk of the State's third-party trustee investments as of June 30, 2018 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Investment Maturities</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>						
Money Market/Mutual Funds	\$ 290,556	\$ 290,556	\$ —	\$ —	\$ —	\$ —
Corporate Bonds	8,899	1,492	7,407	—	—	—
Repurchase Agreements*	71,181	—	—	—	71,181	—
State and Local Government Securities	87,023	74,686	12,337	—	—	—
<b>Total Primary Government</b>	<u>457,659</u>	<u>366,734</u>	<u>19,744</u>	<u>—</u>	<u>71,181</u>	<u>—</u>
<b>Pension &amp; Private Purpose Trust Funds:</b>						
Money Market/Mutual Funds	2,680,863	2,680,863	—	—	—	—
Guaranteed Investment Contract	427,827	427,827	—	—	—	—
<b>Total Pension &amp; Private Purpose Trust Funds</b>	<u>3,108,690</u>	<u>3,108,690</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Component Units:</b>						
Common and Preferred Stocks	150,405	—	—	—	2,509	147,896
Corporate Bonds	30,298	77	8,281	298	—	21,642
Corporate Stock	2,116	—	—	—	—	2,116
Fixed Income Fund	15,394	673	10,267	2,856	1,598	—
Money Market/Mutual Funds	523,256	258,360	23,073	7,444	9,390	224,989
Mortgages Held for Investment	15,757	—	247	1,155	14,355	—
Other Investments	187,740	11,893	348	—	160	175,339
Repurchase Agreements**	2,018	2,018	—	—	—	—
U.S. Government & Agency Obligations	267,658	33,989	83,875	116,118	10,201	23,475
State and Local Government Securities	1,168	—	—	21	1,147	—
<b>Total Component Units</b>	<u>1,195,810</u>	<u>307,010</u>	<u>126,091</u>	<u>127,892</u>	<u>39,360</u>	<u>595,457</u>
<b>Total Outside Investments</b>	<u>\$ 4,762,159</u>	<u>\$ 3,782,434</u>	<u>\$ 145,835</u>	<u>\$ 127,892</u>	<u>\$ 110,541</u>	<u>\$ 595,457</u>

#### Underlying Securities:

\* Primary Government:  
U.S. Treasury Notes \$77,516

\*\* Component Units:  
The \$2,018 is invested in US Government National Mortgage Association Securities.

*Fair Value Measurements*

The investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investments classified in Level 2 of the fair value hierarchy are valued based on securities' relationship to benchmark quoted prices from third-party pricing services and based on inputs other than quoted prices (based on similar assets). Level 3 represents investments with no observable market.

U.S. GAAP does not require the categorization within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient. All of the outside investments were valued using the net asset value per share practical expedient. These investments involve varying degrees of illiquidity and varying times of commitments to those investments.

The table below summarizes the valuation of the investment securities in accordance with the fair value hierarchy levels as of June 30, 2018 (expressed in thousands):

Security Type	Investment Amount	Level Amounts		
		1	2	3
<b>Primary Government:</b>				
Money Market/Mutual Funds	\$ 290,556	\$ 290,556	\$ —	\$ —
Corporate Bonds	8,899	—	8,899	—
Repurchase Agreements*	71,181	—	71,181	—
U.S. Government & Agency Obligations	<u>87,023</u>	<u>—</u>	<u>87,023</u>	<u>—</u>
<b>Total Primary Government</b>	<u>457,659</u>	<u>290,556</u>	<u>167,103</u>	<u>—</u>
<b>Pension &amp; Private Purpose Trust Funds:</b>				
Money Market/Mutual Funds	2,680,863	2,680,863	—	—
Guaranteed Investment Contract	<u>427,827</u>	<u>—</u>	<u>427,827</u>	<u>—</u>
<b>Total Pension &amp; Private Purpose Trust Funds</b>	<u>3,108,690</u>	<u>2,680,863</u>	<u>427,827</u>	<u>—</u>
<b>Component Units:</b>				
Common and Preferred Stocks	61,485	58,805	171	2,509
Corporate Bonds	30,298	11,958	18,340	—
Corporate Stock	2,116	—	—	2,116
Fixed Income Fund	15,394	5,803	9,591	—
Money Market/Mutual Funds	489,840	448,813	40,829	198
Mortgages Held for Investment	15,757	—	—	15,757
Other Investments	97,068	11,527	83,728	1,813
Repurchase Agreements**	2,018	2,018	—	—
U.S. Government & Agency Obligations	267,658	171,995	95,663	—
State and Local Government Securities	<u>1,168</u>	<u>—</u>	<u>1,168</u>	<u>—</u>
<b>Total Component Units</b>	<u>982,802</u>	<u>710,919</u>	<u>249,490</u>	<u>22,393</u>
<b>Outside Investments @ Fair Value</b>	<u>\$ 4,549,151</u>	<u>\$ 3,682,338</u>	<u>\$ 844,420</u>	<u>\$ 22,393</u>
<b>FV Investments @ Net Asset Value</b>	213,008			
<b>Total Outside Investments</b>	<u>\$ 4,762,159</u>			

Underlying Securities:

\* Primary Government

U.S. Treasury Notes \$77,516

\*\* Component Units

The \$2,018 is invested in U.S. Government National Mortgage Association Securities.

The significant investment strategies of the underlying investees of the investments reported at net asset value comprise of the following:

- To invest in foreign and domestic debt, including exposure to global sovereign bonds, opportunistic and high-yield instruments. Withdrawal can occur monthly – quarterly with 5 to 90 days notice period.
- To invest primarily in U.S. or foreign equities, attempt to meet or exceed the return of specific equity indices. Withdrawal can occur monthly – quarterly with 5 to 90 days notice period.
- To produce attractive returns with moderate to low correlations to equity and credit markets to generate fixed-income-like volatility, and to be opportunistic during periods of distress. Withdrawal can occur monthly – quarterly with 5 to 90 days notice period.
- To invest in liquid real assets with the objective of providing an inflation hedge, diversification in assets with low or negative correlation to other assets, and attractive risk-adjusted returns. Withdrawal can occur monthly – quarterly with 5 to 90 days notice period.

Redemption is quarterly with 90 days prior written notice limited to 25% of the fund balance each quarter.

## 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, 2018 (expressed in thousands):

### Deposits:

Cash and Cash Equivalents as Reported on the Statement of Net Position	\$ 6,096,397
Cash and Cash Equivalents as Reported on the Statement of Fiduciary Net Position	538,092
Add:	
Restricted Cash and Cash Equivalents as Reported on the Statement of Net Position	204,881
Certificates of Deposit Disclosed as Deposits	12,700
Less:	
Cash Equivalents and Restricted Cash Disclosed as Investments	(6,383,533)
Cash with U.S. Treasury for Unemployment Programs	<u>(136,766)</u>
Reported Value of Deposits as Disclosed in this Footnote	<u>\$ 331,771</u>

### Investments:

Investments as Reported on the Statement of Net Position	\$ 2,058,631
Investments as Reported on the Statement of Fiduciary Net Position	19,815,060
Add:	
Restricted Investments as Reported on the Statement of Net Position	188,584
Cash Equivalents and Restricted Cash Disclosed as Investments	6,383,533
Mortgages Held for Investment Disclosed as Investments	15,757
Accrued Interest Disclosed as Investments	11,130
Less:	
Non-Negotiable Certificates of Deposit Disclosed as Deposits	<u>(12,700)</u>
Reported Value of Investments as Disclosed in this Footnote	<u>\$ 28,459,995</u>

**NOTE 5**

**RECEIVABLES**

(Expressed in Thousands)

Receivables at June 30, 2018, 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	\$ 474,445	\$ 99,007	\$ —	\$ —	\$ 573,452
Accounts	347,378	80,577	30,170	10,573	468,698
Loans	3,744	—	—	—	3,744
Accrued Interest	731	—	18	504	1,253
Total Receivables	826,298	179,584	30,188	11,077	1,047,147
Allowance for Doubtful Accounts	(146,246)	—	—	(4,340)	(150,586)
Receivables, Net	<u>\$ 680,052</u>	<u>\$ 179,584</u>	<u>\$ 30,188</u>	<u>\$ 6,737</u>	<u>\$ 896,561</u>
As Reported on the Fund Financial Statements:					
Current Receivables	\$ 680,052	\$ 179,584	\$ 30,188	\$ 6,737	\$ 896,561
Noncurrent Receivables	—	—	—	—	—
Total Receivables, Net	<u>\$ 680,052</u>	<u>\$ 179,584</u>	<u>\$ 30,188</u>	<u>\$ 6,737</u>	<u>\$ 896,561</u>

	<b>Fiduciary Funds</b>		
	<b>Pension and Other Employee Benefit Trust Fund</b>	<b>SMART 529</b>	<b>Agency Funds</b>
Accounts	\$ 22,984	\$ —	\$ —
Loans	2,642	—	—
Leases	—	—	—
Contributions	33,263	2,366	—
Accrued Interest	—	—	47
Total Receivables	58,889	2,366	47
Allowance for Doubtful Accounts	(468)	—	—
Receivables, Net	<u>\$ 58,421</u>	<u>\$ 2,366</u>	<u>\$ 47</u>
As Reported on the Fund/Component Units Financial Statements:			
Current Receivables, Net	\$ 58,421	\$ 2,366	47
Noncurrent Receivables, Net	—	—	—
Total Receivables, Net	<u>\$ 58,421</u>	<u>\$ 2,366</u>	<u>\$ 47</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
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
495	7,892	33,924	17	37,651	2,778	1,001	83,758	9,175
647,493	—	—	568,198	—	—	140,900	1,356,591	—
—	—	—	2,472	—	—	70	2,542	7
647,988	7,892	33,924	570,687	37,651	2,778	141,971	1,442,891	9,182
—	—	—	—	(1,518)	—	—	(1,518)	—
<u>\$ 647,988</u>	<u>\$ 7,892</u>	<u>\$ 33,924</u>	<u>\$ 570,687</u>	<u>\$ 36,133</u>	<u>\$ 2,778</u>	<u>\$ 141,971</u>	<u>\$ 1,441,373</u>	<u>\$ 9,182</u>
\$ 35,971	\$ 7,892	\$ 33,924	\$ 25,279	\$ 36,133	\$ 2,778	\$ 10,679	\$ 152,656	\$ 9,182
612,017	—	—	545,408	—	—	131,292	1,288,717	—
<u>\$ 647,988</u>	<u>\$ 7,892</u>	<u>\$ 33,924</u>	<u>\$ 570,687</u>	<u>\$ 36,133</u>	<u>\$ 2,778</u>	<u>\$ 141,971</u>	<u>\$ 1,441,373</u>	<u>\$ 9,182</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
\$ 32,126	\$ —	\$ 750,031	\$ 3,721	\$ —	\$171,217	\$ 18,018	\$ —	\$ 2,828	\$ 977,941
—	133,552	73,781	—	191,663	63,991	—	—	4,208	467,195
—	54,455	—	—	—	—	—	—	—	54,455
—	—	—	—	—	—	—	—	—	—
—	3,547	312	123	2,870	—	—	413	10	7,275
32,126	191,554	824,124	3,844	194,533	235,208	18,018	413	7,046	1,506,866
—	(6,600)	(114,584)	—	—	(41,553)	—	—	—	(162,737)
<u>\$ 32,126</u>	<u>\$ 184,954</u>	<u>\$ 709,540</u>	<u>\$ 3,844</u>	<u>\$ 194,533</u>	<u>\$193,655</u>	<u>\$ 18,018</u>	<u>\$ 413</u>	<u>\$ 7,046</u>	<u>\$1,344,129</u>
\$ 32,126	\$ 21,544	\$ 4,125	\$ 3,844	\$ 11,368	\$146,307	\$ 18,018	\$ 413	\$ 3,004	\$ 240,749
—	163,410	705,415	—	183,165	47,348	—	—	4,042	1,103,380
<u>\$ 32,126</u>	<u>\$ 184,954</u>	<u>\$ 709,540</u>	<u>\$ 3,844</u>	<u>\$ 194,533</u>	<u>\$193,655</u>	<u>\$ 18,018</u>	<u>\$ 413</u>	<u>\$ 7,046</u>	<u>\$1,344,129</u>



## Taxes Receivable

Taxes receivable at June 30, 2018, consisted of the following:

<u>Governmental Funds</u>			
	<u>General</u>	<u>Transportation</u>	<u>Total</u>
Taxes Receivable:			
Consumer Sales & Use Tax	\$ 125,368	\$ —	\$ 125,368
Personal Income	173,325	—	173,325
Severance	76,025	—	76,025
Business & Occupation	10,099	—	10,099
Automobile Privilege Taxes	—	20,050	20,050
Gasoline Excise	—	74,940	74,940
Registration Fees	—	4,017	4,017
Insurance	39,321	—	39,321
Corporate Net Income	11,962	—	11,962
Medicaid	29,130	—	29,130
Other	<u>9,215</u>	<u>—</u>	<u>9,215</u>
Subtotal for Taxes Receivable	<u>474,445</u>	<u>99,007</u>	<u>573,452</u>
Refunds Allowance	<u>(23,872)</u>	<u>—</u>	<u>(23,872)</u>
Total	<u>\$ 450,573</u>	<u>\$ 99,007</u>	<u>\$ 549,580</u>

## Leases Receivable

The Economic Development Authority (EDA) 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 EDA is as follows:

<u>Year Ending June 30</u>	<u>Direct Financing Leases Amount Due</u>
2019	\$ 7,444
2020	6,927
2021	6,927
2022	6,926
2023	6,926
2024-2039	<u>30,735</u>
Total Minimum Amount Due	65,885
Less Amount Representing Interest	<u>(11,430)</u>
Present Value of Minimum Lease Amount Due	<u>\$ 54,455</u>



**NOTE 6**

**INTERFUND BALANCES**

The following table details the interfund balances and activity as of and for the year ended June 30, 2018 (expressed in thousands):

	<u>Due From</u>			
	<u>Governmental</u>			<u>Proprietary</u>
<u>Due To</u>	<u>General</u>	<u>Transportation</u>	<u>Other Nonmajor</u>	<u>Water Pollution Control Revolving Fund</u>
Governmental Funds:				
General	\$ —	\$ 449	\$ 125	\$ —
Transportation	48	—	—	—
Other Nonmajor Governmental	<u>5</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Governmental Funds	<u>53</u>	<u>449</u>	<u>125</u>	<u>—</u>
Proprietary Funds:				
Unemployment Compensation	211	31	5	—
Public Employees' Insurance Agency	27	7	—	—
Other Nonmajor Enterprise	434	85	4	—
Internal Service Funds	<u>7,159</u>	<u>2,085</u>	<u>313</u>	<u>—</u>
Total Proprietary Funds	<u>7,831</u>	<u>2,208</u>	<u>322</u>	<u>—</u>
Fiduciary Funds:				
Pension and Other Employee Benefit Trust Fund	46,655	1,156	923	—
Agency Funds	<u>—</u>	<u>659</u>	<u>—</u>	<u>—</u>
Total Fiduciary Funds	<u>46,655</u>	<u>1,815</u>	<u>923</u>	<u>—</u>
<u>Discretely Presented Component Units</u>				
Major:				
West Virginia Lottery	—	—	—	—
Water Development Authority	—	—	—	16
Higher Education	11,351	47	30	—
Regional Jail Authority	—	—	—	—
Nonmajor:				
Educational Broadcasting Authority	—	—	—	—
State Rail Authority	<u>395</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Discretely Presented Component Units	<u>11,746</u>	<u>47</u>	<u>30</u>	<u>16</u>
Total	<u>\$ 66,285</u>	<u>\$ 4,519</u>	<u>\$ 1,400</u>	<u>\$ 16</u>

<b>Due From</b>							
<b>Proprietary</b>							
<b>West Virginia Infrastructure and Jobs Development Council</b>	<b>Public Employees' Insurance Agency</b>	<b>Board of Risk and Insurance Management</b>	<b>Other Nonmajor Enterprise</b>	<b>Internal Service Funds</b>	<b>Pension and Other Benefit Trust Funds</b>	<b>Discretely Presented Component Units</b>	<b>Total</b>
\$ —	\$ 1,068	\$ —	\$ 4	\$ 48	\$ 170	\$ 109,026	\$ 110,890
—	453	—	—	—	—	311	812
<u>—</u>	<u>46</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,062</u>	<u>1,113</u>
<u>—</u>	<u>1,567</u>	<u>—</u>	<u>4</u>	<u>48</u>	<u>170</u>	<u>110,399</u>	<u>112,815</u>
—	—	—	—	—	—	205	452
—	—	—	3	396	16,537	4,913	21,883
—	—	—	—	3	—	45	571
<u>—</u>	<u>486</u>	<u>13</u>	<u>15</u>	<u>38</u>	<u>91</u>	<u>170</u>	<u>10,370</u>
<u>—</u>	<u>486</u>	<u>13</u>	<u>18</u>	<u>437</u>	<u>16,628</u>	<u>5,333</u>	<u>33,276</u>
—	442	—	5	6	764	1,805	51,756
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>659</u>
<u>—</u>	<u>442</u>	<u>—</u>	<u>5</u>	<u>6</u>	<u>764</u>	<u>1,805</u>	<u>52,415</u>
—	1	—	—	—	—	9	10
210	1	—	32	—	—	—	259
—	177	22	—	—	—	4,909	16,536
—	4	—	—	—	—	—	4
—	14	—	—	—	—	—	14
<u>—</u>	<u>8</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>403</u>
<u>210</u>	<u>205</u>	<u>22</u>	<u>32</u>	<u>—</u>	<u>—</u>	<u>4,918</u>	<u>17,226</u>
<u>\$ 210</u>	<u>\$ 2,700</u>	<u>\$ 35</u>	<u>\$ 59</u>	<u>\$ 491</u>	<u>\$ 17,562</u>	<u>\$ 122,455</u>	<u>\$ 215,732</u> (a)

Due from discretely presented component units includes \$114.5 million from the Lottery. The General Fund received \$74.7 million to be appropriated at a later date. The Legislature also approved the following distributions from the Lottery to the Senior Services (\$15.9 million), Library Commission (\$4.6 million), Department of Education – Public Education (\$7.5 million), and various other general purposes. <sup>(a)</sup>

**NOTE 7**

**INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2018, consisted of the following (expressed in thousands):

<b><u>Transfers To</u></b>	<b><u>Transfers From</u></b>		
	<b><u>General</u></b>	<b><u>Tobacco Settlement Finance Authority</u></b>	<b><u>Other Nonmajor</u></b>
Governmental Funds:			
General	\$ —	\$ 21,406 (a)	\$ 26,799 (d)
Transportation	3,555 (c)	—	—
Other Nonmajor Governmental	<u>58,219 (b)</u>	<u>—</u>	<u>237</u>
Total Governmental Funds	<u>61,774</u>	<u>21,406</u>	<u>27,036</u>
Proprietary Funds:			
Water Pollution Control Revolving Fund	4,134	—	20,668 (e)
Workers' Compensation Fund	1,144	—	—
West Virginia Infrastructure and Jobs Development Council	—	—	34
Public Employees' Insurance Agency	10,000	—	—
Other Nonmajor Proprietary	2,190	—	—
Internal Service Funds	<u>6,902</u>	<u>—</u>	<u>—</u>
Total Proprietary Funds	<u>24,370</u>	<u>—</u>	<u>20,702</u>
Total	<u>\$ 86,144</u>	<u>\$ 21,406</u>	<u>\$ 47,738</u>

The deferred charge of the amortization of the future tobacco settlement revenue of the Tobacco Settlement Finance Authority resulted in a transfer of \$21.4 million to the General Fund. (a)

The General Fund transferred \$19 million to the West Virginia Infrastructure and Jobs Development Council and \$19 million to the Economic Development Project Fund for bond debt service. (b)

The \$3.5 million transferred from the General Fund to Transportation is miscellaneous legislative appropriations. (c)

Legislation passed during fiscal year 2015 required a reappropriation of funds from the Office of the Insurance Commissioner, resulting in a \$16.6 million transfer to the General Fund. (d)

The Water Pollution Revolving Fund received \$24.8 million in grants from the West Virginia Department of Environment Protection. All other transfers are made to finance various programs to the Legislation. (e)

Transfers From Proprietary				
Workers' Compensation Fund	West Virginia Infrastructure and Jobs Development Council	Other Nonmajor Enterprise	Internal Service Funds	Total
\$ 26,062	\$ —	\$ 21,775	\$ 146	\$ 96,188
—	—	—	—	3,555
<u>—</u>	<u>—</u>	<u>—</u>	<u>5,194</u>	<u>63,650</u>
<u>26,062</u>	<u>—</u>	<u>21,775</u>	<u>5,340</u>	<u>163,393</u>
—	—	—	—	24,802
—	—	—	—	1,144
—	—	—	—	34
—	—	—	—	10,000
—	1,648	—	—	3,838
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,902</u>
<u>—</u>	<u>1,648</u>	<u>—</u>	<u>—</u>	<u>46,720</u>
<u>\$ 26,062</u>	<u>\$ 1,648</u>	<u>\$ 21,775</u>	<u>\$ 5,340</u>	<u>\$ 210,113</u>



## 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, 2018, are as follows (expressed in thousands):

	<u>Cash</u>	<u>Investments</u>	<u>Other</u>	<u>Totals</u>
Special Revenue:				
Environmental Programs	\$ 322	\$ —	\$ —	\$ 322
Public Service Commission	<u>1,214</u>	<u>—</u>	<u>—</u>	<u>1,214</u>
Total Special Revenue	<u>1,536</u>	<u>—</u>	<u>—</u>	<u>1,536</u>
Enterprise:				
Public Employees' Insurance Agency	15,089	—	—	15,089
Board of Risk and Insurance Management	<u>13,668</u>	<u>55,494</u>	<u>202,255</u>	<u>271,417</u>
Total Enterprise	<u>28,757</u>	<u>55,494</u>	<u>202,255</u>	<u>286,506</u>
Internal Service:				
State Building Fund	16,628	—	—	16,628
Travel Management	<u>5,019</u>	<u>—</u>	<u>—</u>	<u>5,019</u>
Total Internal Services	<u>21,647</u>	<u>—</u>	<u>—</u>	<u>21,647</u>
Discretely Presented Component Units:				
Economic Development Authority	7,747	—	—	7,747
Housing Development Authority	65,525	75,667	654,602	795,794
Parkways Authority	26,692	53,954	—	80,646
Water Development Authority	10,466	3,469	174,045	187,980
Regional Jail Authority	21,455	—	—	21,455
Solid Waste Management Board	4,128	—	575	4,703
Educational Broadcasting Authority	370	—	222	592
Racing Commission	<u>16,558</u>	<u>—</u>	<u>418</u>	<u>16,976</u>
Total Discretely Presented Component Units	<u>152,941</u>	<u>133,090</u>	<u>829,862</u>	<u>1,115,893</u>
Total Restricted Assets	<u>\$ 204,881</u>	<u>\$ 188,584</u>	<u>\$ 1,032,117</u>	<u>\$ 1,425,582</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 coverage to the general public. BRIM's other restricted assets include advance deposits with insurance companies of \$201 million and \$878 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 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 \$654 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 \$174 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 Solid Waste Management Board's assets are restricted because their use is limited by applicable repayment agreements and certain assets are set aside to administer a revolving loan program in accordance with appropriations by the Legislature. The 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 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)

	<u>Beginning Balance July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance June 30, 2018</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,326,438	\$ 18,203	\$ (18)	\$ 1,344,623
Construction in Progress	<u>766,406</u>	<u>348,411</u>	<u>(158,945)</u>	<u>955,872</u>
Total Capital Assets, Not Being Depreciated	<u>2,092,844</u>	<u>366,614</u>	<u>(158,963)</u>	<u>2,300,495</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,654,459	17,269	(3,910)	1,667,818
Equipment	487,151	31,850	(15,133)	503,868
Infrastructure	12,775,995	142,726	—	12,918,721
Library Holdings	17,088	163	(116)	17,135
Land Improvements	44,175	3,573	—	47,748
Intangibles	<u>163,198</u>	<u>9,471</u>	<u>(1,591)</u>	<u>171,078</u>
Total Capital Assets, Being Depreciated	<u>15,142,066</u>	<u>205,052</u>	<u>(20,750)</u>	<u>15,326,368</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(617,770)	(39,798)	3,671	(653,897)
Equipment	(389,061)	(30,345)	14,782	(404,624)
Infrastructure	(6,567,400)	(306,915)	—	(6,874,315)
Library Holdings	(16,478)	(262)	116	(16,624)
Land Improvements	(19,180)	(2,567)	—	(21,747)
Intangibles	<u>(54,994)</u>	<u>(10,004)</u>	<u>1,590</u>	<u>(63,408)</u>
Total Accumulated Depreciation	<u>(7,664,883)</u>	<u>(389,891)</u>	<u>20,159</u>	<u>(8,034,615)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,477,183</u>	<u>(184,839)</u>	<u>(591)</u>	<u>7,291,753</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,570,027</u>	<u>\$ 181,775</u>	<u>\$ (159,554)</u>	<u>\$ 9,592,248</u>

Depreciation expense was charged to function as follows:

Legislative	\$ 102
Judicial	701
Executive	1,801
Administration	27,556
Commerce	7,513
Environmental Protection	80
Employment Programs	322
Education	2,278
Health and Human Resources	2,909
Military Affairs and Public Safety	20,010
Revenue	248
Transportation	321,219
Veterans Assistance	45
Regulatory Boards and Commissions	<u>5,107</u>
Total Governmental Activities	
Depreciation Expense	<u>\$ 389,891</u>

**Business-type Activities**

(Expressed in Thousands)

	<b>Beginning Balance July 1, 2017</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance June 30, 2018</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	2,041	3	—	2,044
Equipment	7,003	88	(282)	6,809
Intangibles	<u>9,021</u>	<u>—</u>	<u>—</u>	<u>9,021</u>
Total Capital Assets, Being Depreciated	<u>18,065</u>	<u>91</u>	<u>(282)</u>	<u>17,874</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,223)	(81)	—	(1,304)
Equipment	(5,867)	(117)	245	(5,739)
Intangibles	<u>(8,723)</u>	<u>(43)</u>	<u>—</u>	<u>(8,766)</u>
Total Accumulated Depreciation	<u>(15,813)</u>	<u>(241)</u>	<u>245</u>	<u>(15,809)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,252</u>	<u>(150)</u>	<u>(37)</u>	<u>2,065</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,863</u>	<u>\$ (150)</u>	<u>\$ (37)</u>	<u>\$ 2,676</u>
Depreciation expense was charged to function as follows:				
Public Employees' Insurance Agency	\$ 64			
Alcohol Beverage Control Administration	143			
Correctional Industries	<u>34</u>			
Total Business-type Activities Depreciation Expense	<u>\$ 241</u>			

**Discretely Presented Component Units**  
(Expressed in Thousands)

	<b>Beginning Balance <u>July 1, 2017</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b>Ending Balance <u>June 30, 2018</u></b>
Discretely Presented Component Units:				
Capital Assets, Not Being Depreciated:				
Land	\$ 257,948	\$ 3,829	\$ (7,357)	\$ 254,420
Construction in Progress	<u>190,648</u>	<u>72,007</u>	<u>(134,136)</u>	<u>128,519</u>
Total Capital Assets, Not Being Depreciated	<u>448,596</u>	<u>75,836</u>	<u>(141,493)</u>	<u>382,939</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,984,993	135,607	(11,973)	4,108,627
Equipment	519,724	38,023	(41,237)	516,510
Infrastructure	1,490,577	47,788	(809)	1,537,556
Library Holdings	194,871	5,521	(702)	199,690
Land Improvements	98,336	5,056	(18)	103,374
Intangibles	<u>192,167</u>	<u>13,569</u>	<u>(55)</u>	<u>205,681</u>
Total Capital Assets, Being Depreciated	<u>6,480,668</u>	<u>245,564</u>	<u>(54,794)</u>	<u>6,671,438</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,155,404)	(88,243)	7,234	(1,236,413)
Equipment	(378,521)	(34,651)	39,682	(373,490)
Infrastructure	(993,448)	(48,235)	695	(1,040,988)
Library Holdings	(169,862)	(6,779)	755	(175,886)
Land Improvements	(53,229)	(5,778)	8	(58,999)
Intangibles	<u>(182,239)</u>	<u>(10,943)</u>	<u>—</u>	<u>(193,182)</u>
Total Accumulated Depreciation	<u>(2,932,703)</u>	<u>(194,629)</u>	<u>48,374</u>	<u>(3,078,958)</u>
Total Capital Assets, Being Depreciated, Net	<u>3,547,965</u>	<u>50,935</u>	<u>(6,420)</u>	<u>3,592,480</u>
Discrete Component Unit Activities Capital Assets, Net	<u>\$ 3,996,561</u>	<u>\$ 126,771</u>	<u>\$ (147,913)</u>	<u>\$ 3,975,419</u>
Depreciation expense charged to functions as follows:				
Economic Development Authority	\$ 1,060			
Housing Development Fund	400			
Parkways Authority	40,639			
Water Development Authority	991			
Higher Education	140,386			
Regional Jail Authority	6,665			
Lottery	1,552			
School Building Authority	31			
Other Nonmajor Component Units	<u>2,905</u>			
Total Discrete Component Unit Depreciation Expense	<u>\$ 194,629</u>			



## NOTE 10

## LONG-TERM OBLIGATIONS

## Primary Government:

Long-term obligations at June 30, 2018, and changes for the fiscal year then ended, are as follows (expressed in thousands):

Governmental Activities:	Balance June 30, 2017, as restated	Additions	Accretions	Reductions	Balance June 30, 2018	Amount Due Within One Year
General Obligation Bonds:						
Transportation	\$ 151,160	\$ 800,000	\$ —	\$ (15,985)	\$ 935,175	\$ 34,480
Premium/(Discount)	<u>21,912</u>	<u>113,435</u>	<u>—</u>	<u>(3,268)</u>	<u>132,079</u>	<u>7,347</u>
Total Transportation	<u>173,072</u>	<u>913,435</u>	<u>—</u>	<u>(19,253)</u>	<u>1,067,254</u>	<u>41,827</u>
WV Infrastructure and Jobs						
Development Council	171,744	—	3,430	(14,905)	160,269	16,354
Premium/(Discount)	<u>14,445</u>	<u>—</u>	<u>—</u>	<u>(1,618)</u>	<u>12,827</u>	<u>1,720</u>
Total WV Infrastructure and Jobs Development Council	<u>186,189</u>	<u>—</u>	<u>3,430</u>	<u>(16,523)</u>	<u>173,096</u>	<u>18,074</u>
Total General Obligation Bonds	<u>359,261</u>	<u>913,435</u>	<u>3,430</u>	<u>(35,776)</u>	<u>1,240,350</u>	<u>59,901</u>
Revenue Bonds:						
Transportation	53,380	219,985	—	(53,380)	219,985	15,310
Premium/(Discount)	<u>4,406</u>	<u>39,883</u>	<u>—</u>	<u>(5,956)</u>	<u>38,333</u>	<u>3,372</u>
Total Transportation	<u>57,786</u>	<u>259,868</u>	<u>—</u>	<u>(59,336)</u>	<u>258,318</u>	<u>18,682</u>
Tobacco Settlement Finance Authority	<u>850,612</u>	<u>—</u>	<u>13,036</u>	<u>(13,410)</u>	<u>850,238</u>	<u>—</u>
Economic Development Project Fund	133,415	—	—	(11,220)	122,195	11,825
Premium/(Discount)	<u>(489)</u>	<u>—</u>	<u>—</u>	<u>70</u>	<u>(419)</u>	<u>(70)</u>
Total Economic Development Project Fund	<u>132,926</u>	<u>—</u>	<u>—</u>	<u>(11,150)</u>	<u>121,776</u>	<u>11,755</u>
Economic Development Project Fund DNR	—	25,000	—	—	25,000	400
Premium/(Discount)	<u>—</u>	<u>4,285</u>	<u>—</u>	<u>(107)</u>	<u>4,178</u>	<u>214</u>
Total Economic Development Project	<u>—</u>	<u>29,285</u>	<u>—</u>	<u>(107)</u>	<u>29,178</u>	<u>614</u>
Education, Arts, Sciences, & Tourism Fund	135,940	142,655	—	(137,035)	141,560	3,795
Premium/(Discount)	<u>5,657</u>	<u>14,614</u>	<u>—</u>	<u>(6,292)</u>	<u>13,979</u>	<u>635</u>
Tourism Fund	<u>141,597</u>	<u>157,269</u>	<u>—</u>	<u>(143,327)</u>	<u>155,539</u>	<u>4,430</u>
Total Revenue Bonds	<u>1,182,921</u>	<u>446,422</u>	<u>13,036</u>	<u>(227,330)</u>	<u>1,415,049</u>	<u>35,481</u>
Capital Leases - Governmental	10,857	11,737	—	(9,625)	12,969	3,765
Capital Leases - Internal Service Funds	2,722	—	—	(132)	2,590	137
Capital Leases Payable to Component Units	<u>260,955</u>	<u>—</u>	<u>—</u>	<u>(15,960)</u>	<u>244,995</u>	<u>17,396</u>
Total Capital Leases (see Note 11)	<u>274,534</u>	<u>11,737</u>	<u>—</u>	<u>(25,717)</u>	<u>260,554</u>	<u>21,298</u>
Notes Payable	<u>14,589</u>	<u>23,242</u>	<u>—</u>	<u>(7,827)</u>	<u>30,004</u>	<u>8,561</u>
Other Obligations:						
Medicaid	596,532	81,329	—	(113,455)	564,406	564,406
Tax Refunds	281,437	297,371	—	(281,437)	297,371	262,011
Claims and Judgments (see Note 15)	403,804	2,060	—	(35,335)	370,529	28,320
Other	<u>127,396</u>	<u>345,340</u>	<u>—</u>	<u>(339,477)</u>	<u>133,259</u>	<u>82,416</u>
Total Accrued and Other Liabilities	1,409,169	726,100	—	(769,704)	1,365,565	937,153
Compensated Absences	89,703	6,688	—	(6,363)	90,028	58,256
Net Pension Liability including ISF	4,537,800	—	—	(937,371)	3,600,429	—
Net OPEB Liability including ISF *	<u>1,533,492</u>	<u>77,490</u>	<u>—</u>	<u>—</u>	<u>1,610,982</u>	<u>—</u>
Total Other Obligations	<u>7,570,164</u>	<u>810,278</u>	<u>—</u>	<u>(1,713,438)</u>	<u>6,667,224</u>	<u>995,409</u>
Total Governmental Activities Long-Term Obligations	<u>\$ 9,401,469</u>	<u>\$ 2,205,114</u>	<u>\$ 16,466</u>	<u>\$ (2,010,088)</u>	<u>\$ 9,612,961</u>	<u>\$ 1,120,650</u>

\* Restated for GASB 75 implementation

<b>Business-type Activities</b>	<b>Balance June 30, 2017, as restated</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2018</b>	<b>Amount Due Within One Year</b>
WV Infrastructure and Jobs					
Development Council Revenue Bonds	\$ 168,855	\$ —	\$ (6,060)	\$ 162,795	\$ 5,515
Premium/(Discount)	<u>16,435</u>	<u>—</u>	<u>(835)</u>	<u>15,600</u>	<u>835</u>
Total WV Infrastructure and Jobs					
Development Council Revenue Bonds	185,290	—	(6,895)	178,395	6,350
Accrued Tuition Contract Benefits	61,704	2,748	(13,188)	51,264	15,533
Insurance and Compensation Benefits	1,804,193	689,010	(755,018)	1,738,185	302,148
Compensated Absences	614	63	(64)	613	107
Net Pension Liability (see Note 12)	4,444	—	(2,433)	2,011	—
Net OPEB Liability (See Note 13)*	1,094	3,207	(245)	4,056	—
Accrued and Other	<u>14,585</u>	<u>2</u>	<u>(2,434)</u>	<u>12,153</u>	<u>11,081</u>
Total Business-type Activities Long Term	<u>\$ 2,071,924</u>	<u>\$ 695,030</u>	<u>\$ (780,277)</u>	<u>\$ 1,986,677</u>	<u>\$ 328,869</u>

\* Restated for GASB 75 implementation

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 liabilities 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, \$1.8 million of internal service funds’ compensated absences are included in the governmental amounts.

