



# WEST VIRGINIA

Comprehensive  
Annual  
Financial  
Report

Fiscal Year Ended  
June 30, 2015

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*West Virginia*  
*Comprehensive Annual*  
*Financial Report*  
*For the Fiscal Year*  
*Ended June 30, 2015*

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*Earl Ray Tomblin*  
*Governor*

*Jason Pizatella*  
*Acting Cabinet Secretary*  
*Department of Administration*

*Ross Taylor*  
*State Comptroller*  
*Department of Administration*

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

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*Governor Earl Ray Tomblin*

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

EARL RAY TOMBLIN  
GOVERNOR

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

I am pleased to provide you with the State of West Virginia Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2015. An independent certified public accounting firm has audited the basic financial statements contained in this report.

The CAFR demonstrates West Virginia's commitment to financial accountability and national standards. This document provides the Legislature and the residents of West Virginia with the state's financial data. It can be accessed on the Internet at [www.finance.wv.gov](http://www.finance.wv.gov).

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

Sincerely,

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

Earl Ray Tomblin  
Governor

# ***ACKNOWLEDGMENTS***

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Special appreciation is given to all personnel throughout the State whose extra effort to contribute accurate, timely financial data for their agencies made this report possible. The technical support of West Virginia Our Advanced Solution with Integrated Systems (wvOASIS) has been invaluable. Thanks also to the Division of Tourism for their pictorial and technical assistance.

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

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**INTRODUCTORY  
SECTION**

Transmittal Letter

Certificate of Achievement  
for Excellence in Financial  
Reporting

Organization Chart

Principal Officials

*Morning light shines down on  
the hemlocks at Cathedral State  
Park in Preston County. The  
park features trees of up to 90  
feet in height and 16 feet in  
circumference.*



STATE OF WEST VIRGINIA  
DEPARTMENT OF ADMINISTRATION

EARL RAY TOMBLIN  
GOVERNOR

MARY JANE PICKENS  
ACTING CABINET SECRETARY

May 9, 2016

The Honorable Earl Ray Tomblin, 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 2015 Comprehensive Annual Financial Report (2015 CAFR) of the State of West Virginia for the fiscal year ended June 30, 2015. This report was prepared by the Financial Accounting and Reporting Section (FARS) within the Finance Division of the Department of Administration.

The 2015 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, 2015, 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 the audited government's internal controls and compliance with requirements applicable to major programs. These reports are available in the State of West Virginia's separately issued Single Audit Report.

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

The 2015 CAFR consists of management's representations concerning the financial information of the State of West Virginia. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in

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

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this report. To provide a reasonable basis for making these representations, management of the State has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls 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 exercises control

The Honorable Earl Ray Tomblin, Governor  
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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, hydro, geothermal, biomass, and solar. The West Virginia Energy Blueprint calls for the environmentally responsible development of all forms of market-driven energy technologies.

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

Despite large reductions in the price of coal, West Virginia remains a leader in coal exports. Our coal exports are the largest contributor to the State's total exports of goods and services. Metallurgical coal, used in making steel, is the principal coal exported.

By 2015, West Virginia had seen an 80 percent increase in natural gas production since 2010. The State is the second largest natural gas exporter in the region. This substantial increase in production can be attributed to the discovery of vast gas reserves in the Marcellus and Utica Shale formations beneath portions of the Appalachian region and the utilization of horizontal drilling techniques to access those reserves. The region's 6,000-foot-deep Marcellus Shale gas fields, extending from New York to West Virginia, are believed to contain more than 84 trillion cubic feet of recoverable natural gas, one of the world's largest natural gas fields.

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.

Since 2005, more than \$25 billion in new business investments have been made in the State's economy, including more than \$11 billion in new business investments since November 2010.

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 Honorable Earl Ray Tomblin, Governor  
The Honorable Members of the West Virginia Legislature  
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- Global consumer products giant Procter & Gamble broke ground for the company's new \$500 million facility in West Virginia's Eastern Panhandle. The plant, to be located in Tabler Station in Berkeley County, will employ 300 full-time P&G employees when it opens in 2017, and ramp up to 700 by the time it is fully operational in 2019. The company will need employees with skills in mechanical, electrical and programming fields, manufacturing, production, packaging operations, and equipment and machinery operations. P&G is working with Blue Ridge Community and Technical College on a training program that prepares students to work specifically at the Tabler Station plant.
- Polymer additive company Addivant announced plans to expand in West Virginia. After receiving FDA approval for a groundbreaking polymer to be used in food packaging, the company was on the hunt for a new location to expand its production facility. Major players from the Gulf Coast actively pursued Addivant, but the West Virginia Development Office stepped up and showed company executives that West Virginia is the right place to invest. This new expansion project not only saves nearly 100 jobs, but it brings at least \$12 million in new investments and additional opportunities for employment.
- Gestamp - which manufactures auto parts for some of the world's best known brands - first opened in 2013. The South Charleston plant has tripled production and more than doubled its total workforce since opening. Today, Gestamp employs more than 700 West Virginians.
- Hino Motors Manufacturing U.S.A. Inc. invested approximately \$8 million in its truck assembly plant in Williamstown, and is set to purchase \$25 million in additional equipment. The expansion added 30,000 square feet to its existing building, a new break room, a dedicated training facility and a stand-alone quality control testing center.
- Hardwood flooring manufacturer Armstrong World Industries invested approximately \$11 million to upgrade its facility in Beverly. The project modernized the facility, adding new technology and strengthening infrastructure. The West Virginia plant employs 650 workers at its 75-acre facility in Randolph County. Armstrong World Industries is a global leader in the design and manufacture of floors and ceiling systems.
- CounterTop Solutions LLC broke ground for its new countertop manufacturing plant in Falling Waters Industrial Center near Martinsburg,

The Honorable Earl Ray Tomblin, Governor  
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Berkeley County. The company will consolidate its showroom, sales and manufacturing facilities from Maryland to a three-acre site in West Virginia. Plans call for the company's new 20,471 square foot facility to open during the second quarter of 2016. The company expects to employ 22 workers. Established in 2005, CounterTop Solutions fabricates and installs natural stone, quartz and solid surface countertops for commercial and residential customers.

- Multicoat Products moved from its former leased location in Winfield to its new facility at the Putnam Business Park, in Fraziers Bottom. The new plant provides 25,000 square feet of manufacturing and warehouse space and 3,000 square feet of office space. The plant is situated on the site to allow for additional expansion in the future. Multicoat is a manufacturing and wholesale distributor of coatings for construction and industrial applications, including swimming pools, decorative concrete, waterproofing and stucco coatings. The corporate office is in Southern California and the national sales office is in West Virginia.
- Conley Fabrication completed construction in 2015 on a new 30,000-square-foot facility in Mineral Wells, Wood County. When the company started in 2010, its six employees focused on repair of trailers and truck bodies. Conley Fabrication broadened its capabilities to include building aluminum dump bodies, steel and stainless steel bodies and specialty stake bodies and dump trailers. The recently completed facility was built with ample room for future expansions.

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 23 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;

The Honorable Earl Ray Tomblin, Governor  
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Citizens of the State of West Virginia  
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- 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 2015. Some of these initiatives are outlined below:

#### Pro-Growth Tax Reforms

West Virginia further reduced business tax burdens by an additional \$32 million in Fiscal Year 2015. The following reduced business taxes helped boost investment in the State's economy:

- A series of phased business tax rate reductions resulted in a corporate income tax rate of 6.5 percent, a significant decrease from the 8.75 percent rate in place prior to 2009. The average annual savings to corporations from the reduced tax rate is more than \$50 million since 2009;
- The business franchise tax was eliminated in January 2015. In comparison with the tax structure in place prior to 2009, the average annual savings to corporations, limited liability companies and partnerships associated with the elimination of this tax is collectively more than \$150 million; and
- West Virginia offers a variety of tax credits, exemptions and special valuations for new and existing companies. Credits for manufacturers and certain other types of businesses that create new jobs can offset up to 100 percent of the State's business taxes. There are special valuations on aircraft, high-tech, pollution abatement equipment and property tied to specified customer supplier relations, which can dramatically reduce property taxes; and exemptions for manufacturers can eliminate sales tax for goods used in manufacturing. There are new tax credit programs that are now available for customer fulfillment and distribution centers as well as ethane cracker facilities.

The Honorable Earl Ray Tomblin, Governor  
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### Roads and Highways

During Fiscal Year 2015, the Department of Transportation (“DOT”) continued work on several of its major initiatives around the State. Plans for the completion of Rt. 35 continue along with work on WV 10, Corridor H and the Coalfields Expressway. DOT continues to advance major initiatives throughout the State as funding permits. In conjunction with improvement of the road system through construction and upgrading, DOT has emphasized roadway and bridge preservation and renovation. Rugged mountainous terrain and numerous streams and rivers characterize the topography of the State and consequently, West Virginia’s road system includes 7,024 vehicular bridges. The DOT’s bridge program, enhanced by a state funded program that started in 1988, has allowed for several bridge improvements this year, including the Lilly Bridge and the Thomas Burford Pugh Bridge. Other accomplishments this year included the resurfacing of approximately 1,538 miles of roadway at a cost of \$245 million.

DOT also continued to improve the operating efficiency of its heavy equipment road maintenance fleet through the procurement of approximately \$16 million in new replacement units during the fiscal year. The DOT continues to prioritize replacing equipment involved in its core maintenance functions.

### State Park Enhancements

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

The system is composed of 35 state parks, seven state forests, the Greenbrier River Trail, and the North Bend Rail Trail. The parks section manages or assists in managing more than 191,000 acres of public land and sees up to seven million visitors annually.

The park system also serves as a strong foundation for the growing tourism industry as destination locations. According to the Outdoor Industry Association, outdoor recreation has grown by double digit percentages in recent years compared to an average 2 percent growth in other industries. The West Virginia State Park system helps make our state a leader in outdoor recreation and the associated economic gain it provides.

Since 1993, State Parks operations has added 38 cabins; three major conference centers at Blackwater, Cacapon and Pipestem; one major campground at Little Beaver; the Hawks Nest

The Honorable Earl Ray Tomblin, Governor  
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Golf Course; Chief Logan Lodge & Conference Center; a new lodge wing at Twin Falls with 27 rooms; a total lodge reconstruction at Canaan with 160 guest rooms; and converted two major park restaurants from concessionaire contracts to self-operated facilities.

West Virginia's state park system ranks third in the nation in self-sufficiency among systems without entry fees and 18th in the nation compared to systems with entry fees.

The system has never lost focus on protecting natural resources; promoting pure outdoor recreation, such as hiking, fishing, biking, picnicking, canoeing, etc.; and educating visitors about the natural world.

#### Workers' Compensation Reforms

West Virginia continues to reduce its workers' compensation loss costs. The loss costs have decreased for eleven consecutive filings since privatization in January 2006. Employers will have saved \$323 million since July 2006. The workers' compensation market is competitive, with more than 200 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. Annually, the State allocates approximately \$243 million to reduce the unfunded liability. As of June 30, 2015, the unfunded liability for the Old Fund was \$90.5 million.

#### Environmental Protection Initiatives

In Fiscal Year 2015, the West Virginia Department of Environmental Protection's Division of Water and Waste Management Watershed Improvement Branch awarded 32 grants totaling \$4.6 million to partner agencies, local governments, universities, watershed associations, and nonprofit organizations to implement watershed-related outreach, planning, education, monitoring, and water quality improvement projects.

Through the Clean Water State Revolving Fund, DEP disbursed more than \$62.8 million to communities for municipal sewer projects under construction; \$1.9 million to nonprofit source pollution control projects; \$86.4 million in closing new loans on eight municipal construction projects; and issued nine preliminary binding commitment letters for future loans worth \$54 million.

The Honorable Earl Ray Tomblin, Governor  
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Citizens of the State of West Virginia  
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The Abandoned Mine Lands (AML) program solicited bids for 44 AML reclamation projects at a cost of nearly \$10 million and six waterline construction projects at a cost of \$14.3 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.

### **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.

#### 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 policy makers 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.

#### Financial Policies

Under current law, the State is required to deposit the first 50% 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% of total appropriations from the fiscal year just ended. In Fiscal Year 2015, the State deposited \$6.4 million in the State's Rainy Day Fund, which was 50% of the State's Fiscal Year 2015 General Fund surplus.

### **Strong Financial Performance**

In 2015, 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 2015 fiscal year with a General Fund surplus of \$12.8 million, after successfully closing a mid-year budget gap of \$60.6 million with a combination of budget cuts and the use of reserve funds. West Virginia's Rainy Day Fund was the third best in the country as a percentage of the State's General Revenue appropriations at 20.19 percent.

The Honorable Earl Ray Tomblin, Governor  
The Honorable Members of the West Virginia Legislature  
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## Conclusion

West Virginia continues to aggressively address the fiscal challenges associated with a changing economy. During Fiscal Year 2015, the State was able to manage its budgetary demands in a challenging economic environment. Governor Earl Ray Tomblin and the members of the State Legislature worked collaboratively to ensure that financial and strategic decisions 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, 1995 through 2014. 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 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 2015 budgets.

The 2015 CAFR is an example of Governor Tomblin's unwavering belief in, and commitment to, the State's fiscal responsibility and accountability. Acknowledgment is given to the State Legislature and its leadership for their shared commitment to sound

The Honorable Earl Ray Tomblin, Governor  
The Honorable Members of the West Virginia Legislature  
Citizens of the State of West Virginia  
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budgeting and to meeting the financial obligations of the State. This report would not be possible without the support of all West Virginia state agencies. The State's continued success directly depends on their cooperation and support.

Sincerely,

A handwritten signature in blue ink that reads "Mary Jane Pickens". The signature is written in a cursive style with a large initial "M".

Mary Jane Pickens



Government Finance Officers Association

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

Presented to

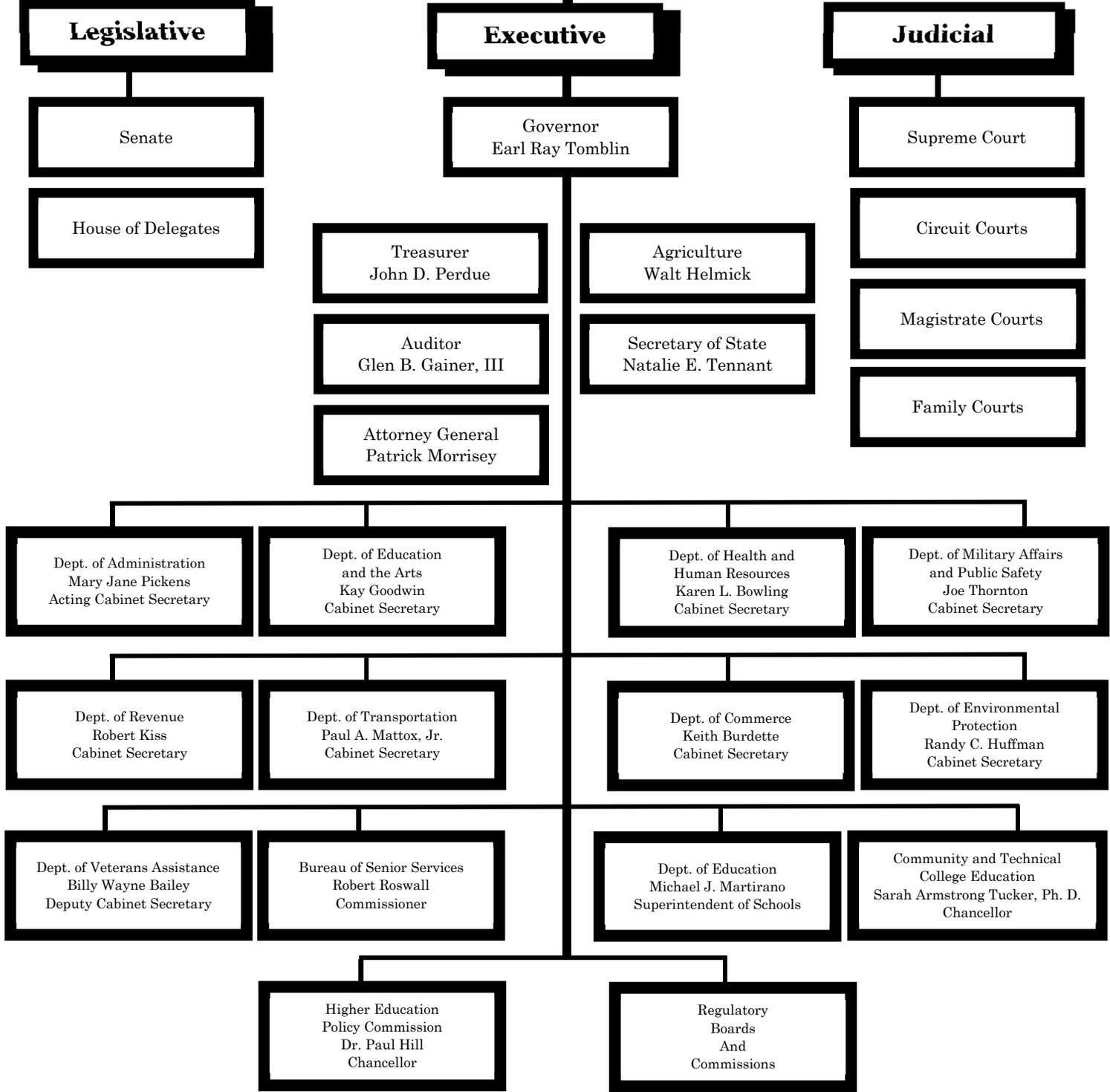
**State of West Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

# ORGANIZATION CHART



# State of WEST VIRGINIA Principal Officials

**Executive Branch**

Governor  
Earl Ray Tomblin

Agriculture Commissioner  
Walt Helmick

Attorney General  
Patrick Morrissey

State Auditor  
Glen B. Gainer III

Secretary of State  
Natalie E. Tennant

State Treasurer  
John D. Perdue

**Legislative Branch**

Senate President  
William P. Cole, III

Speaker of the House  
Tim Armstead

Chairman  
Senate Finance  
Mike Hall

Chairman  
House Finance  
Eric Nelson

**Judicial Branch**

Supreme Court Chief Justice  
Margaret L. Workman

Supreme Court Justice  
Brent D. Benjamin

Supreme Court Justice  
Robin Jean Davis

Supreme Court Justice  
Menis E. Ketchum, II

Supreme Court Justice  
Allen H. Loughy, II





## FINANCIAL SECTION

Report of Independent  
Auditors

Management's Discussion  
and Analysis

*A peaceful scene in Greenbrier  
County along U.S. Route 60, also  
known as the Midland Trail. This  
National Scenic Byway offers a  
180-mile drive filled with fabulous  
vistas, or stop for world-class  
rafting and outdoor fun.*



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ey.com

## Report of Independent Auditors

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of West Virginia (the State), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of certain entities or funds within the governmental activities, the business-type activities, the aggregate discretely presented component units, certain major funds, and the aggregate remaining fund information, which represent 64 percent of total assets, 70 percent of net position, and 11 percent of total revenues for the governmental activities; 75 percent of total assets, 57 percent of net position, and 93 percent of total revenue for the business-type activities; 100 percent of total assets, net position, and revenues for the aggregate discretely presented component units; 91 percent of total assets, 85 percent of fund balance, and 97 percent of revenues of Transportation Special Revenue Fund; 100 percent of total assets, fund balance/net position, and revenues of each of the following major funds – Tobacco Settlement Finance Authority, Workers' Compensation, Unemployment Compensation, and West Virginia Infrastructure and Jobs Development Council; and 93 percent of total assets, 93 percent of net position/fund balance, and 63 percent of the total revenues/additions for the aggregate remaining fund information, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain entities or funds within the governmental activities, business-type activities, aggregate discretely presented component units, certain major funds, and certain entities or funds within the aggregate remaining fund information, is based on the reports of the other auditors. We

conducted our audits 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 opinion.