Senate Bill No. 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, 2018, 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 the facilitation of the construction of highways, secondary roads and bridges, as well as for utility upgrades for water and sewer systems.

In 2018, the State authorized by constitutional amendment to issue general obligation bonds to fund highway and road construction projects known as Road to Prosperity Bonds. These bonds will be repaid from revenues of the State Road Fund. Total general obligation bonds issued in 2018 was \$800,000.

General obligation bonds outstanding at June 30, 2018, were as follows (expressed in thousands):

	<b>Final Maturity Date</b>	<b>Interest Rate(s)%</b>	<b>Balance</b>
Transportation Bonds:			
Payable from State Road Fund to build roads, issued under:			
1996 SAFE Roads Amendment	2025	4.00%-5.00%	\$ 154,262
2018 Roads to Prosperity Bonds	2043	2.00%-5.00%	912,992
Infrastructure Bonds:			
Payable from dedicated severance tax revenues to fund water, wastewater, and economic development projects			
	2027	2.00%-7.625%	<u>173,096</u>
Total			<u>\$1,240,350</u>

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2018, were as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 43,935	\$ 48,208	\$ 92,143
2020	45,095	46,895	91,990
2021	47,051	44,876	91,927
2022	48,960	42,889	91,849
2023	51,335	40,523	91,858
2024-2028	207,960	166,851	374,811
2029-2033	150,440	126,672	277,112
2034-2038	192,374	84,727	277,101
2039-2043	<u>245,735</u>	<u>31,370</u>	<u>277,105</u>
<b>Total</b>	<u>1,032,885</u>	<u>633,011</u>	<u>1,665,896</u>
<b>Premium</b>	<u>144,905</u>	—	<u>144,905</u>
<b>Total</b>	<u>\$ 1,177,790</u>	<u>\$ 633,011</u>	<u>\$1,810,801</u>
<b>Capital Appreciation Bonds</b>			
<u>Year Ending June 30</u>	<u>Principal Net of Accreted Amounts</u>	<u>Future Accreted Amounts</u>	<u>Total</u>
2019	\$ 6,899	\$ 126	\$ 7,025
2020	7,976	599	8,575
2021	7,599	1,027	8,626
2022	7,280	1,444	8,724
2023	6,877	1,823	8,700
2023-2027	<u>25,929</u>	<u>11,571</u>	<u>37,500</u>
<b>Total</b>	<u>\$ 62,560</u>	<u>\$ 16,590</u>	<u>\$ 79,150</u>
<b>Total General Obligation Bonds</b>	<u>\$ 1,240,350</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 following describes the purpose and dedicated revenue source of revenue bonds outstanding at June 30, 2018:

<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 Division of Highways**

The Division of Highways has been authorized to issue revenue bonds in the amount of \$500 million by constitutional amendment. The Division has issued \$273 million, and paid off \$53 million, leaving \$280 million in bonds authorized but not issued.

### **Tobacco Settlement Finance Authority**

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 2018, \$65.6 million was paid for interest and principal. Actual tobacco receipts of \$61.2 million and interest earnings were used for the payments.

### Economic Development Project 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 2029. 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 \$158.96 million with annual requirements ranging from \$19.0 million in FY 2018 to \$7.1 million in the final year. For the current year, principal and interest paid were \$18.7 million and the net profits of the Lottery committed to the debt were \$19 million.

In FY 2018, the EDA issued bonds in conjunction with the Division of Natural Resources. These bonds are primarily payable from money transferred from the State Excess Lottery Revenue fund. The funds will be used to acquire land, build and maintain the newly created Cacapon Resort State Park. The initial bond of \$22.9 million was issued at 3.23% interest, and the maintenance reserve bond of \$2 million was issued at 2.03% interest. Both bonds mature in June of 2040.

### EAST Fund

New Education, Arts, Sciences, and Tourism Fund (EAST) bonds were issued by the EDA in FY 2018 in the amount of \$142.6 million to provide financing for capital projects which promote education, and tourism, payable through 2040. The State has committed to appropriate each year, from Lottery's 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 \$141.56 million. For the current year, principal and interest paid were \$4 million, and the net profits of the Lottery committed to the debt were \$10 million.

Revenue bonds outstanding at June 30, 2018, were as follows (expressed in thousands):

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Transportation	2018	2043	5.00	\$ 258,318
Tobacco Settlement Finance Authority	2007	2047	7.47-8.50	850,238
Economic Development Project Fund	2004	2027	1.20-6.07	121,776
Economic Development Project Fund DNR	2018	2038	1.20-6.07	29,178
Education, Arts, Sciences, and Tourism Fund	2010	2040	2.00-5.00	<u>155,539</u>
Subtotal Governmental				1,415,049
WV Infrastructure and Jobs Development Council	2006-2016	2046	2.00-5.00	<u>178,395</u>
Total				<u>\$ 1,593,444</u>

## West Virginia

Future amounts required to pay principal and interest on revenue bonds at June 30, 2018, were as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 60,920	\$ 82,833	\$ 143,753
2020	64,245	79,217	143,462
2021	69,353	75,228	144,581
2022	74,082	70,877	144,959
2023	79,678	66,064	145,742
2024-2028	464,455	244,738	709,193
2029-2033	426,328	84,150	510,478
2034-2038	84,400	16,756	101,156
2039-2043	31,515	3,137	34,652
2044-2048	<u>3,580</u>	<u>230</u>	<u>3,810</u>
	<u>1,358,556</u>	<u>723,230</u>	<u>2,081,786</u>
<b>Premium</b>	<u>71,670</u>	<u>—</u>	<u>71,670</u>
<b>Total</b>	<u>\$1,430,226</u>	<u>\$ 723,230</u>	<u>\$ 2,153,456</u>

### Capital Appreciation Bonds

<u>Year Ending June 30</u>	<u>Principal Net of Accreted Amounts</u>	<u>Future Accreted Amounts</u>	<u>Total</u>
2019	\$ —	\$ 14,167	\$ 14,167
2020	—	15,397	15,397
2021	—	16,734	16,734
2022	—	18,186	18,186
2023	—	19,765	19,765
2024-2028	—	127,735	127,735
2029-2033	—	178,059	178,059
2034-2038	—	105,251	105,251
2039-2043	163,218	4,550	167,768
2044-2048	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total</b>	<u>\$ 163,218</u>	<u>\$ 499,844</u>	<u>\$ 663,062</u>

**Total Revenue Bonds** \$1,593,444

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 financing various equipment and vehicles. Corrections financed system-wide repair and maintenance through a note payable (expressed in thousands).

	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Corrections	2033	2.50-5.00	\$ 11,535
Information Services and Communications	2017-2020	1.00-2.73	928
Travel Management	2017-2020	0.99-2.65	<u>17,541</u>
<b>Total Notes Payable</b>			<u>\$ 30,004</u>

Future amounts required to pay principal and interest on notes payable at June 30, 2018, were as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 8,561	\$ 580	\$ 9,141
2020	6,462	470	6,932
2021	4,688	362	5,050
2022	2,572	275	2,847
2023	1,110	230	1,340
2024-2028	6,189	594	6,783
2029-2033	<u>422</u>	<u>7</u>	<u>429</u>
<b>Total Notes Payable</b>	<b><u>\$30,004</u></b>	<b><u>\$ 2,518</u></b>	<b><u>\$32,522</u></b>

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

	<u>Balance June 30, 2017, as restated</u>	<u>Additions /Debt Issued</u>	<u>Reductions /Debt Paid</u>	<u>Other Changes</u>	<u>Balance June 30, 2018</u>	<u>Amount Due Within One Year</u>
<b>Revenue Bonds:</b>						
Economic Development Authority	\$ 260,955	\$ —	\$ (145,816)	\$ 129,723	\$ 244,862	\$ 17,396
Housing Development Fund	337,020	250	(28,241)	(28,505)	280,524	27,280
Parkways Authority	20,328	—	(9,805)	(150)	10,373	10,373
Water Development Authority	189,357	39,481	(8,435)	(39,687)	180,716	9,681
Higher Education	1,355,146	142,111	(174,090)	76	1,323,243	40,213
Regional Jail Authority	31,190	—	(7,195)	—	23,995	7,585
School Building Authority	<u>466,586</u>	<u>77,995</u>	<u>(101,725)</u>	<u>447</u>	<u>443,303</u>	<u>28,285</u>
<b>Total Discretely Presented Component Unit Revenue Bonds</b>	<b><u>\$ 2,660,582</u></b>	<b><u>\$259,837</u></b>	<b><u>\$ (475,307)</u></b>	<b><u>\$ 61,904</u></b>	<b><u>\$2,507,016</u></b>	<b><u>\$ 140,813</u></b>
<b>Capital Leases:</b>						
Higher Education	<u>\$ 51,075</u>	<u>\$ 4,243</u>	<u>\$ (10,003)</u>	<u>\$ —</u>	<u>\$ 45,315</u>	<u>\$ 5,763</u>
<b>Notes Payable:</b>						
Housing Development Fund	\$ 751	\$ 123	\$ —	\$ —	\$ 874	\$ —
Economic Development Authority	9,417	—	(3,311)	—	6,106	570
Regional Jail Authority	335	—	(99)	—	236	100
Higher Education	<u>66,238</u>	<u>70,373</u>	<u>(34,876)</u>	<u>59</u>	<u>101,794</u>	<u>2,969</u>
<b>Total Discretely Presented Component Unit Notes Payable</b>	<b><u>\$ 76,741</u></b>	<b><u>\$ 70,496</u></b>	<b><u>\$ (38,286)</u></b>	<b><u>\$ 59</u></b>	<b><u>\$ 109,010</u></b>	<b><u>\$ 3,639</u></b>
<b>Other Debt Related Items:</b>						
Accrued and Other	\$ 425,354	\$ 14,945	\$ (16,604)	\$ —	\$ 423,695	\$ 289,508
Compensated Absences	53,774	2,999	(1,628)	—	55,145	50,559
Net Pension Liability (see Note 12)	80,859	4,122	(39,769)	—	45,212	—
Net OPEB Liability (see Note 13)*	<u>380,161</u>	<u>16,386</u>	<u>(71,845)</u>	<u>—</u>	<u>324,702</u>	<u>—</u>
<b>Total Discretely Presented Component Other Items</b>	<b><u>\$ 940,148</u></b>	<b><u>\$ 38,452</u></b>	<b><u>\$ (129,846)</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 848,754</u></b>	<b><u>\$ 340,067</u></b>

\*Restated for GASB 75 implementation

## West Virginia

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

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Economic Development Authority	1999-2016	2040	2.07-5.23	\$ 244,862
Housing Development Fund	2007-2017	2047	1.05-4.25	280,524
Parkways Authority	2002-2008	2019	3.50-5.25	10,373
Water Development Authority	2005-2016	2044	2.00-5.125	180,716
Higher Education	1998-2016	2045	0.58-7.65	1,323,243
Regional Jail Authority	1998	2021	5.12-5.35	23,995
School Building Authority	2007-2016	2032	2.00-6.92	<u>443,303</u>
Total Revenue Bonds				<u>\$ 2,507,016</u>

Future amounts required to pay principal and interest on revenue bonds of the discretely presented component units at June 30, 2018, were as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 140,101	\$ 100,348	\$ 240,449
2020	214,475	92,666	307,141
2021	117,337	86,958	204,295
2022	108,966	81,977	190,943
2023	107,132	76,475	183,607
2024-2028	739,334	322,038	1,061,372
2029-2033	418,792	190,210	609,002
2034-2038	285,607	91,839	377,446
2039-2043	202,421	37,890	240,311
2044-2048	76,254	4,574	80,828
2049-2053	—	—	—
	<u>2,410,419</u>	<u>1,084,975</u>	<u>3,495,394</u>
Discount	(1,054)	—	(1,054)
Premium	<u>97,651</u>	—	<u>97,651</u>
Total	<u>\$ 2,507,016</u>	<u>\$ 1,084,975</u>	<u>\$ 3,591,991</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, 2018 (expressed in thousands):

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Housing Development Fund	2008-2014	N/A	0.00	\$ 874
Economic Development Authority	2007 & 2017	2029	3.00	6,106
Regional Jail Authority	2015	2020	1.23	236
Higher Education	2008-2014	2033	1.90-6.65	<u>101,794</u>
Total Notes Payable				<u>\$109,010</u>

Future amounts required to pay principal and interest on notes payable of the discretely presented component units at June 30, 2018, were as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 4,905	\$ 2,890	\$ 7,795
2020	4,133	2,978	7,111
2021	5,627	2,895	8,522
2022	3,590	2,967	6,557
2023	3,563	2,872	6,435
2024-2028	37,812	11,710	49,522
2029-2033	9,118	9,768	18,886
2034-2038	10,448	7,724	18,172
2039-2043	5,389	6,101	11,490
2044-2048	6,729	4,761	11,490
2049-2053	8,403	3,087	11,490
2052-2056	<u>9,293</u>	<u>1,006</u>	<u>10,299</u>
Total	<u>\$ 109,010</u>	<u>\$ 58,759</u>	<u>\$ 167,769</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 2017 and 2016, respectively. 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	\$6,700
Effective Date	July 2, 2008
Maturity Date	April 15, 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, 2018, 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, 2018, and the change in fair value of the instrument for the year ended June 30, 2018, 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 A1 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, 2018, 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 Parkways on this hedging derivative instrument are based on rates other than the interest rate Parkways 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.

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

Using rates as of June 30, 2018, 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 Ending 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>	
2019	\$ 6,700	\$ 177	\$ 201	\$ 7,078

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

As a vehicle to assist the local and other nonstate 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, 2018, 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, 2018, is approximately \$1.9 billion and \$2.1 billion for HFA and EDA, respectively.

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

In October 2017, the School Building Authority issued the 2017A Capital Improvement Revenue Refunding Bonds of \$38,415,000 bearing interest of 5.00% to refund portions of the 2007A Capital Improvement Revenue Refunding Bonds. A gain associated with the refunding of \$603,000 resulted and will be amortized over the term of the refunding



obligation, which matures on July 1, 2019. The refunding also resulted in a decrease to the debt service payments of approximately \$6.1 million and an economic gain of approximately \$5.0 million. A premium of \$1,954,000 was recorded and will also be amortized over the term of the obligation.

In November 2017, the Higher Education Policy Commission (HEPC) issued \$64,075,000 in CTC revenue bonds to advance refund the 2009A CTC revenue bonds and to provide funds to finance the acquisition, construction and improvement of the community and technical college facilities. This refunding reduced the HEPC's total debt service payments by approximately \$34,000, resulting in a net economic gain of \$7,184,000. HEPC also issued revenue bonds of \$12,150,000. These bonds refunded and defeased the outstanding balance of the 2007 Series A Bonds and the 2010 Series A bonds. This refunding reduced the Commission's total debt service payments by approximately \$2,776,000 resulting in a net economic gain of \$2,517,000.

In February 2018, the Water Development Authority refunded two series of previously outstanding bonds which affected loan program IV. Series 2018A-IV, issued for \$31,520,000, with interest rates ranging from 2% to 5%, were used to refund \$31,575,000 of the remaining balance of the Authority's outstanding Series 2005 A-IV revenue bonds, with interest rates ranging from 4.375% to 5%, and \$1,510,000 of the remaining balance of the Authority's outstanding Series 2005 B-IV revenue bonds with interest rates ranging from 4.75% to 5.125%. The proceeds of \$34,087,000 (including net original issue Premium of \$2,567,000) were used to pay \$363,000 in underwriting fees and other issuance costs relating to the refunding bond. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$500,000. This difference is being charged to interest expense through the fiscal year 2045. The Authority completed the refunding to reduce its total debt service payments over the next 27 years by \$7,351,000 and to obtain an economic gain of \$4,899,000.

**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, 2018, the following outstanding bonds are considered defeased (expressed in thousands):

<b><u>Outstanding Amount</u></b>	
Primary Government	\$ 189,619
Discretely Presented Component Units	<u>112,114</u>
Total	<u>\$ 301,733</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 \$252 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, 2018 (expressed in thousands):

	<b>Primary Government Governmental Activities</b>	
<u>Asset Type</u>	<u>Assets Acquired By Capital Lease</u>	<u>Accumulated Depreciation</u>
Land	\$ 2,362	\$ —
Building and Improvements	425,809	133,977
Construction in Process	—	—
Infrastructure	1,175	1,175
Total	\$ 429,346	\$ 135,152

Future minimum commitments under capital leases as of June 30, 2018, were as follows (expressed in thousands):

Year Ending June 30	Capital Leases		
	Governmental Activities, Including Payable to EDA	Discretely Presented Component Units	Total
2019	\$ 29,594	\$ 8,096	\$ 37,690
2020	29,116	6,955	36,071
2021	29,072	6,862	35,934
2022	28,926	5,742	34,668
2023	27,808	3,901	31,709
2024-2028	122,450	13,215	135,665
2029-2033	50,387	10,363	60,750
2034-2038	22,460	10,411	32,871
2039-2044	10,707	10,464	21,171
2045	—	1,904	1,904
Total Minimum Lease Payments	<u>350,520</u>	<u>77,913</u>	<u>428,433</u>
Less: Interest	<u>(89,966)</u>	<u>(32,598)</u>	<u>(122,564)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 260,554</u>	<u>\$ 45,315</u>	<u>\$ 305,869</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, 2018, was \$35 million. Future minimum commitments under operating leases as of June 30, 2018, were as follows (expressed in thousands):

Year Ending June 30	Operating Leases			Total
	Governmental Activities	Business-type Activities	Discretely Presented Component Units	
2019	\$ 21,076	\$ —	\$ 14,085	\$ 35,161
2020	17,867	—	10,293	28,160
2021	13,714	—	8,605	22,319
2022	10,602	—	7,414	18,016
2023	8,356	—	4,439	12,795
2024-2028	18,720	—	14,053	32,773
2029-2033	6,759	—	7,187	13,946
2034-2038	4,135	—	276	4,411
2039-2043	—	—	5	5
2044-2048	—	—	5	5
2049-2053	—	—	5	5
2054-2058	—	—	5	5
2059-2060	—	—	—	—
Total Minimum Lease Payments	<u>\$ 101,229</u>	<u>\$ —</u>	<u>\$ 66,372</u>	<u>\$ 167,601</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. 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 or <http://www.wvretirement.com>. 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. The Plans' fiduciary net position has been determined on the same basis used by the pension plan. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. 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 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, 2018, was 646, including 130 West Virginia state agencies, 114 cities and towns, 347 special districts, and 55 counties.

**Benefits Provided**

For PERS, a member is eligible for normal retirement at age 60 with five or more years of service, or at least age 55 with age and service equal to 80 or greater. A member may retire with the pension reduced actuarially if the member is at least age 55 and has at least 10 years of contributory service or at any age with 30 years of contributory service. A member hired after July 1, 2015, may retire with the pension reduced actuarially if the member is between ages 60 and 62 with at least 30 years of contributory service. The

straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. Average salary is the average of the three consecutive highest annual earnings out of the last 15 years of earnings. For all employees hired after July 1, 2015, average salary is the average of the five consecutive highest annual earnings out of the last 15 years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired after July 1, 2015, this age increases to 64 with at least ten years of contributory service, or age 63 with at least 20 years of contributory service.

- 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 446 participating members as of June 30, 2018. The State makes no employer contributions to MPFRS.
- The Teachers' Retirement System (TRS) is a multiple-employer, cost-sharing, public employee retirement system. Fifty-five county public school systems, certain personnel of the thirteen State-supported institutions of higher education, West Virginia Department of Education, and boards of higher education participate in the TRS plan. There were 79 employers and one nonemployer contributing entity (the State) participating in the plan as of June 30, 2018.

### **Benefits Provided**

For TRS, a member is eligible for normal retirement at age 60 with 5 years of service, age 55 with 30 years of service or any age with 35 years of service. A member may retire with the pension reduced actuarially if the member is less than age 55 and has between 30 and 35 years of service. For all employees hired after July 1, 2015, qualification for normal retirement is age 62 with 10 years of service. All members hired after July 1, 2015, may retire with the pension reduced actuarially if the member is between ages 60 and 62 with 10 years of service or between ages 55 and 62 with 30 years of service. Terminated members with at least 5, but less than 20, years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement beginning at age 62. Terminated members with at least 20 years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 60. For all employees hired after July 1, 2015, this age increases to 64 with 10 years of service, or age 63 with 20 years of service. Retirement benefits are

equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the five highest fiscal years of earnings during the last 15 fiscal years of earnings.

- 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.

### **Benefits Provided**

For SPDDRS, a member is eligible for normal retirement at age 50 after 20 years of contributory service, or at any age upon completion of 25 years of service. There is no vesting in the State's contributions prior to ten years of service. Benefits payable to members retiring prior to age 50 are deferred until the normal retirement date. The annual retirement benefit is 5.5% of the members' aggregate salary, but not less than \$6,000 per year. Total service related disability benefits are equal to the member's annual salary, but not less than \$15,000 per year. Aggregate salary may include up to five years of active military service credited at the average departmental salary. Aggregate salary for purposes of determining disability benefits may include salary that would have been earned had the participant served at least 25 years. An annual cost of living adjustment of 3.75% is granted to retirees and beneficiaries. For service-connected total disability retirees, the adjustment begins at age 65.

For SPRS, a member is eligible for normal retirement at age 50 with 25 years of service or age 52 with 20 years of credited service. A member retiring before age 52 with 20 years of credited service, is eligible for a reduced benefit. The annual regular retirement benefit is equal to 2.75% of the final average salary multiplied by the years of service. Final average salary is the average of the five highest calendar years of earnings during the last ten years of earnings. Annual retirement annuity adjustments are 1% for regular retirement and are payable on July 1 of each year after the member reaches 63 years of age.

For JRS, members who were elected or appointed to the bench prior to July 2, 2005, are eligible for normal retirement after reaching 24 years of service of which at least 12 years was as a sitting judge or justice, 16 years of service at age 65 of which at least 12 years was as a sitting judge or justice, or 8 full years of service at age 65. A member who was appointed or elected to the bench on or after July 2, 2005, is eligible for normal retirement upon the attainment of 24 years of service of which at least 14 years were as a sitting judge or justice, or 16 years of service at age 65 of which 14 years was as a sitting judge or justice. A member on the bench prior to July 2, 2005, is eligible for a deferred benefit upon termination of service prior to normal retirement provided the member completes 16 years of service of which 12 years of service is as a sitting judge or justice. A member of the bench on or after July 2, 2005, is eligible for a deferred benefit upon termination of service prior to normal retirement provided the member completes 16 years of service of which 14 years of service was as a sitting judge or justice.

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Plan membership consisted of the following as of the plan valuation date June 30, 2018:

	<u>SPDDRS</u>	<u>SPRS</u>	<u>JRS</u>
Retirees and beneficiaries currently receiving benefits	728	32	58
Terminated members entitled to benefits but not yet receiving them	4	19	4
Terminated nonvested members	1	127	2
Active members	<u>19</u>	<u>564</u>	<u>40</u>
Total	<u>752</u>	<u>742</u>	<u>104</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, 2018:

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

<u>System</u>	<u>Member</u>	<u>Employer</u>
PERS	4.5% - 6.0%	11.0% 10.0% effective July 1, 2018
TRS	6.0%	15.0% State 15.0% Counties
SPDDRS	9.0%	15.0%
SPRS	12.0%	14.0%
JRS	7.0%	Appropriated by the Legislature

The State's required and actual contributions for the year ended June 30, 2018 were (expressed in thousands):

<u>System</u>	<u>Actual Contribution</u>
PERS	\$101,551
TRS	471,656
SPDDRS	24,829
SPRS	4,205
JRS	735

**Special Funding Situation**

The State is a non-employer contributing entity that provides funding through the School Aid Formula (SAF) to subsidize employer contributions of county boards of education and to fund the unfunded liability of TRS for all participating employers. These amounts qualify as a special funding situation in accordance with GASB 68. The State assumes a share of the net pension liability on behalf of the various county boards of education for contributions related to the SAF. The State also assumes a share of the net pension liability on behalf of all participating employers for contributions related to funding of the non-employer contributing entity unfunded liability. The State reports a liability, deferred outflow of resources and deferred inflow of resources, and expense as a result of its requirement to contribute to the TRS plan.

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 special funding situation requirement in the amount of \$285,068,000 for FY 2017, which is exclusive of the SAF appropriation.

**Pension Assets, Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The State’s net pension asset (liability), deferred outflows of resources, deferred inflows of resources and pension expense relating to the governmental, business-type, fiduciary, and component units’ activities for the PERS plan, governmental and component units’ activities for the TRS plan, and governmental activities for the single employer plans are as follows for June 30, 2018 (expressed in thousands):

<u>Description</u>	<u>PERS</u>	<u>TRS</u>	<u>Single Employer Plans</u>	<u>Total</u>
Net Pension Liability	\$ (288,670)	\$(3,252,334)	\$ (30,637)	\$ (3,571,641)
Deferred Outflows of Resources	40,001	377,901	11,261	429,163
Deferred Outflows of Resources – Contributions after measurement date	101,551	471,656	29,769	602,976
Deferred Inflows of Resources	(105,707)	(404,697)	(28,164)	(538,568)
Pension Expense	54,767	303,165	2,057	359,989



At June 30, 2018, the State reported a net pension liability of \$3,541,004,000, for its proportionate share of the multiple-employer, cost-sharing plans which were measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017. The pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense are allocated to the internal service funds of the State. The State's proportionate share of the net pension liability for the PERS and TRS was based on the State's share of contributions to the pension plan relative to the contributions of all employers participating in PERS and TRS for the year ended June 30, 2017.

The State's proportionate share of the net pension liabilities for the PERS and TRS plans determined by the actuarial valuation as of June 30, 2016, was \$621,010,000 (67.57%) and \$3,844,927,000 including a special funding situation (93.55%), respectively. At June 30, 2017, the State's proportionate share of the net pension liability for the PERS and TRS plans were \$288,670,000 (66.88%) and \$3,252,334,000 including a special funding situation (94.13%), respectively. The State's proportionate share for FY 2018 has decreased by 0.69% for the PERS and decreased by 0.01% for the TRS plan, which results in a change in net pension liability of \$332,340,000 and \$592,593,000 related to PERS and TRS, respectively.



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The State's amounts for net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense were allocated to the governmental, business-type, fiduciary, and component units' activities based on each reporting unit's share of the State's employer contributions to the PERS and TRS plans. The pension related amounts for primary government, fiduciary and component units are as follows:

PERS (expressed in thousands):

	<b>Governmental Activities</b>	<b>Water Pollution</b>	<b>Infrastructure</b>
Proportionate share of Statewide amount	90.67%	0.11%	0.02%
Net pension liability	\$ (261,744)	\$ (321)	\$ (56)
Pension expense	49,344	50	(19)
Deferred outflows of resources representing contributions subsequent to the measurement date	91,859	108	26
Deferred outflows of resources representing the changes in employer proportion	12,628	1	2
Deferred outflows of resources representing difference between expected and actual experience	23,292	29	5
Net deferred inflows of resources representing the difference between projected/actual earnings on investments	(63,635)	(78)	(14)
Deferred inflows of resources representing the changes in employer proportion	(18,233)	(8)	(14)
Deferred inflows of resources representing change in assumptions	(13,578)	(17)	(3)
Deferred inflows of resources representing the difference between expected and actual experience	(578)	(1)	—
Amortization of applicable deferred amounts in current period	(60,105)	(74)	(24)
Amortization of applicable deferred amounts in future periods:			
2019	(27,227)	(33)	(9)
2020	24,064	27	—
2021	(1,560)	(1)	(3)
2022	(55,382)	(67)	(12)
Sensitivity Analysis:			
Net pension liability at 6.5% discount rate	880,844	(890)	(154)
Net pension liability at 7.5% discount rate	(261,744)	(321)	(56)
Net pension asset (liability) at 8.5% discount rate	(133,249)	159	(28)

<u>PEIA</u>	<u>BRIM</u>	<u>Nonmajor Business-type</u>	<u>Total Business-type</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Total</u>
0.14%	0.12%	0.31%	0.70%	0.07%	8.56%	100%
\$(397)	\$(331)	\$(906)	\$(2,011)	\$ (219)	\$ (24,696)	\$ (288,670)
100	17	149	297	64	5,062	54,767
139	138	315	726	71	8,895	101,551
323	271	45	642	179	865	14,314
35	29	81	179	19	2,197	25,687
(96)	(80)	(220)	(488)	(53)	(5,987)	(70,163)
(316)	(232)	(96)	(666)	(174)	(846)	(19,919)
(21)	(17)	(47)	(105)	(11)	(1,279)	(14,973)
(1)	—	(2)	(4)	(1)	(69)	(652)
(76)	(29)	(238)	(441)	(41)	(5,119)	(65,706)
(34)	(11)	(109)	(196)	(19)	(2,319)	(29,761)
40	42	68	177	16	2,049	26,306
1	9	(9)	(3)	(1)	(132)	(1,696)
(83)	(69)	(188)	(419)	(37)	(4,717)	(60,555)
(1)	(916)	(2,507)	(4,468)	(606)	(68,369)	807,401
(397)	(331)	(906)	(2,011)	(219)	(24,696)	(288,670)
196	164	352	843	108	(12,125)	(144,423)

Deferred outflows of resources and deferred inflows of resources related to the PERS pension were from the following sources (expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ —	\$ (70,163)
Changes in proportion and difference between employer contributions and proportionate share of contributions	14,314	(19,919)
Difference between expected and actual experience	25,687	(652)
Change in assumptions	—	(14,973)
Contributions made subsequent to the measurement date	<u>101,551</u>	<u>—</u>
Total	<u>\$ 141,552</u>	<u>\$ (105,707)</u>

Deferred outflows of resources of \$101,551,000 related to pensions are the result of contributions made subsequent to the measurement date of June 30, 2017 and will be recognized as a reduction of the net pension liability in the measurement year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ (29,761)
2020	26,306
2021	(1,696)
2022	(60,555)

TRS including special funding situation (expressed in thousands):

	Governmental	Component	
	<u>Activities</u>	<u>Units</u>	<u>Total</u>
Proportionate share of statewide amount	99.37%	0.63%	100%
Net pension liability	\$ (3,231,818)	\$ (20,516)	\$ (3,252,334)
Pension expense, net of interfund special funding situation	298,452	4,713	303,165
Deferred outflows of resources representing contributions subsequent to the measurement date	469,460	2,196	471,656
Deferred outflows of resources representing the changes in employer proportion	226,460	1,027	227,487
Deferred outflows of resources representing the net difference between expected and actual experience	28,102	174	28,276
Deferred outflows of resources representing difference in assumptions	121,408	730	122,138
Net deferred inflows of resources representing net difference between projected and actual earnings on investments	(101,585)	(622)	(102,207)
Deferred inflows of resources representing the changes in employer proportion	(238,119)	(6,415)	(244,534)
Deferred inflows of resources representing the net difference between expected and actual experience	(57,576)	(380)	(57,956)
Amortization of applicable deferred amounts in current period	(21,310)	(5,486)	(26,796)
Amortization of applicable deferred amounts in future periods:			
2019	1,623	418	2,041
2020	1,384	356	1,740
2021	29,805	7,673	37,478
2022	(50,240)	(12,934)	(63,174)
2023	(3,882)	(999)	(4,881)
Sensitivity Analysis:			
Net pension liability at 6.50% discount rate	(4,254,801)	(27,038)	(4,281,839)
Net pension liability at 7.50% discount rate	(3,231,818)	(20,516)	(3,252,334)
Net pension liability at 8.50% discount rate	(2,357,709)	(14,982)	(2,372,691)

Deferred outflows of resources and deferred inflows of resources related to the TRS pension plan were from the following sources (expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ —	\$ (102,207)
Changes in proportion and difference between employer and proportionate share of contributions	227,487	(244,534)
Difference in expected and actual experience	28,276	(57,956)
Difference in assumptions	122,138	
Contributions made subsequent to the measurement date	<u>471,656</u>	<u>—</u>
Total	<u>\$ 849,557</u>	<u>\$ (404,697)</u>

Deferred outflows of resources of \$471,656,000 related to pensions are the result of contributions made subsequent to the measurement date of June 30, 2017 and will be recognized as a reduction of the net pension liability in the measurement year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

<u>Year Ending June 30,</u>	<u>Amount</u>
2019	\$ 2,040
2020	1,740
2021	37,478
2022	(63,174)
2023	(4,880)

As of June 30, 2018, the State reported a net pension asset and a net pension liability of \$76,230,000 and \$106,867,000, respectively, for the single employer plans, which were measured as of June 30, 2017. The total pension liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017. The amounts for net pension asset, net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense were allocated to reporting units related to governmental activities based on each reporting units' employer contributions to the SPDDRS, SPRS, and JRS plans.

Single Employer Plans (expressed in thousands):

	<u>SPRS</u>	<u>SPDDRS</u>	<u>JRS</u>	<u>Total</u>
Net pension asset/(liability)	\$ (6,560)	\$ (100,307)	\$ 76,230	\$ (30,637)
Pension expense	3,782	6,525	(8,250)	2,057
Deferred outflow of resources representing contributions subsequent to the measurement date	4,205	24,829	735	29,769
Deferred outflows of resources representing the change in assumptions	9,983	—	—	9,983
Deferred outflows of resources representing the difference between expected and actual experience	1,278	—	—	1,278
Deferred inflows of resources representing the difference between expected and actual experience	(814)	—	(9,277)	(10,091)
Deferred inflows of resources representing the net difference between projected and actual earnings on pension plan investments	(3,577)	(10,519)	(3,977)	(18,073)
Amortization of applicable deferred amounts in current period	6,870	(10,519)	(13,254)	(16,903)
Amortization of applicable deferred amounts in future periods:				
2019	(207)	(6,000)	(6,460)	(12,667)
2020	1,841	4,431	(1,895)	4,377
2021	969	104	(1,870)	(797)
2022	(1,052)	(9,054)	(3,029)	(13,135)
2023-2026	5,319	—	—	5,319
Sensitivity Analysis:				
Net pension asset/(liability) 6.5%	(38,354)	(197,677)	63,701	(172,330)
Net pension asset/(liability) 7.5%	(6,560)	(100,307)	76,230	(30,637)
Net pension asset/(liability) 8.5%	18,846	(21,045)	86,873	84,674

**Changes in the Net Pension Liability (Asset)  
(Expressed in Thousands):**

<b>SPDDRS</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balance at 6/30/2016	\$ 729,007	\$ 578,798	\$ 150,209
Changes for the year:			
Service cost	1,071	—	1,071
Interest	53,131	—	53,131
Difference between expected and actual experience	47	—	47
Change in assumptions	1,961	—	1,961
Contributions – employer	—	17,155	(17,155)
Contributions – employee	—	362	(362)
Net investment income	—	87,793	(87,793)
Benefit payments	(43,325)	(43,325)	—
Administrative expense	—	(45)	45
Other changes	—	847	(847)
Net changes	<u>12,885</u>	<u>62,787</u>	<u>(49,902)</u>
Balances at 6/30/2017	<u>\$ 741,892</u>	<u>\$ 641,585</u>	<u>\$ 100,307</u>

<b>SPRS</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) – (b)</b>
Balance at 6/30/2016	\$ 146,038	\$ 138,569	\$ 7,469
Changes for the year:			
Service cost	6,827	—	6,827
Interest	11,410	—	11,410
Difference between expected and actual experience	(765)	—	(765)
Change in assumptions	11,192	—	11,192
Contributions – employer	—	3,657	(3,657)
Contributions – employee	—	3,634	(3,634)
Net investment income	—	22,346	(22,346)
Benefit payments	(1,454)	(1,454)	—
Administrative expense	—	(64)	64
Other	—	—	—
Net changes	<u>27,210</u>	<u>28,119</u>	<u>(909)</u>
Balances at 6/30/2017	<u>\$ 173,248</u>	<u>\$ 166,688</u>	<u>\$ 6,560</u>



<u>JRS</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a) – (b)</u>
Balance at 6/30/2016	\$ 113,449	\$ 167,194	\$ (53,745)
Changes for the year:			
Service cost	2,466	—	2,466
Interest	8,521	—	8,521
Difference between expected and actual experience	(6,101)	—	(6,101)
Contributions – employer	—	739	(739)
Contributions – employee	—	372	(372)
Net investment income	—	26,270	(26,270)
Benefit payments	(4,609)	(4,609)	—
Administrative expense	—	(6)	6
Other changes	—	(4)	4
Net changes	<u>277</u>	<u>22,762</u>	<u>(22,485)</u>
Balances at 6/30/2017	<u>\$ 113,726</u>	<u>\$ 189,956</u>	<u>\$ (76,230)</u>

## Actuarial Methods and Assumptions

The total pension liabilities for financial reporting purposes were determined by an actuarial valuation as of July 1, 2016 rolled forward to June 30, 2017, using the actuarial assumptions and methods.

Significant assumptions used in the actuarial valuations are as follows:

	<u>PERS</u>	<u>TRS</u>	<u>SPDDRS</u>
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Asset valuation method	4-year, 25% level smoothing of gain or (loss). Gain or (loss) is determined as the actual return on market value during the period less the expected return on the actuarial value of assets	Market value	Market value
Amortization method	Level dollar, fixed period	Level dollar, fixed period	Level dollar, fixed period
Amortization period	Through FY 2035	Through FY 2034	Through FY 2025
Actuarial assumptions:			
Investment rate of return	7.5%	7.5%	7.5%
Projected salary increases:			
PERS:			
State	3.00% – 4.6%	—	—
Nonstate	3.35% – 6.0%	—	—
TRS:			
Teachers	—	3.00% – 6.00%	—
Non Teachers	—	3.00% – 6.50%	—
SPDDRS:	—	—	4.0%
Inflation rate	3.0%	3.0%	3.0%
Discount rate	7.5%	7.5%	7.5%
Mortality rates	Working participants – RP-2000 Non-Annuitant tables, projected with Scale AA on a fully generational basis; retired healthy males – 110% RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; retired healthy females – 101% RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; retired disabled males – 96% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis; retired disabled females – 107% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis.	Active–RP-2000, non-annuitant mortality table, projected with AA on a fully generational basis; retired healthy males – 97% of RP-2000 healthy annuitant table, projected with Scale AA on a fully generational basis; retired healthy females – 94% of RP-2000 healthy annuitant table, projected with Scale AA on a fully generational basis; retired disabled males – 96% of RP-2000 disabled annuitant table, projected with Scale AA on a fully generational basis; retired disabled females – 101% of RP-2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	Active – RP-2014 total employee mortality table, rolled back to 2006 and projected with Scale MP-2016 on a fully generational basis; retired healthy males – 103% of RP-2014 healthy annuitant mortality table, rolled back to 2006 and projected with MP-2016 on a fully generational basis; active females – RP-2014 healthy annuitant mortality table, rolled back to 2006 and projected with Scale MP-2016 on a fully generational basis; disabled – RP-2014 disabled retiree mortality table, rolled back to 2006 and projected with Scale MP-2016 on a fully generational basis.
Withdrawal rates:			
State	1.75% - 35%	Teachers: 0.8% - 35%	0.0% - 2.67%
Nonstate	2.0% - 35.9%	Non-teachers: 1.3% - 24.75%	
Disability rates	0.0% - 0.7%	0.0% - 0.7%	.04% - 0.6%
Retirement rates	12% - 100%	0.0% - 100%	25% - 100%
Date range in most recent experience study	2009 - 2014	2010 - 2015	2011 - 2016

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	<u>SPRS</u>	<u>JRS</u>
Actuarial cost method	Entry age normal	Entry age normal
Actuarial valuation method	Market value	Market value
Amortization method	Level dollar, fixed period	Level dollar, fixed period
Amortization period	Through FY 2026	Through FY 2018
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	4.0%	4.25%
Inflation rate	3.0%	3.0%
Discount rate	7.5%	7.5%
Mortality rates	Active – RP-2014 total employee mortality table, rolled back to 2006 and projected with Scale MP-2016 on a fully generational basis; retired healthy males – 103% of RP-2014 healthy annuitant mortality table, rolled back to 2006 and projected with MP-2016 on a fully generational basis; active females – RP-2014 healthy annuitant mortality table, rolled back to 2006 and projected with Scale MP-2016 on a fully generational basis; disabled – RP-2014 disabled retiree mortality table, rolled back to 2006 and projected with Scale MP-2016 on a fully generational basis.	Active – N/A; post-retirement RP-2000 healthy annuitant, projected to 2025 with Scale BB; disabled – RP-2000 healthy annuitant tables, projected to 2025 with Scale BB, set forward one year.
Withdrawal rates	0.0% - 5.7%	—
Disability rates	.04% - 0.6%	—
Retirement rates	20% - 100%	5.0% - 100%
Date of most recent experience study	2006-2011	2013

### Long-Term Expected Rates of Return

The long-term rates of return on pension plan investments were determined using the building block method in which estimates of expected real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Rates summarized in the following table include the inflation component and were used for all defined benefit plans as of June 30, 2017:

<u>Asset Class</u>	<u>Long-Term</u>	
	<u>Expected</u>	<u>Target</u>
	<u>Rate of Return</u>	<u>Allocation</u>
Domestic Equity	4.5%	27.5%
International Equity	8.6%	27.5%
Fixed Income	3.3%	15.0%
Real Estate	6.0%	10.0%
Private Equity	6.4%	10.0%
Hedge Funds	4.0%	<u>10.0%</u>
Total		<u>100.0%</u>

## **Discount Rate**

The discount rate used to measure the total pension liability was 7.5% for all defined benefit plans. The projections of cash flows used to determine the discount rates assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the fiduciary net position of each defined benefit pension plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liabilities of each plan.

Detailed pension plan fiduciary net position for all pension plans are available in a separately issued Consolidated Public Retirement Board annual financial report and each plan has its own Audited Schedules of Employer Allocations and Pension Amounts by Employer report.

## **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 4,302 and 4,363 members in the TDCRS plan at June 30, 2018 and 2017, respectively. TDCRS retirement benefits depend solely on amounts contributed to the plan plus investment earnings. TDCRS closed participation to new members effective June 30, 2005.

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

The TDCRS investments are held and managed by an investment company as the third-party administrator for the plan. As prescribed by West Virginia Code, the TDCRS investments are placed in participant accounts and the participants direct the investment of their account by selecting from a list of plan mutual funds or a long-term fixed investment option. The TDCRS provides members with a choice of sixteen separate investment options made up of a fixed income, 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.

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The TDCRS investments are carried at fair value (except for fully benefit-responsive investment contracts, which are reported at contract value) as determined by a third-party pricing service utilized by an investment management company. For fully benefit-responsive investment contracts, contract value is the relevant measure for the portion of investments attributable to fully benefit-responsive investment contracts because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the plan. 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 \$278,000 at June 30, 2018. These deposits, which had a bank balance of approximately \$278,000, 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, 2018, the TDCRS had the following investments and maturities (expressed in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Mutual Funds	\$515,304	\$515,304	\$ —	\$ —

For the year ended June 30, 2018, the approximate payroll of state employees covered by TDCRS was \$109 million, and total covered payroll for both the TDCRS and TRS was approximately \$1.5 billion. Both the employees and employers made the required contributions amounting to \$6.0 million and \$11.7 million, respectively, or approximately 5.6% and 10.7% of covered payroll.

### Teachers' Insurance and Annuity Association

The Teachers' Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA-CREF), a privately administered multiple employer defined contribution retirement plan, provides individual retirement fund contracts for each eligible participating employee. Eligible employees consist mainly of state college/university faculty and staff. For the year ended June 30, 2017, contributions were approximately \$45 million from the covered employees and approximately \$45 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 3% or 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, 2018, contributions were approximately \$681 thousand from the covered employees and \$681 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 total pension liability.

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 Public Employee's Insurance Agency (PEIA) Finance Board. Approximately 42,501 retirees, 12,242 inactive plan members, and 45,928 active plan members met those eligibility requirements at June 30, 2018.

During February 2012, Senate Bill No. No. 469 was passed granting Other Postemployment Benefits Liability relief to the State's 55 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 No. 469 for fiscal year 2012, the Retiree Health Benefit Trust Fund (RHBT) transferred \$715 million in annual required contribution liability from the county boards of education to the State.



### **Plan Description**

The State established the 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 657 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, and prescription drug coverage for retired employees of the State and various nonstate 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 legal 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 Board of Treasury Investments (BTI) pooled funds recorded at fair value as more fully described in Note 4. For year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 9.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

### **Funding Policy**

West Virginia Code section 5-16D-6 also assigns to the PEIA Finance Board the authority to establish and amend contribution requirements of the plan members and the participating employers. Participating employers are required by statute to contribute at a rate assessed each year by the RHBT. The annual contractually required rate is the same for all participating employers.

Effective July 1, 2017, the Finance Board approved that opt-out employers (OPEB ineligible) were no longer required to pay a retiree subsidy contribution to RHBT, but instead would be responsible for the equivalent full active health PEIA premium. Accordingly, all payments received by opt-out employers subsequent to July 1, 2017, are recorded as PEIA premiums.

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 RHBT, in accordance with Senate Bill No. 129, which became effective July 1, 2007. In FY 2018, the PEIA reserve did not exceed funding parameters, resulting in zero funds transferred to the RHBT.

The following schedule summarizes the plan’s required contribution rates at June 30, 2018:

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

<u>System</u>	<u>Member</u>	<u>Employer</u>
PERS	4.5% - 6.0%	11.0% 10.0% effective July 1, 2018
TRS	6.0%	15.0% State 15.0% Counties

The State’s required and actual contributions for the year ended June 30, 2018 were (expressed in thousands):

<u>System</u>	<u>Actual Contribution</u>
OPEB	\$156,046

**Special Funding**

Senate Bill No. 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 (WCF) to the RHBT. Transfers will not commence until the WCF 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. The aforementioned \$30 million transfers commenced in 2018. In addition, Senate Bill No. 1013 transferred \$5 million permitting the RHBT to offset retiree premiums for the current fiscal year.

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.

**OPEB Assets, OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

The State reported a net OPEB liability, including the county school boards, at June 30, 2018, of \$1,940,146,000, including a special funding situation (78.90%) for its proportionate share which was measured as of June 30, 2017. The total OPEB liability used to calculate the net OPEB liability was determined using update procedures applied to the actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017. The OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense are allocated to the internal service funds of the State. The State's proportionate share of the net OPEB liability was based on the State's share of contributions to the OPEB plan relative to the contributions of all employers participating for the year ended June 30, 2017.

The State's proportionate share of the net OPEB liability at July 1, 2017, determined by the actuarial valuation measured as of June 30, 2016, was \$1,849,369,000 including a special funding situation (74.47%). The State's proportionate share for FY 2018 has increased by 4.43%, which results in a change in net OPEB liability of \$90,777,000.



## West Virginia

The State's amounts for net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense were allocated to the governmental, business-type, fiduciary, and component units' activities based on each reporting unit's share of the State's employer contributions to the OPEB plan. The OPEB related amounts for primary government, fiduciary and component units are as follows (expressed in thousands):

	<u>Governmental Activities</u>	<u>Water Pollution</u>	<u>Infrastructure</u>
Proportionate share of Statewide amount	83.03%	0.03%	0.00%
Net OPEB liability	\$ (1,610,982)	\$ (605)	\$ (50)
OPEB expense	185,598	70	6
Deferred outflows of resources representing contributions subsequent to the measurement date	128,142	51	3
Deferred outflows of resources representing the changes in employer proportion	337,372	—	—
Net deferred inflows of resources representing the difference between projected/actual earnings on investments	(25,639)	(10)	(1)
Deferred inflows of resources representing the changes in employer proportion	(199,425)	(90)	(18)
Deferred inflows of resources representing change in assumptions	—	—	—
Deferred inflows of resources representing the difference between expected and actual experience	(6,217)	(2)	—
Amortization of applicable deferred amounts in current period	106,091	(102)	(19)
Amortization of applicable deferred amounts in future periods:			
2019	41,792	(27)	(5)
2020	41,792	(27)	(5)
2021	41,792	(27)	(5)
2022	(19,285)	(21)	(4)
Sensitivity Analysis:			
Net OPEB liability at 6.15% discount rate	(1,875,804)	(704)	(58)
Net OPEB liability at 7.15% discount rate	(1,610,982)	(605)	(50)
Net OPEB liability at 8.15% discount rate	(1,390,842)	(522)	(43)
Net OPEB liability at 1% decrease of healthcare cost trend rate	(1,353,249)	(508)	(41)
Net OPEB liability at healthcare cost trend rate	(1,610,982)	(605)	(50)
Net OPEB liability at 1% increase of healthcare cost trend rate	(1,926,207)	(723)	(58)

<u>PEIA</u>	<u>BRIM</u>	<u>Nonmajor Business-type</u>	<u>Total Business-type</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Total</u>
0.04%	0.03%	0.11%	0.21%	0.02%	16.74%	100%
\$(755)	\$(512)	\$(2,134)	\$(4,056)	\$ (406)	\$ (324,702)	\$ (1,940,146)
39	30	248	393	19	35,570	221,580
65	44	185	348	34	27,522	156,046
—	—	—	—	—	135	337,507
(12)	(8)	(34)	(65)	(7)	(4,865)	(30,576)
(129)	(64)	(341)	(642)	(69)	(50,196)	(250,332)
—	—	—	—	—	(550)	(550)
(3)	(1)	(7)	(13)	(1)	(1,251)	(7,482)
(144)	(73)	(382)	(720)	(77)	(56,727)	48,567
(39)	(19)	(104)	(194)	(30)	(22,316)	19,252
(39)	(19)	(104)	(194)	(30)	(22,316)	19,252
(39)	(19)	(104)	(194)	(30)	(22,316)	19,252
(27)	(16)	(70)	(138)	13	10,221	(9,189)
(879)	(596)	(2,485)	(4,722)	(473)	(378,078)	(2,259,077)
(755)	(512)	(2,134)	(4,056)	(406)	(324,702)	(1,940,146)
(652)	(442)	(1,842)	(3,501)	(351)	(280,331)	(1,675,025)
(634)	(430)	(1,793)	(3,406)	(341)	(272,754)	(1,629,750)
(755)	(512)	(2,134)	(4,056)	(406)	(324,702)	(1,940,146)
(903)	(612)	(2,552)	(4,848)	(485)	(388,237)	(2,319,777)

Deferred outflows of resources and deferred inflows of resources related to the OPEB as of June 30, 2018, were from the following sources (expressed in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ —	\$ (30,576)
Changes in proportion and difference between employer contributions and proportionate share of contributions	337,507	(250,332)
Difference between expected and actual experience	—	(7,482)
Change in assumptions	—	(550)
Contributions made subsequent to the measurement date	<u>156,046</u>	<u>—</u>
Total	<u>\$ 493,553</u>	<u>\$ (288,940)</u>

Deferred outflows of resources of \$156,046,000 related to OPEB are the result of contributions made subsequent to the measurement date of June 30, 2017, and will be recognized as a reduction of the net OPEB liability in the measurement year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

<u>Year Ending June 30:</u>	<u>Amount</u>
2019	\$ 19,252
2020	19,252
2021	19,252
2022	(9,189)

### **Actuarial Methods and Assumptions**

The total OPEB liability for financial reporting purposes were determined by an actuarial valuation as of July 1, 2016, rolled forward to June 30, 2017, using update procedures applied to the actuarial assumptions and methods. The projections of the net OPEB liability are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Consideration is to be given to the written plan document as well as other communications between the employer and plan members and an established pattern of practice for cost sharing.

Significant assumptions used in the actuarial valuations are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	21 year closed period as of June 30, 2016
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Inflation rate	2.75%
Salary increases	Dependent upon pension system. Ranging from 3.00% to 6.5%, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2016, actuarial valuation.
Mortality rates	Post-retirement: RP-2000 healthy annuity mortality table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 healthy annuitant mortality table projected to 2025 with Scale BB for Troopers A and B. Pre-retirement: RP-2000 non-annuitant mortality table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 non-annuitant mortality table projected to 2020 with Scale BB for Troopers A and B.
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre- and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.
Aging factors	Based on the 2013 SOA Study “Health Care Costs – From Birth to Death”
Expenses	Health administrative expenses are included in the development of the per capita claims costs. Operating expenses are included as a component of the annual expense.
Date range in most recent experience study	Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2011 – June 30, 2015.



**Long-Term Expected Rates of Return**

The long-term rates of return on OPEB plan investments were determined using the building block method in which estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) was developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of long-term geometric rates are summarized in the following tables include the inflation component as of June 30, 2017:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
Domestic Equity	15.0%
International Non-Qualified	6.7%
International Equity	6.6%
Short-Term Fixed	1.3%
Total Return Fixed Income	0.9%
Core Fixed Income	(0.2)%
Hedge Fund	6.4%
Private Markets	13.9%
Cash	0.0%

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	27.5%
International Equity	27.5%
Fixed Income	15.0%
Real Estate	10.0%
Private Equity	10.0%
Hedge Funds	10.0%

### **Discount Rate**

The discount rate used to measure the total OPEB liability was 7.15%. The projections of cash flows used to determine the discount rates assumed that the RHBT contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. Future pre-funding assumptions include a \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2037, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates. The discount rate used to measure the total OPEB liability at June 30, 2016, is a 0.45% increase from the June 30, 2015 valuation.

### **Plan Fiduciary Net Position**

Plan Fiduciary net position is measured at fair value.

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 and at: [https://peia.wv.gov/financial\\_reports](https://peia.wv.gov/financial_reports).



**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).

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 \$14.9 million in unpaid claims and claim adjustment expenses at June 30, 2018.

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 \$2.9 million was paid on fifteen claims filed in fiscal year 2018. There are fifteen claims pending totaling \$8 million as of June 30, 2018. Since the inception of the PICF, there have been approximately \$11.4 million in payments through June 30, 2018. The assets and liabilities as of June 30, 2018, are approximately \$2 million and \$8 million, respectively. 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 reinsurance recovery at June 30, 2018, of \$160,000. 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. nonstate 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 165,000 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 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. 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.

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's treasury. An employer who has been granted self-insured status for workers' compensation insurance coverage must post security with the Insurance Commissioner for an actuarially determined amount. Payments for injuries of defaulted self-insured employers incurred after July 1, 2004, will be made from the Self-Insured Guaranty Pool. 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, the self-insured pools remain contingently liable for all policy benefits. The amount has not been included in the estimated liabilities for unpaid claims and claim adjustment expenses because the likelihood of future self-insured defaults cannot be estimated. 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Unpaid claims and claims adjustments expense at beginning of year	\$ 164,919	\$ 168,435	\$ 64,649	\$ 73,523	\$ 1,518,000	\$ 1,573,300
Incurred claims and claims adjustments expense:						
Provision for insured events of the current fiscal year	72,033	70,705	513,426	542,457	211	463
Increase (decrease) in provision for insured events of prior fiscal years	(14,640)	(11,556)	5,070	(880)	45,904	58,509
Amortization of discount	—	—	—	—	61,427	65,197
Total incurred claims and claims adjustment expense	<u>57,393</u>	<u>59,149</u>	<u>518,496</u>	<u>541,577</u>	<u>107,542</u>	<u>124,169</u>
Payments:						
Claims and claims adjustment expense attributable to insured events of the current fiscal year	11,846	11,922	460,173	480,228	61	30
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	<u>43,465</u>	<u>50,743</u>	<u>55,367</u>	<u>70,223</u>	<u>168,281</u>	<u>179,439</u>
Total payments	<u>55,311</u>	<u>62,665</u>	<u>515,540</u>	<u>550,451</u>	<u>168,342</u>	<u>179,469</u>
Total unpaid claims and claims adjustment expense liability, end of year	<u>\$ 167,001</u>	<u>\$ 164,919</u>	<u>\$ 67,605</u>	<u>\$ 64,649</u>	<u>\$ 1,457,200</u>	<u>\$ 1,518,000</u>

The above PEIA payments are net of pharmacy rebates of \$50,827 and \$37,275 for the years ended June 30, 2018 and June 30, 2017, 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 2018 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 \$13.8 million for fiscal year 2018. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense. At June 30, 2018, the total undiscounted claims liability for WCF approximated \$2.12 billion. 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 4.5% and 3%. If discounting of the WCF claims liability was limited to anticipated investment income, the claims liability would have increased by approximately \$365 million to record approximately \$1.83 billion, and the WCF would report a deficit of \$288 million at June 30, 2018.

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**

On April 8, 2017, Senate Bill 362 was passed which authorized redirection by Executive Order of 75% of the amounts collected from employer surcharges and assessments on worker's compensation insurance policies for periods prior to June 30, 2018, and authorized redirection of 75% of the amounts collected from certain deposits of revenues derived from net terminal income for periods prior to June 30, 2018. The Governor may, by Executive Order, redirect 75% of the deposits of the amount collected from premium surcharges, self-insured assessments and net terminal income deposits of the amount collected from premium surcharges, self-insured assessments and new terminal income deposits for any period commencing after June 30, 2017, and ending before July 1, 2018, (fiscal year 2018) to the General Revenue Fund. Subsequent to fiscal year 2018, the employer surcharges the lottery revenues, estimated to yield approximately \$44 million annually, will remain statutorily dedicated to the Old Fund until the deficit is eliminated. On August 7, 2017, the Governor issued Executive Order 6-17, thereby redirecting 75% of Old Fund fiscal year 2018 deficit reduction revenues to the State's General Fund.

On March 9, 2018, House Bill 4628 was passed which authorized redirection of 75% of the amounts collected for employer surcharges and assessments on worker's compensation insurance policies for any period commencing after June 30, 2018, and ending before January 1, 2019, to be deposited in the General Revenue Fund. After December 30, 2018, no employer surcharges or assessments on worker's compensation insurance policies may be assessed. Beginning on and after January 1, 2019, employer surcharges and assessments on worker's compensation insurance policies are terminated, provided that liability surcharges already assessed for periods prior to January 1, 2019, will continue to be paid.



**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  
1124 Smith Street  
Suite 4300  
Charleston, WV 25301

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

Workers' Compensation Fund  
c/o Offices of the Insurance Commissioner  
900 Pennsylvania Avenue  
Charleston, WV 25302

## 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 at current dollars of remediation efforts to approximate \$356 million at June 30, 2018. The estimated remediation costs is not expected to be liquidated by expendable available financial resources, so the 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, 2018 (expressed in thousands):

	<b>Balance</b>			<b>Balance</b>	<b>Amount</b>
	<b>June 30, 2017</b>	<b>Additions</b>	<b>Reductions</b>	<b>June 30, 2018</b>	<b>Due</b>
					<b>Within</b>
					<b>One Year</b>
Mine Reclamation Program	\$ 258,940	\$ —	\$ 11,195	\$ 247,745	\$ 23,043
Oil and Gas Well Program	367	8	—	375	—
Landfill Closure Assistance Program	110,708	—	5,373	105,335	2,848
Underground Storage Tanks	<u>2,919</u>	<u>—</u>	<u>786</u>	<u>2,133</u>	<u>40</u>
Total Environmental Liability	<u>\$ 372,934</u>	<u>\$ 8</u>	<u>\$ 17,354</u>	<u>\$ 355,588</u>	<u>\$ 25,931</u>

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, assumption changes, or change in applicable laws or regulations.

### 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 non-composite-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 non-composite lined landfills, as funds are available. The LCAP began with 28 landfills. Four landfills have been added to the original inventory by the Legislative process and one in 2015. There are five landfills left to be closed. As of June 30, 2018, the liability is estimated at \$105 million and is projected to be paid through fiscal year 2053. 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 DEP 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, 2018, was \$3 million and there were claims paid from the fund in fiscal year 2018 of approximately \$331 thousand. As of June 30, 2018, \$2 million has been recorded as a liability in the accompanying financial statements.

## Other Contingencies

In addition to the environmental protection claims, the State has recorded an obligation in the amount of \$77 million, of which \$13.3 million is a current obligation, for the payment of other contingencies. Such other contingencies include, but are not limited to, unclaimed property and Division of Highway claims. 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.

### **Construction and Other Commitments**

(Expressed in Thousands)

	<u>Amount Committed</u>	<u>Commitment</u>
Governmental Funds:		
Transportation	\$ 1,036,181	Construction
Enterprise Funds:		
Drinking Water Treatment Revolving Fund	633,704	Committed for loans
Water Pollution Control Revolving Fund	50,412	Committed for loans
West Virginia Infrastructure and Jobs Development Council	23,400	Funding of water and economic Development projects
Discretely Presented Component Units:		
West Virginia Lottery	9,415	Capital assets and construction
Economic Development Authority	61,317	Committed for loans
Housing Development Fund	41,934	Committed for loans
Parkways Authority	65,681	Turnpike improvements
Higher Education	9,707	Construction
School Building Authority	141,012	Acquisition, construction and maintenance grants to county school boards

The Department of Transportation's Inspection Program (DOT) has reviewed information on obsolete and deficient bridges. Transportation is concerned about safety and tries to prioritize bridges for repair and replacement based on engineering assessments. Transportation'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 (WVU) has signed an agreement providing for the purchase of steam for a remaining period of 12 years. Under the agreement, WVU has an annual minimum steam purchase requirement, purchased at an operating rate calculated in accordance with the agreement. An additional \$830 thousand was accrued at June 30, 2018 to record the WVU's liability to meet the minimum steam purchase requirement for the contract year ended September 30, 2018. 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 \$4.7 million at June 30, 2018, to fund the program obligations. Subsequent to year-end, the program received \$7.3 million from the Lottery and \$18.5 million in general revenue.