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of West Virginia as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

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

#### ***Change in Method of Accounting for Pension***

As discussed in Note 2 to the financial statements, the State changed its method for accounting and financial reporting of pensions as a result of the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, both effective July 1, 2014. Our opinion is not modified with respect to this matter.

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

U.S. generally accepted accounting principles require that management's discussion and analysis and budgetary comparison information and pension schedules on pages 196 through 211 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who

considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

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

*Ernst + Young LLP*

May 9, 2016



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State of West Virginia's Comprehensive Annual Financial Report presents management's discussion and analysis of the State's financial performance during the fiscal year ended June 30, 2015. 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 \$6.6 billion, reported as net position. Governmental activities reported \$4.6 billion in net position, a \$243 million increase, up 5.6% from last year, while the business-type activities reported net position of \$2 billion, a \$164 million increase.

#### **Fund Level:**

At year-end, the governmental funds reported combined fund balances of \$1.1 billion, a decrease of \$191 million, or 15% lower than the prior year. The unrestricted fund balance, including the committed, assigned, and unassigned balances, was \$2 million. The nonspendable balance was \$775 million, and \$294 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 \$6.4 million to be transferred to the Revenue Shortfall Reserve Fund (Rainy Day Fund).

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

Since prior year, there was a net increase in the State's long-term obligations of \$3.4 billion. The Governmental Activities increased by \$3.4 billion and the Business-type Activities decreased by \$40 million. The net increase of \$3.4 billion consisted of an increase in net pension liability in the amount of \$3.5 billion, a reduction of payments on bonds, capital leases, and notes payable in the amount of \$71 million, and an increase of \$ 53 million in accrued and other liabilities. The increase in accrued and other liabilities is related to an increase of approximately \$54 million in claims and judgments, primarily from tort claims at the Department of Highways, an increase in tax refunds of \$11 million, and a decrease of \$11 million for mine reclamation.

The insurance and compensation benefits liability decreased \$123 million primarily due to the privatization of the workers' compensation fund and the stabilization of revenue to satisfy the declining liability for claims incurred on or before June 30, 2005. See Note 14 for a more detailed explanation about the privatization and funding plan.

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

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

The basic financial statements include two kinds of statements that present different views of the State. The statement of net position and the related statement of activities are *government-wide financial statements* that provide both long-term and short-term information about the State's overall financial status. The remaining statements are *fund financial statements* that focus on individual parts of the State's government, reporting the State's operations in more detail than the government-wide statements. The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that presents budgetary comparisons and pension plans schedules 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 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 the 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 Statements 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 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 and schedules for pension plans along with notes with explanatory information.

**Combining Financial Statements and Schedules**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The Statement of Net Position below reflects the adoption of GASB 68 and the June 30, 2014 balances have been restated for the net pension liability. Being that the information was not available for the related GASB 68 deferred inflows and outflows, the June 30, 2014 balances were not restated for these amounts. Comparing June 30, 2015 to June 30, 2014 government-wide balances, current and other assets increased \$237 million due to increase in cash equivalents due to new bond issuances and investment earnings and an increase in the net pension assets. Current and other liabilities increased \$209 million due to an increase in other postemployment benefits and grant expenditures. The changes in deferred outflows and inflows of resources are due to the adoption of GASB 68 and the information was not available to restate those balances below. Significant changes in capital assets and long term liabilities are discussed later in the management’s discussion and analysis.

Net Position as of June 30 (Expressed in Thousands)	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014 *	2015	2014 *	2015	2014 *
Current and Other Assets	\$ 4,246,499	\$4,133,926	\$4,277,679	\$4,153,152	\$ 8,524,178	\$ 8,287,078
Capital Assets	<u>9,435,144</u>	<u>9,416,555</u>	<u>2,963</u>	<u>3,175</u>	<u>9,438,107</u>	<u>9,419,730</u>
Total Assets	<u>13,681,643</u>	<u>13,550,481</u>	<u>4,280,642</u>	<u>4,156,327</u>	<u>17,962,285</u>	<u>17,706,808</u>
Deferred Outflows of Resources	<u>628,582</u>	<u>2,556</u>	<u>3,208</u>	<u>2,383</u>	<u>631,790</u>	<u>4,939</u>
Current and Other Liabilities	2,966,791	2,759,957	468,909	466,131	3,435,700	3,226,088
Long-term Liabilities	<u>5,997,617</u>	<u>6,474,880</u>	<u>1,790,534</u>	<u>1,834,586</u>	<u>7,788,151</u>	<u>8,309,466</u>
Total Liabilities	<u>8,964,408</u>	<u>9,234,837</u>	<u>2,259,443</u>	<u>2,300,717</u>	<u>11,223,851</u>	<u>11,535,554</u>
Deferred Inflows of Resources	<u>784,628</u>	<u>—</u>	<u>6,447</u>	<u>4,371</u>	<u>791,075</u>	<u>4,371</u>
Net Position:						
Net Investment in Capital Assets	8,890,142	8,791,243	2,963	3,175	8,893,105	8,794,418
Restricted	439,118	367,636	1,813,975	1,812,958	2,253,093	2,180,594
Unrestricted (Deficit)	<u>(4,768,071)</u>	<u>(4,840,679)</u>	<u>201,022</u>	<u>37,489</u>	<u>(4,567,049)</u>	<u>(4,803,190)</u>
Total Net Position	<u>\$ 4,561,189</u>	<u>\$4,318,200</u>	<u>\$2,017,960</u>	<u>\$1,853,622</u>	<u>\$6,579,149</u>	<u>\$6,171,822</u>

\* Restated for implementation of GASB 68

## **Net Position**

The largest component of the State's net position is the amount invested in capital assets (e.g., land, buildings, equipment, infrastructure, and others), less any related debt outstanding needed to acquire or construct the assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Capital assets are used to provide services to citizens; therefore, they are not available for future spending or to pay off their related liabilities. Net position unrestricted, increased \$236 million primarily due to the increase in the personal tax.

Restricted net position comprise 34.2% 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, 2015 and 2014 (expressed in thousands):

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for Services	\$ 471,293	\$ 431,567	\$967,687	\$1,010,288	\$ 1,438,980	\$ 1,441,855
Operating Grants and Contributions	4,610,518	4,202,337	—	—	4,610,518	4,202,337
Capital Grants and Contributions	390,949	504,206	—	—	390,949	504,206
General Revenues:						
Personal Income Tax	1,921,597	1,771,473	—	—	1,921,597	1,771,473
Consumer Sales Tax	1,265,957	1,216,812	—	—	1,265,957	1,216,812
Business Taxes	907,362	937,751	—	—	907,362	937,751
Transportation Taxes	640,135	628,989	—	—	640,135	628,989
Other Taxes	446,794	493,000	—	—	446,794	493,000
Lottery Revenue	356,401	343,220	37,000	57,000	393,401	400,220
Other Revenues	205,387	289,363	36,553	192,944	241,940	482,307
Total Revenues	<u>11,216,393</u>	<u>10,818,718</u>	<u>1,041,240</u>	<u>1,260,232</u>	<u>12,257,633</u>	<u>12,078,950</u>
Program Expenses:						
Legislative	26,762	30,147	—	—	26,762	30,147
Judicial	126,904	143,929	—	—	126,904	143,929
Executive	124,455	154,212	—	—	124,455	154,212
Administration	280,007	308,685	—	—	280,007	308,685
Commerce	141,566	182,198	—	—	141,566	182,198
Environmental Protection	109,036	150,859	—	—	109,036	150,859
Employment Programs	43,876	50,406	—	—	43,876	50,406
Education	2,762,735	2,924,767	—	—	2,762,735	2,924,767
Health and Human Resources	5,241,337	4,759,982	—	—	5,241,337	4,759,982
Military Affairs and Public Safety	412,894	424,232	—	—	412,894	424,232
Revenue	86,654	131,627	—	—	86,654	131,627
Transportation	1,121,182	1,148,566	—	—	1,121,182	1,148,566
Veterans Assistance	19,264	23,551	—	—	19,264	23,551
Regulatory Board and Commissions	74,255	44,847	—	—	74,255	44,847
Senior Services	49,205	45,846	—	—	49,205	45,846
Interest on Long-term Debt	123,064	119,268	—	—	123,064	119,268
Workers' Compensation Fund	—	—	44,488	129,087	44,488	129,087
Unemployment Compensation	—	—	225,940	274,215	225,940	274,215
West Virginia Infrastructure and Jobs Development Council	—	—	71,587	29,752	71,587	29,752
Water Pollution Control Revolving Fund	—	—	6,358	9,991	6,358	9,991
Public Employees' Insurance Agency	—	—	577,433	573,008	577,433	573,008
Board of Risk and Insurance Management	—	—	72,436	67,524	72,436	67,524
Other Nonmajor Business-type	—	—	108,868	110,133	108,868	110,133
Total Expenses	<u>10,743,196</u>	<u>10,643,122</u>	<u>1,107,110</u>	<u>1,193,710</u>	<u>11,850,306</u>	<u>11,836,832</u>
Increase (Decrease) in Net Position, Before Transfers	473,197	175,596	(65,870)	66,522	407,327	242,118
Transfers	(230,208)	(217,282)	230,208	217,282	—	—
Increase (Decrease) in Net Position	<u>242,989</u>	<u>(41,686)</u>	<u>164,338</u>	<u>283,804</u>	<u>407,327</u>	<u>242,118</u>
Net Position, Beginning of Year, as Originally Reported	<u>9,141,248</u>	<u>9,106,160</u>	<u>1,857,313</u>	<u>1,573,509</u>	<u>10,998,561</u>	<u>10,679,669</u>
Correction of Error	—	76,774	—	—	—	76,774
Change in Accounting Principle for GASB 68 Implementation	<u>(4,823,048)</u>	—	<u>(3,691)</u>	—	<u>(4,826,739)</u>	—
Net Position, Beginning of Year, as Restated	<u>4,318,200</u>	<u>9,182,934</u>	<u>1,853,622</u>	<u>1,573,509</u>	<u>6,171,822</u>	<u>10,756,443</u>
Net Position, End of Year	<u>\$ 4,561,189</u>	<u>\$ 9,141,248</u>	<u>\$2,017,960</u>	<u>\$1,857,313</u>	<u>\$ 6,579,149</u>	<u>\$ 10,998,561</u>

## **Governmental Activities**

For the year ended June 30, 2015, the State's change in net position before transfers increased by \$473 million for governmental activities. Revenues were higher by \$398 million and expenses were higher \$100 million comparing the years ending June 30, 2015 and 2014. Overall tax revenue increased \$50 million from the previous year. The largest contributing factor was a \$150 million increase in personal income tax due to the end of a temporary car tax credit program, an increase in economic activity, and timing of the realization of capital gain income. Transportation taxes were also higher by \$11 million. These tax increases were offset by decreases in other revenues and business taxes of \$84 million and \$30 million, respectively due to the downturn in the energy sector and in investment earnings. Operating grants and contributions for Health and Human Resources (DHHR) increased \$426 million due to the expansion of Medicaid, contributing to the overall increase in net position before transfers for governmental activities.

From 2014 to 2015 program expenses increased approximately \$100 million in total. Health and Human Resources expenses were up \$481 million due to increases in eligibility in Medicaid, partially due to the Affordable Care Act. Offsetting this increase was a decrease in expenditures due to budget reductions for fiscal year 2015.

The charts on the next page depict revenues and expenses, respectively, of the governmental activities for the fiscal year. Approximately 42.2% of the total revenues came from personal income, consumer sales, business taxes, and transportation taxes, while 44.6% was in the form of grants and contributions (see Chart A). The State's governmental activities expenses include 49.35% for health and human resources and 26% for education (see Chart B).

Chart A

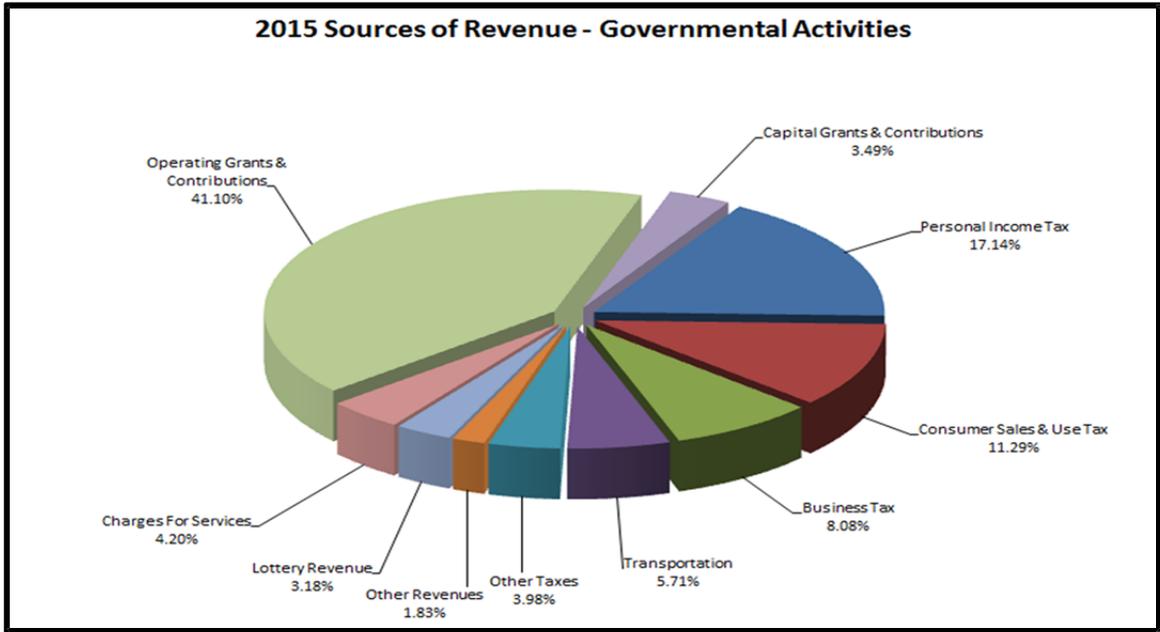
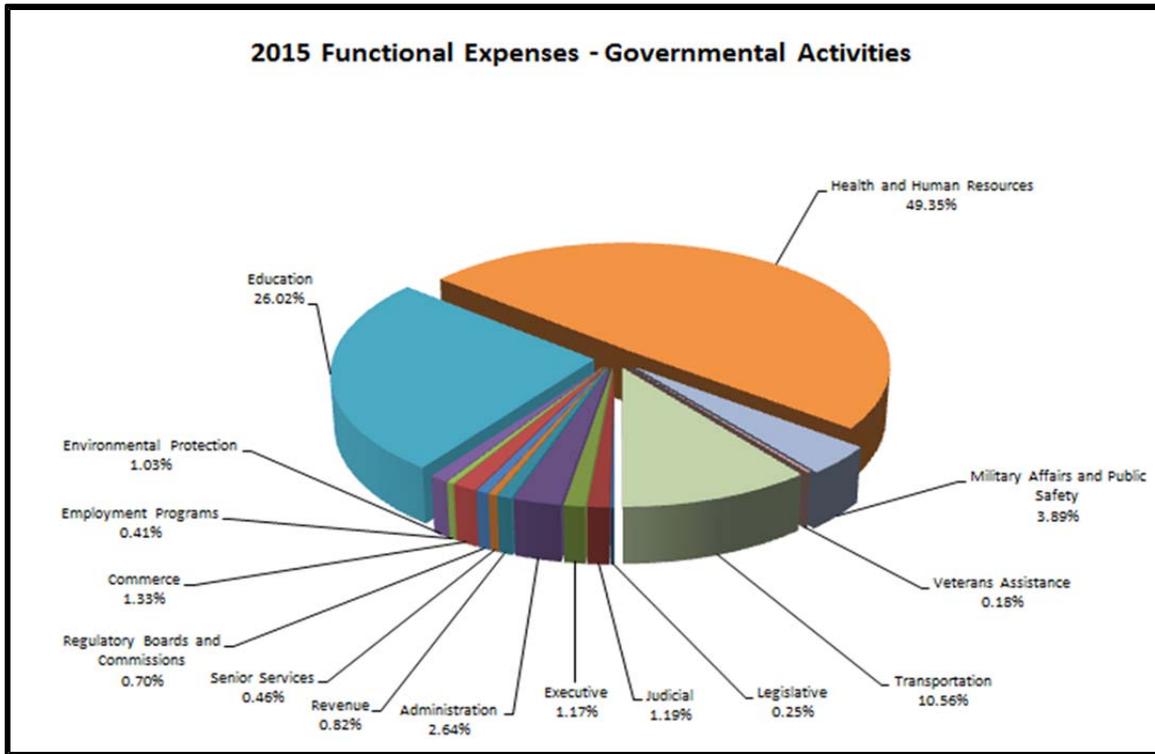


Chart B



## **Business-type Activities**

For fiscal year 2015, business-type activities decreased the State's net position by \$66 million before transfers. Significant contributors to this change were:

- The Workers' Compensation Fund's (WCF) had a \$28 million increase in net position before transfers, which was \$24 million lower than the increase in the prior year. This change is, among other factors, due to the net of a reduction of \$84 million in insurance claims and claims adjustment expense and a reduction of \$110 million in interest and other investment income from FY 2014. An aggressive settlement program as part of the strategy to eliminate the WCF deficit was implemented in FY 2011.
- West Virginia Infrastructure and Jobs Development Council had a \$43 million decrease in net position before transfers, which is \$62 million larger than the decrease in previous year. Revenues were down in FY 2015, due primarily to receiving \$20 million less in excess lottery appropriations than in FY 2014. Expenses were up in the current year, with the largest factors being increases of \$31 million, compared to the previous year, in the amount spent on infrastructure and economic projects grants awarded in current and prior years, \$8 million in provisions for uncollectible loans, and \$2 million in interest expense.
- West Virginia Public Employees Insurance Agency saw a \$51 million decrease in net position before transfers, an amount \$30 million lower than the decrease in FY 2014. The majority of this additional decrease is the result of an increase in other operating expenses, due mainly to an increase of \$3.5 million in the Affordable Care Act fees, a \$16.3 million decrease in investment earnings, and a \$10 million decrease in other non-operating revenues, stemming from litigation settlement revenues being down in the current year.