**NOTE 16**

**SUBSEQUENT EVENTS**

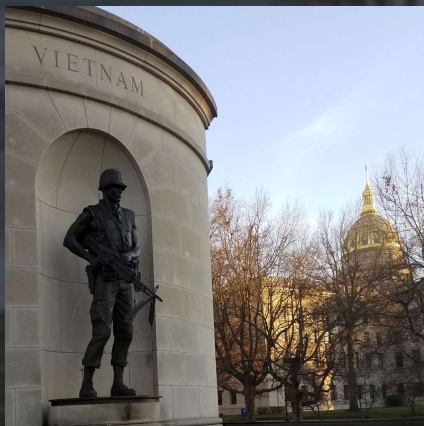
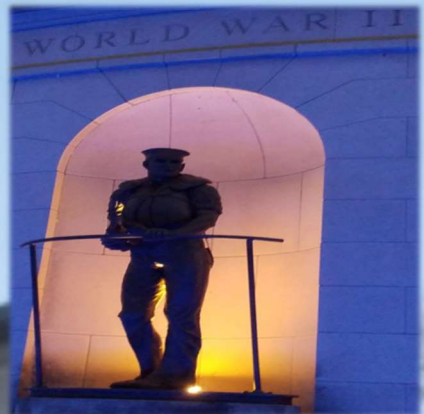
On July 19, 2018, the Housing Development Fund issued the Housing Finance 2018 Series A bonds in the amount of \$25,000,000. The proceeds were used to originate single family mortgage loans.

On August 1, 2018, 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 \$3,895,000.

In September 2018, the West Liberty University issued \$5,125,000 in Capital Improvement Revenue Bonds, Series 2018. The proceeds were used to finance capital projects throughout the University.

On August 1, 2018, the Division of Highways issued the Garvee Bonds Series 2018 A bonds in the amount of \$78,810,000. The proceeds were used to fund bridge replacement and interstate rehabilitation projects.

On July 31, 2018, the Parkways Authority issued Senior Lien Turnpike Toll Revenue Bonds Series 2018 in the amount of \$166,370,000. The proceeds were used to finance the costs of construction by the Division of Highways of transportation projects located not on the Turnpike but in counties adjacent to the Turnpike.



# REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Budgetary  
Comparison  
Schedule

Notes to RSI

Budget-to-GAAP  
Reconciliation

Pension Information

*The West Virginia Veterans Memorial was designed by P. Joseph Mullins, who also sculpted the four figures representing the four major twentieth century conflicts and the four major branches of military service.*



**Required Supplementary Information  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2018  
(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	\$ 1,860,000	\$ 1,860,000	\$ 1,919,570	\$ 59,570
Consumer Sales	1,259,000	1,259,000	1,247,031	(11,969)
Severance	361,000	361,000	345,914	(15,086)
Corporate Income/Business Franchise	109,000	109,000	110,068	1,068
Business and Occupation	114,500	114,500	115,003	503
Gasoline and Motor Carrier	—	—	—	—
Wholesale Motor Fuel	—	—	—	—
Automobile Privilege	—	—	—	—
Other	342,300	342,300	331,431	(10,869)
Excess Lottery Transfer	65,000	65,000	65,457	457
Intergovernmental	—	—	—	—
Licenses, Permits, and Fees	8,250	8,250	8,161	(89)
Departmental Collections	23,000	23,000	22,554	(446)
Interest Income	16,000	16,000	7,846	(8,154)
Other	67,000	67,000	72,223	5,223
Industrial Access Road Transfer	—	—	—	—
<b>Total Revenues</b>	<b><u>4,225,050</u></b>	<b><u>4,225,050</u></b>	<b><u>4,245,258</u></b>	<b><u>20,208</u></b>
Expenditures:				
Legislature	23,927	23,927	20,259	3,668
Judicial	141,760	141,760	119,371	22,389
Executive	33,609	33,609	27,361	6,248
Department of Administration	60,654	85,087	69,808	15,279
Bureau of Commerce	48,282	48,320	44,861	3,459
Department of Environmental Protection	6,344	6,344	5,847	497
Education	2,347,149	2,347,111	2,336,341	10,770
Health and Human Resources	1,138,499	1,135,008	1,066,639	68,369
Military Affairs and Public Safety	361,588	385,638	341,336	44,302
Revenue	26,374	26,374	21,693	4,681
Transportation	5,119	5,119	2,869	2,250
Veteran's Assistance	10,161	10,161	9,777	384
Bureau of Senior Services	21,584	17,284	17,284	—
Miscellaneous Boards and Commissions	—	—	—	—
<b>Total Expenditures</b>	<b><u>4,225,050</u></b>	<b><u>4,265,742</u></b>	<b><u>4,083,446</u></b>	<b><u>182,296</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	—	(40,692)	161,812	202,504
Expenditures from Prior Year Appropriations	<u>286,193</u>	<u>286,193</u>	<u>147,238</u>	<u>138,955</u>
<b>Total Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year</b>	<b>(286,193)</b>	<b>(326,885)</b>	<b>14,574</b>	<b>341,459</b>
Budgetary Fund Balance, Beginning of Year, as Adjusted	328,401	328,401	328,401	—
Adjustments for Accruals, etc.	<u>—</u>	<u>—</u>	<u>(8,214)</u>	<u>(8,214)</u>
<b>Budgetary Fund Balance, End of Year</b>	<b><u>\$ 42,208</u></b>	<b><u>\$ 1,516</u></b>	<b><u>\$ 334,761</u></b>	<b><u>\$ 333,245</u></b>

Federal Revenue				State Road			
Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	410,900	435,300	419,644	(15,656)
—	—	—	—	—	—	—	—
—	—	—	—	190,288	231,534	227,418	(4,116)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
5,431,404	5,499,826	4,292,280	(1,207,546)	477,240	520,700	391,058	(129,642)
—	—	—	—	123,652	123,652	148,546	24,894
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	28,222	28,214	53,951	25,737
—	—	—	—	3,000	3,000	3,000	—
<u>5,431,404</u>	<u>5,499,826</u>	<u>4,292,280</u>	<u>(1,207,546)</u>	<u>1,233,302</u>	<u>1,342,400</u>	<u>1,243,617</u>	<u>(98,783)</u>
2,360	2,360	1,159	1,201	—	—	—	—
4,000	4,000	2,752	1,248	—	—	—	—
23,600	27,100	9,925	17,175	—	—	—	—
—	—	—	—	—	—	—	—
153,740	354,547	73,059	281,488	—	—	—	—
226,298	226,298	97,499	128,799	—	—	—	—
599,125	606,425	393,125	213,300	—	—	—	—
3,963,887	4,096,557	3,592,170	504,387	—	—	—	—
174,631	174,631	53,479	121,152	—	—	—	—
3,000	3,000	1	2,999	—	—	—	—
29,967	30,100	21,430	8,670	1,318,231	1,336,231	1,158,523	177,708
10,193	12,093	10,544	1,549	—	—	—	—
14,536	14,536	11,157	3,379	—	—	—	—
3,975	3,975	1,454	2,521	—	—	—	—
<u>5,209,312</u>	<u>5,555,622</u>	<u>4,267,754</u>	<u>1,287,868</u>	<u>1,318,231</u>	<u>1,336,231</u>	<u>1,158,523</u>	<u>177,708</u>
222,092	(55,796)	24,526	80,322	(84,929)	6,169	85,094	78,925
—	—	—	—	—	—	—	—
222,092	(55,796)	24,526	80,322	(84,929)	6,169	85,094	78,925
37,540	37,540	37,540	—	64,662	64,662	64,662	—
—	—	6,531	6,531	—	—	—	—
<u>\$ 259,632</u>	<u>\$ (18,256)</u>	<u>\$ 68,597</u>	<u>\$ 86,853</u>	<u>\$ (20,267)</u>	<u>\$ 70,831</u>	<u>\$ 149,756</u>	<u>\$ 78,925</u>

(Continued)

**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2018**  
**(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	—	—	—	—
Wholesale Motor Fuel	—	—	—	—
Automobile Privilege	—	—	—	—
Other	—	—	—	—
Excess Lottery Transfer	—	—	—	—
Intergovernmental	—	—	—	—
Licenses, Permits, and Fees	—	—	—	—
Departmental Collections	1,646,032	1,472,177	1,625,932	153,755
Interest Income	—	—	—	—
Other	—	—	—	—
Industrial Access Road Transfer	—	—	—	—
<b>Total Revenues</b>	<b><u>1,646,032</u></b>	<b><u>1,472,177</u></b>	<b><u>1,625,932</u></b>	<b><u>153,755</u></b>
Expenditures:				
Legislature	3,455	2,997	399	2,598
Judicial	2,400	2,400	865	1,535
Executive	51,050	57,800	30,510	27,290
Department of Administration	181,334	185,684	154,209	31,475
Bureau of Commerce	52,128	57,766	35,330	22,436
Department of Environmental Protection	69,457	69,457	30,736	38,721
Education	219,022	219,512	187,673	31,839
Health and Human Resources	476,793	569,820	409,915	159,905
Military Affairs and Public Safety	42,719	42,719	24,429	18,290
Revenue	621,881	622,172	468,200	153,972
Transportation	9,751	11,251	6,217	5,034
Veteran's Assistance	3,130	3,130	1,369	1,761
Bureau of Senior Services	58,029	77,829	75,574	2,255
Miscellaneous Boards and Commissions	129,149	129,452	103,077	26,375
<b>Total Expenditures</b>	<b><u>1,920,298</u></b>	<b><u>2,051,989</u></b>	<b><u>1,528,503</u></b>	<b><u>523,486</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	(274,266)	(579,812)	97,429	677,241
Expenditures from Prior Year Appropriations	<u>22,973</u>	<u>22,973</u>	<u>20,577</u>	<u>2,396</u>
<b>Total Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year</b>	<b>(297,239)</b>	<b>(602,785)</b>	<b>76,852</b>	<b>679,637</b>
Budgetary Fund Balance, Beginning of Year, as Adjusted	2,504,427	2,504,427	2,504,427	—
Adjustments for Accruals, etc.	<u>—</u>	<u>—</u>	<u>(11,111)</u>	<u>(11,111)</u>
<b>Budgetary Fund Balance, End of Year</b>	<b><u>\$ 2,207,188</u></b>	<b><u>\$ 1,901,642</u></b>	<b><u>\$ 2,570,168</u></b>	<b><u>\$ 668,526</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 2017, Appropriated Special Revenue and Federal Funds were increased by total supplemental appropriations of \$252 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 appropriations of \$285 million are reported as "Expenditures From Prior Year Appropriations."

In addition to the above, in the event of a General Revenue budget surplus from the previous fiscal year, additional appropriation requests may be made to the Legislature. Appropriations from 2017 General Revenue were increased by approximately \$41 million for surplus appropriations. The \$41 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.

**2018 Budgetary Reporting**

In FY 2018, \$18.1 million was transferred to the Rainy Day Fund.

The State's budgetary General Revenue Fund balance at July 1, 2017, has been adjusted as follows (expressed in thousands):

**General Revenue Fund:**

Beginning Fund Balance	\$ 362,266
Prior Year Refunds	2,592
Transfer from Expired Funds	1,620
Adjustment	<u>(38,077)</u>
Adjusted Beginning Fund Balance	<u>\$ 328,401</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, 2018, 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, 2018**  
**(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	\$ 4,245,258	\$ 4,292,280	\$ 1,243,617	\$ 1,625,932
<b>Differences – Budget to GAAP:</b>				
Intrafund transactions not included in GAAP revenues:	(5,101,281)	—	—	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	96,188	—	3,555	—
Basis of Accounting Difference	(269,816)	—	(941,083)	—
<b>Reclassifications:</b>				
Nonappropriated Budgetary Fund's Revenue included as revenue/transfers in the GAAP General, Transportation, and Other Funds	5,746,099	—	929,402	—
Budgetary special revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority and Other Funds	960,997	—	8,449	(1,625,932)
Budgetary federal funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority and Other Funds	<u>4,141,818</u>	<u>(4,292,280)</u>	<u>21,677</u>	<u>—</u>
<b>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds</b>	<b><u>\$ 9,819,263</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 1,265,617</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	\$ 4,230,684	\$ 4,267,754	\$ 1,158,523	\$ 1,549,080
<b>Differences – Budget to GAAP:</b>				
Intrafund transactions not included in GAAP expenditures	(5,101,281)	—	—	—
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(86,144)	—	—	—
Basis of Accounting Difference	67,430	—	110,993	—
<b>Reclassifications:</b>				
Nonappropriated Budgetary Fund's exp./transfers out included as exp, in the GAAP General, Transportation, WV Infrastructure, and Other Funds	5,534,625	—	18,657	—
Budgetary general revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	(9,350)	—	3,557	—
Budgetary special revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	809,820	—	6,219	(1,549,080)
Budgetary federal revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	<u>4,141,060</u>	<u>(4,267,754)</u>	<u>21,682</u>	<u>—</u>
<b>Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds</b>	<b><u>\$ 9,586,844</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 1,319,631</u></b>	<b><u>\$ —</u></b>



**Schedule of the State's Proportionate Share  
of the Net Pension Liability  
Multiple-Employer Cost Sharing Plans  
June 30, 2018  
(Expressed in Thousands)**

	<b>PERS</b>			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
State's proportion of the net pension liability	66.88%	67.57%	67.99%	68.33%
State's proportionate share of the net pension liability	\$ 288,670	\$ 621,010	\$ 379,669	\$ 252,194
State's covered payroll	\$ 921,592	\$ 937,259	\$ 923,143	\$ 915,586
State's proportionate share of the net pension's liability as a percentage of its covered payroll	31.32%	66.26%	41.13%	27.54%
Plan fiduciary net position as a percentage of the total pension liability	93.67%	86.11%	91.29%	93.98%
	<b>TRS</b>			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
State's proportion of the net pension liability	1.28%	1.46%	1.35%	1.35%
State's proportionate share of the net pension liability	\$ 44,163	\$ 60,156	\$ 46,931	\$ 46,438
State's covered payroll	\$ 282,077	\$ 312,801	\$ 306,699	\$ 343,570
State's proportionate share of the net pension's liability as a percentage of its covered payroll	15.66%	19.23%	15.30%	13.52%
Plan fiduciary net position as a percentage of the total pension liability	67.85%	61.42%	66.25%	65.95%

Note: This schedule is intended to show 10 years. Additional years will be added as they become available.

**Required Supplementary Information**  
**Schedule of State Contributions – PERS**  
**Last Five Fiscal Years**  
**(Expressed in Thousands)**

	<b>PERS</b>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 101,551	\$ 110,591	\$ 126,530	\$ 129,240	\$ 132,760
Contributions in relation to the contractually required contribution	<u>101,551</u>	<u>110,591</u>	<u>126,530</u>	<u>129,240</u>	<u>132,760</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
State's covered payroll	\$ 923,191	\$ 921,592	\$ 937,259	\$ 923,143	\$ 915,586
Contributions as a percentage of covered payroll	11.00%	12.00%	13.50%	14.00%	14.50%

Note: This schedule is intended to show 10 years. Additional years will be added as they become available.

**Required Supplementary Information  
Schedule of State Contributions – TRS  
Last Five Fiscal Years  
(Expressed in Thousands)**

	<b>TRS – State</b>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 5,118	\$ 5,780	\$ 6,043	\$ 6,662	\$ 6,922
Contributions in relation to the contractually required contribution	<u>5,118</u>	<u>5,780</u>	<u>6,043</u>	<u>6,662</u>	<u>6,922</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 545,425	\$ 282,077	\$ 312,801	\$ 306,699	\$ 343,570
Contributions as a percentage of covered payroll	0.94%	2.05%	1.93%	2.17%	2.01%

Note: This schedule is intended to show 10 years. Additional years will be added as they become available.

**Required Supplementary Information**  
**Schedule of State Contributions – TRS – Special Funding Situation**  
**Last Five Fiscal Years**  
**(Expressed in Thousands)**

	<b>TRS – Special Funding Situation</b>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 458,163	\$ 420,605	\$ 392,714	\$ 458,452	\$ 484,159
Contributions in relation to the statutorily required contribution	<u>458,163</u>	<u>420,605</u>	<u>392,714</u>	<u>458,452</u>	<u>484,159</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

Note: This schedule is intended to show 10 years. Additional years will be added as they become available.

**Required Supplementary Information  
Schedule of State Contributions – Single Employer Plans  
Last Ten Fiscal Years  
(Expressed in Thousands)**

<u>Year Ended June 30</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
<b>SPDDRS (1)</b>					
2018	\$ 24,675	\$ 24,829	\$ (154)	\$ 2,963	837.97 %
2017	16,875	17,155	(280)	3,181	539.30 %
2016	13,209	13,977	(768)	3,713	376.43 %
2015	20,860	21,668	(808)	5,120	423.20 %
2014	25,146	26,218	(1,072)	5,988	437.84 %
2013	15,162	16,210	(1,048)	6,779	239.12 %
2012	22,051	23,297	(1,246)	8,001	291.18 %
2011	25,940	25,131	809	8,960	280.48 %
2010	12,416	12,169	247	10,215	119.13 %
2009	4,018	4,679	(661)	10,400	44.99 %
<b>SPRS</b>					
2018	\$ 4,726	\$ 4,205	\$ 521	\$ 32,291	13.02 %
2017	4,427	3,657	770	31,582	11.58 %
2016	3,402	3,887	(485)	31,792	12.23 %
2015	3,183	4,060	(877)	29,574	13.73 %
2014	3,363	4,049	(686)	27,701	14.62 %
2013	3,802	4,193	(391)	27,670	15.15 %
2012	3,837	4,544	(707)	24,725	18.38 %
2011	4,387	4,570	(183)	23,635	19.34 %
2010	4,642	3,005	1,637	22,382	13.43 %
2009	3,446	2,340	1,106	20,285	11.54 %
<b>JRS</b>					
2018	\$ 735	\$ 735	\$ —	\$ 9,500	7.74 %
2017	709	739	(30)	9,122	8.10 %
2016	739	739	—	8,870	8.33 %
2015	2,845	2,845	—	9,248	30.76 %
2014	2,456	2,456	—	8,870	27.69 %
2013	2,422	2,422	—	8,860	27.34 %
2012	2,740	3,997	(1,257)	8,860	45.11 %
2011	3,454	3,954	(500)	8,256	47.89 %
2010	2,879	3,854	(975)	8,140	47.35 %
2009	2,763	6,034	(3,271)	8,261	73.04 %

**Notes:**

<sup>(1)</sup> Contributions for SPDDRS include employer contributions and other payments designated by WV State Code Section 15-2-26 - Payments to members for court attendance and mileage; rewards for apprehending wanted persons; fees for traffic accident reports and photographs; fees for criminal investigation reports and photographs; fees for criminal history record checks; and fees for criminal history record reviews and challenges or from any other sources designated by the superintendent.

**Required Supplementary Information**  
**Schedule of Changes in the State's**  
**Net Pension Liability and Related Ratios**  
**Fiscal Years Ending June 30**  
**(Expressed in Thousands)**

	<u>SPDDRS</u>	<u>SPDDRS</u>	<u>SPDDRS</u>	<u>SPDDRS</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability:</b>				
Service cost	\$ 1,071	\$ 1,263	\$ 1,774	\$ 2,215
Interest	53,131	51,913	50,748	49,778
Difference between actual and expected	47	6,283	4,344	—
Assumption changes	1,961	—	—	—
Benefit payments	<u>(43,325)</u>	<u>(41,969)</u>	<u>(39,708)</u>	<u>(37,565)</u>
Net change in total pension liability	12,885	17,490	17,158	14,428
Total pension liability – beginning	<u>729,007</u>	<u>711,517</u>	<u>694,359</u>	<u>679,931</u>
Total pension liability – ending (a)	<u>741,892</u>	<u>729,007</u>	<u>711,517</u>	<u>694,359</u>
Plan fiduciary net position:				
Contributions – employer	17,155	13,977	21,668	26,955
Contributions – member	362	320	445	545
Net investment income	87,793	(1,230)	22,866	90,872
Benefit payments	(43,325)	(41,969)	(39,708)	(37,565)
Administrative expense	(45)	(48)	(51)	(52)
Other	<u>847</u>	<u>590</u>	<u>861</u>	<u>—</u>
Net change in plan fiduciary net position	62,787	(28,360)	6,081	80,755
Plan fiduciary net position – beginning	<u>578,798</u>	<u>607,158</u>	<u>601,077</u>	<u>520,322</u>
Plan fiduciary net position – ending (b)	<u>641,585</u>	<u>578,798</u>	<u>607,158</u>	<u>601,077</u>
State's net pension liability (asset) – ending (a) - (b)	<u>\$100,307</u>	<u>\$ 150,209</u>	<u>\$ 104,359</u>	<u>\$ 93,282</u>
Plan fiduciary net position as a percentage of total pension liability	86.48%	79.40%	85.33%	86.57%
Covered payroll	\$ 3,181	\$ 3,713	\$ 5,120	\$ 5,988
State's net pension liability (asset) as a percentage of covered payroll	3153.32%	4045.49%	2038.28%	1557.82%
Information presented based upon measurement date of:	6/30/2017	6/30/2016	6/30/2015	6/30/2014

Note: This schedule is intended to show 10 years. Additional years will be added as they become available.

**Required Supplementary Information  
Schedule of Changes in the State's  
Net Pension Liability and Related Ratios  
Fiscal Years Ending June 30  
(Expressed in Thousands)**

	<u>SPRS</u>	<u>SPRS</u>	<u>SPRS</u>	<u>SPRS</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability:</b>				
Service cost	\$ 6,827	\$ 6,750	\$ 6,337	\$ 5,890
Interest	11,410	10,113	9,024	8,021
Difference between actual and expected	(765)	1,636	(201)	—
Assumption changes	11,192	—	—	—
Benefit payments	<u>(1,454)</u>	<u>(1,071)</u>	<u>(1,051)</u>	<u>(913)</u>
Net change in total pension liability	27,210	17,428	14,109	12,998
Total pension liability – beginning	<u>146,038</u>	<u>128,610</u>	<u>114,501</u>	<u>101,503</u>
Total pension liability – ending (a)	<u>173,248</u>	<u>146,038</u>	<u>128,610</u>	<u>114,501</u>
Plan fiduciary net position:				
Contributions – employer	3,657	3,887	4,060	4,049
Contributions – member	3,634	3,755	3,609	3,630
Net investment income	22,346	91	4,972	17,756
Benefit payments	(1,454)	(1,071)	(1,051)	(913)
Administrative expense	(64)	(47)	(45)	(42)
Other	<u>—</u>	<u>(163)</u>	<u>—</u>	<u>—</u>
Net change in plan fiduciary net position	28,119	6,452	11,545	24,480
Plan fiduciary net position – beginning	<u>138,569</u>	<u>132,117</u>	<u>120,572</u>	<u>96,092</u>
Plan fiduciary net position – ending (b)	<u>166,688</u>	<u>138,569</u>	<u>132,117</u>	<u>120,572</u>
State's net pension liability (asset) – ending (a) - (b)	<u>\$ 6,560</u>	<u>\$ 7,469</u>	<u>\$ (3,507)</u>	<u>\$ (6,071)</u>
Plan fiduciary net position as a percentage of total pension liability	96.21%	94.89%	102.73%	105.30%
Covered payroll	\$ 31,582	\$ 31,792	\$ 29,574	\$ 27,701
State's net pension liability (asset) as a percentage of covered payroll	20.77%	23.49%	(11.86%)	(21.92%)
Information presented based upon measurement date of:	6/30/2017	6/30/2016	6/30/2015	6/30/2014

Note: This schedule is intended to show 10 years. Additional years will be added as they become available.

**Required Supplementary Information**  
**Schedule of Changes in the State's**  
**Net Pension Liability and Related Ratios**  
**Fiscal Years Ending June 30**  
**(Expressed in Thousands)**

	<u>JRS</u>	<u>JRS</u>	<u>JRS</u>	<u>JRS</u>
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Total pension liability:</b>				
Service cost	\$ 2,466	\$ 2,681	\$ 2,812	\$ 2,819
Interest	8,521	8,478	8,458	7,978
Difference between actual and expected	(6,101)	(5,813)	(6,506)	—
Benefit payments	<u>(4,609)</u>	<u>(4,429)</u>	<u>(4,313)</u>	<u>(4,455)</u>
Net change in total pension liability	277	917	451	6,342
Total pension liability – beginning	<u>113,449</u>	<u>112,532</u>	<u>112,081</u>	<u>105,739</u>
Total pension liability – ending (a)	<u>113,726</u>	<u>113,449</u>	<u>112,532</u>	<u>112,081</u>
Plan fiduciary net position:				
Contributions – employer	739	739	2,845	2,456
Contributions – member	372	401	413	426
Net investment income	26,270	(175)	6,525	25,263
Benefit payments	(4,609)	(4,429)	(4,313)	(4,455)
Administrative expense	(6)	(6)	(6)	(7)
Other	<u>(4)</u>	<u>(39)</u>	<u>—</u>	<u>80</u>
Net change in plan fiduciary net position	22,762	(3,509)	5,464	23,763
Plan fiduciary net position – beginning	<u>167,194</u>	<u>170,703</u>	<u>165,239</u>	<u>141,476</u>
Plan fiduciary net position – ending (b)	<u>189,956</u>	<u>167,194</u>	<u>170,703</u>	<u>165,239</u>
State's net pension liability (asset) – ending (a) - (b)	<u>\$ (76,230)</u>	<u>\$ (53,745)</u>	<u>\$ (58,171)</u>	<u>\$ (53,158)</u>
Plan fiduciary net position as a percentage of total pension liability	167.03%	147.37%	151.69%	147.43%
Covered payroll	\$ 9,122	\$ 8,870	\$ 9,248	\$ 8,870
State's net pension liability (asset) as a percentage of covered payroll	(835.67%)	(605.92%)	(629.01%)	(599.30%)
Information presented based upon measurement date of:	6/30/2017	6/30/2016	6/30/2015	6/30/2014

Note: This schedule is intended to show 10 years. Additional years will be added as they become available.



**Notes to Required Supplementary Information**

**Changes in Assumptions for Pensions**

An experience study, which was based on the years 2010 through 2015, was approved by the Consolidated Public Retirement Board. As a result, valuation assumptions were changed as of June 30, 2017, to reflect the most recent experience study:

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Projected salary increases				
State	3.00% – 4.6%	3.00% – 4.6%	3.00% – 4.6%	4.25% – 6.0%
Nonstate	3.35% – 6.0%	3.35% – 6.0%	3.35% – 6.0%	4.25% – 6.0%
Inflation rate	3.0%	3.0%	1.90%	2.20%
Mortality rates	Active – RP-2000 Non-Annuitant tables, projected with Scale AA on a fully generational basis; retired healthy males – 110% RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; retired healthy females – 101% RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; retired disabled males – 96% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis; retired disabled females – 107% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis.	Healthy males – RP-2000 healthy annuitant table projected Scale AA; healthy females - RP-2000 healthy annuitant table projected Scale AA; disabled males 96% of RP-2000 disabled annuitant table projected with Scale AA; disabled females – 107% of RP-2000 disabled annuitant table, projected with Scale AA	Healthy males – 110% of RP-2000 healthy annuitant table projected Scale AA; healthy females –101% of RP-2000 healthy annuitant table projected Scale AA; disabled males 96% of RP-2000 disabled annuitant table projected with Scale AA; disabled females – 107% of RP-2000 disabled annuitant table, projected with Scale AA	Healthy males – 1983 GAM; Healthy females-1971 GAM set back 1 yr, disabled males – 1971 GAM set forward 8 yrs; Disabled females – Revenue ruling 96-7
Withdrawal rates				
State	1.75%-26%	1.75%-35.1%	1.75%-35.1%	1%-26%
Nonstate	2%-31.2%	2%-35.8%	2%-35.8%	2%-31.2%
Disability rates	0%-0.7%	0%-.675%	0%-.675%	0%-.8%

**Schedule of the State's Proportionate Share  
of the Net OPEB Liability  
Multiple-Employer Cost Sharing Plan  
June 30, 2018  
(Expressed in Thousands)**

	<u>2018</u>	<u>2017</u>
State's proportion of the net OPEB liability	78.90%	74.47%
State's proportionate share of the net OPEB liability	\$1,940,146	\$1,849,369
State's covered-employee payroll	\$2,199,037	\$2,114,459
State's proportionate share of the net OPEB's liability as a percentage of its covered-employee payroll	88.23%	87.46%
Plan fiduciary net position as a percentage of the total OPEB liability	25.10%	21.64%

Note: This schedule is intended to show 10 years. Additional years will be added as they become available. Data is presented one year in arrears.

**Required Supplementary Information  
Schedule of State Contributions – OPEB  
June 30, 2018  
(Expressed in Thousands)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 169,000	\$185,000	\$ 128,000
Contributions in relation to the contractually required contribution	<u>156,000</u>	<u>128,000</u>	<u>109,000</u>
Contribution deficiency (excess)	<u>\$ 13,000</u>	<u>\$ 57,000</u>	<u>\$ 19,000</u>
State's covered-employee payroll	\$ 2,286,999	\$2,199,037	\$2,114,459
Contributions as a percentage of covered-employee payroll	6.82%	5.82%	5.15%

Note: This schedule is intended to show 10 years. Additional years will be added as they become available.

**Required Supplementary Information**  
**Schedule of State Contributions – OPEB Special Funding Situation**  
**June 30, 2018**  
(Expressed in Thousands)

	<b>OPEB Special Funding Situation</b>
	<u>2018</u>
Statutorily required contribution	\$ 35,000
Contributions in relation to the statutorily required contribution	<u>35,000</u>
Contribution deficiency (excess)	<u>\$ —</u>

Note: This schedule is intended to show 10 years. Additional years will be added as they become available.

## Notes to Required Supplementary Information

### Changes in Assumptions for OPEB

Significant assumptions used in the actuarial valuations are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	21-year closed period as of June 30, 2016
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Inflation rate	2.75%
Salary increases	Dependent upon pension system. Ranging from 3.00% to 6.5%, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2016, actuarial valuation.
Mortality rates	Post-retirement: RP-2000 healthy annuity mortality table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 healthy annuitant mortality table projected to 2025 with Scale BB for Troopers A and B. Pre-retirement: RP-2000 non-annuitant mortality table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 non-annuitant mortality table projected to 2020 with Scale BB for Troopers A and B.
Healthcare cost trend rates:	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre- and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre- and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.
Aging factors	Based on the 2013 SOA Study, "Health Care Costs – From Birth to Death"
Expenses	Health administrative expenses are included in the development of the per capita claims costs. Operating expenses are included as a component of the annual expense.



# COMBINING FINANCIAL STATEMENTS AND SCHEDULES

Nonmajor Funds  
Governmental  
Proprietary  
Fiduciary

Nonmajor  
Component Units

*This photo, taken during Gov. Jim Justice's inauguration ceremony on January 16, 2017, shows a statue of President Abraham Lincoln which stands on the grounds of the West Virginia Capitol in Charleston.*

# *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.

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

**Cacapon Project Fund** This Fund is established to provide public financial support for constructing, equipping, improving, and maintaining capital improvement projects at Cacapon Resort State Park.