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

### **Governmental Funds**

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

At the end of the current fiscal year, the State's governmental funds reported a fund balance of \$1.1 billion, a decrease of \$191 million in comparison to that of the prior year.

There was a net increase in revenue of \$379.1 million. Total tax revenues increased by \$136.7 million, as previously described; federal revenues increased \$292.0 million, primarily from increases in the Medicaid program; lottery revenues increased \$14.8 million; food stamp revenue increased \$14.9 million; investment earnings decreased \$64.2 million; licenses, permits and fees decreased \$20.1 million. Expenses were up by \$217.1 million, primarily due to the expansion of Medicaid in the Health and Human Resources function.

At year end, nonmajor governmental funds had a net increase in fund balance of approximately \$30.1 million. The special revenue fund balance increased by a net of \$28.6 million. This increase was primarily due to the Environmental Protection function decreasing their expenses for the Capitalization Grants for Clean Water and expenses associated with abandoned mine land reclamation program. Restricted fund balance is \$176.3 million, of which \$54 million was available for debt service, \$13.3 million to fund capital projects, \$54.7 million for development, tourism and recreation, and \$53.2 million for public protection. Committed fund balance is \$313.8 million, \$2.3 million for general government operations and \$311.6 million for public protection.

**Governmental Fund Balances at June 30, 2015**  
(Expressed in Thousands)

	<u>General Fund</u>	<u>Transportation</u>	<u>Tobacco Settlement Finance Authority</u>
Nonspendable	\$ 139,438	\$ 48,627	\$585,811
Restricted	4,672	12,968	100,518
Unrestricted			
Committed	913,505	—	—
Assigned	—	61,181	—
Unassigned	<u>(1,284,506)</u>	<u>—</u>	<u>—</u>
Total	<u>\$ (226,891)</u>	<u>\$ 122,776</u>	<u>\$ 686,329</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 \$913.5 million, nonspendable fund balance of \$139.4 million offset by an unassigned fund balance of \$(1.3) billion and a total fund balance of \$(226.9) million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents (13.5)% of total General Fund expenditures, while total fund balance represents (2.4)% of the same amount.

Cash and cash equivalents in the General Fund were down \$23.7 million primarily due to the Enterprise Readiness Planning Board being reclassified from the General Fund to an Internal Service Fund by \$31.7 million which was offset by an increase of \$8 million in other state accounts. General fund revenues increased in fiscal year 2015 from 2014 by \$494.8 million, this is a result of the changes in taxes including personal

income tax increase of \$147 million, consumer sales tax increase of \$53.7 million, and Medicaid tax increase of \$15.7 million. These increases were offset by decreases in severance taxes and corporate net income taxes in the amounts of \$22.4 million and \$13 million, respectively. Federal revenues increased \$411.2 million, largely related to the Medicaid program increase of \$471 million, which was offset by a decrease of \$36.9 million in the Broadband Technology Opportunities Program. Revenues were \$104.7 million greater than expenditures. Expenses for the health and human resource function were up \$389.6 million.

At year end, Transportation had a \$13 million restricted fund balance and a nonspendable fund balance of \$48.6 million in inventory. Total fund balance was lower by approximately \$22 million from 2014, primarily due to the decrease in federal reimbursement to the Division of Highways.

The Tobacco Settlement Finance Authority's fund balance decreased by \$20 million due to the amortization of the deferred inflows of resources being recognized as an expenditure. Required bond interest in the amount of \$65 million was paid during the year.

### **Proprietary Funds**

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds are comprised of enterprise and internal service funds. Enterprise funds are used when services the State provides are charged to external customers. Internal service funds are used when services are provided to other state agencies. The six major enterprise funds include the Water Pollution Control Revolving Fund, Workers' Compensation 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 did not change from the amount originally anticipated. The general revenue fund budget to actual overall revenue variance was negative by \$57.6 million due to decreases in revenue collection in several tax categories. Personal income taxes were higher by \$30.5 million and business and occupation taxes had an increase of \$13.5 million; however, severance taxes decreased \$60.4 million, consumer sales decreased \$25.3 million, corporate income and business franchise taxes decreased \$15.4 million, and other taxes decreased \$5.7 million. Other revenue increased \$4.3 million, and interest income increased \$0.8 million.

The positive variance of the excess of revenues over expenditures was approximately \$121.2 million, which resulted primarily from the State's fiscal policies.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2015, the State had invested \$9.4 billion, net of accumulated depreciation, in a broad range of capital assets shown below. Depreciation expense for the year totaled \$401 million.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	Land and Improvements	\$1,243,544	\$1,218,385	\$ 611	\$ 611	\$1,244,155
Building and Improvements	974,081	963,909	961	973	975,042	964,882
Equipment	89,640	104,259	1,338	1,480	90,978	105,739
Library Holdings	938	950	—	—	938	950
Intangibles	82,232	67,179	53	111	82,285	67,290
Construction in Progress	894,093	715,406	—	—	894,093	715,406
Infrastructure	<u>6,150,616</u>	<u>6,346,467</u>	<u>—</u>	<u>—</u>	<u>6,150,616</u>	<u>6,346,467</u>
Totals	<u>\$9,435,144</u>	<u>\$9,416,555</u>	<u>\$2,963</u>	<u>\$3,175</u>	<u>\$9,438,107</u>	<u>\$9,419,730</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 \$18 million. The most significant changes in capital assets during the year were in the Transportation function. Transportation continues to expand the state road system, focusing primarily on upgrading existing roadways and completion of Appalachian Highway Corridors. Although transportation had significant construction projects, infrastructure capital asset additions of \$113 million were lower than the prior year amount, resulting in a net decrease of \$196 million in infrastructure, due to depreciation of \$309 million. Transportation also had a net increase of \$26 million in land acquisition. The \$179 million increase in construction in progress was due primarily to a net change of \$162 million for various Division of Highways projects and DOT additions of \$16 million for the Prichard Intermodal Facility. The \$10 million increase in buildings was primarily the result of \$21 million for the construction of the Fairmont Building; \$12 million for the William Sharpe Hospital 50-bed expansion project; \$5 million for the medical examiners building renovation; \$4 million for the Camp Dawson Access Control Point; other building additions in the amount of \$5 million being capitalized and then netted with \$37 million depreciation. 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 \$9 billion in bonds, capital leases, notes payable, claims and judgments, compensated absences, net pension 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, and the Moody's Investors Service rating is Aa1. On 4/21/16, the State received word that Standard and Poor's Corporation downgraded the general obligation bonds from an AA to an AA- rating (See Note 16).

The increase in accrued and other liabilities of \$53 million is primarily due to an increase of approximately \$54 million in claims and judgments, primarily from tort claims at the Department of Highways, an increase in tax refunds of \$11 million, and a decrease of \$11 million for mine reclamation. 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	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$ 412,368	\$ 460,428	\$ —	\$ —	\$ 412,368	\$ 460,428
Revenue Bonds	1,185,022	1,266,587	197,762	112,735	1,382,784	1,339,322
Capital Leases	271,889	255,109	—	—	271,889	255,109
Notes Payable	17,919	16,086	—	—	17,919	16,086
Accrued and Other Liabilities	1,302,336	1,249,192	100,179	104,103	1,402,515	1,353,295
Insurance and Compensation Benefits	—	—	1,875,859	1,998,480	1,875,859	1,998,480
Compensated Absences	89,087	89,207	638	640	89,725	89,847
Net Pension Liability	<u>3,581,012</u>	<u>114,455</u>	<u>1,806</u>	<u>—</u>	<u>3,582,818</u>	<u>114,455</u>
Totals	<u>\$6,859,633</u>	<u>\$3,411,064</u>	<u>\$2,176,244</u>	<u>\$2,215,958</u>	<u>\$9,035,877</u>	<u>\$5,627,022</u>

General obligation and revenue bonds for governmental activities decreased a combined total of \$129 million due to the pay down of debt. These decreases were offset by the \$3.5 billion increase in pension liability due to the implementation of GASB 68. In business activities, revenue bonds increased \$85 million due the issuance of bonds for the Infrastructure and Jobs Development Council.

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

The general revenue estimate for FY 2016 is predicted to be \$4.32 billion, or \$68 million above the FY 2015 official revenue estimate, and lottery revenues available for appropriation are expected to drop by \$14 million. FY 2016 general revenue fund collections are expected to be \$354 million short of estimate by year-end. To help balance the FY 2016 budget and provide for FY 2016 supplemental appropriations, \$21.9 million of excess spending authority and cash from various special revenue funds are proposed to be expired to the FY 2016 general revenue surplus balance. In addition, \$51.8 million of Rainy Day funds are proposed to be used.

The budget for FY 2016 includes increases for the State's share of Medicaid funding, social services, major capital projects, early literacy education programs, and new dollars for juvenile justice programs. Funding is also included to fully fund Public Education's School Aid Formula (including proposed changes to the calculation of Local Share and Transportation lines) and all retirement system obligations. Although there will be challenges in closing FY 2017's budget gap, the out-years beyond show budget surpluses.

The FY 2016 budget includes a six-year plan showing the projected revenues and expenditures through FY 2020. The goal of the six-year plan is to provide the West Virginia Legislature and citizens a clear understanding of not only the FY 2016 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

*Redbud and cherry trees in Hampshire County announce the arrival of spring. Beautiful West Virginia landscapes are a blend of hardy shade trees, feathery evergreens as well as flowering and fruit trees.*

**Statement of Net Position**  
**June 30, 2015**  
(Expressed in Thousands)

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 1,727,336	\$ 2,189,505	\$ 3,916,841	\$ 929,108
Investments	949,594	102,848	1,052,442	130,753
Receivables, Net	756,857	167,856	924,713	178,067
Capital Leases Receivable from				
Primary Government	—	—	—	13,821
Due from Other Governments	390,375	2,841	393,216	—
Due from Primary Government	—	—	—	13,609
Due from Fiduciary Funds	187	67	254	—
Due from Component Units	118,646	1,099	119,745	—
Internal Balances	(1,629)	1,629	—	—
Inventories	59,563	2,047	61,610	10,406
Prepaid Insurance	4	15	19	180
Other Assets	2,623	19,687	22,310	13,868
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	10,270	8,219	18,489	119,943
Investments	—	—	—	13,734
Receivables, Net	—	597	597	4,240
Other Restricted Assets	—	204,219	204,219	20
Total Current Assets	<u>4,013,826</u>	<u>2,700,629</u>	<u>6,714,455</u>	<u>1,427,749</u>
<b>Noncurrent Assets:</b>				
Cash and Cash Equivalents	—	—	—	120,332
Investments	—	373,841	373,841	621,322
Receivables, Net	—	1,128,757	1,128,757	273,012
Capital Leases Receivable from				
Primary Government	—	—	—	247,174
Prepaid Insurance	44	349	393	—
Other Assets	282	528	810	107,953
Advance to Component Units	125,149	—	125,149	—
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	47,969	24,950	72,919	65,724
Investments	—	48,625	48,625	122,369
Receivables, Net	—	—	—	863,616
Other Restricted Assets	—	—	—	8,647
Net Pension Asset	59,229	—	59,229	—
Land and Other Capital Assets				
Not Being Depreciated	2,117,410	611	2,118,021	579,349
Capital Assets, Being Depreciated				
(Net of Accumulated Depreciation)	<u>7,317,734</u>	<u>2,352</u>	<u>7,320,086</u>	<u>3,128,438</u>
Total Noncurrent Assets	<u>9,667,817</u>	<u>1,580,013</u>	<u>11,247,830</u>	<u>6,137,936</u>
Total Assets	<u>13,681,643</u>	<u>4,280,642</u>	<u>17,962,285</u>	<u>7,565,685</u>
<b>Deferred Outflows of Resources:</b>				
Accumulated Decrease in Fair Value of				
Hedging Derivative	—	—	—	3,155
Deferred Loss on Bond Refundings	9,195	2,268	11,463	48,098
Related to Pensions	<u>619,387</u>	<u>940</u>	<u>620,327</u>	<u>14,401</u>
Total Deferred Outflows of Resources	<u>628,582</u>	<u>3,208</u>	<u>631,790</u>	<u>65,654</u>

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

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities:				
Current Liabilities:				
Accounts Payable	314,332	7,909	322,241	109,796
Interest Payable	2,170	—	2,170	15,485
Accrued Tuition Contract Benefits	—	16,653	16,653	—
Accrued and Other Liabilities	717,705	18,254	735,959	187,149
Due to Other Governments	261,820	4,865	266,685	—
Due to Primary Government	—	—	—	119,745
Due to Fiduciary Funds	1,504,172	7,804	1,511,976	357,115
Due to Component Units	13,345	264	13,609	—
Unearned Revenue	8,810	20,829	29,639	76,223
Premium Deficiency	—	41,528	41,528	—
Insurance and Compensation				
Benefits Obligations	—	343,939	343,939	—
General Obligation Debt	22,368	—	22,368	—
Revenue Bonds Payable	41,307	6,714	48,021	134,405
Capital Leases and Other Debt	7,512	—	7,512	6,558
Capital Leases Payable to Component Units	13,821	—	13,821	—
Compensated Absences	59,429	150	59,579	47,786
Total Current Liabilities	<u>2,966,791</u>	<u>468,909</u>	<u>3,435,700</u>	<u>1,054,262</u>
Noncurrent Liabilities:				
Accrued Tuition Contract Benefits	—	65,272	65,272	—
Accrued and Other Liabilities	584,631	—	584,631	156,426
Due to Other Governments	126	—	126	—
Unearned Revenue	—	—	—	1,094
Insurance and Compensation				
Benefits Obligations	—	1,531,920	1,531,920	—
Advances from Primary Government	—	—	—	125,149
Liabilities Payable from Restricted Assets	—	—	—	74,724
General Obligation Debt	390,000	—	390,000	—
Revenue Bonds Payable	1,143,715	191,048	1,334,763	2,685,915
Capital Leases and Other Debt	21,301	—	21,301	95,074
Capital Leases Payable to Component Units	247,174	—	247,174	—
Net Pension Liability	3,581,012	1,806	3,582,818	47,540
Compensated Absences	29,658	488	30,146	5,492
Total Noncurrent Liabilities	<u>5,997,617</u>	<u>1,790,534</u>	<u>7,788,151</u>	<u>3,191,414</u>
Total Liabilities	<u>8,964,408</u>	<u>2,259,443</u>	<u>11,223,851</u>	<u>4,245,676</u>
Deferred Inflows of Resources:				
Fair Value of Hedging Derivative Instrument	—	—	—	2,264
Related to Pensions	784,628	2,069	786,697	29,485
Service Concession Arrangements	—	—	—	36,449
Grants and Contributions	—	4,378	4,378	803
Total Deferred Inflows of Resources	<u>784,628</u>	<u>6,447</u>	<u>791,075</u>	<u>69,001</u>
Net Position:				
Net Investment in Capital Assets	8,890,142	2,963	8,893,105	2,627,779
Restricted for:				
Capital Projects	60,095	—	60,095	17,574
Debt Service	183,154	—	183,154	499,741
General Government Operations	9,771	1,283	11,054	—
Permanent Funds:				
Nonexpendable	1,000	—	1,000	227,653
Expendable	1,174	—	1,174	—
Lending Activities	—	1,446,490	1,446,490	108,819
Insurance Activities	—	366,202	366,202	—
Development, Tourism, and Recreation	57,044	—	57,044	—
Education	268	—	268	—
Health and Social Services	780	—	780	—
Public Protection	112,864	—	112,864	—
Transportation	12,968	—	12,968	—
Specific Fund/Component Unit Purposes	—	—	—	224,899
Unrestricted (Deficit)	<u>(4,768,071)</u>	<u>201,022</u>	<u>(4,567,049)</u>	<u>(389,803)</u>
Total Net Position	<u>\$ 4,561,189</u>	<u>\$ 2,017,960</u>	<u>\$ 6,579,149</u>	<u>\$ 3,316,662</u>

**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2015**  
(Expressed in Thousands)

<u>Functions</u>	<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>Primary Government:</b>				
Governmental Activities:				
Legislative	\$ 26,762	\$ 1,436	\$ 784	\$ —
Judicial	126,904	944	2,296	—
Executive	124,455	22,440	14,076	—
Administration	280,007	51,167	50,731	—
Commerce	141,566	46,972	39,802	—
Environmental Protection	109,036	71,302	102,018	—
Employment Programs	43,876	—	45,306	—
Education	2,762,735	3,970	443,295	—
Health and Human Resources	5,241,337	84,731	3,811,046	—
Military Affairs and Public Safety	412,894	8,751	65,630	17,241
Revenue	86,654	50,547	144	—
Transportation	1,121,182	97,716	—	373,708
Veterans Assistance	19,264	—	9,604	—
Senior Services	49,205	—	22,728	—
Regulatory Boards and Commissions	74,255	31,317	3,058	—
Interest on Long-Term Debt	<u>123,064</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Governmental Activities	<u>10,743,196</u>	<u>471,293</u>	<u>4,610,518</u>	<u>390,949</u>
Business-type Activities:				
Water Pollution Control Revolving Fund	6,358	5,725	—	—
Workers' Compensation Fund	44,488	46,272	—	—
Unemployment Compensation	225,940	223,836	—	—
West Virginia Infrastructure and Jobs Development Council	71,587	2,591	—	—
Public Employees' Insurance Agency	577,433	516,689	—	—
Board of Risk and Insurance Management	72,436	51,940	—	—
Other Activities	<u>108,868</u>	<u>120,634</u>	<u>—</u>	<u>—</u>
Total Business-type Activities	<u>1,107,110</u>	<u>967,687</u>	<u>—</u>	<u>—</u>
Total Primary Government	<u>11,850,306</u>	<u>1,438,980</u>	<u>4,610,518</u>	<u>390,949</u>
<b>Component Units:</b>				
West Virginia Lottery	1,172,709	1,164,004	—	—
Economic Development Authority	4,708	9,366	—	—
Housing Development Authority	107,589	41,379	75,785	—
Parkways Authority	85,907	95,494	—	—
Water Development Authority	11,487	14,059	—	—
Higher Education	1,909,486	896,325	436,625	113,668
Regional Jail Authority	87,164	83,998	2,815	—
School Building Authority	100,830	—	781	—
Other Component Units	<u>56,305</u>	<u>11,388</u>	<u>7,857</u>	<u>—</u>
Total Component Units	<u>\$ 3,536,185</u>	<u>\$ 2,316,013</u>	<u>\$ 523,863</u>	<u>\$ 113,668</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				
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

Governmental Activities	Business-type Activities	Total	Component Units
\$ (24,542)	—	\$ (24,542)	—
(123,664)	—	(123,664)	—
(87,939)	—	(87,939)	—
(178,109)	—	(178,109)	—
(54,792)	—	(54,792)	—
64,284	—	64,284	—
1,430	—	1,430	—
(2,315,470)	—	(2,315,470)	—
(1,345,560)	—	(1,345,560)	—
(321,272)	—	(321,272)	—
(35,963)	—	(35,963)	—
(649,758)	—	(649,758)	—
(9,660)	—	(9,660)	—
(26,477)	—	(26,477)	—
(39,880)	—	(39,880)	—
<u>(123,064)</u>	<u>—</u>	<u>(123,064)</u>	<u>—</u>
<u>(5,270,436)</u>	<u>—</u>	<u>(5,270,436)</u>	<u>—</u>
—	\$ (633)	(633)	—
—	1,784	1,784	—
—	(2,104)	(2,104)	—
—	—	—	—
—	(68,996)	(68,996)	—
—	(60,744)	(60,744)	—
—	(20,496)	(20,496)	—
—	11,766	11,766	—
—	<u>(139,423)</u>	<u>(139,423)</u>	<u>—</u>
<u>(5,270,436)</u>	<u>(139,423)</u>	<u>(5,409,859)</u>	<u>—</u>
—	—	—	(8,705)
—	—	—	4,658
—	—	—	9,575
—	—	—	9,587
—	—	—	2,572
—	—	—	(462,868)
—	—	—	(351)
—	—	—	(100,049)
—	—	—	<u>(37,060)</u>
—	—	—	<u>(582,641)</u>
1,921,597	—	1,921,597	—
1,265,957	—	1,265,957	—
907,362	—	907,362	—
197,692	—	197,692	—
640,135	—	640,135	—
249,102	—	249,102	—
—	—	—	895
12,259	29,282	41,541	14,452
62,105	—	62,105	—
—	—	—	613,559
356,401	37,000	393,401	—
131,023	7,271	138,294	51,247
<u>(230,208)</u>	<u>230,208</u>	<u>—</u>	<u>—</u>
<u>5,513,425</u>	<u>303,761</u>	<u>5,817,186</u>	<u>680,153</u>
242,989	164,338	407,327	97,512
<u>4,318,200</u>	<u>1,853,622</u>	<u>6,171,822</u>	<u>3,219,150</u>
<u>\$4,561,189</u>	<u>\$2,017,960</u>	<u>\$ 6,579,149</u>	<u>\$3,316,662</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 216.

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**  
(Expressed in Thousands)

	<u>Major Special Revenue</u>				
	<u>General</u>	<u>Transportation</u>	<u>Tobacco Settlement Finance Authority</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Assets:					
Cash and Cash Equivalents	\$ 1,040,300	\$ 189,904	\$ 29,337	\$ 437,642	\$ 1,697,183
Investments	769,003	7,694	71,181	101,716	949,594
Receivables, Net	582,819	124,757	30,833	8,775	747,184
Due from Other Governments	387,596	—	—	2,779	390,375
Due from Other Funds	6,579	9,626	—	125	16,330
Due from Component Units	117,133	169	—	1,055	118,357
Advance to Component Units	125,149	—	—	—	125,149
Inventories	10,288	48,627	—	59	58,974
Other Assets	2,183	357	—	—	2,540
Restricted Assets:					
Cash and Cash Equivalents	—	—	—	2,489	2,489
Total Assets	<u>3,041,050</u>	<u>381,134</u>	<u>131,351</u>	<u>554,640</u>	<u>4,108,175</u>
Deferred Outflows of Resources:					
Deferred Payments to Tobacco Settlement Finance Authority	—	—	585,809	—	585,809
Total Deferred Outflows of Resources	—	—	585,809	—	585,809
Total Assets and Deferred Outflows of Resources	<u>\$ 3,041,050</u>	<u>\$ 381,134</u>	<u>\$ 717,160</u>	<u>\$554,640</u>	<u>\$4,693,984</u>
Liabilities:					
Accounts Payable	\$ 189,884	\$ 86,982	\$ —	\$ 15,224	\$ 292,090
Accrued and Other Liabilities	807,755	14,065	—	5,909	827,729
Unearned Revenue	8,580	230	—	—	8,810
Due to Other Governments	241,226	4,339	—	16,296	261,861
Due to Other Funds	1,337,354	152,610	—	27,809	1,517,773
Due to Component Units	13,213	132	—	—	13,345
Total Liabilities	<u>2,598,012</u>	<u>258,358</u>	<u>—</u>	<u>65,238</u>	<u>2,921,608</u>
Deferred Inflows of Resources:					
Taxes Revenue	84,120	—	—	—	84,120
Tobacco Settlement Revenue	—	—	30,831	—	30,831
Advances to Tobacco Settlement Finance Authority	585,809	—	—	—	585,809
Total Deferred Inflows of Resources	<u>669,929</u>	<u>—</u>	<u>30,831</u>	<u>—</u>	<u>700,760</u>

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

	<b>Major Special Revenue</b>				<b>Total</b>
	<b><u>General</u></b>	<b><u>Transportation</u></b>	<b><u>Tobacco Settlement Finance Authority</u></b>	<b><u>Other Governmental Funds</u></b>	
Fund Balances:					
Nonspendable:					
Inventories	10,288	48,627	—	59	58,974
Permanent Fund	—	—	—	1,000	1,000
Receivables	129,150	—	585,811	—	714,961
Restricted for:					
Capital Projects	—	—	—	13,270	13,270
Debt Service	—	—	100,518	53,973	154,491
General Government Operations	846	—	—	—	846
Development, Tourism, and Recreation	2,376	—	—	54,668	57,044
Education	268	—	—	1,174	1,442
Health and Social Services	780	—	—	—	780
Public Protection	402	—	—	53,233	53,635
Transportation	—	12,968	—	—	12,968
Committed to:					
General Government Operations	5,430	—	—	2,268	7,698
Rainy Day	879,749	—	—	—	879,749
Development, Tourism, and Recreation	3,160	—	—	—	3,160
Education	17,590	—	—	—	17,590
Health and Social Services	5,268	—	—	—	5,268
Public Protection	2,308	—	—	311,564	313,872
Assigned to:					
Public Protection	—	—	—	7,265	7,265
Transportation	—	61,181	—	—	61,181
Unassigned	<u>(1,284,506)</u>	<u>—</u>	<u>—</u>	<u>(9,072)</u>	<u>(1,293,578)</u>
Total Fund Balances (Deficit)	<u>(226,891)</u>	<u>122,776</u>	<u>686,329</u>	<u>489,402</u>	<u>1,071,616</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,041,050</u>	<u>\$ 381,134</u>	<u>\$ 717,160</u>	<u>\$ 554,640</u>	<u>\$ 4,693,984</u>

**Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position  
June 30, 2015  
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds		\$ 1,071,616
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	\$ 1,209,226	
Construction in Progress	872,227	
Infrastructure Assets	12,111,785	
Buildings, Equipment, and Other Depreciable Assets	1,755,148	
Intangibles	21,747	
Accumulated Depreciation	<u>(6,759,098)</u>	
Total Capital Assets		9,211,035
The Net Pension Asset is not recognized at the fund level.		59,229
Certain tax and other revenues are earned but not available and therefore are deferred in the funds.		114,951
Deferred inflows for pensions (excluding internal service funds) are reported in the statement of net position, but not reported in the funds		(779,571)
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.		233,478
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.		330
Deferred Outflows of Resources – related to pensions and loss on bond refundings.		625,274
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	(412,368)	
Revenue Bonds	(1,185,022)	
Capital Leases	(238,654)	
Compensated Absences	(86,932)	
Net Pension Liability	(3,576,259)	
Accrued Interest Payable and Other Liabilities	<u>(475,918)</u>	
Total Long-Term Liabilities		<u>(5,975,153)</u>
Net Position of Governmental Activities		<u>\$ 4,561,189</u>

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

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**Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2015  
(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	\$ 1,915,382	\$ —	\$ —	\$ —	\$ 1,915,382
Consumer Sales and Use	1,264,716	—	—	—	1,264,716
Severance	589,883	—	—	—	589,883
Corporate Net Income	189,473	—	—	—	189,473
Business and Occupation	120,426	—	—	—	120,426
Medicaid	200,408	—	—	—	200,408
Gasoline and Motor Carrier	—	435,142	—	—	435,142
Automobile Privilege	—	204,993	—	—	204,993
Other	244,940	4,131	—	—	249,071
Intergovernmental	3,944,555	373,708	—	134,734	4,452,997
Licenses, Permits, and Fees	96,708	6,681	—	139,017	242,406
Motor Vehicle Registration	—	103,092	—	—	103,092
Charges for Services	124,215	—	—	90	124,305
Lottery Revenues	339,199	—	—	10,654	349,853
Food Stamp Revenue	494,131	—	—	—	494,131
Investment Earnings	4,989	160	3,922	5,227	14,298
Other	<u>105,467</u>	<u>37,970</u>	<u>63,107</u>	<u>18,339</u>	<u>224,883</u>
Total Revenues	<u>9,634,492</u>	<u>1,165,877</u>	<u>67,029</u>	<u>308,061</u>	<u>11,175,459</u>
Expenditures:					
Current:					
Legislative	26,527	—	—	2,313	28,840
Judicial	140,847	—	—	—	140,847
Executive	126,313	—	—	—	126,313
Administration	155,978	—	17	3	155,998
Commerce	163,410	—	—	367	163,777
Environmental Protection	7,197	—	—	124,174	131,371
Employment Programs	—	—	—	45,743	45,743
Education	2,997,367	—	—	166	2,997,533
Health and Human Resources	5,285,201	—	—	—	5,285,201
Military Affairs and Public Safety	461,597	—	—	2	461,599
Revenue	63,243	—	—	29,515	92,758
Transportation	—	801,658	—	—	801,658
Veterans Assistance	20,260	—	—	1	20,261
Senior Services	49,439	—	—	—	49,439
Regulatory Boards and Commissions	32,444	—	—	22,521	54,965
Capital Outlay	—	335,176	—	317	335,493
Debt Service:					
Principal	—	51,740	12,205	41,855	105,800
Interest	—	12,499	55,192	32,657	100,348
Total Expenditures	<u>9,529,823</u>	<u>1,201,073</u>	<u>67,414</u>	<u>299,634</u>	<u>11,097,944</u>
Excess of Revenues Over (Under) Expenditures	<u>104,669</u>	<u>(35,196)</u>	<u>(385)</u>	<u>8,427</u>	<u>77,515</u>
Other Financing Sources (Uses):					
Face Value of Long-Term Debt Issued	—	133,710	—	71,655	205,365
Premiums on Bonds Issued	—	26,198	—	13,075	39,273
Capital Lease Acquisition	580	—	—	—	580
Payments to Refunded Bond Escrow Agent	—	(159,300)	—	(84,730)	(244,030)
Transfers In	65,328	17,245	—	66,942	149,515
Transfers Out	<u>(316,692)</u>	<u>(5,000)</u>	<u>(21,125)</u>	<u>(45,234)</u>	<u>(388,051)</u>
Total Other Financing Sources (Uses)	<u>(250,784)</u>	<u>12,853</u>	<u>(21,125)</u>	<u>21,708</u>	<u>(237,348)</u>
Net Change in Fund Balance	<u>(146,115)</u>	<u>(22,343)</u>	<u>(21,510)</u>	<u>30,135</u>	<u>(159,833)</u>
Fund Balances, Beginning of Year, As Restated	<u>(80,776)</u>	<u>145,119</u>	<u>707,839</u>	<u>459,267</u>	<u>1,231,449</u>
Fund Balances, End of Year	<u>\$ (226,891)</u>	<u>\$ 122,776</u>	<u>\$ 686,329</u>	<u>\$ 489,402</u>	<u>\$ 1,071,616</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, 2015  
(Expressed in Thousands)**

Net Change in Fund Balances – Total Governmental Funds \$ (159,833)

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 expenses. In the current period, these amounts are:

Capital Outlay	\$ 350,108	
Depreciation Expense	(358,659)	
Excess of Capital Outlay Over Depreciation Expense		(8,551)

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. (580)

Accretion of interest related to capital appreciation bonds is an expense of the governmental activities (256,267)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. For the current year, these amounts consist of:

Bond Principal Retirement	327,605	
Capital Lease Payments	13,957	
Total Long-Term Debt Repayment		341,562

Internal Service Funds are used by management to charge the costs of certain activities, such as building and vehicle maintenance and leasing, data processing, and investment and management of state moneys, to individual funds. The net decrease in net assets of the internal service funds is reported with governmental activities. (14,889)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 11,349

Loss on issuance of new refunding bonds in the current fiscal year, but was deferred on the statement of activities. 6,636

Retirement contributions (excluding internal service funds) to define benefit pension plans in the current fiscal year are not included on the statement of activities. 414,201

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

Decrease of Accrued Interest (Asset)	(177)	
Decrease of Compensated Absences	666	
Increase of Accrued and Other Liabilities	(45,002)	
Increase of Net Pension Liability (Asset), net of deferrals	(64,413)	
Amortization of Bond Premiums/Discounts	18,287	
Total Change in Expenditures:		(90,639)

Change in Net Position of Governmental Activities \$ 242,989

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



# *PROPRIETARY FUNDS*

## *FINANCIAL STATEMENTS*

### *Major Funds*

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

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

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

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

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

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

Nonmajor proprietary funds are presented beginning on page 238.

# West Virginia

## Statement of Net Position Proprietary Funds June 30, 2015 (Expressed in Thousands)

	<b>Business-type Activities – Enterprise Funds</b>			
	<b>Water Pollution Control Revolving Fund</b>	<b>Workers' Compensation Fund</b>	<b>Unemployment Compensation</b>	<b>West Virginia Infrastructure and Jobs Development Council</b>
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 101,343	\$ 1,594,220	\$ 115,217	\$ 250,758
Investments	—	—	—	102,848
Receivables, Net	31,279	19,977	59,596	20,764
Due from Other Governments	—	—	2,841	—
Due from Other Funds	—	—	593	—
Due from Component Units	—	—	73	—
Inventories	—	—	—	—
Prepaid Insurance	—	—	—	15
Other Assets	—	—	—	—
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	—	—	—	—
Receivables, Net	—	—	—	—
Other Restricted Assets	—	—	—	—
<b>Total Current Assets</b>	<u>132,622</u>	<u>1,614,197</u>	<u>178,320</u>	<u>374,385</u>
<b>Noncurrent Assets:</b>				
Investments	—	—	—	—
Receivables, Net	553,611	—	—	460,397
Prepaid Insurance	—	—	—	349
Other Assets	—	—	—	528
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	—	—	—	—
Investments	—	—	—	—
<b>Capital Assets, Net</b>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Noncurrent Assets</b>	<u>553,611</u>	<u>—</u>	<u>—</u>	<u>461,274</u>
<b>Total Assets</b>	<u>686,233</u>	<u>1,614,197</u>	<u>178,320</u>	<u>835,659</u>
<b>Deferred Outflows of Resources:</b>				
Deferred Loss on Bond Refundings	—	—	—	2,268
Related to Pensions	178	—	—	45
<b>Total Deferred Outflows of Resources</b>	<u>178</u>	<u>—</u>	<u>—</u>	<u>2,313</u>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts Payable	42	—	—	18
Accrued Tuition Contract Benefits	—	—	—	—
Accrued and Other Liabilities	—	1,434	1,534	3,068
Premium Deficiency	—	—	—	—
Unearned Revenue	—	—	—	—
Due to Other Governments	—	—	4,865	—
Due to Other Funds	352	—	—	—
Due to Component Units	9	—	—	195
Insurance and Compensation Benefits Obligations	—	184,300	28,773	—
Revenue Bonds Payable	—	—	—	6,714
Capital Leases and Other Debt	—	—	—	—
Capital Leases Payable to Component Units	—	—	—	—
Compensated Absences	86	—	—	—
<b>Total Current Liabilities</b>	<u>489</u>	<u>185,734</u>	<u>35,172</u>	<u>9,995</u>
<b>Noncurrent Liabilities:</b>				
Accrued Tuition Contract Benefits	—	—	—	—
Insurance and Compensation Benefits Obligations	—	1,384,300	—	—
Revenue Bonds Payable	—	—	—	191,048
Capital Leases and Other Debt	—	—	—	—
Capital Leases Payable to Component Units	—	—	—	—
Compensated Absences	46	—	—	—
Net Pension Liability	327	—	—	78
<b>Total Noncurrent Liabilities</b>	<u>373</u>	<u>1,384,300</u>	<u>—</u>	<u>191,126</u>
<b>Total Liabilities</b>	<u>862</u>	<u>1,570,034</u>	<u>35,172</u>	<u>201,121</u>
<b>Deferred Inflows of Resources:</b>				
Grants and Contributions	4,378	—	—	—
Related to Pensions	346	—	—	82
<b>Total Deferred Inflows of Resources</b>	<u>4,724</u>	<u>—</u>	<u>—</u>	<u>82</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	—	—	—	—
<b>Restricted for:</b>				
Capital Projects	—	—	—	—
General Government Operations	—	—	—	—
Lending Activities	680,825	—	—	618,890
Insurance Activities	—	134,617	143,148	—
Unrestricted (Deficit)	—	(90,454)	—	17,879
<b>Total Net Position</b>	<u>\$ 680,825</u>	<u>\$ 44,163</u>	<u>\$ 143,148</u>	<u>\$ 636,769</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
\$ 38,351	\$ 11,286	\$78,330	\$ 2,189,505	\$ 30,153
—	—	—	102,848	—
24,805	1,912	9,523	167,856	9,673
—	—	—	2,841	—
325	2	1,381	2,301	6,503
965	20	41	1,099	289
—	—	2,047	2,047	589
—	—	—	15	—
—	—	19,687	19,687	83
—	8,219	—	8,219	8,925
—	597	—	597	—
—	<u>204,219</u>	—	<u>204,219</u>	—
<u>64,446</u>	<u>226,255</u>	<u>111,009</u>	<u>2,701,234</u>	<u>56,215</u>
218,202	89,199	66,440	373,841	—
—	—	114,749	1,128,757	—
—	—	—	349	—
—	—	—	528	—
24,950	—	—	24,950	46,825
—	48,625	—	48,625	—
66	—	2,897	2,963	224,109
<u>243,218</u>	<u>137,824</u>	<u>184,086</u>	<u>1,580,013</u>	<u>270,934</u>
<u>307,664</u>	<u>364,079</u>	<u>295,095</u>	<u>4,281,247</u>	<u>327,149</u>
—	—	—	2,268	—
190	127	400	940	3,308
<u>190</u>	<u>127</u>	<u>400</u>	<u>3,208</u>	<u>3,308</u>
2,507	992	4,350	7,909	22,242
—	—	16,653	16,653	—
11,490	728	—	18,254	859
41,528	—	—	41,528	—
13,170	7,659	—	20,829	—
—	—	—	4,865	85
5,351	447	2,259	8,409	10,674
46	—	14	264	—
78,076	47,890	4,900	343,939	—
—	—	—	6,714	—
—	—	—	—	7,206
—	—	—	—	220
—	—	64	150	—
<u>152,168</u>	<u>57,716</u>	<u>28,240</u>	<u>469,514</u>	<u>41,286</u>
—	—	65,272	65,272	—
24,950	113,070	9,600	1,531,920	—
—	—	—	191,048	—
—	—	—	—	13,678
—	—	—	—	30,050
—	76	366	488	2,155
367	254	780	1,806	4,753
<u>25,317</u>	<u>113,400</u>	<u>76,018</u>	<u>1,790,534</u>	<u>50,636</u>
<u>177,485</u>	<u>171,116</u>	<u>104,258</u>	<u>2,260,048</u>	<u>91,922</u>
—	—	—	4,378	—
391	270	980	2,069	5,057
<u>391</u>	<u>270</u>	<u>980</u>	<u>6,447</u>	<u>5,057</u>
66	—	2,897	2,963	201,466
—	—	—	—	46,825
—	—	1,283	1,283	8,925
—	—	146,775	1,446,490	—
—	55,428	33,009	366,202	—
<u>129,912</u>	<u>137,392</u>	<u>6,293</u>	<u>201,022</u>	<u>(23,738)</u>
<u>\$129,978</u>	<u>\$ 192,820</u>	<u>\$ 190,257</u>	<u>\$ 2,017,960</u>	<u>\$ 233,478</u>