**Permanent Funds:**

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

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



# West Virginia

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**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**  
(Expressed in Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>
Assets:		
Cash and Cash Equivalents	\$ 346,889	\$ 54,997
Investments	153,575	—
Receivables, Net	6,598	68
Due from Other Governments	4,434	—
Due from Other Funds	51	—
Due from Component Units	7	1,055
Inventories	26	—
Restricted Assets:		
Cash and Cash Equivalents	<u>1,536</u>	<u>—</u>
Total Assets	<u>\$ 513,116</u>	<u>\$ 56,120</u>
Liabilities:		
Accounts Payable	\$ 19,968	\$ 2
Accrued and Other Liabilities	22,096	—
Due to Other Governments	15,504	—
Due to Other Funds	1,370	—
Due to Component Units	<u>30</u>	<u>—</u>
Total Liabilities	<u>58,968</u>	<u>2</u>
Fund Balances:		
Nonspendable:		
Inventories	26	—
Permanent Fund	—	—
Restricted for:		
Capital Projects	—	—
Debt Service	—	56,118
Development, Tourism, and Recreation	65,482	—
Education	—	—
Public Protection	87,049	—
Committed to:		
General Government Operations	5,144	—
Public Protection	287,855	—
Assigned to:		
Public Protection	5,738	—
Unassigned	<u>2,854</u>	<u>—</u>
Total Fund Balances	<u>454,148</u>	<u>56,118</u>
Total Liabilities and Fund Balances	<u>\$ 513,116</u>	<u>\$ 56,120</u>

<u>Capital Projects</u>				<u>Permanent Fund</u>	
State Road	Education, Arts, Sciences and Tourism Fund	Cacapon Project Fund	Fund Lease Purchase Account	Irreducible School	Total
\$ 914,727	\$ 13,666	\$ 28,563	\$ 10,395	\$ 1,358	\$ 1,370,595
—	—	—	—	—	153,575
—	19	37	13	2	6,737
—	—	—	—	—	4,434
—	—	—	—	—	51
—	—	—	—	—	1,062
—	—	—	—	—	26
—	—	—	—	—	1,536
<u>\$ 914,727</u>	<u>\$ 13,685</u>	<u>\$ 28,600</u>	<u>\$ 10,408</u>	<u>\$ 1,360</u>	<u>\$ 1,538,016</u>
\$ —	\$ —	\$ 20	\$ —	\$ —	\$ 19,990
—	—	—	—	—	22,096
—	—	—	—	—	15,504
—	—	—	—	—	1,370
—	—	—	—	—	30
—	—	20	—	—	58,990
—	—	—	—	—	26
—	—	—	—	1,000	1,000
914,727	13,685	28,580	10,408	—	967,400
—	—	—	—	—	56,118
—	—	—	—	—	65,482
—	—	—	—	360	360
—	—	—	—	—	87,049
—	—	—	—	—	5,144
—	—	—	—	—	287,855
—	—	—	—	—	5,738
—	—	—	—	—	2,854
<u>914,727</u>	<u>13,685</u>	<u>28,580</u>	<u>10,408</u>	<u>1,360</u>	<u>1,479,026</u>
<u>\$ 914,727</u>	<u>\$ 13,685</u>	<u>\$ 28,600</u>	<u>\$ 10,408</u>	<u>\$ 1,360</u>	<u>\$ 1,538,016</u>

## West Virginia

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**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	<b>Special Revenue</b>	<b>Debt Service</b>
Revenues:		
Intergovernmental	\$ 148,420	\$ —
Licenses, Permits, and Fees	129,486	—
Charges for Services	233	—
Lottery Revenue	—	10,653
Investment Earnings	15,793	634
Other	<u>10,339</u>	<u>1,391</u>
Total Revenues	<u>304,271</u>	<u>12,678</u>
Expenditures:		
Legislative	1,537	—
Administration	—	2,931
Commerce	—	273
Environmental Protection	126,889	—
Employment Programs	48,895	—
Military Affairs and Public Safety	—	3
Revenue	22,735	—
Regulatory Boards and Commissions	19,837	1
Capital Outlay	—	—
Debt Service:		
Principal	—	42,170
Interest	<u>—</u>	<u>27,873</u>
Total Expenditures	<u>219,893</u>	<u>73,251</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>84,378</u>	<u>(60,573)</u>
Other Financing Sources (Uses):		
Face Value of Long-Term Debt	—	276
Premiums on Bond Issuance	—	—
Payments to Refunded Bond Escrow Agents	—	—
Transfers In	1,324	62,326
Transfers Out	<u>(46,579)</u>	<u>(34)</u>
Total Other Financing Sources (Uses)	<u>(45,255)</u>	<u>62,568</u>
Net Changes in Fund Balances	39,123	1,995
Fund Balances, Beginning of Year, as Restated	<u>415,025</u>	<u>54,123</u>
Fund Balances, End of Year	<u>\$ 454,148</u>	<u>\$ 56,118</u>

<u>Capital Projects</u>				<u>Permanent Fund</u>	
State Road	Education, Arts, Sciences and Tourism Fund	Cacapon Project Fund	Fund Lease Purchase Account	Irreducible School	Total
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 148,420
—	—	—	—	—	129,486
—	—	—	—	4	237
—	1,424	—	—	—	12,077
1,292	104	269	109	15	18,216
<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>340</u>	<u>12,071</u>
<u>\$ 1,292</u>	<u>\$ 1,528</u>	<u>\$ 270</u>	<u>\$ 109</u>	<u>\$ 359</u>	<u>\$ 320,507</u>
—	—	—	—	—	1,537
—	338	—	—	—	3,269
—	—	—	—	—	273
—	—	—	—	—	126,889
—	—	—	—	—	48,895
—	—	—	—	—	3
—	—	—	—	—	22,735
—	—	—	—	—	19,838
—	684	582	—	—	1,266
—	—	—	—	—	42,170
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>27,873</u>
<u>—</u>	<u>1,022</u>	<u>582</u>	<u>—</u>	<u>—</u>	<u>294,748</u>
<u>1,292</u>	<u>506</u>	<u>(312)</u>	<u>109</u>	<u>359</u>	<u>25,759</u>
800,000	141,231	24,607	—	—	966,114
113,435	14,614	4,285	—	—	132,334
—	(142,788)	—	—	—	(142,788)
—	—	—	—	—	63,650
<u>—</u>	<u>(237)</u>	<u>—</u>	<u>—</u>	<u>(888)</u>	<u>(47,738)</u>
<u>913,435</u>	<u>12,820</u>	<u>28,892</u>	<u>—</u>	<u>(888)</u>	<u>971,572</u>
914,727	13,326	28,580	109	(529)	997,331
<u>—</u>	<u>359</u>	<u>—</u>	<u>10,299</u>	<u>1,889</u>	<u>481,695</u>
<u>\$ 914,727</u>	<u>\$ 13,685</u>	<u>\$ 28,580</u>	<u>\$ 10,408</u>	<u>\$ 1,360</u>	<u>\$ 1,479,026</u>



# *SPECIAL REVENUE FUNDS*

## *Nonmajor Funds*

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

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

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

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

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

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

**Combining Balance Sheet  
Nonmajor Special Revenue Funds  
June 30, 2018  
(Expressed in Thousands)**

	<b><u>Environmental Protection</u></b>	<b><u>Public Service Commission</u></b>	<b><u>Crime Victims' Compensation</u></b>
Assets:			
Cash and Cash Equivalents	\$ 281,442	\$ 32,327	\$ 5,157
Investments	90,001	—	—
Receivables, Net	2,040	349	4
Due from Other Governments	—	2,814	—
Due from Other Funds	—	44	—
Inventories	—	—	—
Restricted Assets:			
Cash and Cash Equivalents	<u>322</u>	<u>1,214</u>	<u>—</u>
Total Assets	<u>\$ 373,805</u>	<u>\$ 36,748</u>	<u>\$ 5,161</u>
Liabilities:			
Accounts Payable	\$ 10,167	\$ 9,711	\$ 17
Accrued and Other Liabilities	19,346	1,621	—
Due to Other Governments	7,321	8,183	—
Due to Other Funds	92	81	—
Due to Component Units	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities	<u>36,926</u>	<u>19,596</u>	<u>17</u>
Fund Balances:			
Nonspendable:			
Inventories	—	—	—
Restricted for:			
Development, Tourism, and Recreation	—	—	—
Public Protection	78,825	8,224	—
Committed to:			
General Government Operations	—	—	5,144
Public Protection	252,344	8,900	—
Assigned to:			
Public Protection	5,710	28	—
Unassigned	<u>—</u>	<u>—</u>	<u>—</u>
Total Fund Balances	<u>336,879</u>	<u>17,152</u>	<u>5,144</u>
Total Liabilities and Fund Balances	<u>\$ 373,805</u>	<u>\$ 36,748</u>	<u>\$ 5,161</u>

<u>Insurance Commission</u>	<u>WORKFORCE West Virginia</u>	<u>Wildlife Resources Fund</u>	<u>Total</u>
\$ 23,878	\$ 2,426	\$ 1,659	\$ 346,889
—	—	63,574	153,575
3,862	94	249	6,598
—	1,620	—	4,434
—	7	—	51
—	7	—	7
—	26	—	26
<u>—</u>	<u>—</u>	<u>—</u>	<u>1,536</u>
<u>\$ 27,740</u>	<u>\$ 4,180</u>	<u>\$ 65,482</u>	<u>\$ 513,116</u>
\$ —	\$ 73	\$ —	\$ 19,968
1,129	—	—	22,096
—	—	—	15,504
—	1,197	—	1,370
<u>—</u>	<u>30</u>	<u>—</u>	<u>30</u>
<u>1,129</u>	<u>1,300</u>	<u>—</u>	<u>58,968</u>
—	26	—	26
—	—	65,482	65,482
—	—	—	87,049
—	—	—	5,144
26,611	—	—	287,855
—	—	—	5,738
<u>—</u>	<u>2,854</u>	<u>—</u>	<u>2,854</u>
<u>26,611</u>	<u>2,880</u>	<u>65,482</u>	<u>454,148</u>
<u>\$ 27,740</u>	<u>\$ 4,180</u>	<u>\$ 65,482</u>	<u>\$ 513,116</u>



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**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	<b><u>Environmental Protection</u></b>	<b><u>Public Service Commission</u></b>	<b><u>Crime Victims' Compensation</u></b>
Revenues:			
Intergovernmental	\$ 94,493	\$ 2,795	\$ 1,159
Licenses, Permits, and Fees	69,273	21,921	1,230
Charges for Services	—	233	—
Investment Earnings and Losses	9,845	—	25
Other	<u>5,657</u>	<u>—</u>	<u>2,627</u>
Total Revenues	<u>179,268</u>	<u>24,949</u>	<u>5,041</u>
Expenditures:			
Legislative	—	—	1,537
Environmental Protection	126,889	—	—
Employment Programs	—	—	—
Revenue	—	—	—
Regulatory Boards and Commissions	<u>—</u>	<u>19,837</u>	<u>—</u>
Total Expenditures	<u>126,889</u>	<u>19,837</u>	<u>1,537</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>52,379</u>	<u>5,112</u>	<u>3,504</u>
Other Financing Sources (Uses):			
Transfers In	1,324	—	—
Transfers Out	<u>(23,052)</u>	<u>(101)</u>	<u>(2)</u>
Total Other Financing Sources (Uses)	<u>(21,728)</u>	<u>(101)</u>	<u>(2)</u>
Net Change in Fund Balances	30,651	5,011	3,502
Fund Balances (Deficits), Beginning of Year, as Restated	<u>306,228</u>	<u>12,141</u>	<u>1,642</u>
Fund Balances (Deficits), End of Year	<u>\$ 336,879</u>	<u>\$ 17,152</u>	<u>\$ 5,144</u>

<u>Insurance Commission</u>	<u>WORKFORCE West Virginia</u>	<u>Wildlife Resources Fund</u>	<u>Total</u>
\$ —	\$ 49,973	\$ —	\$ 148,420
36,237	—	825	129,486
—	—	—	233
8	—	5,915	15,793
<u>397</u>	<u>—</u>	<u>1,658</u>	<u>10,339</u>
<u>36,642</u>	<u>49,973</u>	<u>8,398</u>	<u>304,271</u>
—	—	—	1,537
—	—	—	126,889
—	48,895	—	48,895
22,735	—	—	22,735
<u>—</u>	<u>—</u>	<u>—</u>	<u>19,837</u>
<u>22,735</u>	<u>48,895</u>	<u>—</u>	<u>219,893</u>
<u>13,907</u>	<u>1,078</u>	<u>8,398</u>	<u>84,378</u>
—	—	—	1,324
<u>(16,620)</u>	<u>—</u>	<u>(6,804)</u>	<u>(46,579)</u>
<u>(16,620)</u>	<u>—</u>	<u>(6,804)</u>	<u>(45,255)</u>
(2,713)	1,078	1,594	39,123
<u>29,324</u>	<u>1,802</u>	<u>63,888</u>	<u>415,025</u>
<u>\$ 26,611</u>	<u>\$ 2,880</u>	<u>\$ 65,482</u>	<u>\$ 454,148</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.

**Cacapon 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 constructing, equipping, improving or maintaining capital improvements projects at Cacapon Resort State Park.

# West Virginia

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**Combining Balance Sheet**  
**Nonmajor Debt Service Funds**  
**June 30, 2018**  
(Expressed in Thousands)

	<u>Lease Purchase Accounts</u>	<u>Education, Arts, Sciences, and Tourism Fund</u>	<u>Economic Development Project Fund</u>	<u>Cacapon Project Fund</u>	<u>Total</u>
Assets:					
Cash and Cash Equivalents	\$ 7,178	\$ 26	\$ 46,794	\$ 999	\$ 54,997
Receivables, Net	7	—	60	1	68
Due from Component Units	<u>55</u>	<u>1,000</u>	<u>—</u>	<u>—</u>	<u>1,055</u>
Total Assets	<u>\$ 7,240</u>	<u>\$ 1,026</u>	<u>\$ 46,854</u>	<u>\$ 1,000</u>	<u>\$ 56,120</u>
Liabilities:					
Accounts Payable	\$ 2	\$ —	\$ —	\$ —	\$ 2
Total Liabilities	<u>2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2</u>
Fund Balances:					
Restricted for Debt Service	<u>7,238</u>	<u>1,026</u>	<u>46,854</u>	<u>1,000</u>	<u>56,118</u>
Total Liabilities and Fund Balances	<u>\$ 7,240</u>	<u>\$ 1,026</u>	<u>\$ 46,854</u>	<u>\$ 1,000</u>	<u>\$ 56,120</u>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Debt Service Funds  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	<u>Lease Purchase Account</u>	<u>West Virginia Infrastructure and Jobs Development Council</u>	<u>Education, Arts, Sciences, and Tourism Fund</u>	<u>Economic Development Project Fund</u>	<u>Cacapon Project Fund</u>	<u>Total</u>
Revenues:						
Lottery Revenues	\$ 658	\$ —	\$ 9,995	\$ —	\$ —	\$ 10,653
Investment Earnings	118	72	8	430	6	634
Other	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,391</u>	<u>1,391</u>
Total Revenues	<u>776</u>	<u>72</u>	<u>10,003</u>	<u>430</u>	<u>1,397</u>	<u>12,678</u>
Expenditures:						
Administration	3	—	2,928	—	—	2,931
Commerce	—	—	—	—	273	273
Military Affairs and Public Safety	3	—	—	—	—	3
Regulatory Boards and Commissions	1	—	—	—	—	1
Debt Service:						
Principal	14,950	14,905	1,095	11,220	—	42,170
Interest	<u>9,330</u>	<u>4,472</u>	<u>6,206</u>	<u>7,465</u>	<u>400</u>	<u>27,873</u>
Total Expenditures	<u>24,287</u>	<u>19,377</u>	<u>10,229</u>	<u>18,685</u>	<u>673</u>	<u>73,251</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(23,511)</u>	<u>(19,305)</u>	<u>(226)</u>	<u>(18,255)</u>	<u>724</u>	<u>(60,573)</u>
Other Financing Sources (Uses):						
Face Value of Long-Term Debt Issued	—	—	—	—	276	276
Transfers In	23,761	19,339	237	18,989	—	62,326
Transfers Out	<u>—</u>	<u>(34)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(34)</u>
Total Other Financing Sources (Uses)	<u>23,761</u>	<u>19,305</u>	<u>237</u>	<u>18,989</u>	<u>276</u>	<u>62,568</u>
Net Change in Fund Balances	250	—	11	734	1,000	1,995
Fund Balances, Beginning of Year	<u>6,988</u>	<u>—</u>	<u>1,015</u>	<u>46,120</u>	<u>—</u>	<u>54,123</u>
Fund Balances, End of Year	<u>\$ 7,238</u>	<u>\$ —</u>	<u>\$ 1,026</u>	<u>\$ 46,854</u>	<u>\$ 1,000</u>	<u>\$ 56,118</u>



# *INTERNAL SERVICE FUNDS*

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, 2018  
(Expressed in Thousands)**

	State Building Fund	Information Services and Communication	Travel Management	Enterprise Readiness Planning Board	Investment Management Board	Board of Treasury Investments	Total
<b>Assets:</b>							
Current Assets:							
Cash and Cash Equivalents	\$ 3,551	\$ 8,056	\$ 3,401	\$ 7,482	\$ 4,269	\$ 1,034	\$ 27,793
Receivables, Net	—	230	—	—	8,335	617	9,182
Due from Other Funds	1,080	9,008	104	8	—	—	10,200
Due from Component Units	—	163	7	—	—	—	170
Inventories	500	303	—	—	—	—	803
Other Assets	—	33	36	—	76	—	145
Restricted Assets:							
Cash and Cash Equivalents	—	—	5,019	—	—	—	5,019
Total Current Assets	5,131	17,793	8,567	7,490	12,680	1,651	53,312
Noncurrent Assets:							
Restricted Assets:							
Cash and Cash Equivalents	16,628	—	—	—	—	—	16,628
Capital Assets, Net	186,213	1,158	16,769	71,483	288	5	275,916
Total Noncurrent Assets	202,841	1,158	16,769	71,483	288	5	292,544
Total Assets	207,972	18,951	25,336	78,973	12,968	1,656	345,856
Deferred Outflows of Resources:							
Related to Pensions	1,435	4,177	229	378	—	—	6,219
Related to OPEB	177	449	23	57	—	—	706
Total Deferred Outflows of Resources	1,612	4,626	252	435	—	—	6,925
Liabilities:							
Current Liabilities:							
Accounts Payable	1,315	5,231	521	1,204	8,470	609	17,350
Accrued and Other Liabilities	170	416	23	57	—	—	666
Due to Other Governments	63	193	12	35	—	—	303
Due to Other Funds	135	279	29	48	—	—	491
Capital Leases and Other Debt	137	381	7,307	—	—	—	7,825
Capital Leases Payable to Component Units	1,730	—	—	—	—	—	1,730
Total Current Liabilities	3,550	6,500	7,892	1,344	8,470	609	28,365
Noncurrent Liabilities:							
Capital Leases and Other Debt	2,452	548	10,234	—	—	—	13,234
Capital Leases Payable to Component Units	55,030	—	—	—	—	—	55,030
Net Pension Liability	1,207	3,525	182	649	—	—	5,563
Net OPEB Liability	2,214	5,802	312	712	—	—	9,040
Compensated Absences	353	1,084	66	272	—	—	1,775
Total Noncurrent Liabilities	61,256	10,959	10,794	1,633	—	—	84,642
Total Liabilities	64,806	17,459	18,686	2,977	8,470	609	113,007
Deferred Inflows of Resources:							
Related to Pensions	1,302	3,783	281	228	—	—	5,594
Related to OPEB	509	835	79	101	—	—	1,524
Total Deferred Inflows of Resources	1,811	4,618	360	329	—	—	7,118
Net Position:							
Net Investment in Capital Assets	128,458	292	4,247	71,483	288	5	204,773
Restricted for Capital Projects	16,628	—	—	—	—	—	16,628
Restricted for General Government Operations	—	—	2,295	—	—	—	2,295
Unrestricted	(2,119)	1,208	—	4,619	4,210	1,042	8,960
Total Net Position	\$ 142,967	\$ 1,500	\$ 6,542	\$ 76,102	\$ 4,498	\$ 1,047	\$ 232,656

**Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Position  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	State Building Fund	Information Services and Communication	Travel Management	Enterprise Readiness Planning Board	Investment Management Board	Board of Treasury Investments	Total
Operating Revenues:							
Charges for Services	\$ 20,116	\$ 41,541	\$ 9,362	\$ 14,250	\$ 47,843	\$ 2,842	\$ 135,954
Operating Expenses:							
Cost of Sales and Services	15,711	35,956	2,261	7,291	43,010	2,528	106,757
General and Administration	1,403	2,523	772	621	4,702	256	10,277
Pension Expense	247	687	84	384	—	—	1,402
OPEB Expense	220	669	29	87	—	—	1,005
Depreciation and Amortization	6,372	947	7,796	4,827	126	2	20,070
Total Operating Expenses	23,953	40,782	10,942	13,210	47,838	2,786	139,511
Operating Income (Loss)	(3,837)	759	(1,580)	1,040	5	56	(3,557)
Nonoperating Revenues (Expenses):							
Gain (Loss) on Sale of Equipment	(10)	(2)	(51)	—	—	—	(63)
Investment Income	24	—	—	—	58	—	82
Interest Expense	(2,378)	(14)	—	—	—	—	(2,392)
Lottery Revenue	5,705	—	—	—	—	—	5,705
Other Nonoperating Revenues	140	366	250	45	—	—	801
Total Nonoperating Revenues, Net	3,481	350	199	45	58	—	4,133
Income (Loss) Before Transfers	(356)	1,109	(1,381)	1,085	63	56	576
Transfers:							
Transfers In	5,734	—	1,168	—	—	—	6,902
Transfers Out	(5,340)	—	—	—	—	—	(5,340)
Total Transfers	394	—	1,168	—	—	—	1,562
Change in Net Position	38	1,109	(213)	1,085	63	56	2,138
Net Position, Beginning of Year, as Restated	142,929	391	6,755	75,017	4,435	991	230,518
Net Position, End of Year	\$ 142,967	\$ 1,500	\$ 6,542	\$ 76,102	\$ 4,498	\$ 1,047	\$ 232,656

# West Virginia

## Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2018 (Expressed in Thousands)

	<u>State Building Fund</u>	<u>Information Services and Communication</u>	<u>Travel Management</u>	<u>Enterprise Readiness Planning Board</u>	<u>Investment Management Board</u>	<u>Board of Treasury Investments</u>	<u>Total</u>
Cash Flows from Operating Activities:							
Receipts from Customers	\$ 20,848	\$ 37,822	\$ 9,378	\$ 15,164	\$ 48,352	\$ 2,744	\$ 134,308
Payments to Suppliers	(13,431)	(23,419)	(1,800)	(7,983)	(45,492)	(2,649)	(94,774)
Payments to Employees	(4,976)	(14,594)	(982)	(55)	(3,729)	—	(24,336)
Net Cash Provided by (Used for) Operating Activities	<u>2,441</u>	<u>(191)</u>	<u>6,596</u>	<u>7,126</u>	<u>(869)</u>	<u>95</u>	<u>15,198</u>
Cash Flows from Noncapital Financing Activities:							
Transfers In	5,734	—	1,168	—	—	—	6,902
Transfers Out	(5,340)	—	—	—	—	—	(5,340)
Distributions or Subsidies from (to) Other Organizations	<u>5,705</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,705</u>
Net Cash Provided by Noncapital Financing Activities	<u>6,099</u>	<u>—</u>	<u>1,168</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,267</u>
Cash Flows from Capital and Related Financing Activities:							
Proceeds from Sale of Capital Bonds and Other Debts	—	—	11,707	—	—	—	11,707
Repayment of Capital Debt	(1,422)	(376)	(7,451)	—	—	—	(9,249)
Interest Paid on Capital Debt	(2,378)	(14)	—	—	—	—	(2,392)
Acquisition and Construction of Capital Assets	<u>(5,877)</u>	<u>(385)</u>	<u>(7,697)</u>	<u>(3,649)</u>	<u>(101)</u>	<u>(3)</u>	<u>(17,712)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(9,677)</u>	<u>(775)</u>	<u>(3,441)</u>	<u>(3,649)</u>	<u>(101)</u>	<u>(3)</u>	<u>(17,646)</u>
Cash Flows from Investing Activities:							
Investment Earnings	<u>24</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>55</u>	<u>—</u>	<u>79</u>
Net Cash Provided by (Used for) Investing Activities	<u>24</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>55</u>	<u>—</u>	<u>79</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,113)	(966)	4,323	3,477	(915)	92	4,898
Cash and Cash Equivalents, Beginning of Year	<u>21,292</u>	<u>9,022</u>	<u>4,097</u>	<u>4,005</u>	<u>5,184</u>	<u>942</u>	<u>44,542</u>
Cash and Cash Equivalents, End of Year	<u>\$ 20,179</u>	<u>\$ 8,056</u>	<u>\$ 8,420</u>	<u>\$ 7,482</u>	<u>\$ 4,269</u>	<u>\$ 1,034</u>	<u>\$ 49,440</u>

**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2018**  
**(Expressed in Thousands)**  
**(Continued)**

	State Building Fund	Information Services and Communication	Travel Management	Enterprise Readiness Planning Board	Investment Management Board	Board of Treasury Investments	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for)							
Operating Activities:							
Operating Income (Loss)	\$ (3,837)	\$ 759	\$ (1,580)	\$ 1,040	\$ 5	\$ 56	\$ (3,557)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Depreciation and Amortization	6,372	947	7,796	4,827	126	2	20,070
Pension Expense	247	687	84	384	—	—	1,402
OPEB Expense	220	669	29	87	—	—	1,005
Changes in Assets, Liabilities, and Deferred Outflows of Resources:							
Receivables	732	(3,719)	16	914	509	(98)	(1,646)
Inventories	70	(17)	—	—	—	—	53
Other Assets	—	—	(36)	—	(11)	—	(47)
Accounts Payable and Accrued Liabilities	(832)	4,314	370	152	(1,498)	135	2,641
Other Liabilities	37	(2,182)	5	(19)	—	—	(2,159)
Deferred Outflows of Resources	(568)	(1,649)	(88)	(259)	—	—	(2,564)
Net Cash Provided by (Used for)							
Operating Activities	<u>\$ 2,441</u>	<u>\$ (191)</u>	<u>\$ 6,596</u>	<u>\$ 7,126</u>	<u>\$ (869)</u>	<u>\$ 95</u>	<u>\$ 15,198</u>
Schedule of Noncash Capital and Financing Activities:							
On Behalf OPEB Payments	\$ 140	\$ 366	\$ 20	\$ 45	\$ —	\$ —	\$ 571

# *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's 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.

**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, 2018  
(Expressed in Thousands)**

	<b>Business-type Activities – Enterprise Funds</b>		
	<b>Drinking Water Treatment Revolving Fund</b>	<b>Alcohol Beverage Control Administration</b>	<b>West Virginia Prepaid College Plan</b>
<b>Assets:</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 27,156	\$ 14,824	\$ 3,832
Receivables, Net	9,747	470	152
Due from Other Funds	—	—	—
Due from Component Units	—	—	—
Inventories	—	40	—
Other Assets	—	—	—
<b>Total Current Assets</b>	<b><u>36,903</u></b>	<b><u>15,334</u></b>	<b><u>3,984</u></b>
<b>Noncurrent Assets:</b>			
Investments	—	—	42,256
Receivables, Net	131,283	—	9
<b>Restricted Assets:</b>			
Capital Assets, Net	—	1,709	—
<b>Total Noncurrent Assets</b>	<b><u>131,283</u></b>	<b><u>1,709</u></b>	<b><u>42,265</u></b>
<b>Total Assets</b>	<b><u>168,186</u></b>	<b><u>17,043</u></b>	<b><u>46,249</u></b>
<b>Deferred Outflows of Resources:</b>			
Related to Pensions	—	387	54
Related to OPEB	—	171	14
<b>Total Deferred Outflows of Resources</b>	<b><u>—</u></b>	<b><u>558</u></b>	<b><u>68</u></b>
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts Payable	6	3,120	102
Accrued Tuition Contract Benefits	—	—	15,533
Accrued and Other Liabilities	—	230	—
Due to Other Funds	—	22	—
Due to Component Units	32	—	—
Insurance and Compensation Benefits Obligations	—	—	—
Compensated Absences	—	—	51
<b>Total Current Liabilities</b>	<b><u>38</u></b>	<b><u>3,372</u></b>	<b><u>15,686</u></b>
<b>Noncurrent Liabilities:</b>			
Accrued Tuition Contract Benefits	—	—	35,731
Insurance and Compensation Benefits Obligations	—	—	—
Net Pension Liability	—	809	97
Net OPEB Liability	—	2,023	111
Compensated Absences	—	244	—
<b>Total Noncurrent Liabilities</b>	<b><u>—</u></b>	<b><u>3,076</u></b>	<b><u>35,939</u></b>
<b>Total Liabilities</b>	<b><u>38</u></b>	<b><u>6,448</u></b>	<b><u>51,625</u></b>
<b>Deferred Inflows of Resources:</b>			
Related to Pensions	—	284	81
Related to OPEB	—	337	45
<b>Total Deferred Inflows of Resources</b>	<b><u>—</u></b>	<b><u>621</u></b>	<b><u>126</u></b>
<b>Net Position (Deficit):</b>			
Net Investment in Capital Assets	—	1,709	—
<b>Restricted for:</b>			
General Government Operations	—	—	2,267
Lending Activities	168,148	—	—
Insurance Activities	—	—	—
Unrestricted (Deficit)	—	8,823	(7,701)
<b>Total Net Position (Deficit)</b>	<b><u>\$168,148</u></b>	<b><u>\$ 10,532</u></b>	<b><u>\$ (5,434)</u></b>

<u>West Virginia Correctional Industries</u>	<u>State Entities Workers' Compensation</u>	<u>Total</u>
\$ 2,548	\$ 13,310	\$ 61,670
260	50	10,679
526	—	526
45	—	45
2,449	—	2,489
<u>—</u>	<u>18,620</u>	<u>18,620</u>
<u>5,828</u>	<u>31,980</u>	<u>94,029</u>
—	—	42,256
—	—	131,292
<u>771</u>	<u>—</u>	<u>2,480</u>
<u>771</u>	<u>—</u>	<u>176,028</u>
<u>6,599</u>	<u>31,980</u>	<u>270,057</u>
—	—	441
<u>—</u>	<u>—</u>	<u>185</u>
<u>—</u>	<u>—</u>	<u>626</u>
204	—	3,432
—	—	15,533
—	—	230
5	—	27
—	—	32
—	6,000	6,000
<u>—</u>	<u>—</u>	<u>51</u>
<u>209</u>	<u>6,000</u>	<u>25,305</u>
—	—	35,731
—	8,900	8,900
—	—	906
—	—	2,134
<u>116</u>	<u>—</u>	<u>360</u>
<u>116</u>	<u>8,900</u>	<u>48,031</u>
<u>325</u>	<u>14,900</u>	<u>73,336</u>
—	—	365
<u>—</u>	<u>—</u>	<u>382</u>
<u>—</u>	<u>—</u>	<u>747</u>
771	—	2,480
—	—	2,267
—	—	168,148
—	17,080	17,080
<u>5,503</u>	<u>—</u>	<u>6,625</u>
<u>\$ 6,274</u>	<u>\$ 17,080</u>	<u>\$ 196,600</u>



**Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Position  
Nonmajor Proprietary Funds  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	<b>Business-type Activities – Enterprise Funds</b>		
	<b>Drinking Water Treatment Revolving Fund</b>	<b>Alcohol Beverage Control Administration</b>	<b>West Virginia Prepaid College Plan</b>
Operating Revenues:			
Charges for Services and Sales	\$ 1,463	\$ 97,399	\$ —
Insurance Premiums	—	—	—
Tuition Contracts	—	—	98
Licenses, Permits, and Fees	—	3,981	—
Other	—	46	1,488
<b>Total Operating Revenues</b>	<b><u>1,463</u></b>	<b><u>101,426</u></b>	<b><u>1,586</u></b>
Operating Expenses:			
Cost of Sales and Services	—	73,690	—
Insurance Claims and Claims Adjustment Provisions	—	—	—
Tuition Contract Benefits and Expenses	—	—	964
General and Administration	—	4,590	1,226
Pension Expense	—	130	19
OPEB Expense	—	235	13
Depreciation and Amortization	—	143	—
Other	739	—	—
<b>Total Operating Expenses</b>	<b><u>739</u></b>	<b><u>78,788</u></b>	<b><u>2,222</u></b>
Operating Income (Loss)	724	22,638	(636)
Nonoperating Revenues (Expenses):			
Gain (Loss) on Sale of Equipment	—	—	—
Interest and Other Investment Income	373	—	2,239
Other Nonoperating Revenues	—	324	7
<b>Total Nonoperating Revenues (Expenses), Net</b>	<b><u>373</u></b>	<b><u>324</u></b>	<b><u>2,246</u></b>
Income (Loss) Before Transfers	1,097	22,962	1,610
Transfers:			
Transfers In	3,838	—	—
Transfers Out	—	(21,120)	—
<b>Total Transfers</b>	<b><u>3,838</u></b>	<b><u>(21,120)</u></b>	<b><u>—</u></b>
Change in Net Position	4,935	1,842	1,610
Net Position (Deficit), Beginning of Year, as Restated	<u>163,213</u>	<u>8,690</u>	<u>(7,044)</u>
Net Position (Deficit), End of Year	<b><u>\$ 168,148</u></b>	<b><u>\$ 10,532</u></b>	<b><u>\$ (5,434)</u></b>

<u>West Virginia Correctional Industries</u>	<u>State Entities Workers' Compensation</u>	<u>Total</u>
\$ 6,907	\$ —	\$ 105,769
—	11,671	11,671
—	—	98
—	—	3,981
<u>—</u>	<u>—</u>	<u>1,534</u>
<u>6,907</u>	<u>11,671</u>	<u>123,053</u>
3,578	—	77,268
—	9,363	9,363
—	—	964
2,898	1,201	9,915
—	—	149
—	—	248
34	—	177
<u>—</u>	<u>—</u>	<u>739</u>
<u>6,510</u>	<u>10,564</u>	<u>98,823</u>
397	1,107	24,230
(8)	—	(8)
—	214	2,826
<u>—</u>	<u>—</u>	<u>331</u>
<u>(8)</u>	<u>214</u>	<u>3,149</u>
389	1,321	27,379
—	—	3,838
<u>(655)</u>	<u>—</u>	<u>(21,775)</u>
<u>(655)</u>	<u>—</u>	<u>(17,937)</u>
(266)	1,321	9,442
<u>6,540</u>	<u>15,759</u>	<u>187,158</u>
<u>\$ 6,274</u>	<u>\$ 17,080</u>	<u>\$196,600</u>