**Statement of Revenues, Expenses, and  
Changes in Fund Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2015  
(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	\$ —	\$ —	\$ 223,836	\$ 2,591
Insurance Premiums	—	46,272	—	—
Tuition Contracts	—	—	—	—
Investment Earnings	2,919	—	—	—
Licenses, Permits, and Fees	2,806	—	—	—
Other	—	35	—	—
Total Operating Revenues	<u>5,725</u>	<u>46,307</u>	<u>223,836</u>	<u>2,591</u>
Operating Expenses:				
Cost of Sales and Services	—	—	—	—
Insurance Claims and Claims Adjustment	—	33,341	—	—
Tuition Contract Benefits and Expenses	—	—	—	54,326
Infrastructure and Economic Development	—	—	—	—
Unemployment Insurance Benefits	—	—	225,940	—
General and Administrative	6,317	11,199	—	857
Pension Expense	41	—	—	10
Depreciation and Amortization	—	—	—	—
Provisions for Uncollectible Loans	—	—	—	8,750
Other	—	—	—	—
Total Operating Expenses	<u>6,358</u>	<u>44,540</u>	<u>225,940</u>	<u>63,943</u>
Operating Income (Loss)	<u>(633)</u>	<u>1,767</u>	<u>(2,104)</u>	<u>(61,352)</u>
Nonoperating Revenues (Expenses):				
Loss on Sale of Equipment	—	—	—	—
Interest and Other Investment Income	335	14,944	2,553	249
Interest Expense	—	—	—	(7,040)
Lottery Revenues	—	11,000	—	26,000
Other Nonoperating Revenues	—	—	—	—
Other Nonoperating Expenses	—	—	—	(604)
Total Nonoperating Revenues, Net	<u>335</u>	<u>25,944</u>	<u>2,553</u>	<u>18,605</u>
Income (Loss) Before Transfers	<u>(298)</u>	<u>27,711</u>	<u>449</u>	<u>(42,747)</u>
Transfers:				
Transfers In	26,227	220,255	—	—
Transfers Out	—	—	(123)	(6,147)
Total Transfers	<u>26,227</u>	<u>220,255</u>	<u>(123)</u>	<u>(6,147)</u>
Change in Net Position	25,929	247,966	326	(48,894)
Net Position (Deficit), Beginning of Year, as Restated	<u>654,896</u>	<u>(203,803)</u>	<u>142,822</u>	<u>685,663</u>
Net Position, End of Year	<u>\$ 680,825</u>	<u>\$ 44,163</u>	<u>\$ 143,148</u>	<u>\$ 636,769</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
\$ —	\$ —	\$ 103,152	\$ 329,579	\$ 124,746
516,751	52,007	13,500	628,530	—
—	—	20	20	—
—	—	—	2,919	—
—	—	3,964	6,770	—
<u>4,928</u>	<u>—</u>	<u>1,440</u>	<u>6,403</u>	<u>—</u>
<u>521,679</u>	<u>52,007</u>	<u>122,076</u>	<u>974,221</u>	<u>124,746</u>
—	—	76,462	76,462	116,004
548,892	68,145	11,672	662,050	—
—	—	6,534	6,534	—
—	—	—	54,326	—
—	—	—	225,940	—
13,448	3,513	11,052	46,386	16,199
41	28	49	169	731
76	—	382	458	21,400
—	—	—	8,750	—
<u>14,988</u>	<u>—</u>	<u>2,784</u>	<u>17,772</u>	<u>—</u>
<u>577,445</u>	<u>71,686</u>	<u>108,935</u>	<u>1,098,847</u>	<u>154,334</u>
<u>(55,766)</u>	<u>(19,679)</u>	<u>13,141</u>	<u>(124,626)</u>	<u>(29,588)</u>
—	—	(1)	(1)	(29)
4,294	4,833	2,074	29,282	4
—	—	—	(7,040)	(229)
—	—	—	37,000	6,548
778	—	91	869	77
<u>—</u>	<u>(750)</u>	<u>—</u>	<u>(1,354)</u>	<u>—</u>
<u>5,072</u>	<u>4,083</u>	<u>2,164</u>	<u>58,756</u>	<u>6,371</u>
<u>(50,694)</u>	<u>(15,596)</u>	<u>15,305</u>	<u>(65,870)</u>	<u>(23,217)</u>
—	—	9,481	255,963	14,592
<u>—</u>	<u>—</u>	<u>(19,485)</u>	<u>(25,755)</u>	<u>(6,264)</u>
<u>—</u>	<u>—</u>	<u>(10,004)</u>	<u>230,208</u>	<u>8,328</u>
(50,694)	(15,596)	5,301	164,338	(14,889)
<u>180,672</u>	<u>208,416</u>	<u>184,956</u>	<u>1,853,622</u>	<u>248,367</u>
<u>\$ 129,978</u>	<u>\$192,820</u>	<u>\$ 190,257</u>	<u>\$ 2,017,960</u>	<u>\$ 233,478</u>

**Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2015  
(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	\$ 50,208	\$ 46,672	\$ 213,229	\$ 33,765
Receipts from State Agencies	—	—	—	—
Payments to Suppliers	—	(11,151)	—	(955)
Payments to Employees	(1,322)	(26)	—	—
Payments to Beneficiaries	—	—	—	—
Payments for Loans Originated	(59,929)	—	—	(96,692)
Payments for Premiums	—	—	—	—
Payments to Claimants	—	(192,141)	(223,287)	—
Other Operating Cash Receipts	—	35	11,037	—
Other Operating Cash Payments	<u>(5,429)</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Net Cash Provided by (Used For)</b>				
Operating Activities	<u>(16,472)</u>	<u>(156,611)</u>	<u>979</u>	<u>(63,882)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Proceeds from Sale of Operating Bonds and Other Debts	—	—	—	75,185
Repayment of Operating Debt	—	—	—	(2,620)
Interest Paid on Operating Debt	—	—	—	6,816
Transfers In	26,227	221,104	—	—
Transfers Out	—	—	(123)	—
Entitlements and Grants	—	—	—	—
Distributions or Subsidies from (to) Other Organizations	—	11,000	—	26,000
Provided from Issuing Liquor Licenses	—	—	—	—
Other Nonoperating Receipts (Payments)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Net Cash Provided by (Used for)</b>				
Noncapital Financing Activities	<u>26,227</u>	<u>232,104</u>	<u>(123)</u>	<u>105,381</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Proceeds from Sale of Capital Bonds and Other Debts	—	—	—	—
Repayment of Capital Debt	—	—	—	—
Interest Paid on Capital Debt	—	—	—	—
Acquisition and Construction of Capital Assets	—	—	—	—
Unearned Revenue	<u>6</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<u>6</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Cash Flows from Investing Activities:</b>				
Purchase of Investments	—	—	—	(199,905)
Proceeds from Sale of Investments	—	—	—	199,919
Investment Earnings	<u>335</u>	<u>14,944</u>	<u>2,553</u>	<u>245</u>
<b>Net Cash Provided by (Used for) Investing Activities</b>	<u>335</u>	<u>14,944</u>	<u>2,553</u>	<u>259</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>10,096</u>	<u>90,437</u>	<u>3,409</u>	<u>41,758</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>91,247</u>	<u>1,503,783</u>	<u>111,808</u>	<u>209,000</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 101,343</u>	<u>\$ 1,594,220</u>	<u>\$ 115,217</u>	<u>\$ 250,758</u>

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

<b>Public Employees' Insurance Agency</b>	<b>Board of Risk and Insurance Management</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Governmental Activities - Internal Service Funds</b>
\$ 511,240	\$ 53,376	\$ 130,725	\$ 1,039,215	\$ —
—	—	—	—	121,353
(23,295)	(1,662)	(78,320)	(115,383)	(94,587)
(1,358)	(1,014)	(6,590)	(10,310)	(28,396)
(543,213)	(60,389)	(11,231)	(614,833)	—
—	—	(12,519)	(169,140)	—
—	—	(6,893)	(6,893)	—
—	—	(9,873)	(425,301)	—
11,989	—	1,328	24,389	—
—	2,554	(2,417)	(5,292)	—
<u>(44,637)</u>	<u>(7,135)</u>	<u>4,210</u>	<u>(283,548)</u>	<u>(1,630)</u>
—	—	—	75,185	—
—	—	—	(2,620)	—
—	—	—	6,816	—
—	—	9,446	256,777	21,140
—	(1,100)	(19,486)	(20,709)	(5,223)
—	—	92	92	—
3,509	—	—	40,509	—
—	—	451	451	—
—	—	—	—	(1,041)
<u>3,509</u>	<u>(1,100)</u>	<u>(9,497)</u>	<u>356,501</u>	<u>14,876</u>
—	—	—	—	40,433
—	—	—	—	(8,442)
—	—	—	—	(229)
(1)	—	(247)	(248)	(48,491)
—	—	—	6	—
<u>(1)</u>	<u>—</u>	<u>(247)</u>	<u>(242)</u>	<u>(16,729)</u>
(10,528)	(22,064)	(1,185)	(233,682)	(900)
7,687	32,417	12,700	252,723	900
<u>3,144</u>	<u>4,033</u>	<u>1,219</u>	<u>26,473</u>	<u>4</u>
<u>303</u>	<u>14,386</u>	<u>12,734</u>	<u>45,514</u>	<u>4</u>
(40,826)	6,151	7,200	118,225	(3,479)
<u>104,127</u>	<u>13,354</u>	<u>71,130</u>	<u>2,104,449</u>	<u>89,382</u>
<u>\$ 63,301</u>	<u>\$ 19,505</u>	<u>\$ 78,330</u>	<u>\$ 2,222,674</u>	<u>\$ 85,903</u>

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2015**  
(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)	\$ (633)	\$ 1,767	\$ (2,104)	\$ (61,352)
Adjustments to Reconcile Operating Income (Loss)				
Net Cash Provided by (Used for) Operating Activities:				
Depreciation and Amortization	—	—	—	—
Provisions for Uncollectible Loans	—	—	—	8,750
Pension Expense	41	—	—	10
Changes in Assets and Liabilities and Deferred Outflow of Resources:				
Receivables	(15,443)	399	1,754	(5,692)
Inventories	—	—	—	—
Other Assets	—	—	—	—
Accounts Payable and Accrued Liabilities	(23)	(158,800)	1,523	(6,151)
Tuition Contracts Benefits and Expenses	—	—	—	—
Unearned Revenue	—	—	—	—
Escrow Deposits	—	—	—	—
Due to/from Other Funds	(246)	—	(194)	595
Unpaid Claims Liabilities	—	—	—	—
Other Liabilities	—	23	—	—
Compensated Absences	(1)	—	—	—
Deferred Outflows of Resources	(167)	—	—	(42)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (16,472)</u>	<u>\$ (156,611)</u>	<u>\$ 979</u>	<u>\$ (63,882)</u>
Schedule of Noncash Capital and Financing Activities:				
Loans Originated with Principal Forgiveness Features	—	—	—	—
Unrealized Gain (Loss) on Investments	—	—	—	—

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

Public Employees' Insurance <u>Agency</u>	Board of Risk and Insurance <u>Management</u>	Other Enterprise <u>Funds</u>	<u>Total</u>	Governmental Activities - Internal Service <u>Funds</u>
\$ (55,766)	\$ (19,679)	\$ 13,141	\$ (124,626)	\$ (29,588)
76	—	382	458	21,400
—	—	—	8,750	—
41	—	49	141	731
(10,341)	1,080	(6,415)	(34,658)	(3,394)
—	—	(60)	(60)	249
—	—	—	—	14
26,920	—	1,987	(134,544)	10,145
—	—	(4,697)	(4,697)	—
3,216	1,012	—	4,228	—
—	2,555	—	2,555	—
(23)	—	114	246	—
—	7,756	—	7,756	—
(8,570)	141	110	(8,296)	1,470
—	—	(1)	(2)	—
(190)	—	(400)	(799)	(2,657)
<u>\$ (44,637)</u>	<u>\$ (7,135)</u>	<u>\$ 4,210</u>	<u>\$ (283,548)</u>	<u>\$ (1,630)</u>
—	—	2,708	2,708	—
1,151	9,554	855	11,560	—



# *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 254.

**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**  
(Expressed in Thousands)

	<b>Pension and Other Benefit Trust Funds</b>	<b>Investment Trust Funds</b>	<b>SMART 529</b>	<b>Agency Funds</b>
<b>Assets:</b>				
Cash and Cash Equivalents	\$ 131,538	\$ 307,740	\$ —	\$ 68,332
Investments:				
Equity Pooled Investment	14,241,425	—	—	8,399
Mutual Funds	417,465	—	2,265,287	—
Receivables, Net				
Contributions	33,537	—	3,132	—
Participant Loans	5,146	—	—	—
Accounts	5,408	—	—	—
Due from Other Funds	107,442	—	—	104
Due from Component Units	<u>4,243</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Assets:</b>	<u>14,946,204</u>	<u>307,740</u>	<u>2,268,419</u>	<u>\$ 76,835</u>
<b>Deferred Outflows of Resources:</b>				
Related to Pensions	<u>104</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deferred Outflows of Resources	<u>104</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Liabilities:</b>				
Accounts Payable	—	—	2,534	\$ 3
Accrued and Other Liabilities	12,148	—	1,052	—
Due to Other Governments	—	—	—	3,421
Due to Other Funds	768	—	—	—
Insurance Claims Payable	12,330	—	—	—
Agency Liabilities	—	—	—	73,411
Net Pension Liability	<u>210</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Liabilities</b>	<u>25,456</u>	<u>—</u>	<u>3,586</u>	<u>\$ 76,835</u>
<b>Deferred Inflows of Resources:</b>				
Related to Pensions	<u>223</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deferred Inflows of Resources	<u>223</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Net Position:</b>				
Restricted for:				
Pension Benefits	14,216,037	—	—	—
Other Postemployment Benefits	704,592	—	—	—
Held in Trust for:				
External Investment Pool Participants	—	307,740	—	—
Individuals and Organizations	<u>—</u>	<u>—</u>	<u>2,264,833</u>	<u>—</u>
<b>Total Net Position</b>	<u>\$ 14,920,629</u>	<u>\$ 307,740</u>	<u>\$ 2,264,833</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, 2015**  
(Expressed in Thousands)

	<b>Pension and Other Benefit Trust Funds</b>	<b>Investment Trust Funds</b>	<b>SMART 529</b>
Additions:			
Contributions:			
Members	\$ 257,083	\$ —	\$ —
Employer	505,013	—	—
Account Holder Contributions	—	—	203,788
Deposits, Pool Participants	—	766,181	—
Other	<u>372,845</u>	<u>—</u>	<u>—</u>
Total Contributions	<u>1,134,941</u>	<u>766,181</u>	<u>203,788</u>
Investment Income (Loss):			
Net Appreciation (Depreciation) in Fair Value of Investments	512,733	182	(173,688)
Interest	84,847	—	196,948
Investment Expense	<u>(40,484)</u>	<u>—</u>	<u>(6,073)</u>
Net Investment Income	<u>557,096</u>	<u>182</u>	<u>17,187</u>
Transfers to Plans	265	—	—
Other	<u>6,679</u>	<u>—</u>	<u>—</u>
Total Additions	<u>1,698,981</u>	<u>766,363</u>	<u>220,975</u>
Deductions:			
Benefits Expense	1,365,600	—	—
Forfeitures	2,584	—	—
Payments in Accordance with Trust Agreements	—	—	181,829
Refunds of Contributions	33,662	—	—
Withdrawals	—	755,099	—
Pension Expense	23	—	—
Administrative Expense	15,688	—	6,401
Transfers from Plans	<u>265</u>	<u>—</u>	<u>—</u>
Total Deductions	<u>1,417,822</u>	<u>755,099</u>	<u>188,230</u>
Change in Net Position Held in Trust For:			
Pension Benefits	267,716	—	—
Other Postemployment Benefits	13,443	—	—
External Investment Pool Participants Individuals and Organizations	<u>—</u>	<u>11,264</u>	<u>—</u>
	<u>—</u>	<u>—</u>	<u>32,745</u>
Net Position, Beginning of Year, as Restated	<u>14,639,470</u>	<u>296,476</u>	<u>2,232,088</u>
Net Position, End of Year	<u>\$ 14,920,629</u>	<u>\$ 307,740</u>	<u>\$ 2,264,833</u>

# *DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS*

## *Major Component Units*

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

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

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

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

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

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

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

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

Nonmajor component units are presented beginning on page **262**.