**Combining Statement of Cash Flows  
Nonmajor Proprietary Funds  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Drinking Water Treatment Revolving Fund</b>	<b>Alcohol Beverage Control Administration</b>	<b>West Virginia Prepaid College Plan</b>
Cash Flows From Operating Activities:			
Receipts from Customers	\$ 8,250	\$ 101,384	\$ 89
Payments to Suppliers	—	(75,216)	(589)
Payments to Employees	—	(3,739)	(678)
Payments to Beneficiaries	—	—	(11,341)
Payments for Loans Originated	(7,118)	—	—
Payments for Premiums	—	—	—
Payments to Claimants	—	—	—
Other Operating Cash Receipts	—	—	1,482
Other Operating Cash Payments	(56)	—	—
Net Cash Provided by (Used for) Operating Activities	<u>1,076</u>	<u>22,429</u>	<u>(11,037)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In	3,838	—	—
Transfers Out	—	(21,120)	—
Entitlements and Grants	—	196	—
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>3,838</u>	<u>(20,924)</u>	<u>—</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	—	(55)	—
Net Cash Used for Capital and Related Financing Activities	<u>—</u>	<u>(55)</u>	<u>—</u>
Cash Flows from Investing Activities:			
Purchase of Investments	—	—	(781)
Proceeds from Sale of Investments	—	—	9,000
Investment Earnings	373	—	789
Net Cash Provided by Investing Activities	<u>373</u>	<u>—</u>	<u>9,008</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,287	1,450	(2,029)
Cash and Cash Equivalents, Beginning of Year	<u>21,869</u>	<u>13,374</u>	<u>5,861</u>
Cash and Cash Equivalents, End of Year	<u>\$ 27,156</u>	<u>\$ 14,824</u>	<u>\$ 3,832</u>

<b>West Virginia Correctional Industries</b>	<b>State Entities Workers' Compensation</b>	<b>Total</b>
\$ 7,493	\$ 19,686	\$ 136,902
(4,079)	(31)	(79,915)
(2,035)	—	(6,452)
—	—	(11,341)
—	—	(7,118)
—	(9,031)	(9,031)
—	(7,811)	(7,811)
—	—	1,482
<u>(764)</u>	<u>(751)</u>	<u>(1,571)</u>
<u>615</u>	<u>2,062</u>	<u>15,145</u>
—	—	3,838
(655)	—	(21,775)
<u>—</u>	<u>—</u>	<u>196</u>
<u>(655)</u>	<u>—</u>	<u>(17,741)</u>
<u>(95)</u>	<u>—</u>	<u>(150)</u>
<u>(95)</u>	<u>—</u>	<u>(150)</u>
—	—	(781)
—	—	9,000
<u>—</u>	<u>163</u>	<u>1,325</u>
<u>—</u>	<u>163</u>	<u>9,544</u>
(135)	2,225	6,798
<u>2,683</u>	<u>11,085</u>	<u>54,872</u>
<u>\$ 2,548</u>	<u>\$ 13,310</u>	<u>\$ 61,670</u>

## West Virginia

**Combining Statement of Cash Flows  
Nonmajor Proprietary Funds  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)  
(Continued)**

	<b>Business-type Activities – Enterprise Funds</b>		
	<b>Drinking Water Treatment Revolving Fund</b>	<b>Alcohol Beverage Control Administration</b>	<b>West Virginia Prepaid College Plan</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	\$ 724	\$ 22,638	\$ (636)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by (Used for) Operating Activities:			
Depreciation and Amortization	—	143	—
Pension Expense	—	130	19
OPEB Expense	—	235	13
Changes in Assets, Liabilities, and Deferred			
Inflows of Resources:			
Receivables	352	(42)	47
Inventories	—	(14)	—
Accounts Payable and Accrued Liabilities	—	(225)	20
Tuition Contracts Benefits and Expenses	—	—	(10,440)
Other Liabilities	—	—	—
Compensated Absences	—	7	(3)
Deferred Outflows Related to Pensions/OPEB	—	(443)	(57)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,076</u>	<u>\$ 22,429</u>	<u>\$ (11,037)</u>
Schedule of Noncash Capital and Financing Activities:			
Loans Originated with Principal Forgiveness Features	\$ 654	\$ —	\$ —
Unrealized Gain (Losses) on Investments	—	—	1,450
On Behalf OPEB Payments	—	128	7

<u>West Virginia Correctional Industries</u>	<u>State Entities Workers' Compensation</u>	<u>Total</u>
\$ 397	\$ 1,107	\$ 24,230
34	—	177
—	—	149
—	—	248
688	603	1,648
(592)	—	(606)
91	200	86
—	—	(10,440)
—	152	152
(3)	—	1
—	—	(500)
<u>\$ 615</u>	<u>\$ 2,062</u>	<u>\$ 15,145</u>
\$ —	\$ —	\$ 654
—	—	1,450
—	—	135

# *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 nonstate 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 nonstate 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 Fiduciary Net Position  
Pension Trust and Other Employee  
Benefit Trust Funds  
For the Fiscal Year Ended June 30, 2018  
(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	\$ 415	\$ 851	\$ 4	\$ 3	\$ 4
Investments:					
Equity in Pooled Investments	6,718,698	7,691,788	682,799	188,912	204,484
Mutual Funds	—	—	—	—	—
Receivables, Net:					
Contributions	3,241	25,302	—	—	—
Participant Loans	23	2,070	—	—	—
Accounts	—	—	—	—	—
Due from Other Funds	47,096	721	—	—	—
Due from Component Units	<u>221</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Assets	<u>6,769,694</u>	<u>7,720,732</u>	<u>682,803</u>	<u>188,915</u>	<u>204,488</u>
Deferred Outflows of Resources:					
Related to Pensions	—	—	—	—	—
Related to OPEB	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deferred Outflows of Resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Liabilities:					
Accounts Payable	—	—	—	—	—
Accrued and Other Liabilities	31	123	—	—	—
Due to Other Funds	109	—	—	—	—
Insurance Claims Payable	—	—	—	—	—
Net Pension Liability	—	—	—	—	—
Net OPEB Liability	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities	<u>140</u>	<u>123</u>	<u>—</u>	<u>—</u>	<u>—</u>
Deferred Inflows of Resources:					
Related to Pensions	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Related to OPEB	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deferred Inflows of Resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Position Held in Trust for:					
Restricted for:					
Pensions	6,769,554	7,720,609	682,803	188,915	204,488
Other Postemployment Benefits	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Net Position	<u>\$ 6,769,554</u>	<u>\$ 7,720,609</u>	<u>\$ 682,803</u>	<u>\$ 188,915</u>	<u>\$ 204,488</u>

<b>Teachers' Defined Contribution Retirement System</b>	<b>Deputy Sheriff Retirement System</b>	<b>Emergency Medical Services Retirement System</b>	<b>Municipal Police Officers and Fire Fighters Retirement System</b>	<b>Total Pension Trust Funds</b>	<b>Other Employee Benefit Trust Fund</b>	<b>Total Pension and Other Employee Benefit Trust Fund</b>
\$ 4,765	\$ 78	\$ 37	\$ 7	\$ 6,164	\$ 60,066	\$ 66,230
—	219,368	78,921	7,842	15,792,812	903,813	16,696,625
515,304	—	—	—	515,304	—	515,304
1,356	629	343	227	31,098	1,697	32,795
228	319	1	1	2,642	—	2,642
—	—	—	—	—	22,984	22,984
—	122	—	—	47,939	2,012	49,951
—	—	—	—	221	1,584	1,805
<u>521,653</u>	<u>220,516</u>	<u>79,302</u>	<u>8,077</u>	<u>16,396,180</u>	<u>992,156</u>	<u>17,388,336</u>
—	—	—	—	—	269	269
—	—	—	—	—	34	34
—	—	—	—	—	303	303
—	—	—	—	—	29	29
4,761	2	—	—	4,917	308	5,225
—	—	—	—	109	17,453	17,562
—	—	—	—	—	10,613	10,613
—	—	—	—	—	219	219
—	—	—	—	—	406	406
<u>4,761</u>	<u>2</u>	<u>—</u>	<u>—</u>	<u>5,026</u>	<u>29,028</u>	<u>34,054</u>
—	—	—	—	—	239	239
—	—	—	—	—	77	77
—	—	—	—	—	316	316
516,892	220,514	79,302	8,077	16,391,154	—	16,391,154
—	—	—	—	—	963,115	963,115
<u>\$ 516,892</u>	<u>\$ 220,514</u>	<u>\$ 79,302</u>	<u>\$ 8,077</u>	<u>\$ 16,391,154</u>	<u>\$ 963,115</u>	<u>\$ 17,354,269</u>

**Combining Statement of Changes in Fiduciary Net Position  
Pension Trust and Other Employee  
Benefit Trust Funds  
For the Fiscal Year Ended June 30, 2018  
(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>
<b>Additions:</b>					
Contributions:					
Members	\$ 65,150	\$ 89,128	\$ 186	\$ 3,621	\$ 364
Employers	152,541	124,515	154	4,205	735
Other	—	347,322	24,675	—	—
Total Contributions	<u>217,691</u>	<u>560,965</u>	<u>25,015</u>	<u>7,826</u>	<u>1,099</u>
Investment Income (Loss):					
Net Appreciation (Depreciation) in Fair Value of Investments	578,869	657,226	58,232	15,545	17,545
Interest	<u>27,434</u>	<u>31,047</u>	<u>2,707</u>	<u>758</u>	<u>828</u>
Net Investment Income (Loss)	<u>606,303</u>	<u>688,273</u>	<u>60,939</u>	<u>16,303</u>	<u>18,373</u>
Other Income	<u>1,497</u>	<u>3,046</u>	<u>691</u>	<u>—</u>	<u>—</u>
Total Additions	<u>825,491</u>	<u>1,252,284</u>	<u>86,645</u>	<u>24,129</u>	<u>19,472</u>
Deductions:					
Benefits Expense	421,936	806,511	45,529	1,186	4,765
Forfeitures	—	—	—	—	—
Refunds of Contributions	12,248	9,591	—	656	167
Administrative Expenses	6,850	6,035	61	60	8
Pension Expense	—	—	—	—	—
OPEB Expense	—	—	—	—	—
Total Deductions	<u>441,034</u>	<u>822,137</u>	<u>45,590</u>	<u>1,902</u>	<u>4,940</u>
Change in Net Position:					
Restricted for Pension Benefits	384,457	430,147	41,055	22,227	14,532
Held in Trust for Other	—	—	—	—	—
Postemployment Benefits	—	—	—	—	—
Net Position, Beginning of Year, as Restated	<u>6,385,097</u>	<u>7,290,462</u>	<u>641,748</u>	<u>166,688</u>	<u>189,956</u>
Net Position, End of Year	<u>\$ 6,769,554</u>	<u>\$ 7,720,609</u>	<u>\$ 682,803</u>	<u>\$ 188,915</u>	<u>\$ 204,488</u>

<b>Teachers' Defined Contribution Retirement System</b>	<b>Deputy Sheriff Retirement System</b>	<b>Emergency Medical Services Retirement System</b>	<b>Municipal Police Officers and Fire Fighters Retirement System</b>	<b>Total Pension Trust Funds</b>	<b>Other Employee Benefit Trust Fund</b>	<b>Total Pension and Other Employee Benefit Trust Fund</b>
\$ 6,075	\$ 4,416	\$ 2,231	\$ 1,087	\$ 172,258	\$ —	\$ 172,258
11,664	6,194	2,765	1,089	303,862	121,974	425,836
—	—	—	—	371,997	82,261	454,258
<u>17,739</u>	<u>10,610</u>	<u>4,996</u>	<u>2,176</u>	<u>848,117</u>	<u>204,235</u>	<u>1,052,352</u>
22,817	18,472	6,549	519	1,375,774	69,484	1,445,258
<u>18,630</u>	<u>889</u>	<u>318</u>	<u>28</u>	<u>82,639</u>	<u>4,564</u>	<u>87,203</u>
<u>41,447</u>	<u>19,361</u>	<u>6,867</u>	<u>547</u>	<u>1,458,413</u>	<u>74,048</u>	<u>1,532,461</u>
<u>34</u>	<u>471</u>	<u>—</u>	<u>—</u>	<u>5,739</u>	<u>1,572</u>	<u>7,311</u>
<u>59,220</u>	<u>30,442</u>	<u>11,863</u>	<u>2,723</u>	<u>2,312,269</u>	<u>279,855</u>	<u>2,592,124</u>
—	9,614	—	20	1,289,561	136,358	1,425,919
1,530	—	—	—	1,530	—	1,530
10,643	997	1,071	125	35,498	—	35,498
1,054	137	2,655	23	16,883	4,314	21,197
—	—	—	—	—	64	64
—	—	—	—	—	19	19
<u>13,227</u>	<u>10,748</u>	<u>3,726</u>	<u>168</u>	<u>1,343,472</u>	<u>140,755</u>	<u>1,484,227</u>
45,993	19,694	8,137	2,555	968,797	—	968,797
—	—	—	—	—	139,100	139,100
<u>470,899</u>	<u>200,820</u>	<u>71,165</u>	<u>5,522</u>	<u>15,422,357</u>	<u>824,015</u>	<u>16,246,372</u>
<u>\$ 516,892</u>	<u>\$ 220,514</u>	<u>\$ 79,302</u>	<u>\$ 8,077</u>	<u>\$16,391,154</u>	<u>\$ 963,115</u>	<u>\$ 17,354,269</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, 2018  
(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>\$ 182,493</u>	<u>\$ 187,840</u>	<u>\$ 370,333</u>
Total Assets	<u>\$ 182,493</u>	<u>\$ 187,840</u>	<u>\$ 370,333</u>
Net Position:			
Held in Trust for External Investment Pool Participants	<u>\$ 182,493</u>	<u>\$ 187,840</u>	<u>\$ 370,333</u>
Total Net Position	<u>\$ 182,493</u>	<u>\$ 187,840</u>	<u>\$ 370,333</u>

**Combining Statement of Changes in Fiduciary Net Position  
Investment Trust Funds  
For the Year Ended June 30, 2018  
(Expressed in Thousands)**

	<b>West Virginia Money Market</b>	<b>West Virginia Government Money Market</b>	<b>Total</b>
Additions:			
Deposits, Pool Participants	\$ 297,201	\$ 226,502	\$ 523,703
Investment Income:			
Net Appreciation, in Fair Value of Investments	<u>2,393</u>	<u>2,589</u>	<u>4,982</u>
Total Additions	<u>299,594</u>	<u>229,091</u>	<u>528,685</u>
Deductions:			
Withdrawals	<u>247,600</u>	<u>224,271</u>	<u>471,871</u>
Change in Net Position Held in Trust for External Investment Pool Participants	51,994	4,820	56,814
Net Position, Beginning of Year	<u>130,499</u>	<u>183,020</u>	<u>313,519</u>
Net Position, End of Year	<u>\$ 182,493</u>	<u>\$ 187,840</u>	<u>\$ 370,333</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, 2018  
(Expressed in Thousands)**

	Local Government		Other Agency			Total
	Local Government	Municipal Bond Commission	Consolidated Investment Pool	Patient Injury Compensation Fund	Other Agency Funds	
Assets:						
Current Assets:						
Cash and Cash Equivalents	\$ 2,334	\$ 3,374	\$ 75,547	\$ 1,951	\$ 18,323	\$ 101,529
Investments	—	—	9,745	—	—	9,745
Receivables, Net	—	—	39	2	6	47
Due from Other Funds	<u>659</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>659</u>
Total Assets	<u>\$ 2,993</u>	<u>\$ 3,374</u>	<u>\$ 85,331</u>	<u>\$ 1,953</u>	<u>\$ 18,329</u>	<u>\$ 111,980</u>
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ —	\$ —	\$ —	\$ 9	\$ —	\$ 9
Due to Other Governments	2,993	3,374	—	—	787	7,154
Agency Liabilities	<u>—</u>	<u>—</u>	<u>85,331</u>	<u>1,944</u>	<u>17,542</u>	<u>104,817</u>
Total Liabilities	<u>\$ 2,993</u>	<u>\$ 3,374</u>	<u>\$ 85,331</u>	<u>\$ 1,953</u>	<u>\$ 18,329</u>	<u>\$ 111,980</u>

**Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2018</b>
<b>Local Government</b>				
Assets:				
Cash	\$ 2,008	\$ 612,198	\$ 611,872	\$ 2,334
Due from Other Funds	—	659	—	659
Total Assets	<u>\$ 2,008</u>	<u>\$ 612,857</u>	<u>\$ 611,872</u>	<u>\$ 2,993</u>
Liabilities:				
Accounts Payable	\$ —	\$ 243,036	\$ 243,036	\$ —
Due to Other Governments	2,008	369,821	368,836	2,993
Total Liabilities	<u>\$ 2,008</u>	<u>\$ 612,857</u>	<u>\$ 611,872</u>	<u>\$ 2,993</u>
 <b>Municipal Bond Commission</b>				
Assets:				
Cash	\$ 3,566	\$ 501,607	\$ 501,799	\$ 3,374
Total Assets	<u>\$ 3,566</u>	<u>\$ 501,607</u>	<u>\$ 501,799</u>	<u>\$ 3,374</u>
Liabilities:				
Accounts Payable	\$ —	\$ 1,623	\$ 1,623	\$ —
Due to Other Governments	3,566	499,984	500,176	3,374
Total Liabilities	<u>\$ 3,566</u>	<u>\$ 501,607</u>	<u>\$ 501,799</u>	<u>\$ 3,374</u>
 <b>Consolidated Investment Pool</b>				
Assets:				
Cash	\$ 4,020	\$ 21,947	\$ 23,055	\$ 2,912
Equity in Pooled Cash Equivalents	74,411	7,116	8,892	72,635
Investments	9,007	1,252	514	9,745
Accrued Interest Receivable	104	39	104	39
Total Assets	<u>\$ 87,542</u>	<u>\$ 30,354</u>	<u>\$ 32,565</u>	<u>\$ 85,331</u>
Liabilities:				
Accounts Payable	\$ 17	\$ 6,611	\$ 6,628	\$ —
Agency Liabilities	87,525	23,743	25,937	85,331
	<u>\$ 87,542</u>	<u>\$ 30,354</u>	<u>\$ 32,565</u>	<u>\$ 85,331</u>

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Patient Injury Compensation Fund</b>				
Assets:				
Cash and Cash Equivalents	\$ 1,324	\$ 3,553	\$ 4,869	\$ 8
Equity in Pooled Cash	1,823	1,522	1,402	1,943
Accrued Interest Receivable	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>
Total Assets	<u>\$ 3,149</u>	<u>\$ 5,077</u>	<u>\$ 6,273</u>	<u>\$ 1,953</u>
Liabilities:				
Accounts Payable	\$ 15	\$ 3,348	\$ 3,354	\$ 9
Agency Liabilities	<u>3,134</u>	<u>1,729</u>	<u>2,919</u>	<u>1,944</u>
Total Liabilities	<u>\$ 3,149</u>	<u>\$ 5,077</u>	<u>\$ 6,273</u>	<u>\$ 1,953</u>
 <b>Other Agency Funds</b>				
Assets:				
Cash and Cash Equivalents	\$ 15,256	\$ 226,788	\$ 227,719	\$ 14,325
Equity in Pooled Cash	3,846	359	207	3,998
Accrued Interest Receivable	<u>3</u>	<u>6</u>	<u>3</u>	<u>6</u>
Total Assets	<u>\$ 19,105</u>	<u>\$ 227,153</u>	<u>\$ 227,929</u>	<u>\$ 18,329</u>
Liabilities:				
Due to Other Governments	\$ 823	\$ 4,344	\$ 4,380	\$ 787
Agency Liabilities	<u>18,282</u>	<u>222,809</u>	<u>223,549</u>	<u>17,542</u>
Total Liabilities	<u>\$ 19,105</u>	<u>\$ 227,153</u>	<u>\$ 227,929</u>	<u>\$ 18,329</u>
 <b>Total All Agency Funds</b>				
Assets:				
Cash and Cash Equivalents	\$ 26,174	\$ 1,366,093	\$ 1,369,314	\$ 22,953
Equity in Pooled Cash Equivalents	80,080	8,997	10,501	78,576
Investments	9,007	1,252	514	9,745
Due from Other Funds	—	659	—	659
Accrued Interest Receivable	<u>109</u>	<u>47</u>	<u>109</u>	<u>47</u>
Total Assets	<u>\$ 115,370</u>	<u>\$ 1,377,048</u>	<u>\$ 1,380,438</u>	<u>\$ 111,980</u>
Liabilities:				
Accounts Payable	\$ 32	\$ 254,618	\$ 254,641	\$ 9
Due to Other Governments	6,397	874,149	873,392	7,154
Agency Liability	<u>108,941</u>	<u>248,281</u>	<u>252,405</u>	<u>104,817</u>
Total Liabilities	<u>\$ 115,370</u>	<u>\$ 1,377,048</u>	<u>\$ 1,380,438</u>	<u>\$ 111,980</u>

# *DISCRETELY PRESENTED COMPONENT UNITS*

## *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 Defender 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, 2018  
(Expressed in Thousands)**

	<b>Educational Broadcasting Authority</b>	<b>Job Investment Trust</b>	<b>WV State Rail Authority</b>
<b>Assets:</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ 2,116	\$ 7,284	\$ 8,050
Investments	2,711	—	—
Receivables, Net	271	—	99
Due from Primary Government	14	—	403
Inventories	—	—	21
Other Assets	—	—	—
<b>Restricted Assets:</b>			
Cash and Cash Equivalents	370	—	—
Receivables, Net	—	—	—
Total Current Assets	<u>5,482</u>	<u>7,284</u>	<u>8,573</u>
<b>Noncurrent Assets:</b>			
Investments	—	2,509	—
Receivables, Net	—	3,633	—
Other Assets	—	74	—
<b>Restricted Assets:</b>			
Receivables, Net	—	—	—
Other Restricted Assets	222	—	—
Capital Assets, Net	<u>3,885</u>	<u>69</u>	<u>38,828</u>
Total Noncurrent Assets	<u>4,107</u>	<u>6,285</u>	<u>38,828</u>
<b>Total Assets</b>	<u><b>9,589</b></u>	<u><b>13,569</b></u>	<u><b>47,401</b></u>
<b>Deferred Outflows of Resources:</b>			
Related to Pensions	449	56	53
Related to OPEB	<u>101</u>	<u>6</u>	<u>28</u>
<b>Total Deferred Outflows of Resources</b>	<u><b>550</b></u>	<u><b>62</b></u>	<u><b>81</b></u>
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts Payable	95	12	1,680
Accrued and Other Liabilities	—	94	40
Due to Primary Government	7	—	313
Unearned Revenue	—	—	3
Compensated Absences	<u>286</u>	<u>—</u>	<u>61</u>
Total Current Liabilities	<u>388</u>	<u>106</u>	<u>2,097</u>
<b>Noncurrent Liabilities:</b>			
Accrued and Other Liabilities	—	—	—
Unearned Revenue	—	—	50
Liabilities Payable from Restricted Assets	—	—	—
Net Pension Liability	889	95	134
Net OPEB Liability	1,944	126	352
Compensated Absences	<u>—</u>	<u>—</u>	<u>—</u>
Total Noncurrent Liabilities	<u>2,833</u>	<u>221</u>	<u>536</u>
<b>Total Liabilities</b>	<u><b>3,221</b></u>	<u><b>327</b></u>	<u><b>2,633</b></u>
<b>Deferred Inflows of Resources:</b>			
Related to Pensions	346	34	46
Related to Other Post-Employment Benefits	<u>495</u>	<u>47</u>	<u>33</u>
<b>Total Deferred Inflows of Resources</b>	<u><b>841</b></u>	<u><b>81</b></u>	<u><b>79</b></u>
<b>Net Position :</b>			
Net Investment in Capital Assets	3,885	69	38,828
<b>Restricted for:</b>			
Nonexpendable	222	—	—
Specific Component Unit Purposes	—	—	—
Unrestricted	<u>1,970</u>	<u>13,154</u>	<u>5,942</u>
<b>Total Net Position</b>	<u><b>\$ 6,077</b></u>	<u><b>\$ 13,223</b></u>	<u><b>\$ 44,770</b></u>

Solid Waste Management Board	Racing Commission	Public Defender Corporation	Municipal Pensions Oversight Board	Total
\$ 2,880	\$ 2,210	\$ 4,300	\$ 29,668	\$ 56,508
—	—	—	—	2,711
244	62	1,744	—	2,420
—	—	—	—	417
—	—	—	—	21
1	—	41	—	42
4,128	16,558	—	—	21,056
166	418	—	—	584
<u>7,419</u>	<u>19,248</u>	<u>6,085</u>	<u>29,668</u>	<u>83,759</u>
—	—	—	—	2,509
—	—	—	—	3,633
—	—	—	—	74
409	—	—	—	409
—	—	—	—	222
19	—	907	4	43,712
<u>428</u>	<u>—</u>	<u>907</u>	<u>4</u>	<u>50,559</u>
<u>7,847</u>	<u>19,248</u>	<u>6,992</u>	<u>29,672</u>	<u>134,318</u>
66	227	2,063	31	2,945
<u>15</u>	<u>62</u>	<u>543</u>	<u>2</u>	<u>757</u>
<u>81</u>	<u>289</u>	<u>2,606</u>	<u>33</u>	<u>3,702</u>
122	445	14	3	2,371
—	114	370	26	644
—	79	—	1	400
—	—	15	—	18
—	—	1,001	—	1,348
<u>122</u>	<u>638</u>	<u>1,400</u>	<u>30</u>	<u>4,781</u>
200	—	—	—	200
—	—	—	—	50
—	16,558	—	—	16,558
143	544	3,684	65	5,554
191	773	4,455	24	7,865
41	149	—	—	190
<u>575</u>	<u>18,024</u>	<u>8,139</u>	<u>89</u>	<u>30,417</u>
<u>697</u>	<u>18,662</u>	<u>9,539</u>	<u>119</u>	<u>35,198</u>
60	254	1,263	20	2,023
<u>49</u>	<u>222</u>	<u>651</u>	<u>4</u>	<u>1,501</u>
<u>109</u>	<u>476</u>	<u>1,914</u>	<u>24</u>	<u>3,524</u>
19	—	907	4	43,712
—	—	—	—	222
4,503	—	—	29,558	34,061
<u>2,600</u>	<u>399</u>	<u>(2,762)</u>	<u>—</u>	<u>21,303</u>
<u>\$ 7,122</u>	<u>\$ 399</u>	<u>\$ (1,855)</u>	<u>\$ 29,562</u>	<u>\$ 99,298</u>



**Combining Statement of Activities  
Nonmajor Discretely Presented Component Units  
For the Fiscal Year Ended June 30, 2018  
(Expressed in Thousands)**

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Component Units:				
Educational Broadcasting Authority	\$ 8,573	\$ 2,623	\$ 1,545	\$ (4,405)
Jobs Investment Trust	2,497	418	50	(2,029)
WV State Rail Authority	6,052	2,558	—	(3,494)
Solid Waste Management Board	2,485	2,691	—	206
Racing Commission	2,810	2,714	—	(96)
Public Defender Corporation	18,152	—	6	(18,146)
Municipal Pensions Oversight Board	<u>19,205</u>	<u>—</u>	<u>—</u>	<u>(19,205)</u>
Total Component Units	<u>\$ 59,774</u>	<u>\$ 11,004</u>	<u>\$ 1,601</u>	<u>\$ (47,169)</u>

General Revenue

Unrestricted Investment Earnings	Grants and Contributions Not Restricted for Specific Programs	Miscellaneous	Payments from the State of West Virginia	Total General Revenue and Special Item	Change in Net Position	Net Position, Beginning of Year, as Restated	Net Position, End of Year
\$ 467	\$ 1,297	\$ 1,104	\$ 3,266	\$ 6,134	\$ 1,729	\$ 4,348	\$ 6,077
93	—	8	—	101	(1,928)	15,151	13,223
93	—	22	4,012	4,127	633	44,137	44,770
—	—	91	—	91	297	6,825	7,122
—	—	49	—	49	(47)	446	399
5	—	399	18,467	18,871	725	(2,580)	(1,855)
<u>397</u>	<u>—</u>	<u>2</u>	<u>19,441</u>	<u>19,840</u>	<u>635</u>	<u>28,927</u>	<u>29,562</u>
<u>\$ 1,055</u>	<u>\$ 1,297</u>	<u>\$ 1,675</u>	<u>\$ 45,186</u>	<u>\$ 49,213</u>	<u>\$ 2,044</u>	<u>\$ 97,254</u>	<u>\$ 99,298</u>



# STATISTICAL SECTION

Financial Trends

Revenue Capacity

Debt Capacity

Demographics and Economic Information

Operating Information

Miscellaneous

## BOOKER T. WASHINGTON

1868 — BORN A LITTLE SLAVE  
1915 — DIED A GREAT AMERICAN

PRIVILEGED EDUCATOR, AUTHOR, LECTURER AND FOUNDER OF THE DOCTRINE OF INTER-RACIAL COOPERATION. BOOKER T. WASHINGTON WAS BORN NEAR HILLS FORD, THOMAS COUNTY, VA. HE SPENT HIS EARLY LIFE HERE IN THOMAS, WEST VIRGINIA. HIS FIRST EMPLOYMENT WAS AS A BUTCHER. BUT WORKING IN THE MEAT SHOP HE GAINED THE CREDIT FOR WASHINGTON, VA. TO SECURE HIS EDUCATION.

HE GRADUATED FROM HAWKINS INSTITUTE, HAWKINS, VIRGINIA IN 1878 AND RETURNED TO THOMAS WHERE HE TAUGHT SCHOOL FOR TWO YEARS. LATER HE BECAME HIS INSTRUCTOR AND ASSISTANT TO THE PRESIDENT OF HIS HIGH SCHOOL.

BY HIS DEDICATION AND FORCE HE ESTABLISHED IN 1881 THE FIRST VOCATIONAL SCHOOL FOR NEGROES IN ALABAMA BY THE NAME OF TUSKEGEE INSTITUTE IN ALABAMA THROUGH HIS EFFORTS IN TRAINING THE NEGRO AS WELL AS THE WHITE HE TAUGHT THE VALUE OF VOCATIONAL EDUCATION NOT ONLY TO THE NEGRO YOUTH BUT TO THE WORLD.

HE LIFTED THE VEIL OF IGNORANCE FROM HIS PEOPLE AND POINTED THE WAY TO PROGRESS THROUGH INDUSTRY AND EDUCATION.

*Born in a slave hut in western Virginia, Booker T. Washington and his family moved to Malden, WV after emancipation when he was a young child. He grew up to be a very well-known author of several books and a respected American educator.*



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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.

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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.

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Demographic and Economic Information - These schedules offer indicators to help the reader understand the environment within which the government's financial activities take place.

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Operating Information - These schedules assist the reader in evaluating the size, efficiency, and effectiveness of the State's government.

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Miscellaneous Statistics - This information may provide the reader with more insight into the State's financial and demographic status.