**Combining Statement of Net Position  
Discretely Presented Component Units  
June 30, 2015  
(Expressed in Thousands)**

	<u>West Virginia Lottery</u>	<u>Economic Development Authority</u>	<u>Housing Development Fund</u>	<u>Parkways Authority</u>
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 163,592	\$ 67,601	\$ 21,224	\$ 11,324
Investments	—	—	—	—
Receivables, Net	32,529	9,666	4,203	2,874
Capital Leases Receivable from Primary Government	—	13,821	—	—
Due from Primary Government	—	—	—	34
Due from Component Unit	1,400	—	—	—
Inventories	457	—	—	3,345
Prepaid Insurance	—	—	—	—
Other Assets	1,894	—	—	859
Restricted Assets:				
Cash and Cash Equivalents	—	1,689	41,427	32,910
Investments	—	—	—	10,428
Receivables, Net	—	—	3,399	—
Other Restricted Assets	—	—	—	—
Total Current Assets	<u>199,872</u>	<u>92,777</u>	<u>70,253</u>	<u>61,774</u>
Noncurrent Assets:				
Cash and Cash Equivalents	—	—	—	—
Investments	—	3,863	1,417	—
Receivables, Net	—	165,026	45,879	—
Capital Leases Receivable from Primary Government	—	247,174	—	—
Other Assets	—	—	—	—
Restricted Assets:				
Cash and Cash Equivalents	1,130	9,291	42,408	—
Investments	—	—	99,380	22,989
Receivables, Net	—	—	665,304	—
Other Restricted Assets	—	—	7,939	—
Capital Assets, Net	<u>37,763</u>	<u>33,253</u>	<u>10,679</u>	<u>458,292</u>
Total Noncurrent Assets	<u>38,893</u>	<u>458,607</u>	<u>873,006</u>	<u>481,281</u>
Total Assets	<u>238,765</u>	<u>551,384</u>	<u>943,259</u>	<u>543,055</u>
Deferred Outflows of Resources:				
Accumulated Decrease in Fair Value of Hedging Derivatives	—	—	—	2,264
Deferred Loss on Bond Refundings	—	—	—	3,346
Related to Pensions	<u>1,099</u>	<u>94</u>	<u>906</u>	<u>2,053</u>
Total Deferred Outflows of Resources	<u>1,099</u>	<u>94</u>	<u>906</u>	<u>7,663</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>
\$ 16,154	\$ 436,747	\$ 32,827	\$ 128,702	\$ 50,937	\$ 929,108
—	54,689	—	75,535	529	130,753
10,975	101,757	13,575	249	2,239	178,067
—	—	—	—	—	13,821
224	12,687	—	—	664	13,609
—	2,000	—	—	—	3,400
—	4,795	1,772	—	37	10,406
—	—	—	180	—	180
—	11,069	—	—	46	13,868
—	—	20,798	—	23,119	119,943
3,306	—	—	—	—	13,734
—	—	—	—	841	4,240
<u>20</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20</u>
<u>30,679</u>	<u>623,744</u>	<u>68,972</u>	<u>204,666</u>	<u>78,412</u>	<u>1,431,149</u>
—	120,332	—	—	—	120,332
1,200	609,134	—	—	5,708	621,322
10,865	47,091	—	—	4,151	273,012
—	—	—	—	—	247,174
500	107,087	—	—	366	107,953
12,895	—	—	—	—	65,724
—	—	—	—	—	122,369
197,200	—	—	—	1,112	863,616
481	—	—	—	227	8,647
<u>7,157</u>	<u>2,993,638</u>	<u>123,790</u>	<u>739</u>	<u>42,476</u>	<u>3,707,787</u>
<u>230,298</u>	<u>3,877,282</u>	<u>123,790</u>	<u>739</u>	<u>54,040</u>	<u>6,137,936</u>
<u>260,977</u>	<u>4,501,026</u>	<u>192,762</u>	<u>205,405</u>	<u>132,452</u>	<u>7,569,085</u>
—	891	—	—	—	3,155
10,342	31,359	—	3,051	—	48,098
<u>87</u>	<u>3,212</u>	<u>4,396</u>	<u>58</u>	<u>2,496</u>	<u>14,401</u>
<u>10,429</u>	<u>35,462</u>	<u>4,396</u>	<u>3,109</u>	<u>2,496</u>	<u>65,654</u>

**Combining Statement of Net Position  
Discretely Presented Component Units  
June 30, 2015  
(Expressed in Thousands)  
(Continued)**

	<u>West Virginia Lottery</u>	<u>Economic Development Authority</u>	<u>Housing Development Fund</u>	<u>Parkways Authority</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	22,202	18	—	9,380
Interest Payable	—	—	2,115	87
Accrued and Other Liabilities	34,336	2,693	16,553	5,137
Unearned Revenue	—	—	—	—
Due to Primary Government	122,418	53	547	10,678
Due to Component Units	2,000	1,400	—	—
Revenue Bonds Payable	—	13,821	32,765	8,995
Capital Leases and Other Debt	—	790	—	—
Compensated Absences	<u>564</u>	<u>31</u>	<u>366</u>	<u>720</u>
Total Current Liabilities	<u>181,520</u>	<u>18,806</u>	<u>52,346</u>	<u>34,997</u>
Noncurrent Liabilities:				
Unearned Revenue	—	1,034	—	—
Advances from Primary Government	—	125,149	—	—
Liabilities Payable from Restricted Assets	—	—	56,193	—
Accrued and Other Liabilities	—	—	—	—
Revenue Bonds Payable	—	247,174	357,618	29,939
Capital Leases and Other Debt	—	7,318	1,064	—
Net Pension Liability	2,035	158	1,526	3,925
Compensated Absences	<u>—</u>	<u>36</u>	<u>—</u>	<u>277</u>
Total Noncurrent Liabilities	<u>2,035</u>	<u>380,869</u>	<u>416,401</u>	<u>34,141</u>
Total Liabilities	<u>183,555</u>	<u>399,675</u>	<u>468,747</u>	<u>69,138</u>
Deferred Inflows of Resources:				
Accumulated Increase in Fair Value of Hedging Derivative Instruments	—	—	—	2,264
Related to Pensions	2,153	167	1,615	4,199
Service Concession Arrangements	—	—	—	—
Grants and Contributions	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deferred Inflows	<u>2,153</u>	<u>167</u>	<u>1,615</u>	<u>6,463</u>
Net Position:				
Net Investment in Capital Assets	37,763	26,901	9,378	422,704
Restricted for:				
Capital Projects	1,130	—	—	—
Debt Service	—	—	319,293	51,094
Nonexpendable	—	—	—	—
Lending Activities	—	8,991	75,060	—
Specific Component Unit Purposes	—	—	—	—
Unrestricted (Deficit)	<u>15,263</u>	<u>115,744</u>	<u>70,072</u>	<u>1,319</u>
Total Net Position (Deficit)	<u>\$ 54,156</u>	<u>\$ 151,636</u>	<u>\$ 473,803</u>	<u>\$ 475,117</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>
187	71,264	4,011	9	2,725	109,796
1,687	11,596	—	—	—	15,485
—	118,331	1,482	8,006	611	187,149
—	76,213	—	—	10	76,223
199	310,048	24,095	251	8,571	476,860
—	—	—	—	—	3,400
8,537	37,907	6,480	25,900	—	134,405
—	5,768	—	—	—	6,558
—	<u>42,844</u>	<u>1,995</u>	<u>42</u>	<u>1,224</u>	<u>47,786</u>
<u>10,610</u>	<u>673,971</u>	<u>38,063</u>	<u>34,208</u>	<u>13,141</u>	<u>1,057,662</u>
—	—	—	—	60	1,094
—	—	—	—	—	125,149
—	—	—	—	18,531	74,724
500	155,726	—	—	200	156,426
198,502	1,379,327	38,020	435,335	—	2,685,915
—	86,692	—	—	—	95,074
151	25,755	8,658	600	4,732	47,540
<u>53</u>	<u>4,907</u>	<u>—</u>	<u>—</u>	<u>219</u>	<u>5,492</u>
<u>199,206</u>	<u>1,652,407</u>	<u>46,678</u>	<u>435,935</u>	<u>23,742</u>	<u>3,191,414</u>
<u>209,816</u>	<u>2,326,378</u>	<u>84,741</u>	<u>470,143</u>	<u>36,883</u>	<u>4,249,076</u>
—	—	—	—	—	2,264
160	6,206	9,539	147	5,299	29,485
—	36,449	—	—	—	36,449
<u>—</u>	<u>803</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>803</u>
<u>160</u>	<u>43,458</u>	<u>9,539</u>	<u>147</u>	<u>5,299</u>	<u>69,001</u>
7,157	2,001,370	79,290	739	42,477	2,627,779
—	16,444	—	—	—	17,574
—	11,315	8,621	109,418	—	499,741
—	227,426	—	—	227	227,653
24,768	—	—	—	—	108,819
—	177,434	14,967	—	32,498	224,899
<u>29,505</u>	<u>(267,337)</u>	<u>—</u>	<u>(371,933)</u>	<u>17,564</u>	<u>(389,803)</u>
<u>\$ 61,430</u>	<u>\$ 2,166,652</u>	<u>\$102,878</u>	<u>\$ (261,776)</u>	<u>\$ 92,766</u>	<u>\$3,316,662</u>

**Combining Statement of Activities  
Discretely Presented Component Units  
For the Fiscal Year Ended June 30, 2015  
(Expressed in Thousands)**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Component Units:</b>					
West Virginia Lottery	\$ 1,172,710	\$ 1,164,004	\$ —	\$ —	\$ (8,706)
Economic Development Authority	4,708	9,366	—	—	4,658
Housing Development Fund	107,589	41,379	75,785	—	9,575
Parkways Authority	85,907	95,494	—	—	9,587
Water Development Authority	11,487	14,059	—	—	2,572
Higher Education	1,909,486	896,326	436,625	113,668	(462,867)
Regional Jail Authority	87,164	83,998	2,815	—	(351)
School Building Authority	100,830	—	781	—	(100,049)
Other Component Units	<u>56,305</u>	<u>11,388</u>	<u>7,857</u>	<u>—</u>	<u>(37,060)</u>
Total Component Units	<u>\$ 3,536,186</u>	<u>\$ 2,316,014</u>	<u>\$ 523,863</u>	<u>\$ 113,668</u>	<u>\$ (582,641)</u>

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

**General Revenue**

Unrestricted Investment Earnings	Grants and Contributions Not Restricted For Specific Programs	Miscellaneous	Payments from the State of West Virginia	Total General Revenues and Special Item	Change in Net Position	Net Position (Deficit) Beginning of Year, as Restated	Net Position (Deficit) End of Year
\$ 406	\$ —	\$ 11,313	\$ —	\$ 11,719	\$ 3,013	\$ 51,143	\$ 54,156
222	—	1,595	—	1,817	6,475	145,161	151,636
2,998	—	—	—	2,998	12,573	461,230	473,803
338	—	—	—	338	9,925	465,192	475,117
206	—	—	—	206	2,778	58,652	61,430
8,593	—	37,372	478,996	524,961	62,094	2,104,558	2,166,652
49	—	—	—	49	(302)	103,180	102,878
1,570	—	—	92,604	94,174	(5,875)	(255,901)	(261,776)
<u>70</u>	<u>895</u>	<u>967</u>	<u>41,959</u>	<u>43,891</u>	<u>6,831</u>	<u>85,935</u>	<u>92,766</u>
<u>\$ 14,452</u>	<u>\$ 895</u>	<u>\$ 51,247</u>	<u>\$ 613,559</u>	<u>\$ 680,153</u>	<u>\$ 97,512</u>	<u>\$ 3,219,150</u>	<u>\$ 3,316,662</u>



**STATE OF WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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-137  
Charleston, WV 25305

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

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

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

## **Discretely Presented Component Units**

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

Higher Education 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 Higher Education Fund financial statements as blended component units: Concord University Research and Development Corporation, Glenville State College Research Corporation, Glenville State College Housing Corporation, Marshall University Research Corporation, Shepherd University Research and Development Corporation, West Liberty University Research Corporation, West Virginia State University Research and Development Corporation, West Virginia University Research and Development Corporation, and West Virginia Regional Technology Park.

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

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

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

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

#### Regional Jail and Correctional Facility Authority

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

#### School Building Authority

The School Building Authority (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 West Virginia Higher Education Policy Commission. EBA is responsible for extending educational, cultural, and informational experiences to all state citizens. This is accomplished through the construction and operation of noncommercial educational television and radio stations and related facilities statewide. EBA provides statewide telecommunication services for other state and public service agencies for nonbroadcasted activities such as teleconferencing, in-service training, and data delivery. EBA's revenues are derived primarily through donations, with a portion of operational costs supplemented by state and federal grants.

#### Jobs Investment Trust

The Jobs Investment Trust (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 Racing Commission has full jurisdiction over and shall supervise all horse race meetings, all dog race meetings, and all persons involved in the holding and conducting of horse and dog race meetings. It has the power to set fees and grant licenses and permits pertaining to horse and dog race meetings, as well as regulate the horse and dog race wagering.

#### Public Defender Corporation

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

#### Municipal Pension Oversight Board

The Municipal Pension Oversight Board is responsible for monitoring and improving the performance of the municipal policemen's and fireman's pension and relief funds. The board ensures legal compliance of the funds and distribution of tax revenues to the relief funds as well as any reasonable actions necessary to provide for the security and fiscal integrity of pension funds. The board consists of nine members including the executive directors of the State's IMB and 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.

## **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  
Charleston, WV 25302

Municipals Pensions Oversight Board  
1700 MacCorkle Avenue, SE  
Charleston, WV 25314

Economic Development Authority  
Northgate Business Park  
160 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

## **Joint Venture**

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

Based upon the latest information available, the Project incurred net losses of \$5,798,230 for the year ended December 31, 2014. At December 31, 2014, the Project's current liabilities exceeded its current assets by \$90,353,188, and its total liabilities exceeded its total assets by \$54,743,959. Additionally, the Project was in default under its Series A and Series B Revenue Bonds after having been unable to make required debt service payments in association with the Series A and Series B bonds from 2006 to 2014, except for one partial payment of approximately \$725,000 to the Series A bondholders was made in 2007. Partial interest payments to Series A and B bondholders of \$474,160 and \$282,561, respectively, were paid in 2013, and an interest payment of \$252,000 was made to A and B bondholders in 2014.

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

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

The losses, negative cash flows from operations, bond covenant violations, and the Project's inability to meet its debt service requirements raise substantial doubt about the Project's ability to continue as a going concern. Furthermore, the independent auditor's report on the Project's financial statements for the year ended December 31, 2014, included a going-concern opinion modification emphasizing that these conditions raised substantial doubt about the Project's ability to continue as a going concern.

The developer is continuing in its efforts to market the Stonewall Resort for conferences and as a vacation destination to increase revenues, and to monitor its cost of operations. A park foundation has been established to facilitate improving the park programs, amenities and facilities. The bondholders have approved a 2009 Supplemental Indenture

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

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

### **Basis of Presentation**

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

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

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

#### Government-wide Financial Statements

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

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, and other debt 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, to indicate that management does not consider it available for general operations. They also often have constraints on resources imposed by management, but can be removed or modified.

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

### Fund Financial Statements

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded

when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus. These funds report only assets and liabilities, recognizing receivables and payables using the accrual basis of accounting.

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

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

### **Governmental Fund Types**

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

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

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

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

*The State reports the following major governmental funds:*

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

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

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

### **Proprietary Fund Types**

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

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

*The State reports the following major enterprise funds:*

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

The Workers' Compensation Fund provides compensation for injury or illness sustained

during the course of employment with a date of injury on or before June 30, 2005 (see Note 14).

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

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

The Public Employees' Insurance Agency and the Board of Risk and Insurance Management are 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 funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds are taxes that will be remitted to respective local governments, hospital patient and inmate funds, performance bonds, appropriations for the patient injury fund, and interest earnings.

### **Interfund Activity and Balances**

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: activities between funds reported as governmental activities and funds reported as business-type activities; and

activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

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

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

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

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

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

Since the fund was created in 1994, \$828.9 million has been deposited into the fund; \$270 million has been appropriated for flood and drought victim assistance, infrastructure, snow removal, and other projects. As of June 30, 2015, the fund contained \$480 million, which amounted to 11% of FY 2015 total appropriations.

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

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

Expenditures may not be made from the Rainy Day Fund—Part B unless all monies in the Revenue Shortfall Reserve Fund have been first expended. After June 30, 2025, interest and other amounts earned on monies held in the Rainy Day Fund—Part B may be appropriated by the Legislature for continued support of the programs offered by the Public Employees' Insurance Agency; funding for expansion of the federal-state Medicaid program; funding for public health programs, services, and agencies; funding for any State owned or operated health facilities; or in instances of revenue shortfalls or fiscal emergencies of an extraordinary nature. On June 30, 2015, the balance in the Rainy Day Fund—Part B was \$378.9 million.

The Income Tax Refund Reserve Fund was established during FY 1990 by West Virginia Code §11-21-93 to pay personal income tax refunds, interest, and penalties to taxpayers in a timely manner. It may also be used by the Legislature to make appropriations from the fund to address other items as the Legislature so desires. Personal income taxes received by the State can be added to this fund, if the state tax commissioner determines the balance in the fund is not enough to ensure the timely payment of income tax refunds. On June 30, 2015, 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. The State participates in three external investment pools managed by the BTI. Two are reported at amortized cost, which approximates fair value. The third is a longer-term investment pool that carries investments at fair value. The fair value of investments is derived from a third-party pricing service based on asset portfolio pricing models and other sources. IMB's investments in the Short-Term Fixed Income Pool are carried at amortized cost. Futures and option contracts are valued at the last settlement price established each day by the exchange on which they are traded. Investments in commingled investment pools are valued at the reported unit values of the individual funds. Because fair value of the investments of the State Building Fund approximates amortized cost, no noncash change in fair value is reported.

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

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

West Virginia is one of only four states that owns all the paved roads in the State, except for municipal streets. Infrastructure was capitalized for the first time in fiscal year 2002. Transportation’s infrastructure constructed from July 1, 1980 to July 1, 2001, has been recorded at estimated historical cost. The estimated historical cost for years 1980-2001 was based on capital outlay expenditures reported by 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. GASB Statement No. 34 does not require the capitalization of works of art and historical treasures if the collections are held for public exhibition, education, or research in furtherance of public service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The State considers its collections as inexhaustible, protected collections for exhibition and education, not for financial gain.

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

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

Capital Leases Payable to Component Units - The Economic Development Authority (EDA) has issued revenue bonds to provide financial assistance to the State's governmental entities for the acquisition and construction of facilities. The EDA has entered into a lease purchase agreement with the State. A Capital Leases Payable to Component Units has been recorded in the governmental activities at June 30, 2015, of approximately \$261 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, 2015, is approximately \$125.1 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 (\$122.9 million outstanding) to be reloaned for economic development purposes, with interest equal to the twelve-month average of BTI's yield on its cash liquidity pool, adjusted annually. Monthly payments must be sufficient to repay outstanding principal over ten years, secured by a security interest in the investments derived from the loan. There is also a note payable to the BTI, nonrecourse with right of offset against a note receivable, amount not to exceed \$25 million (\$1.9 million outstanding) interest at 3%, principal due in annual installments through June 2022, unsecured. Note repayments are dependent upon the proceeds received from the investments in venture capital funds. The nonrecourse note has been written down based upon the borrowing agreement with BTI.

Long-Term Liabilities - In the government-wide financial statements and proprietary fund financial statements, long-term obligations (including claims and judgments, environmental obligations, net pension liability, 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 retirement pension plans cover all employees of the State and is 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.