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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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Governmental Activities</b>				
Net Investment in Capital Assets	\$ 8,875,443	\$ 8,996,053	\$ 8,986,789	\$ 8,890,142
Restricted	953,572	402,490	422,147	439,118
Unrestricted Net Position (Deficit)	<u>(4,119,293)</u>	<u>(4,455,964)</u>	<u>(4,563,114)</u>	<u>(4,718,599)</u>
<b>Total Governmental Activities</b>				
Net Position	<u>\$ 5,709,722</u>	<u>\$ 4,942,579</u>	<u>\$ 4,845,822</u>	<u>\$ 4,610,661</u>
<b>Business-type Activities</b>				
Net Investment in Capital Assets	\$ 2,676	\$ 2,863	\$ 2,940	\$ 2,963
Restricted	1,895,646	1,809,614	1,741,004	1,813,975
Unrestricted Net Position (Deficit)	<u>333,239</u>	<u>282,812</u>	<u>201,954</u>	<u>201,022</u>
<b>Total Business-type Activities</b>				
Net Position (Deficit)	<u>\$ 2,231,561</u>	<u>\$ 2,095,289</u>	<u>\$ 1,945,898</u>	<u>\$ 2,017,960</u>
<b>Primary Government</b>				
Net Investment in Capital Assets	\$ 8,878,119	\$ 8,998,916	\$ 8,989,729	\$ 8,893,105
Restricted	2,849,218	2,212,104	2,163,151	2,253,093
Unrestricted Net Position (Deficit)	<u>(3,786,054)</u>	<u>(4,173,152)</u>	<u>(4,361,160)</u>	<u>(4,517,577)</u>
<b>Total Primary Government</b>				
Net Position	<u>\$ 7,941,283</u>	<u>\$ 7,037,868</u>	<u>\$ 6,791,720</u>	<u>\$ 6,628,621</u>

Notes: 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.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 8,791,243	\$ 8,620,814	\$ 8,404,751	\$ 8,288,909	\$ 7,909,484	\$ 7,532,883
367,636	407,011	504,680	551,892	435,296	817,524
<u>(17,631)</u>	<u>78,335</u>	<u>298,279</u>	<u>1,347,124</u>	<u>1,407,481</u>	<u>1,725,672</u>
<u>\$ 9,141,248</u>	<u>\$ 9,106,160</u>	<u>\$ 9,207,710</u>	<u>\$ 10,187,925</u>	<u>\$ 9,752,261</u>	<u>\$ 10,076,079</u>
\$ 3,175	\$ 3,392	\$ 4,555	\$ 6,200	\$ 31,428	\$ 11,732
1,812,958	1,792,845	1,721,727	1,551,461	1,432,449	1,000,274
<u>41,180</u>	<u>(222,728)</u>	<u>(450,488)</u>	<u>(568,660)</u>	<u>(744,459)</u>	<u>(1,095,509)</u>
<u>\$ 1,857,313</u>	<u>\$ 1,573,509</u>	<u>\$ 1,275,794</u>	<u>\$ 989,001</u>	<u>\$ 719,418</u>	<u>\$ (83,503)</u>
\$ 8,794,418	\$ 8,624,206	\$ 8,409,306	\$ 8,295,109	\$ 7,940,912	\$ 7,544,615
2,180,594	2,199,856	2,226,407	2,103,353	1,867,745	1,817,798
<u>23,549</u>	<u>(144,393)</u>	<u>(152,209)</u>	<u>778,464</u>	<u>663,022</u>	<u>630,163</u>
<u>\$ 10,998,561</u>	<u>\$ 10,679,669</u>	<u>\$ 10,483,504</u>	<u>\$ 11,176,926</u>	<u>\$ 10,471,679</u>	<u>\$ 9,992,576</u>



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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>Governmental Activities</b>				
Expenses:				
Legislative	\$ 24,352	\$ 24,189	\$ 25,766	\$ 26,762
Judicial	136,825	134,351	133,702	126,904
Executive	213,285	176,485	139,580	124,455
Administration	235,485	262,684	234,542	280,007
Commerce	196,759	166,225	166,129	141,566
Environmental Protection	112,962	173,689	84,533	109,036
Employment Programs	43,287	55,231	48,173	43,876
Education	2,669,868	2,777,727	2,708,236	2,762,735
Health and Human Resources	5,483,893	5,810,783	5,352,930	5,241,337
Military Affairs and Public Safety	479,783	502,408	417,604	412,894
Revenue	93,815	89,178	78,504	86,654
Transportation	1,150,909	1,153,708	1,183,397	1,121,182
Veterans Assistance	24,369	20,572	20,588	19,264
Senior Services	44,825	41,934	44,037	49,205
Regulatory Boards and Commissions	55,422	53,909	47,680	74,255
Interest on Long-Term Debt	<u>118,156</u>	<u>110,722</u>	<u>112,273</u>	<u>123,064</u>
Total Expenses	11,083,995	11,553,795	10,797,674	10,743,196
Program Revenues:				
Charges for Services:				
Legislative	1,277	1,268	1,431	1,436
Judicial	—	1,768	1,730	944
Executive	19,326	18,002	14,407	22,440
Administration	46,708	42,766	45,767	51,167
Commerce	46,986	41,017	43,541	46,972
Environmental Protection	68,595	53,209	74,621	71,302
Employment Programs	—	—	—	—
Education	—	—	2,580	3,970
Health and Human Resources	56,589	70,812	72,849	84,731
Military Affairs and Public Safety	18,449	16,018	10,868	8,751
Revenue	44,703	42,421	42,754	50,547
Transportation	169,142	101,562	92,171	97,716
Veterans Assistance	3	—	—	—
Senior Services	—	3	—	—
Regulatory Boards and Commissions	<u>41,508</u>	<u>42,259</u>	<u>26,158</u>	<u>31,317</u>
Total Charges for Services	513,286	431,105	428,877	471,293
Operating Grants and Contributions:				
Legislative	3,786	309	136	784
Judicial	2,472	2,899	1,978	2,296
Executive	29,404	24,812	33,725	14,076
Administration	—	—	3,006	50,731
Commerce	60,551	60,378	41,846	39,802
Environmental Protection	99,742	87,674	98,312	102,018
Employment Programs	49,969	49,288	48,050	45,306
Education	435,775	440,701	451,719	443,295
Health and Human Resources	4,005,927	4,319,051	3,940,757	3,811,046
Military Affairs and Public Safety	85,058	130,128	118,282	65,630
Revenue	1,316	2,645	1,917	144
Veterans Assistance	11,805	8,208	8,008	9,604
Senior Services	22,005	22,318	23,489	22,728
Regulatory Boards and Commissions	<u>3,134</u>	<u>2,910</u>	<u>3,049</u>	<u>3,058</u>
Total Operating Grants and Contributions	4,810,944	5,151,321	4,774,274	4,610,518
Capital Grants & Contributions:				
Executive	—	—	—	—
Administration	—	1,563	2,552	—
Military Affairs and Public Safety	2,364	2,128	1,235	17,241
Transportation	369,711	526,571	452,435	373,708
Veterans Assistance	—	1,564	—	—
Total Capital Grants and Contributions	<u>372,075</u>	<u>531,826</u>	<u>456,222</u>	<u>390,949</u>
Total Program Revenues	<u>5,696,305</u>	<u>6,114,252</u>	<u>5,659,373</u>	<u>5,472,760</u>
Total Governmental Activities Net Program Expenses	<u>(5,387,690)</u>	<u>(5,439,543)</u>	<u>(5,138,301)</u>	<u>(5,270,436)</u>

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 30,147	\$ 34,693	\$ 36,722	\$ 31,721	\$ 28,896	\$ 29,552
143,929	129,667	140,515	130,104	124,627	106,933
154,212	117,706	216,356	325,389	261,764	143,872
308,685	309,009	320,377	260,298	163,662	201,469
182,198	233,474	231,178	217,334	204,178	201,901
150,859	168,322	204,158	174,211	141,279	110,652
50,406	47,369	51,595	58,312	57,286	45,000
2,924,767	3,059,791	3,757,725	2,839,216	2,850,805	2,821,883
4,759,982	4,660,450	4,402,259	4,317,911	4,088,254	3,737,102
424,232	446,954	491,717	441,523	441,068	427,575
131,627	62,615	91,344	82,820	270,870	83,458
1,148,566	1,028,742	1,299,400	1,035,601	1,064,417	977,616
23,551	19,212	27,019	—	—	—
45,846	47,608	47,561	47,186	46,671	43,729
44,847	62,883	92,662	33,328	36,917	35,079
<u>119,268</u>	<u>125,559</u>	<u>125,105</u>	<u>135,443</u>	<u>135,534</u>	<u>141,756</u>
10,643,122	10,554,054	11,535,693	10,130,397	9,916,228	9,107,577
1,440	1,550	1,591	1,571	1,598	1,644
972	969	1,024	1,116	929	907
24,539	21,110	22,093	22,868	19,787	17,365
15,608	31,569	33,180	6,289	29,086	28,337
48,312	43,882	48,928	44,747	46,009	48,685
85,487	84,358	61,188	52,683	49,450	56,016
—	—	—	—	—	—
3,982	3,563	4,362	4,195	3,352	3,096
83,974	90,383	90,604	88,737	84,680	81,230
9,847	10,308	11,146	10,019	10,352	12,957
33,231	30,888	31,729	73,947	69,800	45,944
92,772	100,966	100,700	101,000	100,533	91,669
—	—	—	—	—	—
—	—	1	—	1	—
<u>31,403</u>	<u>25,090</u>	<u>31,254</u>	<u>30,815</u>	<u>30,407</u>	<u>26,121</u>
431,567	444,636	437,800	437,987	445,984	413,971
1,523	984	1,977	634	2,135	1,212
1,453	491	640	1,049	986	850
64,345	62,496	136,752	214,224	164,062	40,551
43,532	48,938	45,498	41,426	38,498	37,716
54,672	70,260	70,004	73,424	59,632	34,220
103,557	104,386	142,590	116,378	121,366	67,529
49,686	50,537	51,845	58,008	54,460	46,804
405,576	420,116	446,297	444,269	452,315	377,749
3,385,470	3,222,601	3,045,355	3,252,622	3,077,246	2,783,872
59,304	76,807	82,240	52,057	74,472	67,269
35	23	9	28	12	156
7,814	2,298	—	—	—	—
22,588	22,025	23,351	22,671	20,614	14,310
<u>2,782</u>	<u>3,033</u>	<u>2,747</u>	<u>2,105</u>	<u>2,014</u>	<u>2,598</u>
4,202,337	4,084,995	4,049,305	4,278,895	4,067,812	3,474,836
—	—	—	3	—	—
3,180	—	2,005	—	57,442	—
24,395	46,326	49,854	74,581	—	11,518
—	493,949	519,768	554,394	18,758	476,779
<u>476,631</u>	<u>3,005</u>	<u>5,321</u>	<u>—</u>	<u>558,947</u>	<u>—</u>
504,206	543,280	576,948	628,978	635,147	488,297
<u>5,138,110</u>	<u>5,072,911</u>	<u>5,064,053</u>	<u>5,345,860</u>	<u>5,148,943</u>	<u>4,377,104</u>
<u>(5,505,012)</u>	<u>(5,481,143)</u>	<u>(6,471,640)</u>	<u>(4,784,537)</u>	<u>(4,767,285)</u>	<u>(4,730,473)</u>

(Continued)

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
General Revenues and Other Changes in Net Position				
Taxes:				
Personal Income	\$ 1,939,977	\$ 1,830,106	\$ 1,849,056	\$ 1,921,597
Consumer Sales	1,355,135	1,312,353	1,291,813	1,265,957
Business	626,743	581,896	640,081	907,362
Medicaid	222,859	217,665	222,578	197,692
Transportation	674,795	593,158	605,403	640,135
Other	390,773	409,426	303,770	249,102
Entitlements and Grants	—	—	—	—
Unrestricted Investment Earnings	56,933	73,552	34,380	12,259
Tobacco Settlement Revenues	62,930	61,426	62,697	62,105
Lottery Revenue	322,845	336,294	342,702	356,401
Miscellaneous	152,806	106,526	129,760	131,023
Transfers	9,667	15,204	(108,778)	(230,208)
Total General Revenues, Special Items and Transfers	<u>5,815,463</u>	<u>5,537,606</u>	<u>5,373,462</u>	<u>5,513,425</u>
<b>Total Governmental Activities Changes in Net Position</b>	<b><u>\$ 427,773</u></b>	<b><u>\$ 98,063</u></b>	<b><u>\$ 235,161</u></b>	<b><u>\$ 242,989</u></b>
<b>Business-type Activities</b>				
Expenses:				
West Virginia Lottery	\$ —	\$ —	\$ —	\$ —
Water Pollution Control Revolving Fund	4,067	3,467	4,745	6,358
Workers' Compensation Fund	117,132	134,443	202,406	44,488
Unemployment Compensation	142,103	169,197	509,796	225,940
WV Infrastructure & Jobs Development Council	35,937	23,941	60,622	71,587
Public Employees' Insurance Agency	537,044	552,882	542,825	577,433
Board of Risk and Insurance Management	61,797	66,152	67,650	72,436
Other Business-type Activities	98,697	98,901	103,294	108,868
Total Expenses	<u>996,777</u>	<u>1,048,983</u>	<u>1,491,338</u>	<u>1,107,110</u>
Program Revenues:				
Charges for Services:				
West Virginia Lottery	—	—	—	—
Water Pollution Control Revolving Fund	6,061	5,995	5,850	5,725
Workers' Compensation Fund	35,905	35,738	105,897	46,272
Unemployment Compensation	188,153	204,496	431,717	223,836
WV Infrastructure & Jobs Development Council	3,344	3,095	1,940	2,591
Public Employees' Insurance Agency	560,051	576,153	507,419	516,689
Board of Risk and Insurance Management	72,270	64,587	58,303	51,940
Other Business-type Activities	121,484	118,471	118,985	120,634
Total Charges for Services	<u>987,268</u>	<u>1,008,535</u>	<u>1,230,111</u>	<u>967,687</u>
Capital Grants & Contributions:				
Water Pollution Control Revolving Fund	—	—	—	—
Total Capital Grants & Contributions	—	—	—	—
Total Revenues	<u>987,268</u>	<u>1,008,535</u>	<u>1,230,111</u>	<u>967,687</u>
Total Business-type Activities Net Program Expenses	<u>(9,509)</u>	<u>(40,448)</u>	<u>(261,227)</u>	<u>(139,423)</u>
General Revenues & Other Changes in Net Position:				
Unrestricted Investment Earnings	99,883	167,076	31,098	29,282
Tobacco Settlement Revenue	—	—	—	—
Lottery Revenue	48,750	31,500	42,735	37,000
Miscellaneous	6,708	6,467	6,554	7,271
Transfers	(9,667)	(15,204)	108,778	230,208
Total General Revenues and Other Changes in Net Position	<u>145,674</u>	<u>189,839</u>	<u>189,165</u>	<u>303,761</u>
<b>Total Business-type Activities Changes in Net Position</b>	<b><u>\$ 136,165</u></b>	<b><u>\$ 149,391</u></b>	<b><u>\$ (72,062)</u></b>	<b><u>\$ 164,338</u></b>
<b>Total Primary Government Change in Net Position</b>	<b><u>\$ 563,938</u></b>	<b><u>\$ 247,454</u></b>	<b><u>\$ 163,099</u></b>	<b><u>\$ 407,327</u></b>

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,771,473	\$ 1,771,481	\$ 1,790,146	\$ 1,657,258	\$ 1,534,970	\$ 1,630,492
1,216,812	1,198,983	1,216,561	1,150,887	1,131,075	1,088,901
937,751	923,575	905,515	977,252	844,405	912,252
189,111	203,421	190,419	173,103	157,693	165,759
628,989	605,768	594,871	574,949	541,023	533,833
303,889	304,693	318,938	264,260	277,811	297,644
31,078	15,896	5,056	29,995	—	—
71,178	23,287	54,699	63,821	89,635	(33,983)
61,337	88,327	63,270	61,233	66,199	81,703
343,220	388,888	497,874	408,974	—	—
125,770	94,150	112,324	103,228	97,791	96,098
<u>(217,282)</u>	<u>(220,028)</u>	<u>(258,248)</u>	<u>(244,759)</u>	<u>279,309</u>	<u>206,287</u>
<u>5,463,326</u>	<u>5,398,441</u>	<u>5,491,425</u>	<u>5,220,201</u>	<u>5,019,911</u>	<u>4,978,986</u>
<u>\$ (41,686)</u>	<u>\$ (82,702)</u>	<u>\$ (980,215)</u>	<u>\$ 435,664</u>	<u>\$ 252,626</u>	<u>\$ 248,513</u>
\$ —	\$ —	\$ —	\$ —	\$ 899,247	\$ 1,022,747
9,991	10,645	5,740	26,723	34,796	1,905
129,087	105,430	147,230	179,803	173,967	36,252
274,215	380,239	365,323	444,036	605,272	356,715
29,752	17,669	18,503	16,024	22,882	—
573,008	490,841	524,789	527,830	437,496	394,616
67,524	57,293	57,288	37,624	35,614	40,498
<u>110,133</u>	<u>114,918</u>	<u>108,221</u>	<u>101,937</u>	<u>97,089</u>	<u>69,184</u>
<u>1,193,710</u>	<u>1,177,035</u>	<u>1,227,094</u>	<u>1,333,977</u>	<u>2,306,363</u>	<u>1,921,917</u>
—	—	—	—	1,358,092	1,493,036
5,611	5,011	4,631	4,548	4,509	4,154
45,099	54,817	54,361	51,015	50,460	49,921
270,784	356,531	400,238	467,910	510,048	249,996
3,076	2,771	4,381	3,162	2,756	—
515,987	513,982	499,236	499,726	481,060	402,377
45,959	41,243	45,587	46,376	51,613	56,337
<u>123,772</u>	<u>123,710</u>	<u>117,206</u>	<u>103,143</u>	<u>97,846</u>	<u>90,438</u>
<u>1,010,288</u>	<u>1,098,065</u>	<u>1,125,640</u>	<u>1,175,880</u>	<u>2,556,384</u>	<u>2,346,259</u>
—	—	—	—	—	11,384
—	—	—	—	—	11,384
<u>1,010,288</u>	<u>1,098,065</u>	<u>1,125,640</u>	<u>1,175,880</u>	<u>2,556,384</u>	<u>2,357,643</u>
<u>(183,422)</u>	<u>(78,970)</u>	<u>(101,454)</u>	<u>(158,097)</u>	<u>250,021</u>	<u>435,726</u>
175,662	94,612	66,690	160,942	190,159	(86,937)
—	—	—	—	—	—
57,000	57,000	57,000	51,000	—	—
17,282	6,473	6,309	7,362	54,718	17,102
<u>217,282</u>	<u>220,028</u>	<u>258,248</u>	<u>244,759</u>	<u>(279,309)</u>	<u>(206,287)</u>
<u>467,226</u>	<u>378,113</u>	<u>388,247</u>	<u>464,063</u>	<u>(34,432)</u>	<u>(276,122)</u>
<u>\$ 283,804</u>	<u>\$ 299,143</u>	<u>\$ 286,793</u>	<u>\$ 305,966</u>	<u>\$ 215,589</u>	<u>\$ 159,604</u>
<u>\$ 242,118</u>	<u>\$ 216,441</u>	<u>\$ (693,422)</u>	<u>\$ 741,630</u>	<u>\$ 468,215</u>	<u>\$ 408,117</u>

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>General Fund</b>				
Reserved	\$ —	\$ —	\$ —	\$ —
Unreserved	—	—	—	—
Nonspendable:				
Inventories	11,888	11,113	9,936	10,288
Receivables	112,120	128,761	128,116	129,150
Restricted for:				
Government Operations	818	500	132	846
Development, Tourism, and Recreation	2,409	1,768	511	2,376
Education	95	180	65	268
Health & Social Services	372	527	160	780
Public Protection	402	314	81	402
Committed for:				
General Government Operations	6,483	4,771	1,213	5,430
Rainy Day Funds	720,323	663,061	789,352	879,749
Development, Tourism, and Recreation	2,755	2,246	695	3,160
Education	25,038	24,126	24,031	17,590
Health & Social Services	9,219	5,020	871	5,268
Public Protection	2,115	1,720	479	2,308
Assigned for:				
General Government Operations	1,978	—	6,183	—
Development, Tourism, and Recreation	615	—	—	—
Education	267	—	—	—
Health & Social Services	860	—	—	—
Public Protection	420	—	—	—
Unassigned	<u>305,331</u>	<u>(1,231,719)</u>	<u>(1,324,232)</u>	<u>(1,284,506)</u>
<b>Total General Fund</b>	<u>\$ 1,203,508</u>	<u>\$ (387,612)</u>	<u>\$ (362,407)</u>	<u>\$ (226,891)</u>
<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	49,163	52,860	49,814	48,686
Permanent Fund	1,000	1,000	1,000	1,000
Receivables	—	543,598	564,488	585,811
Restricted for:				
Capital Projects	967,400	10,658	12,333	13,270
Debt Services	677,347	153,621	153,646	154,491
Development, Tourism, and Recreation	65,482	63,888	54,591	54,668
Education	360	889	584	1,174
Public Protection	87,049	57,160	51,334	53,233
Transportation	17,550	12,737	12,031	12,968
Committed for:				
General Government Operations	5,144	1,642	1,796	2,268
Public Protection	287,855	265,899	299,757	311,564
Assigned for:				
Health and Social Services	—	—	—	—
Public Protection	5,738	6,226	4,506	7,265
Transportation	220,966	67,439	6,309	61,181
Unassigned	<u>210,794</u>	<u>(13,610)</u>	<u>(9,953)</u>	<u>(9,072)</u>
<b>Total All Other Governmental Funds</b>	<u>2,595,848</u>	<u>1,224,007</u>	<u>1,202,236</u>	<u>1,298,507</u>
<b>Total Fund Balances, Governmental Funds</b>	<u>\$ 3,799,356</u>	<u>\$ 836,395</u>	<u>\$ 839,829</u>	<u>\$ 1,071,616</u>

Note: GASB 54 (FY 2010) required reclassification of certain funds.

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 400,816
—	—	—	—	—	767,100
11,485	13,268	11,143	9,928	11,426	—
132,830	122,135	111,340	153,307	152,911	—
5,600	9,821	17,065	5,936	16,012	—
9,318	14,748	16,162	12,881	12,598	—
1,508	2,625	2,207	3,582	3,203	—
3,644	7,300	17,399	14,195	9,962	—
3,411	6,682	7,217	8,435	17,371	—
960,077	1,044,948	946,290	421,296	413,657	—
—	—	—	—	—	—
16,972	33,168	8,745	36,811	46,104	—
18,189	23,804	14,123	18,376	21,417	—
25,700	81,720	27,501	220,216	227,265	—
10,801	20,940	—	20,174	20,691	—
26,692	32,261	14,117	22,408	21,227	—
1,219	1,723	—	3,412	3,368	—
2,257	3,341	—	2,711	2,543	—
3,883	5,894	—	15,926	28,296	—
1,683	3,801	—	3,395	4,227	—
<u>(1,284,401)</u>	<u>(1,102,111)</u>	<u>(640,981)</u>	<u>427,107</u>	<u>270,221</u>	—
<u>\$ (49,132)</u>	<u>\$ 326,068</u>	<u>\$ 552,328</u>	<u>\$ 1,400,096</u>	<u>\$ 1,282,499</u>	<u>\$ 1,167,916</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ 508,529
—	—	—	—	—	1,309
—	—	—	—	—	67,240
—	—	—	—	—	185,540
—	—	—	—	—	1,415,461
—	—	—	—	—	—
37,980	44,798	47,371	40,434	38,676	—
1,000	1,000	1,000	1,000	1,000	—
606,938	627,800	645,301	666,824	—	—
13,750	32,953	96,637	147,798	28,283	—
153,707	152,824	151,727	173,097	181,415	—
52,493	45,840	40,050	40,391	34,877	—
357	327	555	386	393	—
44,940	41,908	43,114	31,147	23,363	—
14,224	11,077	17,350	14,584	—	—
2,345	3,772	5,504	5,843	6,764	—
290,746	245,947	233,177	220,245	191,383	—
—	28	—	—	649	—
9,596	5,741	1,357	1,739	2,568	—
92,946	29,666	—	113,544	23,121	—
<u>(8,797)</u>	<u>(6,430)</u>	<u>(8,425)</u>	<u>(6,398)</u>	<u>862,381</u>	—
<u>1,312,225</u>	<u>1,237,251</u>	<u>1,274,718</u>	<u>1,450,634</u>	<u>1,394,873</u>	<u>2,178,079</u>
<u>\$ 1,263,093</u>	<u>\$ 1,563,319</u>	<u>\$ 1,827,046</u>	<u>\$ 2,850,730</u>	<u>\$ 2,677,372</u>	<u>\$ 3,345,995</u>

**Schedule 4  
Changes in Fund Balance  
Governmental Funds  
Last Ten Fiscal Years  
(Expressed in Thousands)**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Revenues:				
Taxes:				
Personal Income	\$ 1,936,836	\$ 1,846,638	\$ 1,853,422	\$ 1,915,382
Consumer Sales and Use	1,355,092	1,317,452	1,293,535	1,264,716
Severance	393,278	360,801	373,801	589,883
Corporate Net Income	109,113	120,728	152,873	189,473
Business and Occupation	115,772	110,240	119,594	120,426
Medicaid	226,212	215,558	221,717	200,408
Gasoline and Motor Carrier	443,273	389,753	404,321	435,142
Automobile Privilege	231,522	203,405	201,082	204,993
Other	390,691	409,636	303,544	249,071
Intergovernmental	4,696,456	5,130,386	4,702,423	4,452,997
Licenses, Permits, and Fees	245,434	230,571	239,007	242,406
Motor Vehicle Registration	156,931	109,047	94,277	103,092
Charges for Services	122,975	123,512	118,233	124,305
Lottery Revenue	317,140	330,589	336,938	349,853
Investment Earnings	66,522	83,917	34,300	14,298
Food Stamp Revenue	451,228	490,483	496,107	494,131
Other	<u>212,216</u>	<u>177,335</u>	<u>202,768</u>	<u>224,883</u>
Total Revenues	<u>11,470,691</u>	<u>11,650,051</u>	<u>11,147,942</u>	<u>11,175,459</u>
Expenditures				
Current:				
Legislative	23,439	24,461	26,907	28,840
Judicial	130,832	139,774	144,091	140,847
Executive	202,686	176,493	142,313	126,313
Administration	111,703	148,133	126,668	155,998
Commerce	206,481	196,657	180,018	163,777
Environmental Protection	127,757	148,139	151,537	131,371
Employment Programs	48,895	51,546	48,968	45,743
Education	2,796,313	2,831,189	2,869,977	2,997,533
Health and Human Resources	5,484,857	5,869,748	5,430,561	5,285,201
Military Affairs and Public Safety	478,052	525,010	495,656	461,599
Revenue	86,650	95,166	91,050	92,758
Transportation	873,276	894,409	914,909	801,658
Veterans Assistance	23,104	21,036	21,546	20,261
Senior Services	44,295	42,029	44,253	49,439
Regulatory Boards and Commissions	39,337	42,181	36,877	54,965
Capital Outlay	365,949	364,318	359,889	335,493
Debt Service:				
Principal	130,901	75,615	85,180	105,800
Interest	<u>92,461</u>	<u>91,238</u>	<u>95,180</u>	<u>100,348</u>
Total Expenditures	<u>11,266,988</u>	<u>11,737,142</u>	<u>11,265,580</u>	<u>11,097,944</u>
Excess of Revenues Over (Under) Expenditures	203,703	(87,091)	(117,638)	77,515
Other Financing Sources (Uses):				
Fair Value of Long-Term Debt Issued	1,186,099	81,595	—	205,365
Premiums on Bonds Issued	172,216	8,640	—	39,273
Capital Lease Acquisition	11,737	13,568	2,019	580
Payments to Refunded Bonds Escrow Agents	(142,788)	(32,022)	—	(244,030)
Transfers In	163,393	204,252	188,770	149,515
Transfers Out	<u>(155,288)</u>	<u>(191,070)</u>	<u>(304,938)</u>	<u>(388,051)</u>
Total Other Financing Sources (Uses)	<u>1,235,369</u>	<u>84,963</u>	<u>(114,149)</u>	<u>(237,348)</u>
Net Changes in Fund Balances	<u>\$ 1,439,072</u>	<u>\$ (2,128)</u>	<u>\$ (231,787)</u>	<u>\$ (159,833)</u>
Debt service as a percentage of noncapital expenditures*	2.05%	1.47%	1.65%	1.92%

\*Revised

<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
\$ 1,768,069	\$ 1,767,626	\$ 1,790,299	\$ 1,654,563	\$ 1,531,867	\$ 1,612,897
1,211,057	1,197,317	1,216,286	1,151,363	1,132,951	1,087,130
612,283	547,453	564,327	571,539	530,940	470,266
202,444	230,131	232,266	263,963	227,693	256,389
121,401	125,692	123,137	127,103	133,245	148,247
184,666	219,568	176,661	170,079	157,693	165,759
433,252	417,571	408,571	406,347	393,557	391,903
195,737	188,197	186,300	168,602	147,466	141,930
303,923	304,687	318,999	266,723	279,444	293,654
4,160,993	4,073,257	4,077,933	4,372,908	4,115,677	3,552,545
262,481	245,631	234,984	218,431	214,293	211,932
99,430	93,363	92,951	96,504	91,902	91,667
123,767	128,257	127,806	147,142	135,914	126,317
335,075	380,052	487,122	398,974	—	—
78,537	28,696	55,931	495,777	100,111	(38,440)
479,215	513,960	491,416	75,594	478,622	372,270
224,015	199,087	209,490	175,821	184,935	197,669
<u>10,796,345</u>	<u>10,660,545</u>	<u>10,794,479</u>	<u>10,761,433</u>	<u>9,856,310</u>	<u>9,082,135</u>
30,224	34,742	36,731	31,916	29,022	29,622
142,859	127,804	139,941	130,574	125,184	110,410
182,887	149,602	216,268	354,357	256,364	146,181
159,680	155,163	190,164	120,881	114,972	127,517
185,011	214,172	226,194	226,931	223,569	214,767
151,742	133,541	152,634	134,515	148,982	117,402
53,540	50,210	55,969	61,536	60,483	47,974
2,968,967	3,024,480	3,760,480	2,878,686	2,773,160	2,789,173
4,895,617	4,684,841	4,425,591	4,334,459	4,056,573	3,767,274
466,444	490,711	526,654	523,868	462,163	425,488
150,556	67,760	91,349	90,370	263,427	89,042
845,679	743,613	1,009,032	741,384	754,486	695,354
23,464	19,114	26,600	—	—	—
45,919	47,669	47,656	47,292	46,727	43,841
68,545	64,130	93,643	34,540	37,161	35,917
302,040	465,399	334,046	571,034	521,480	579,722
101,350	122,855	341,673	101,978	103,735	103,276
<u>106,307</u>	<u>113,136</u>	<u>113,204</u>	<u>123,841</u>	<u>123,670</u>	<u>129,795</u>
<u>10,880,831</u>	<u>10,708,942</u>	<u>11,787,829</u>	<u>10,508,162</u>	<u>10,101,158</u>	<u>9,452,755</u>
(84,486)	(48,397)	(993,350)	253,271	(244,848)	(370,620)
—	—	18,615	190,755	—	76,835
—	—	1,025	10,292	—	4,129
955	495	234,765	805	—	1,115
—	—	—	—	12,505	—
—	—	(20,935)	(37,730)	—	—
134,350	154,945	170,321	134,473	654,340	653,249
(351,045)	(370,770)	(434,125)	(378,508)	(383,264)	(475,798)
—	—	—	—	—	—
<u>(215,740)</u>	<u>(215,330)</u>	<u>(30,334)</u>	<u>(79,913)</u>	<u>283,581</u>	<u>259,530</u>
<u>\$ (300,226)</u>	<u>\$ (263,727)</u>	<u>\$ (1,023,684)</u>	<u>\$ 173,358</u>	<u>\$ 38,733</u>	<u>\$ (111,090)</u>
1.96%	2.30%	3.97%	2.27%	2.37%	2.63%



**Schedule 5**  
**Revenue Base**  
**Last Ten Years**  
**(Expressed in Thousands)**

<b>Personal Income by Industry - (Calendar Year)</b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Farm Earnings	\$ (87,698)	\$ (99,972)	\$ (30,770)	\$ 19,745
Agricultural/Forestry, Fishing, and Other	158,024	158,604	160,316	102,143
Mining	2,139,297	1,897,087	2,725,768	3,423,411
Construction	3,008,747	2,689,538	2,896,798	2,857,279
Manufacturing	3,446,282	3,408,226	3,421,537	3,601,454
Transportation, Warehousing, and Public Utilities	2,208,615	2,151,786	2,159,353	2,127,148
Wholesale Trade	1,491,856	1,467,931	1,557,478	1,539,380
Retail Trade	2,938,849	2,972,989	2,935,939	2,941,483
Finance, Insurance, and Real Estate	1,916,253	1,865,942	1,885,393	1,956,188
Service Industries	16,079,025	15,551,002	15,611,983	15,033,408
Federal, Civilian	2,602,306	2,498,151	2,424,565	2,349,128
Military	285,857	277,818	272,963	299,618
State and Local Government	6,357,743	6,351,203	6,221,514	6,210,344
<b>Tax Revenue – (Fiscal Year)</b>				
Consumer Sales	1,222,000	1,231,000	1,228,100	1,173,100
Personal Income	1,814,000	1,803,000	1,840,100	1,664,100
Severance	321,000	276,000	414,000	488,700
Corporate Income and Business Franchise	116,000	144,000	186,000	203,500
Motor Fuel	381,000	396,000	435,000	441,100
Automobile Privilege	203,405	201,082	204,993	195,737

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 2017.

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

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ (15,408)	\$ 19,745	\$ (40,920)	\$ (51,659)	\$ (46,725)	\$ (134,000)
97,594	90,077	97,810	74,187	104,000	111,000
3,749,493	3,947,662	3,440,574	2,753,612	2,958,000	3,410,000
2,894,652	2,857,741	2,513,975	2,408,107	2,301,000	2,453,000
3,753,280	3,666,492	3,565,688	3,376,006	3,334,000	3,919,000
2,134,739	2,097,404	2,034,076	1,943,157	1,990,000	1,989,000
1,519,306	1,537,622	1,477,230	1,413,039	1,442,000	1,513,000
3,039,500	2,948,321	2,867,136	2,754,166	2,832,000	2,720,000
2,043,981	1,894,862	1,769,826	1,649,776	1,591,000	1,619,000
14,871,664	14,559,593	13,908,974	13,261,227	12,808,000	11,998,000
2,296,812	2,281,687	2,469,552	2,431,677	2,496,000	2,181,000
327,312	344,553	466,154	522,277	535,000	436,000
6,203,760	6,055,436	6,376,291	6,104,522	7,252,000	6,082,000
1,193,300	1,216,000	1,148,200	1,095,700	1,110,000	1,109,800
1,700,500	1,689,000	1,593,200	1,446,900	1,557,400	1,518,700
409,700	467,900	440,900	400,600	359,600	338,200
238,100	188,100	303,000	232,900	270,200	388,000
408,900	387,000	397,700	390,900	384,500	404,200
188,197	186,300	168,602	147,466	141,930	169,095

**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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Corporate Net Income (applies to C corporations)	6.50%	6.50%	6.50%	6.50%
Severance Tax				
Timber	1.50%	1.50%	0%	0%
Oil/Gas	5%	5%	5%	5%
Coal	Various	Various	Various	Various
Consumer Sales Tax	6%	6%	6%	6%
Food Tax *	0%	0%	0%	0%
Motor Fuel Excise and Sales Tax** (cents per gallon)	35.7	35.7	34.6	34.6
Automobile Privilege Tax	6%	6%	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)**

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Less than \$5,000.....3% of the taxable income

At Least —	But less than —		
\$5,000	\$12,500.....	\$ 150.00	plus 4.0% of excess over \$ 5,000
\$12,500	\$20,000.....	\$ 450.00	plus 4.5% of excess over \$ 12,500
\$20,000	\$30,000.....	\$ 787.50	plus 6.0% of excess over \$ 20,000
\$30,000	.....	\$1,387.50	plus 6.5% of excess over \$ 30,000

<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>
7.00%	8.50%	8.50%	8.50%	8.50%	8.50%
Temporarily Discontinued	1.22%	1.22%	Temporarily Discontinued	Temporarily Discontinued	1.22%
5%	5%	5%	5%	5%	5%
Various	Various	Various	Various	Various	Various
6%	6%	6%	6%	6%	6%
0%	1%	3% / 2%	3%	3%	3%
34.7	33.4	32.2 / 33.4	32.2	32.2	32.2
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 2015**

<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	75,533,745	6.09%	2,411	5.79%
<b>Total</b>	<b>\$ 1,240,997,336</b>	<b>100.00%</b>	<b>41,652</b>	<b>100.00%</b>

**Tax Year 2006**

<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	63,413,908	5.87%	4,698	6.68%
<b>Total</b>	<b>\$1,079,890,153</b>	<b>100.00%</b>	<b>70,377</b>	<b>100.00%</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 2015**

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<u>Income Level</u>	<u>Tax Liability</u>	<u>Percent of Total</u>	<u>Returns</u>	<u>Percent of Total</u>
\$0 - \$10,000	\$ 5,272,893	0.30%	236,651	27.90%
\$10,000 - \$20,000	47,459,937	2.66%	123,579	14.57%
\$20,000 - \$40,000	170,695,066	9.56%	162,763	19.20%
\$40,000 - \$60,000	213,223,266	11.93%	104,607	12.33%
Over \$60,000	<u>1,349,611,684</u>	<u>75.55%</u>	<u>220,536</u>	<u>26.00%</u>
Total	<u>\$1,786,262,846</u>	<u>100.00%</u>	<u>848,136</u>	<u>100.00%</u>

**Tax Year 2006**

---

<u>Income Level</u>	<u>Tax Liability</u>	<u>Percent of Total</u>	<u>Returns</u>	<u>Percent of Total</u>
\$0 - \$10,000	\$ 18,619,641	1.39%	251,245	32.97%
\$10,000 - \$20,000	61,443,632	4.60%	123,103	16.15%
\$20,000 - \$40,000	173,037,512	12.95%	156,696	20.56%
\$40,000 - \$60,000	214,708,216	16.07%	99,970	13.12%
Over \$60,000	<u>868,594,173</u>	<u>64.99%</u>	<u>131,030</u>	<u>17.20%</u>
Total	<u>\$1,336,403,174</u>	<u>100.00%</u>	<u>762,044</u>	<u>100.00%</u>

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

	<b>Primary Government – Debt</b>			
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Governmental Activities:				
General Obligation Bonds	\$ 1,240,350	\$ 359,261	\$ 393,089	\$ 412,368
Revenue Bonds	1,415,049	1,182,921	1,142,347	1,185,022
Capital Leases and Notes Payable	45,563	28,168	28,153	28,813
Capital Leases Payable to Component Units	<u>244,995</u>	<u>260,955</u>	<u>275,765</u>	<u>260,995</u>
Total Governmental Activities	<u>2,945,957</u>	<u>1,831,305</u>	<u>1,839,354</u>	<u>1,887,198</u>
Enterprise Activities:				
Revenue Bonds	<u>178,395</u>	<u>185,290</u>	<u>191,049</u>	<u>197,762</u>
Total Primary Government Debt	<u>\$ 3,124,352</u>	<u>\$ 2,016,595</u>	<u>\$ 2,030,403</u>	<u>\$ 2,084,960</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 governmentwide Statement of Net Position.

**Governmental Activities Tax Income**

<b>Year</b>	<b><u>Personal Income</u></b>	<b><u>Consumer Sales and Use</u></b>	<b><u>Business</u></b>	<b><u>Transportation</u></b>	<b><u>Other</u></b>	<b><u>Total</u></b>
2018	\$ 1,939,977	\$ 1,355,135	\$ 626,743	\$ 674,795	\$ 613,632	\$ 5,210,282
2017	1,830,106	1,312,353	581,896	593,158	627,091	4,944,604
2016	1,849,056	1,291,813	640,081	605,403	526,348	4,912,701
2015	1,921,597	1,265,957	907,362	640,135	446,794	5,181,845
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

**General Obligation Bond Debt Ratios**

<b>Year</b>	<b><u>General Obligation Bond Debt</u></b>	<b><u>Percent of Tax Income</u></b>	<b><u>Percent of Personal Income</u></b>	<b><u>Amount of Debt Per Capita*</u></b>
2018	\$ 1,240,350	23.81%	1.80%	\$ 0.68
2017	359,261	7.27%	0.54%	0.20
2016	393,089	8.00%	0.58%	0.21
2015	412,368	7.96%	0.62%	0.22
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

**Primary Government – Debt**

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 460,428	\$ 498,776	\$ 533,304	\$ 580,357	\$ 622,928	\$ 665,294
1,226,587	1,266,848	1,330,795	1,366,199	1,243,106	1,405,645
27,405	34,104	34,025	330,722	336,143	322,776
<u>243,790</u>	<u>256,155</u>	<u>275,530</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>1,958,210</u>	<u>2,055,883</u>	<u>2,173,654</u>	<u>2,277,278</u>	<u>2,202,177</u>	<u>2,393,715</u>
<u>112,735</u>	<u>115,497</u>	<u>113,950</u>	<u>116,319</u>	<u>118,612</u>	<u>—</u>
<u>\$2,070,945</u>	<u>\$2,171,380</u>	<u>\$2,287,604</u>	<u>\$ 2,393,597</u>	<u>\$ 2,320,789</u>	<u>\$ 2,393,715</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>
2018	\$ 3,124,352	59.97%	4.54%	\$ 1.72
2017	2,016,595	40.78%	3.01%	1.10
2016	2,030,403	41.33%	3.00%	1.10
2015	2,084,960	40.24%	3.12%	1.13
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

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.



**Schedule 9**

**Pledged Revenue Coverage**

**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

**Department of Transportation**

West Virginia Code Chapter 17, Article 17A provides for the issuance of Surface Transportation Improvement Special Obligation Notes (GARVEE bonds) to facilitate the construction of highways, secondary roads and bridges to be funded wholly or in part by federal dollars and in anticipation of reimbursement from such sources. Title 23, Section 122 federal legislation allows this reimbursement. There is a Memorandum of Agreement between the Federal Highway Administration and the Division of Highways that documents the procedures for managing the stewardship and oversight of highway projects that are financed with the proceeds of these notes first issued in fiscal year 2007.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2018	\$25,926	\$ —	\$25,926	\$ 15,310	\$10,616	\$25,926	1.00
2017*	10,971	—	10,971	8,515	2,456	10,971	1.00
2016	—	—	—	—	—	—	0.00
2015	27,504	—	27,504	25,650	1,854	27,504	1.00
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

**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 revenue bond proceeds. New bonds were issued in 2017 to refund earlier bond issues.

2018	\$ 51,948	\$ 30,841	\$ 21,107	\$ 3,570	\$ 4,137	\$ 7,707	2.74
2017	29,097	17,264	11,833	83,805	3,634	87,439	0.14
2016	38,048	58,856	(20,808)	2,720	4,640	7,360	(2.83)
2015	28,840	70,089	(41,249)	2,620	4,746	7,366	(5.60)
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

\*Revised

**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
2018	\$ 65,304	\$ 127	\$ 65,177	\$ 13,410	\$ 52,228	\$ 65,638	0.99
2017	68,009	116	67,893	15,090	53,355	68,445	1.00
2016	66,356	130	66,226	12,405	54,281	66,686	0.99
2015	67,029	17	67,012	12,205	55,192	67,397	0.99
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

**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.

2018	\$ 19,419	\$ —	\$ 19,419	\$ 11,220	\$ 7,465	\$ 18,685	1.04
2017	19,114	—	19,114	10,650	8,052	18,702	1.03
2016	19,051	—	19,051	10,105	8,610	18,715	1.02
2015	19,206	—	19,206	9,660	9,104	18,764	1.02
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

(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
2018	\$ 10,240	\$ 2,691	\$ 7,549	\$ 1,095	\$ 6,206	\$ 7,301	1.03
2017	10,010	—	10,010	3,290	6,709	9,999	1.00
2016	9,996	—	9,996	3,130	6,865	9,995	1.00
2015	9,996	—	9,996	3,010	6,985	9,995	1.00
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

**Cacapon Project Fund**

Pledged revenues under the Indenture include all money deposited into the Cacapon State Park Lottery Revenue Debt Service Fund pursuant to Section 18e of the Lottery Act and transferred to the Trustee for deposit in the Revenue Fund established under the Indenture, and all income and receipts on the funds and accounts held by the Trustee under the Indenture.

2018	\$ 1,397	\$ —	\$ 1,397	\$ —	\$ 400	\$ 400	3.49
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**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.

2018	\$ —	\$ —	\$ 27,273	\$ 16,093	\$ 11,180	\$ 27,273	1.00
2017	—	—	26,455	14,810	11,645	26,455	1.00
2016	—	—	25,780	13,775	12,005	25,780	1.00
2015	—	—	23,478	13,065	10,413	23,478	1.00
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
2018	\$ 86,072	\$ 6,441	\$ 79,631	\$ 28,095	\$ 9,904	\$ 37,999	2.10
2017	93,181	7,022	86,159	27,075	10,967	38,042	2.26
2016	97,344	6,980	90,364	24,240	12,690	36,930	2.44
2015	94,554	7,435	87,119	23,345	14,769	38,114	2.28
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

### Water Development Authority

The Authority maintains a variety of programs to provide long-term, short-term and private-activity financing at favorable interest rates for design, construction, and/or acquisition of wastewater and/or water systems. Monies are loaned to municipalities, public service districts, and other political subdivisions through purchase of revenue bonds or notes issued by these local governmental agencies. The loans are repaid from the revenues of the systems or other permanent financing. The aggregate principal amount of bonds and/or notes issued by the Authority may not exceed \$500 million outstanding at any time; provided that before the Authority issues bonds or notes in excess of \$400 million, the Legislature must pass a resolution authorizing this action. An additional aggregate principal amount of \$180 million may be issued for the limited purpose of providing grants for capital improvements for designated projects in the Chesapeake Bay and Greenbrier Watershed areas. The Authority's long-term planning is accomplished within the confines of its authorized borrowing limit. Operating revenue includes revenues and principal loan repayments. Both are used for bond repayment. Fiscal year 2013 includes retirement of revenue bonds.

2018	\$ 12,034	\$ 1,398	\$ 10,636	\$ 49,195	\$ 7,382	\$ 56,577	0.19
2017	12,681	1,633	11,048	54,880	63,040	117,920	0.69
2016	13,294	1,685	11,609	8,034	8,251	16,285	0.71
2015	14,060	1,624	12,436	7,875	8,494	16,369	0.76
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

(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 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 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>
2018	\$ 1,690,514	\$ 1,699,547	\$ (9,033)	\$ 81,181	\$ 58,879	\$ 140,060	(0.06)
2017	1,687,251	1,717,659	(30,408)	93,417	59,644	153,061	(0.20)
2016	1,660,924	1,712,074	(51,150)	40,620	58,309	98,929	(0.52)
2015	1,632,186	1,669,579	(37,393)	89,575	54,237	143,812	(0.26)
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

**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.

2018	\$ 104,704	\$ 86,365	\$ 18,339	\$ 7,294	\$ 1,493	\$ 8,787	2.09
2017	93,493	82,258	11,235	6,936	1,854	8,790	1.28
2016	89,639	76,579	13,060	6,537	1,653	8,190	1.60
2015	86,862	72,677	14,185	6,150	2,716	8,866	1.60
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

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>
2018	\$ 60,409	\$ 2,025	\$ 58,384	\$ 29,620	\$ 12,146	\$ 41,766	1.40
2017	60,010	8,069	51,941	27,235	14,169	41,404	1.26
2016	64,044	10,180	53,864	25,900	12,457	38,357	1.40
2015	62,533	10,525	52,008	29,555	14,812	44,367	1.17
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

### 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>Debt Service</u>	<u>Coverage</u>
2018	\$ 95,215	\$ 37,449	\$ 57,766	\$ 10,140	5.70
2017	92,436	41,621	50,815	10,760	4.72
2016	93,223	39,123	54,100	10,755	5.03
2015	88,625	40,904	47,721	10,577	4.51
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

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.

# West Virginia

## Schedule 10 Demographic and Economic Indicators Last Ten Calendar Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Population</b>				
West Virginia (in millions)	1,815,857	1,831,102	1,844,128	1,850,326
Change	-0.83%	-0.71%	-0.33%	-0.21%
National (in millions)	325,719,178	323,127,513	321,418,820	318,857,056
Change	0.80%	0.53%	0.80%	0.86%
<b>Total Personal Income (Dollars in Millions)</b>				
West Virginia	\$ 68,864	\$ 67,062	\$ 67,787	\$ 66,857
Change	2.69%	-1.07%	1.39%	1.45%
National	\$ 16,413,551	\$ 15,912,777	\$ 15,463,981	\$ 14,683,147
Change	3.15%	2.90%	5.32%	3.62%
<b>Per Capita Personal Income* (In Dollars)</b>				
West Virginia	\$ 37,924	\$ 36,624	\$ 36,578	\$ 36,132
Change	3.55%	0.13%	1.23%	1.66%
National	\$ 50,392	\$ 49,246	\$ 48,112	\$ 46,049
Change	2.33%	2.36%	4.48%	2.79%
<b>Median Age</b>				
	38	42.2	41.8	41.3
<b>Educational Attainment</b>				
9th Grade or Less	4.5%	4.4%	5.2%	5%
Some High School, No Diploma	8.4%	9.6%	9.8%	9.9%
High School Diploma	41.2%	39.7%	40.7%	41.1%
Some College, No Degree	18.6%	18.1%	18.5%	18.4%
Associate, Bachelor's or Graduate Degree	27.3%	28.2%	25.7%	25.7%
<b>Labor Force and Employment (People in Thousands)</b>				
Civilian Labor Force	773.8	771.8	776	787.8
Employed	733.4	732.5	730.1	733.5
Unemployed	40.4	39.3	45.9	54.3
Unemployment Rate	5.2%	5.1%	5.9%	6.9%
Nonfarm Wage and Salary Workers Employed in West Virginia Goods Producing Industries:				
Mining	21.8	20.7	23.7	25.5
Construction	34.0	29.5	31.2	27.7
Manufacturing - Durable Goods	28.8	27.5	28.0	28.9
Manufacturing - Nondurable Goods	<u>18.4</u>	<u>18.7</u>	<u>18.9</u>	<u>18.8</u>
Total Goods Producing Industries	103.0	96.4	101.8	100.9
Non-Goods Producing Industries:				
Trade	107.3	109.4	112.4	107.9
Service	389.9	389.0	397.9	389.6
State and Local Government	132.9	134.8	132.2	130.0
Federal Government	<u>23.6</u>	<u>23.9</u>	<u>23.4</u>	<u>22.2</u>
Total Non-Goods Producing Industries	653.7	657.1	665.9	649.7
Total Nonfarm Wage and Salary Employment	756.7	753.5	767.7	750.6

The most current period available is 2017.

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

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

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

<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>
1,854,304	1,855,413	1,855,364	1,852,994	1,819,777	1,814,873
-0.06%	0.00%	0.13%	1.83%	0.27%	0.20%
316,128,839	313,914,040	311,591,917	308,745,538	307,006,550	304,374,846
0.70%	0.75%	0.92%	0.57%	0.86%	0.93%
\$ 65,889	\$ 63,968	\$ 62,178	\$ 59,417	\$ 57,535	\$ 57,576
3.00%	2.88%	4.65%	3.27%	(0.07)%	6.43%
\$ 14,151,427	\$ 13,401,869	\$ 12,981,741	\$ 12,353,577	\$ 11,916,773	\$ 12,451,660
5.59%	3.24%	5.08%	3.67%	(4.30)%	4.63%
\$ 35,533	\$ 34,477	\$ 33,513	\$ 32,042	\$ 31,137	\$ 31,286
3.06%	2.88%	4.59%	2.91%	(0.48)%	6.07%
\$ 44,765	\$ 42,693	\$ 41,663	\$ 39,937	\$ 38,846	\$ 40,947
4.85%	2.47%	4.32%	2.81%	(5.13)%	3.65%
41.3	41.3	41.1	41.3	40.5	40.6
5.4%	5.6%	6.8%	6.1%	6.5%	6.6%
10.0%	9.9%	11.3%	10.7%	10.7%	11.1%
40.2%	40.6%	41.3%	41.6%	41.0%	40.9%
18.6%	19.0%	17.6%	18.3%	18.5%	18.5%
25.7%	25.0%	23.0%	23.3%	23.2%	22.9%
797.4	805.0	799.9	782.3	797.9	806.0
744.6	746.0	736.1	711.1	734.6	772.0
52.8	59.0	63.8	71.2	63.3	34.0
6.6%	7.3%	8.0%	9.1%	7.9%	4.3%
33.3	33.7	33.6	29.9	29.6	30.7
31.9	35.6	33.0	32.6	34.1	38.4
30.1	29.6	30.0	29.6	30.9	35.2
<u>18.9</u>	<u>19.6</u>	<u>19.5</u>	<u>19.5</u>	<u>19.8</u>	<u>21.1</u>
114.2	118.5	116.1	111.6	114.4	125.4
108.8	111.0	109.9	109.2	110.0	114.4
398.4	381.7	376.2	372.5	369.9	374.0
132.8	130.7	128.3	128.3	126.3	123.7
<u>23.2</u>	<u>23.3</u>	<u>23.5</u>	<u>24.3</u>	<u>23.6</u>	<u>22.9</u>
663.2	646.7	637.9	634.3	629.8	635.0
777.4	765.2	754.0	745.9	744.2	760.4



## West Virginia

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

Estimated as of June 30, 2018

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<b>Major West Virginia Employers</b>	<b>Number of Employees</b>	<b>Percentage of Total Employed</b>
Local Government	70,000 - 74,999	10.04%
State Government	40,000 - 44,999	5.69%
Federal Government	20,000 - 24,999	3.21%
WVU MEDICINE (formerly West Virginia United Health System)	14,000 - 16,999	2.11%
Wal-Mart Associates, Inc.	10,000 - 12,999	1.57%
Charleston Area Medical Center, Inc.	6,000 - 7,999	0.96%
Kroger	3,000 - 4,999	0.55%
Cabell-Huntington Hospital, Inc.	3,000 - 4,999	0.55%
Mylan Pharmaceuticals, Inc.	1,000 - 2,999	0.27%
Lowe's Home Centers, Inc.	1,000 - 2,999	0.27%
St. Mary's Medical Center, Inc.	1,000 - 2,999	0.27%
Wheeling Hospital, Inc.	1,000 - 2,999	0.27%
Res-Care Inc.	1,000 - 2,999	0.27%

Estimated as of June 30, 2009

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<b>Major West Virginia Employers</b>	<b>Number of Employees</b>	<b>Percentage of Total Employed</b>
Local Government	75,000 - 79,999	10.04%
State Government	40,000 - 44,999	5.51%
Federal Government	20,000 - 24,999	2.91%
Wal-Mart Associates, Inc.	10,000 - 12,999	1.49%
West Virginia United Health System	7,000 - 9,999	1.10%
Charleston Area Medical Center, Inc.	5,000 - 6,999	0.78%
Kroger	3,000 - 4,999	0.52%
American Electric Power	1,000 - 2,999	0.26%
Eldercare Resources Corporation	1,000 - 2,999	0.26%
Lowe's Home Centers, Inc.	1,000 - 2,999	0.26%
Consolidation Coal	1,000 - 2,999	0.26%
St. Mary's Hospital	1,000 - 2,999	0.26%
Res-Care	1,000 - 2,999	0.26%

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>
2017-18	152,584	118,023	270,607
2016-17	154,180	118,986	273,166
2015-16	157,003	120,134	277,137
2014-15	158,815	121,084	279,899
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

**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>
2017-18	83,133	18,399	8,385	2,088
2016-17	84,447	18,573	8,607	2,109
2015-16	86,427	18,521	8,654	1,862
2014-15	87,082	18,410	8,637	1,794
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

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Executive *	852	857	899	931
Legislative	157	164	182	189
Judicial	1,118	1,137	1,072	1,109
Administration	923	895	927	914
Commerce				
Division of Natural Resources (Parks)	690	696	701	703
Tourism and Development	143	147	144	141
WORKFORCE West Virginia	291	320	332	365
Other	332	321	379	408
Environmental Protection	753	794	811	850
Education and the Arts				
Department of Education	520	473	511	507
School for the Deaf and the Blind	162	160	158	161
Rehabilitation Services	476	528	532	539
Higher Education	10,510	10,556	10,501	11,633
Other	200	229	267	259
Revenue	894	905	953	987
Health and Human Services	5,042	5,250	5,437	5,463
Military Affairs and Public Safety (MAPS)				
Corrections	3,313	1,885	1,987	1,688
Juvenile Services	14	466	549	516
State Police	997	984	1,025	1,050
Regional Jail Authority	18	846	935	948
Other	687	660	610	591
Veterans Assistance	230	223	210	207
Transportation	5,519	5,530	5,646	5,629
Miscellaneous	<u>484</u>	<u>483</u>	<u>511</u>	<u>519</u>
Total	<u>34,325</u>	<u>34,509</u>	<u>35,279</u>	<u>36,307</u>

## Notes:

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

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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
920	932	958	946	921	927
210	213	221	216	218	216
1,079	1,055	1,069	1,042	1,010	961
908	889	683	693	679	696
741	748	756	752	798	836
146	163	162	160	155	162
390	391	396	409	440	399
428	441	439	400	400	391
883	855	842	832	823	804
528	550	584	601	576	579
178	174	193	182	195	202
558	531	564	555	563	542
11,676	11,717	11,575	11,431	10,965	10,762
268	280	279	285	274	286
1,028	1,062	1,094	1,080	1,067	1,057
5,514	5,630	5,621	5,535	5,562	5,495
1,839	1,760	1,758	1,725	1,700	1,692
511	676	712	718	681	640
1,037	1,024	1,067	1,043	1,033	1,026
971	911	912	883	886	896
569	620	556	530	511	486
226	246	240	227	213	181
5,723	5,876	5,834	5,776	5,346	5,658
<u>535</u>	<u>533</u>	<u>506</u>	<u>509</u>	<u>497</u>	<u>488</u>
<u>36,866</u>	<u>37,277</u>	<u>37,021</u>	<u>36,530</u>	<u>35,513</u>	<u>35,382</u>

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

	<u>2018</u>	<u>2017*</u>	<u>2016</u>
Department of Transportation			
Division of Highways			
Total highway construction projects authorized	1,213	813	1,042
Number of roadway resurfacing projects	595	294	519
Highway mileage resurfaced (in miles)	1,816	1,140	1,729
WORKFORCE West Virginia (Employment Programs)			
Applications processed for job seekers (in thousands)	117	114	96
Filled job openings	2,396	3,147	2,969
Department of Education			
Schools receiving exemplary accreditation status	N/A	N/A	N/A
Schools receiving full accreditation status	N/A	N/A	N/A
School districts receiving full approval status	N/A	N/A	N/A
Department of Health and Human Resources			
Number of food stamp recipients	304,952	322,086	333,938
Number of food stamps issued	37,312,477	40,337,523	40,796,612
Medicaid enrollees	650,686	651,031	649,111
Counties enrolled in managed care	100%	100%	100%
Child support collections (in millions)	\$184	\$189	\$214
Students served by school-based health clinics	45,682	37,456	29,045
Division of Natural Resources			
Attendance at State Parks (in millions)	6.6	6.8	7.1
Hunting and Fishing License Sales (Calendar year)	830,309	852,909	868,658
Individuals whitewater rafting on rivers (Calendar year)	119,675	136,128	131,022
Department of Environmental Protection			
Division of Air Quality			
Number of air quality inspections	524	470	583
Average days open per complaint	6.53	8.60	6.80
Division of Land Restoration Programs			
Organizations that adopted highways	52	74	1,835
Division of Mining and Reclamation			
Surface mine blasting examinations and certifications	273	234	147
Surface mine mineral extractions inspections	9,639	18,935	19,739
Number of acres reclaimed through reclamation/restoration of land	204,453	891	527
Office of Miners Health and Safety (Calendar Year)			
Total Safety Inspections	5,486	5,328	5,002
Violations issued by mine inspectors	9,495	7,205	7,527
Lost time injuries of mining personnel	442	369	355
Department of Military Affairs and Public Safety			
Division of Corrections			
Adult inmate housing capacity	6,106	5,956	5,989
Inmate employment (Prison Industries)	251	244	245
Youth successfully completed programs/returned to community (calendar year)	182	196	188
Veterans' Home			
Average daily number of residents	82	70	74
Average daily cost per resident	\$107.05	\$112.44	\$107.02
Bureau of Senior Services			
Persons served under Medicaid Aged and Disabled Waiver	6,419	6,151	6,385

N/A – Information is not available. Accreditation has been suspended for school years beginning with 2014-15 and 2013-14 due to development of new state accreditation standards.

\* Information revised

Source: State of West Virginia Executive Budget Operating Detail Reports and state agencies.

<u>2015*</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
891	757	806	1,305	1,070	1,231	702
483	325	348	775	508	584	208
1,481	975	1,067	1,716	995	1,328	479
102	114	141	145	141	175	150
3,235	3,725	4,673	4,943	4,673	4,673	7,003
N/A	N/A	8%	7.98%	9.06%	8.36%	8.17%
N/A	N/A	63.72%	72.08%	71.57%	69.73%	71.80%
N/A	N/A	89.09%	87.27%	89.09%	89.09%	89.09%
360,266	351,392	342,831	339,258	338,665	326,730	288,500
40,995,648	39,975,707	41,335,676	40,951,366	41,314,740	39,885,163	31,098,046
632,808	551,682	410,770	415,030	414,935	405,178	393,187
100%	100%	100%	100%	100%	100%	95%
\$212	\$208	\$209	\$213	\$222	\$201	\$204
28,053	24,391	20,708	28,436	27,076	24,992	20,380
7.0	7.0	7.0	6.8	6.5	6.3	5.9
913,578	927,069	911,219	881,062	879,678	914,474	1,005,953
134,170	130,192	140,027	142,036	156,962	155,712	164,325
546	700	550	2457	2,236	1,503	1,795
8.24	17.00	9.75	10.80	11.06	12.87	15.30
1,301	1,256	1,227	1,186	1,867	1,536	1,879
134	111	114	125	109	118	149
20,205	21,086	21,790	20,530	21,243	20,812	13,391
398	700	1,202	7,842	5,887	2,784	2,298
5,750	6,751	6,690	6,432	5,413	5,873	5,980
8,767	11,415	13,267	15,705	18,708	15,306	14,804
584	639	570	648	784	801	809
5,987	5,923	5,778	5,242	5,185	5,114	5,113
240	244	250	253	243	242	247
				148	159	159
166	179	180	163			
81	87	86	98	100	97	97
\$97.62	\$97.15	\$107.14	\$87.05	\$77.32	\$76.53	\$70.78
6,455	6,208	7,107	8,530	8,029	5,950	6,449

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Vehicles				
Executive	193	235	218	227
Judicial	19	20	18	20
Administration				
Agency-Owned	202	10	9	8
Leased to other agencies	<u>2,585</u>	<u>2,434</u>	<u>2,502</u>	<u>2,664</u>
Totals	2,787	2,444	2,511	2,672
Revenue	—	1	—	—
Commerce				
Division of Natural Resources (Parks)	517	907	581	710
Division of Forestry	107	140	119	135
Others	<u>7</u>	<u>18</u>	<u>14</u>	<u>18</u>
Total Commerce	631	1,065	714	863
Environmental Protection	5	8	8	8
Education	28	48	30	42
Health and Human Services	26	42	35	38
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	706	1,164	867	1,014
Division of Corrections	43	29	26	25
Regional Jail	47	—	—	51
Others	<u>51</u>	<u>27</u>	<u>23</u>	<u>25</u>
Total MAPS	847	1,220	916	1,115
Veterans Affairs	61	89	77	80
Regulatory Boards and Commissions	—	2	2	2
Boats				
Commerce	198	209	196	103
Environmental Protection	15	16	15	8
Buildings				
Executive	27	27	72	28
Administration	75	75	71	70
Revenue	2	2	2	2
Commerce				
Division of Natural Resources (Parks)	887	885	903	907
Division of Forestry	5	5	5	5
Others	<u>12</u>	<u>12</u>	<u>11</u>	<u>11</u>
Total Commerce	904	902	919	923
Environmental Protection	6	6	6	7
Education	67	72	79	79
Health and Human Services	470	106	106	106
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	97	97	97	92
Division of Corrections	64	64	66	63
Armory Board	149	149	149	149
Others	<u>63</u>	<u>63</u>	<u>66</u>	<u>66</u>
Total MAPS	373	373	378	370
Veterans Affairs	12	11	10	10
Regulatory Boards and Commissions	4	4	4	4

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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
219	195	192	178	185	171
20	19	15	14	14	12
6	6	7	6	6	6
<u>2,114</u>	<u>2,021</u>	<u>2,035</u>	<u>1,743</u>	<u>1,731</u>	<u>1,685</u>
2,120	2,027	2,042	1,749	1,737	1,691
—	1	1	1	0	0
606	549	571	510	582	584
139	135	96	132	136	133
<u>15</u>	<u>17</u>	<u>17</u>	<u>8</u>	<u>7</u>	<u>7</u>
760	701	684	650	725	724
17	8	11	10	11	11
53	48	42	44	51	58
29	29	25	28	68	72
895	902	852	947	992	999
47	45	42	36	40	40
28	27	27	40	94	99
<u>37</u>	<u>33</u>	<u>32</u>	<u>34</u>	<u>34</u>	<u>31</u>
1,007	1,007	953	1,057	1,160	1,169
68	67	75	70	72	59
2	2	2	2	2	2
97	100	92	93	90	95
8	7	7	7	7	6
27	26	29	28	28	28
69	71	78	78	72	70
2	3	3	2	2	2
909	907	905	889	889	889
5	5	5	5	5	5
<u>11</u>	<u>11</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>
925	923	918	902	902	902
7	7	7	8	7	7
69	69	82	81	91	91
105	107	108	108	108	109
91	90	90	85	85	85
59	55	55	53	55	55
112	109	154	157	158	167
<u>64</u>	<u>59</u>	<u>55</u>	<u>51</u>	<u>50</u>	<u>46</u>
326	313	354	346	348	353
10	10	10	9	9	9
4	4	3	3	3	3



**Schedule 16**  
**Miscellaneous Statistics**  
**June 30, 2018**

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 38,770  
Miles Maintained by the State 34,691

State Police Protection:  
Number of State Police Detachments 56  
Number of State Police Troopers 598

Higher Education (State Supported):  
Number of Campuses 21  
Number of Students 83,133

Recreation:  
Number of State Parks 36  
Area of State Parks 79,103 acres

Number of State Forests 9  
Area of State Forests 81,756 acres

Number of State Owned and Operated Rail Trails 2  
Distance of Rail Trails 150 miles

Wildlife Fish and Game Management Areas 105  
Acreage of Wildlife Management Areas 418,698 acres  
(Owned and Leased)