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 fund assets and liabilities is "Net Position" on the government-wide, proprietary, and fiduciary fund statements, and "Fund Balance" on the governmental fund statements. Net assets are reported in three categories:

- Net invested 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. 72, "Fair Value Measurement and Application" which addresses accounting and financial reporting issues related to fair value measurements. This Statement is effective for fiscal year 2016, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68," which is intended to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This statement is effective for fiscal year 2016, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This statement is intended to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement is effective for fiscal year 2017, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This statement is intended to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves

information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement is effective for fiscal year 2018, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” which is intended to identify, within the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). This statement is effective for fiscal year 2016, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 77, “Tax Abatement Disclosures.” The objective of this statement is to provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability for financial statements prepared by state and local governments in conformity with GAAP. This statement is effective for fiscal year 2017, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,” which is intended to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This statement is effective for fiscal year 2017, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 79, “Certain External Investment Pools and Pool Participants.” This statement establishes criteria for external investment pools to qualify for making the election to measure all of its investments at amortized costs for financial reporting purposes. This statement is effective for fiscal year 2016, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 80, “Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14,” which is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement is effective for fiscal year 2017, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 81, “Irrevocable Split-Interest Agreements,” which is to improve accounting and financial reporting for irrevocable split-interest agreement by providing measurement and recognition guidance in which the government is a beneficiary of the agreement. This statement is effective for fiscal year 2018, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 82, “Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73,” which addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement is effective for fiscal year 2017, and management has not yet determined the financial statement impact of the pronouncement.

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

Effective July 1, 2014, the State adopted GASB Statement No. 68, Accounting and Financial Reporting for Pensions, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. GASB 68, as amended by GASB 71, which established accounting and financial reporting standards for pensions that are provided to employees of state and local governmental employers through pension plans that are administered through trusts. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. The implementation of GASBS 68, as amended by GASB 71, which resulted in the reporting of a pension liability and a deferred outflow of resources, therefore, net assets have been restated at July 1, 2014 to account for the cumulative effect of adopting this new standard. The effect of the restatement was a decrease to beginning net assets and a corresponding increase to previously reported liabilities for the Primary Government of \$4,826,739,000 which consists of Governmental Activities of \$4,823,048,000 and Business-type of \$3,691,000; and Component Units of \$73,429,000.

The following are various other major restatements:

- The Enterprise Readiness Planning Board was reclassified from the General Fund to an Internal Service Fund. Due to this reclassification the fund balance of the General Fund was decreased by \$31,644,000. The net position of the Internal Service Funds was increased by \$91,623,000, of which \$59,979,000 is related to the net capitalization of the statewide accounting system and was capitalized in the prior year in the governmental activities.
- Higher Education's net position increased \$11,070,000 for the inclusion of the Big Green Foundation which was immaterial to the Higher Education Fund in prior years and a \$4,589,000 decrease due to the restatement of capital assets.

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

<u>Entity /Reporting Level</u>	<u>Fund Balances or Net Position</u>			
	<u>As Previously Reported</u>	<u>GASB 68 Adjustment</u>	<u>Other Adjustment</u>	<u>Restated</u>
Governmental Funds:				
General	\$ (49,132)	\$ —	\$ (31,644)	\$ (80,776)
Total Governmental Funds	(49,132)	—	(31,644)	(80,776)
Proprietary Funds:				
Water Pollution Control Revolving Fund	655,516	(620)	—	654,896
Infrastructure & Jobs Development Council	685,811	(148)	—	685,663
Public Employees' Insurance Agency	181,388	(716)	—	180,672
Board of Risk and Insurance Management	208,911	(495)	—	208,416
Other Enterprise Funds	186,668	(1,712)	—	184,956
Internal Service Funds	165,171	(8,427)	91,623	248,367
Total Business-type Activities – Proprietary Funds	2,083,465	(12,118)	91,623	2,162,970
Component Units:				
Lottery Commission	55,020	(3,877)	—	51,143
Economic Development Authority	145,455	(294)	—	145,161
Housing Development Fund	464,040	(2,810)	—	461,230
Parkways Authority	472,883	(7,691)	—	465,192
Water Development Authority	58,939	(287)	—	58,652
Higher Education	2,127,360	(30,996)	8,194	2,104,558
Regional Jail	120,507	(17,327)	—	103,180
School Building Authority	(255,173)	(728)	—	(255,901)
Other Component Units	95,354	(9,419)	—	85,935
Total Component Units	3,284,385	(73,429)	8,194	3,219,150
Government-wide:				
Governmental Activities	9,141,248	(4,823,048)	—	4,318,200
Business-type Activities	1,857,313	(3,691)	—	1,853,622
Total Primary Government	10,998,561	(4,826,739)	—	6,171,822
Total Component Units	3,284,385	(73,429)	8,194	3,219,150
Pension and Other Employee Benefit Trust Funds	14,641,099	—	(1,629)	14,639,470

**Restricted Net Position**

The following table summarizes the restricted net position of funds included in “other” columns at June 30, 2015 (expressed in thousands):

<u>Fund Type/Fund</u>	<u>Total Reporting Entity</u>	<u>Restricted for:</u>					<u>Other Specific Fund Purposes</u>
		<u>Capital Projects</u>	<u>Lending Activities</u>	<u>Insurance Activities</u>	<u>General Government Activities</u>	<u>Non-Expendable</u>	
Enterprise Funds:							
Drinking Water Treatment Revolving Fund	\$ 146,705	\$ —	\$ 146,705	\$ —	\$ —	\$ —	\$ —
Alcohol Beverage Control Administration	70	—	70	—	—	—	—
West Virginia Prepaid College Plan	1,283	—	—	—	1,283	—	—
AccessWV	4,800	—	—	4,800	—	—	—
State Entities Workers' Compensation	<u>28,209</u>	<u>—</u>	<u>—</u>	<u>28,209</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>181,067</u>	<u>—</u>	<u>146,775</u>	<u>33,009</u>	<u>1,283</u>	<u>—</u>	<u>—</u>
Internal Service Funds:							
State Building Fund	<u>55,750</u>	<u>46,825</u>	<u>—</u>	<u>—</u>	<u>8,925</u>	<u>—</u>	<u>—</u>
Discretely Presented Component Units:							
Educational Broadcasting Authority	227	—	—	—	—	227	—
Solid Waste Management Board	4,440	—	—	—	—	—	4,440
Municipal Pensions Oversight Board	<u>28,058</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>28,058</u>
	<u>32,725</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>227</u>	<u>32,498</u>
Total	<u>\$ 269,542</u>	<u>\$ 46,825</u>	<u>\$ 146,775</u>	<u>\$ 33,009</u>	<u>\$ 10,208</u>	<u>\$ 227</u>	<u>\$ 32,498</u>

The government-wide statement of net position reports \$2,253,093 of restricted net position for the primary government of which \$872,899,284 is restricted by enabling legislation.

**Restricted Fund Balance**

The following table summarizes, by fund, the restricted fund balance of each of the funds included in “other” columns at June 30, 2015 (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	\$ 49,884	\$ —	\$ —	\$ —	\$ —	\$ 49,884
Public Service Commission	3,349	—	—	—	—	3,349
Wildlife Resources	<u>54,668</u>	<u>—</u>	<u>—</u>	<u>54,668</u>	<u>—</u>	<u>—</u>
	<u>107,901</u>	<u>—</u>	<u>—</u>	<u>54,668</u>	<u>—</u>	<u>53,233</u>
Capital Projects Funds:						
Education, Arts, Sciences, and Tourism Fund	3,013	3,013	—	—	—	—
Lease Purchase Accounts	<u>10,257</u>	<u>10,257</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>13,270</u>	<u>13,270</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Debt Service:						
West Virginia Infrastructure & Jobs Development Council	1,020	—	1,020	—	—	—
Education, Arts, Sciences, and Tourism Fund	1,003	—	1,003	—	—	—
Lease Purchase Accounts	6,578	—	6,578	—	—	—
Economic Development Project Fund	<u>45,372</u>	<u>—</u>	<u>45,372</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>53,973</u>	<u>—</u>	<u>53,973</u>	<u>—</u>	<u>—</u>	<u>—</u>
Permanent Funds:						
Irreducible School	<u>1,174</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,174</u>	<u>—</u>
Total	<u>\$ 176,318</u>	<u>\$ 13,270</u>	<u>\$ 53,973</u>	<u>\$ 54,668</u>	<u>\$ 1,174</u>	<u>\$ 53,233</u>

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

Individual funds with net position/fund balance deficits at June 30, 2015, were as follows (expressed in thousands):

	<u>Net Position/ Fund Balance Deficit</u>
<b>General Fund</b>	\$ 226,891
<b>Special Revenue Funds:</b>	
WORKFORCE West Virginia	9,013
<b>Enterprise Funds:</b>	
West Virginia Prepaid College Plan	10,979
<b>Internal Service Funds</b>	
Information Services and Communications	5,097
<b>Discretely Presented Component Units:</b>	
School Building Authority	261,776
Racing Commission	703
Public Defender Corporation	<u>5,295</u>
Total Deficits	<u>\$ 519,754</u>

**General Fund**

The deficit in the General Fund is largely due to OPEB liability in the amount of \$1.8 billion, which is discussed in Note 13, Other Postemployment Benefits. Senate Bill 469, effective July 1, 2012, amended West Virginia Code §11-21-96 by dedicating \$30 million to be transferred commencing in 2016 to fund the Retiree Health Benefit Trust Fund (RHBT) unfunded liability in its entirety or by July 1, 2037.

**Special Revenue Funds**

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

### **Enterprise Funds**

West Virginia Prepaid College Plan (the Plan) has a net position deficiency of approximately \$11 million as of June 30, 2015. This deficiency was largely caused by investment losses in fiscal years 2002, 2008, and 2009, unexpected tuition increases beginning with the 2002-2003 school year, changes in prior years of estimates of future investment rate of return and tuition growth, and significant adjustments in actuarial assumptions in fiscal year 2008. The West Virginia College Prepaid Tuition and Savings Program's ability to pay obligations of the Prepaid Tuition Plan is dependent on long-term investment programs and adequate levels of future cash flows. In March 2003, the West Virginia Legislature closed the Plan to new enrollment until the Legislature authorizes it to reopen. Contract holders are supposed to continue to pay any amounts due, and the Plan will continue to pay all benefits due.

The Plan sought and received support from the State Legislature to support payment of plan benefits. In March 2003, the Legislature created the Prepaid Tuition Trust Escrow Account (the Escrow Account) to guarantee payment of plan contracts. Under the legislative action, the Escrow Account may receive transfers of up to \$1 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 \$1.3 million for the eleven years ended June 30, 2015, leaving the account with a balance of \$18.5 million at June 30, 2015. Because there was an actuarially determined unfunded liability of approximately \$12.2 million in the Plan as of June 30, 2015, an additional \$1 million was transferred from the Fund to the Escrow Account on October 28, 2015, 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, 2016. The financial statements do not reflect any adjustments that might result should the plan to eliminate the net position deficiency fail to be successful.

### **Internal Service Funds**

The Information Services and Communication's (the IS&C) net position deficiency at June 30, 2015 is \$5.1 million. The deficiency is largely due to the recognition of the net pension liability and related deferred inflows and deferred outflows.

### **Discretely Presented Component Units**

The School Building Authority of West Virginia's (the SBA) combined net position deficiency at June 30, 2015, is \$261.8 million. The deficit arose from the issuance of revenue bonds to replace or improve school facilities in the State of West Virginia and the SBA's policy to grant ownership of these new and renovated buildings to the local county boards of education. The SBA will receive \$23 million per year from an allocation from the West Virginia Department of Education through June 30, 2022, for debt service. At that time, the debt service payments dedicated from Step 7 of the Department of Education's funding formula will be allocated to the SBA's pay-as-you-go construction program. The West Virginia Supreme Court has ruled that any future allocations for debt service from Step 7 of the funding formula are unconstitutional.

At year-end, the SBA had \$461.2 million in bonds outstanding, compared to \$491.4 million at June 30, 2014, a decrease of 6.1%. This decrease of \$30.2 million was caused by principal bond payments and the amortization of unamortized premiums and discounts associated with bond issuance during the current period. 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 deficit at June 30, 2015, is \$5.3 million. The deficiency is due to the recognition of the net pension liability and related deferred inflows and deferred outflows.

The Racing Commission's net position deficit at June 30, 2015 is \$703 thousand. The deficiency is due to the recognition 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, 2015, the reported amount of the primary government's deposits was \$110,281,000 and the bank balance was \$349,900,000. Of that bank balance, \$770,000 was uninsured and uncollateralized, and \$20,697,000 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, 2015, the reported amount of the component units' deposits was \$344,039,000 and the bank balance was \$227,907,000. Of that bank balance, \$29,360,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State, and \$6,467,000 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the State.

#### Investments

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

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

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

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

The fair value of IMB’s fund portfolio securities are determined as follows:

- Equity securities are valued at the last sale price or official closing price reported in the market in which they are primarily traded. If no sales have been recorded within the five days preceding the date of the financial statement date, the fair value of the

securities is determined in accordance with approved procedures.

- 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.
- 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.
- Repurchase agreements and time deposits are valued at amortized cost, provided such amount approximates fair value.
- Commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- 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.
- 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.
- 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.
- 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 partnership 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, 2015.

- 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. These investments are redeemable with the fund at net asset value under the original terms of the agreements and operations of the underlying fund. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. 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, 2015.

Investments for which the fair value cannot be determined by one of the above listed processes are valued at fair value as determined in accordance with the IMB's established procedures.

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

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

In addition to amounts invested with the IMB and BTI, certain governmental funds and discretely presented component units are permitted to invest bond proceeds with third-party trustees named in bond indentures. Governmental funds including the 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; Educational Broadcasting Authority; Jobs Investment Trust; Housing Development Fund; Parkways Authority; Water Development Authority; School Building Authority; and Higher Education Fund. IMB has operating funds in an institutional Treasury Money Market Fund. The Teachers' Defined Contribution Retirement System of the CPRB and the SMART 529 College Savings Plan have their assets held by outside third parties.

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

### Derivatives

The State's investment strategy includes the use of derivatives as a tool in managing market risk and providing an opportunity for enhanced return. The IMB invests in derivative financial investments as authorized by its Board of Trustees. As of June 30, 2015, IMB held derivative financial investments that included: Futures Contracts, Option Contracts, Foreign Exchange Forward Contracts, Credit Default Swaps, Currency Swaps, and Interest Rate Swaps. Additionally, the IMB is indirectly exposed to derivative risk through participation in institutional commingled funds. Credit risk and interest rate risk pertaining to Derivatives are disclosed in each participating pool's section in this note. The change in fair value of derivatives is included in the Unrestricted Investment Earnings on the Government-wide Statement of Activities; Interest and Other Investment Income on the Statement of Revenues, Expenses, and Changes in Fund Net Position, Proprietary Funds; and Net Appreciation in Fair Value of Investments on the Statement of Changes in Fiduciary Net Position, Fiduciary Funds. The fair value of derivatives is included in the Investments and Cash Equivalents on the Government-wide Statement of Net Position; Investments on the Statement of Net Position, Proprietary Funds; and Investments on the Statement of Fiduciary Net Position, Fiduciary Funds. More details of the changes in fair value may be obtained from the financial statements of the WV Investment Management Board.

### Repurchase Agreements

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

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

### Foreign Currency

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

- Market value of investment securities, other assets and liabilities - at the closing rate of exchange at the valuation date.
- Purchases and sales of investment securities, income and expenses - at the rate of exchange prevailing on the respective dates of such transactions.

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

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

### Futures Contracts

A futures contract is an agreement between a buyer or a seller and the clearinghouse of a futures exchange in which the parties agree to buy or sell a commodity, financial instrument or index at a specified future date and price. 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, as determined by the exchange on which they are traded. Gains or losses on open futures positions are unrealized. These gains or losses become realized when the position is closed.

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, 2015, the futures contracts had the following open positions denominated in U.S. dollars (summarized and expressed in thousands):

<u>Open Positions/Pool</u>	<u>Expiration</u>	<u>Value Upon Entering Contract (Notional Value)</u>	<u>Fair Value at June 30, 2015</u>	<u>Change in Fair Value</u>
Long:				
Large Cap Domestic Equity	Sept 2015	\$ 12,735	\$ 12,532	\$ (203)
Total Return Fixed Income	Jun 2019	105,273	105,316	43
Total Return Fixed Income	Sept 2015	256,383	256,535	152
Short:				
Total Return Fixed Income	Sept 2015	(544,133)	(543,278)	855
Total Return Fixed Income	Dec 2015	(66,320)	(66,393)	(73)
Total Return Fixed Income	Mar 2016	(277,575)	(277,736)	(161)
Total Return Fixed Income	Dec 2016	(139,301)	(139,315)	(14)

As of June 30, 2015, the futures contracts had the following open positions denominated in foreign currencies (summarized and expressed in thousands):

<u>Open Positions/Pool</u>	<u>Expiration</u>	<u>Value Upon Entering Contract (Notional Value)</u>	<u>Fair Value at June 30, 2015</u>	<u>June 30, 2015 Exchange Rate</u>	<u>Change in Fair Value</u>
Short:					
Total Return Fixed Income	Sept 2015	\$ (98,375)	\$ (96,672)	1.1142	\$ 1,898
Total Return Fixed Income	Sept 2015	(14,235,720)	(14,256,090)	0.0082	(167)

At June 30, 2015, the Large Cap Domestic Equity has pledged cash of \$788,000 and the Total Return Fixed Income pool had pledged cash of \$9,460,000 to cover initial margin requirements on open futures contracts. Counterparties had deposited in segregated accounts securities with a value of \$283,000 in connections with open swap contracts.

### Option Contracts

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

written option is exercised, a gain or loss is recorded equal to the difference between the market value of the underlying instrument and the strike price of the option, minus premiums received. Written option contracts are used to enhance investment returns and reduce portfolio convexity when implied volatility is high. Purchased option contracts are used to increase portfolio convexity when implied volatility is low, to implement certain yield curve strategies, or to hedge sector exposure.

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

#### Foreign Exchange Forward Contracts

A foreign exchange forward contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed-upon future date. The IMB's investment managers enter into such contracts to correspond to investment transactions trading in foreign currency. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. These contracts have relatively short durations and are valued at the prevailing market exchange rates at month-end. At June 30, 2015, the IMB was party to outstanding foreign exchange forward contracts to purchase foreign currencies with contract amounts of \$162.4 million, collectively. The fair values of these outstanding contracts were \$164.7 million resulting in a change in fair value of approximately \$2,355,000. The realized gain or loss is reclassified to realized gain or loss when the contract expires and deposited at fair value in the International Equity, Real Estate, and the Total Return Fixed Income pools.

#### Credit Default Swaps

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

#### Asset-Backed Securities

The IMB invests in various asset-backed securities, mortgage-backed securities, and structured corporate debt. The BTI has certain pools that invest in various asset-backed securities and structured corporate debt. The securities are reported at fair value. The IMB and BTI invest in these securities to enhance yields on investments. Changes in market

interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment patterns and market value of the underlying assets.

Security Loans

The IMB is authorized by statute and policy to participate in a securities lending program. The Bank of New York Mellon, IMB's custodial agent, loans securities to various brokers on a temporary basis. Each transaction for U.S. securities is secured by initial collateral of at least 102% of the market value of the securities loan plus accrued income. For international securities, the collateral is at least 105% of the market value of the securities on loan. The IMB receives compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. The income earned by the IMB is reported in the statement of operations as 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.

At June 30, 2015, 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, \$1,011 billion was received as cash. The collateral received as cash is invested in the Mellon GSL DBT II Funds.

	<b>Fair Value of Securities on Loan</b>	<b>Collateral Held</b>
Large Cap Domestic Equity	\$ 446,919	\$ 457,907
Non-Large Cap Domestic Equity	322,080	327,502
International Equity	216,242	228,024
Total Return Fixed Income	122,717	126,525
Core Fixed Income Pool	46,733	47,874
TIPS Pool	105,210	107,352
Real Estate Pool	<u>13,583</u>	<u>13,944</u>
Total	<u>\$ 1,273,484</u>	<u>\$ 1,309,128</u>

Commitments

The IMB, with the assistance of its consultant, began implementing its plan to invest in real estate and private equity partnerships in February of 2008. As of June 30, 2015, the IMB had made commitments to 46 private equity general partnerships.

<u>Partner Classification</u>	<u>Total Commitment</u>	<u>Funded Commitment</u>	<u>Unfunded Commitment</u>
Corporate Finance – Buyout Funds	\$ 949,000	\$ 496,827	\$ 452,173
Corporate Finance – Distressed Debt	210,000	140,293	69,707
Corporate Finance – Growth Equity	80,000	72,114	7,886
Corporate Finance – Mezzanine	50,000	21,130	28,870
Corporate Finance – Turnaround	200,000	98,064	101,936
Venture Capital	<u>198,000</u>	<u>107,339</u>	<u>90,661</u>
Total	<u>\$ 1,687,000</u>	<u>\$ 935,767</u>	<u>\$ 751,233</u>

The IMB also made commitments to 38 real estate investment funds/partnerships.

<u>Partner Classification</u>	<u>Total Commitment</u>	<u>Funded Commitment</u>	<u>Unfunded Commitment</u>
Core Funds	\$ 580,000	\$ 566,827	\$ 13,173
Opportunistic Funds	415,696	190,250	225,446
Value Funds	<u>601,000</u>	<u>274,177</u>	<u>326,823</u>
Total	<u>\$ 1,596,696</u>	<u>\$ 1,031,254</u>	<u>\$ 565,442</u>

Investment Pools

Schedule of Participation

The participant balances below for the Total Return Fixed Income and the Core Fixed Income pools do not include approximately a \$10.4 million dividend declared by the pool on the last day of the month and reinvested to the participant's accounts on the first day of the following month. The following schedule details the participation in the various IMB pools exclusive of those pools comprising the Consolidated Fund or Participant Directed Accounts as of June 30, 2015 (expressed in thousands):

	Large Cap Domestic Equity	Non-Large Cap Domestic Equity	Qualified	International Nonqualified	Equity
<b>Primary Government:</b>					
Revenue Shortfall Reserve Fund	\$ —	\$ —	\$ —	\$ —	\$ —
Revenue Shortfall Reserve Fund B	47,379	11,089	—	13,149	41,566
Workers' Compensation Old Fund	156,175	36,666	—	45,654	137,652
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	1,891	457	—	777	1,566
Workers' Compensation Self-Insured Employer Security Risk Pool	1,100	263	—	360	964
Workers' Compensation Uninsured	1,321	315	—	536	1,082
Pneumoconiosis	31,858	7,571	—	11,004	27,498
Wildlife Endowment Fund	11,983	2,834	—	4,778	9,887
Prepaid Tuition Trust Fund	16,023	4,062	—	3,490	7,302
Prepaid Tuition Trust Escrow Fund	—	—	—	—	—
Board of Risk & Insurance Management	16,733	3,963	—	5,317	14,540
Public Employees' Insurance Agency Access WV	26,318	6,274	—	10,752	21,547
WV Department of Environmental Protection Trust	2,175	521	—	813	1,776
WV Department of Environmental Protection Agency	16,198	3,977	—	3,697	15,834
<b>Total Primary Government</b>	<b>329,154</b>	<b>77,992</b>	<b>—</b>	<b>100,327</b>	<b>281,214</b>
Percentage of Ownership	9.63%	9.61%	—%	65.34%	10.19%
<b>Fiduciary Funds:</b>					
Judges' Retirement System	37,279	8,868	16,265	—	29,984
Emergency Medical Services Retirement System	12,293	2,916	5,289	—	10,115
Public Employees' Retirement System	1,259,338	297,243	557,358	—	997,735
Teachers' Retirement System	1,452,924	346,188	644,694	—	1,173,026
Municipal Police Officers and Firefighters' Retirement System	413	98	167	—	312
Municipal Policemen's or Firefighter's Pension and Relief Fund	315	75	127	—	249
State Police Retirement System	28,066	6,741	12,278	—	23,394
State Police Death, Disability and Retirement Fund	129,216	30,875	58,014	—	101,871
Retiree Health Benefit Trust	133,328	31,606	—	53,222	110,303
Deputy Sheriff's Retirement System	37,166	8,826	16,048	—	30,629
<b>Total Fiduciary Funds</b>	<b>3,090,338</b>	<b>733,436</b>	<b>1,310,240</b>	<b>53,222</b>	<b>2,477,618</b>
Percentage of Ownership	90.37%	90.39%	100%	34.66%	89.81%
<b>Total Amount</b>	<b>\$ 3,419,492</b>	<b>\$ 811,428</b>	<b>\$ 1,310,240</b>	<b>\$ 153,549</b>	<b>\$ 2,758,832</b>
Percentage of Ownership	100%	100%	100%	100%	100%

<u>Short-Term Fixed Income</u>	<u>Total Return Fixed Income</u>	<u>Core Fixed Income</u>	<u>TIPS</u>	<u>Teachers' Annuity</u>	<u>Private Equity</u>	<u>Real Estate</u>	<u>Hedge Fund</u>	<u>Total (Memorandum Only)</u>
\$ 14,835	\$ 127,129	\$ 54,237	\$ 179,970	\$ —	\$ —	\$ —	\$ —	\$ 376,171
79	149,004	63,885	57,358	—	—	—	—	383,509
61,616	505,358	217,950	127,251	—	—	—	—	1,288,322
791	3,852	1,657	1,566	—	—	—	3,182	15,739
456	2,216	951	899	—	—	—	1,827	9,036
1,106	2,266	976	1,081	—	—	—	2,196	10,879
12,356	64,289	27,563	26,046	—	—	—	52,909	261,094
90	5,654	2,443	—	—	5,745	5,734	5,484	54,632
1,129	—	34,341	—	—	—	—	—	66,347
—	—	—	—	—	—	—	—	—
6,981	34,012	14,631	13,686	—	—	—	27,815	137,678
36	61,091	26,214	21,676	—	—	—	44,032	217,940
—	—	—	—	—	—	—	—	—
16	890	388	—	—	—	—	1,671	8,250
<u>1,605</u>	<u>29,234</u>	<u>12,831</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>20,712</u>	<u>104,088</u>
<u>101,096</u>	<u>984,995</u>	<u>458,067</u>	<u>429,533</u>	<u>—</u>	<u>5,745</u>	<u>5,734</u>	<u>159,828</u>	<u>2,933,685</u>
37.49%	41.15%	42.89%	100%	—%	0.41%	0.38%	9.61%	17.09%
1,006	16,865	7,476	—	—	17,500	17,869	17,543	170,655
517	5,592	2,429	—	—	5,905	5,830	5,637	56,523
24,855	577,240	248,293	—	—	565,518	598,464	613,874	5,739,918
117,825	656,993	285,845	—	(96)	654,960	705,093	712,844	6,750,296
108	188	84	—	—	195	191	186	1,942
11	137	59	—	—	149	146	142	1,410
2,009	13,434	5,800	—	—	13,387	13,449	13,339	131,897
21,482	58,593	25,357	—	—	59,689	61,147	60,844	607,088
112	62,522	27,188	—	—	63,600	64,073	61,028	606,982
<u>625</u>	<u>17,060</u>	<u>7,383</u>	<u>—</u>	<u>—</u>	<u>17,353</u>	<u>17,551</u>	<u>17,468</u>	<u>170,109</u>
<u>168,550</u>	<u>1,408,624</u>	<u>609,914</u>	<u>—</u>	<u>(96)</u>	<u>1,398,256</u>	<u>1,483,813</u>	<u>1,502,905</u>	<u>14,236,820</u>
62.51%	58.85%	57.11%	—%	100%	99.59%	99.62%	90.39%	82.91%
<u>\$ 269,646</u>	<u>\$ 2,393,619</u>	<u>\$ 1,067,981</u>	<u>\$ 429,533</u>	<u>\$ (96)</u>	<u>\$ 1,404,001</u>	<u>\$ 1,489,547</u>	<u>\$ 1,662,733</u>	<u>\$ 17,170,505</u>
100%	100%	100%	100%	100%	100%	100%	100%	100%

Investment Pool Descriptions

Large Cap Domestic Equity

The pool's objective is to exceed, net of external management fees, the S&P 500 Stock Index over three- to five-year periods. Intech Investment Management, LCC and State Street Global Advisors manage assets of this pool.

*Credit Risk*

The pool is exposed to credit risk from investments made with cash collateral for securities loaned. 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 following table provides information on the weighted-average credit ratings of the pool's investments as of June 30, 2015 (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value Prior to Repurchase Collateral Included</u>	<u>Reclassified Repurchase Agreement to Actual Investment Types</u>	<u>Carrying Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>				
Rated:						
Corporate Asset-Backed Issues	Aaa	AAA	\$ 197	\$ 6,028	\$ 6,225	0.20%
Corporate Collateralized Mortgage Obligations	Aaa	AAA	—	2,345	2,345	0.10%
Foreign Asset-Backed Issues	Aaa	AAA	—	529	529	0.00%
Foreign Corporate Bonds	Aa	A	—	1,748	1,748	0.00%
Foreign Government Bonds	Aa3	A	—	251	251	0.00%
Preferred Stock	A	A	—	42	42	0.00%
Money Market Mutual Fund	P-1	A-1	158,805	—	158,805	4.10%
U.S. Corporate Bonds	A1	A	—	1,006	1,006	0.00%
U.S. Government Agency Bonds	Aaa	AA	—	235	235	0.00%
U.S. Government Agency CMO Interest-Only	Aaa	AA	—	45	45	0.00%
U.S. Government Agency MBS	Aaa	AA	—	111,550	111,550	2.90%
U.S. Treasury Bonds	Aaa	AA	—	39,426	39,426	1.00%
Repurchase Agreements			<u>286,428</u>	<u>(286,428)</u>	<u>—</u>	<u>—</u>
Total Rated Investments			<u>445,430</u>	<u>(123,223)</u>	<u>322,207</u>	<u>8.30%</u>
Unrated:						
Common Stock			<u>3,393,869</u>	<u>139,231</u>	<u>3,533,100</u>	<u>0.00%</u>
Securities Lending Repurchase Agreement Less Collateral Received			<u>(16,008)</u>	<u>—</u>	<u>(16,008)</u>	<u>91.70%</u>
Total Investment Securities at Carrying Value			<u>\$ 3,823,291</u>	<u>\$ 16,008</u>	<u>\$ 3,839,299</u>	<u>100%</u>

*Interest Rate Risk*

The pool is exposed to interest rate risk from investments made with cash collateral for securities loaned. The weighted-average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The maturity of floating rate notes is assumed to be the next interest reset date.

The following table provides the weighted-average maturities (WAM) for the investments made with cash collateral for securities loaned as of June 30, 2015 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (Days)</u>
Asset Backed Issues	\$ 197	22
Repurchase Agreements (Underlying Securities)		
Security Lending	286,428	1
Negotiable Time Deposits	<u>137,472</u>	1
Total	<u>424,097</u>	
Investments with no Interest Rate Risk:		
Money Market Fund	21,333	
Common Stock	<u>3,393,869</u>	
Total Investments with no Interest Rate Risk	<u>3,415,202</u>	
Total Investment Securities at Carrying Value	<u>\$ 3,839,299</u>	

*Non-Large Cap Domestic Equity*

This pool invests in the equities of small- to mid-sized companies and its objective is to exceed, net of external investment fees, the Russell 2500 Index over three- to five-year periods. Assets of this pool are managed by AJO and Westfield Capital Management.

*Credit Risk*

The pool is exposed to credit risk from investments made with cash collateral for securities loaned. 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 following table provides information on the weighted-average credit ratings of the pool's investments as of June 30, 2015 (expressed in thousands):

Security Type	Credit Rating		Carrying Value Prior to Repurchase Collateral Included	Reclassified Repurchase Agreement to Actual Investment Types	Carrying Value	Percent of Assets
	Moody's	S&P				
Corporate Asset-Backed Issues	Aaa	AAA	\$ 149	\$ 4,571	\$ 4,720	0.40%
Corporate Collateralized Mortgage Obligations	Aaa	AAA	—	1,778	1,778	0.20%
Foreign Asset-Backed Issues	Aaa	AAA	—	401	401	0.00%
Foreign Corporate Bonds	Aa	A	—	1,325	1,325	0.10%
Foreign Government Bonds	Aa3	A	—	190	190	0.00%
Preferred Stock	A	A	—	32	32	0.00%
Money Market Mutual Fund	P-1	A-1	112,977	1	112,978	9.80%
U.S. Corporate Bonds	A1	A	—	762	762	0.10%
U.S. Government Agency Bonds	Aaa	AA	—	178	178	0.00%
U.S. Government Agency CMO Interest-Only	Aaa	AA	—	34	34	0.00%
U.S. Government Agency MBS	Aaa	AA	—	84,577	84,577	7.40%
U.S. Treasury Bonds	Aaa	AA	—	29,892	29,892	2.60%
Repurchase Agreements			<u>217,169</u>	<u>(217,169)</u>	<u>—</u>	<u>—%</u>
Total Rated Investments			<u>330,295</u>	<u>(93,428)</u>	<u>236,867</u>	<u>20.60%</u>
Unrated:						
Common Stock			805,922	105,566	911,488	79.40%
Securities Lending Repurchase Agreement						
Less Collateral Received			<u>(12,138)</u>	<u>—</u>	<u>(12,138)</u>	<u>—%</u>
Total Investment Securities at Carrying Value			<u>\$ 1,124,079</u>	<u>\$ 12,138</u>	<u>\$ 1,136,217</u>	<u>100%</u>

*Interest Rate Risk*

The pool is exposed to interest rate risk from investments made with cash collateral for securities loaned. The weighted-average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The maturity of floating rate notes is assumed to be the next interest reset date.

The following table provides the weighted-average maturities (WAM) for the investments made with cash collateral for securities loaned as of June 30, 2015 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (Days)</u>
Asset Backed Issues	\$ 149	22
Repurchase Agreements (Underlying Securities)		
Security Lending	217,169	1
Negotiable Time Deposits	<u>104,230</u>	1
Total	<u>321,548</u>	
Investments with no Interest Rate Risk:		
Money Market Fund	8,747	
Common Stock	<u>805,922</u>	
Total Investments with no Interest Rate Risk	<u>814,669</u>	
Total Investment Securities at Carrying Value	<u>\$ 1,136,217</u>	

## International Qualified

Funds of this pool are invested in Silchester International Investors' International Value Equity Group Trust which is a collective trust fund that invests in equities denominated in foreign currencies. This pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East (EAFE) Index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. Only "qualified participants" (as defined by the Internal Revenue Code) may invest in this pool. The value of this investment at June 30, 2015, was \$1,310,286,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

## International Nonqualified

Funds of this pool are invested in Silchester International Investors' International Value Equity Group Trust which is a collective trust fund that invests in equities denominated in foreign currencies. This pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's EAFE Index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. This pool exists for participants who are not "qualified" (as defined by the Internal Revenue Code). The value of this investment at June 30, 2015, was \$153,554,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

International Equity

This pool invests in the equities of international companies. Acadian Asset Management, LLC, Axiom International Investors, LLC, Brandes Investment Partners, L.P., LSV Asset Management, Pictet Asset Management Limited through February 20, 2015, and Oberweis Asset Management, Inc., inception date February 25, 2015, 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*

The pool is exposed to credit risk from investments made with cash collateral for securities loaned. 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 following table provides information on the weighted-average credit ratings of the pool's investments as of June 30, 2015.

Security Type	Credit Rating		Carrying Value Prior to Repurchase Collateral Included	Reclassified Repurchase to Actual Investment Types	Carrying Value	Percent of Assets
	Moody's	S&P				
Rated:						
Corporate Asset-Backed Issues	Aaa	AAA	\$ 97	\$ 3,004	\$ 3,101	0.10%
Corporate Collateralized Mortgage Obligations	Aaa	AAA	—	1,168	1,168	0.00%
Foreign Asset-Backed Issues	Aaa	AAA	—	264	264	0.00%
Foreign Corporate Bonds	Aa	A	—	871	871	0.00%
Foreign Government Bonds	Aa	A	—	125	125	0.00%
Money Market Mutual Fund	Aaa	AAA	32,015	—	32,015	1.10%
Negotiable Time Deposits	P-1	A-1	68,488	—	68,488	2.30%
U.S. Corporate Bonds	A	A	—	501	501	0.00%
U.S. Government Agency Bonds	Aaa	AA	—	117	117	0.00%
U.S. Government Agency CMO Interest-Only	Aaa	AA	—	22	22	0.00%
U.S. Government Agency MBS	Aaa	AA	—	55,574	55,574	1.90%
U.S. Treasury Bonds	Aaa	AA	—	19,642	19,642	0.70%
Repurchase Agreements			<u>142,698</u>	<u>(142,698)</u>	<u>—</u>	<u>—%</u>
Total Rated Investments			<u>243,298</u>	<u>(61,410)</u>	<u>181,888</u>	<u>6.10%</u>
Unrated:						
Common Stock			2,677,637	69,364	2,747,001	92.50%
Preferred Stock			40,795	20	40,815	1.40%
Equity Rights			8	—	8	0.00%
Securities Lending Repurchase Agreement						
Less Collateral Received			<u>(7,974)</u>	<u>—</u>	<u>(7,974)</u>	<u>0.00%</u>
Total Investment Securities at Carrying Value			<u>\$ 2,953,764</u>	<u>\$ 7,974</u>	<u>\$ 2,961,738</u>	<u>100%</u>

*Interest Rate Risk*

The pool is exposed to interest rate risk from investments made with cash collateral for securities loaned. The weighted-average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The maturity of floating rate notes is assumed to be the next interest reset date.

The following table provides the weighted-average maturities (WAM) for the investments made with cash collateral for securities loaned as of June 30, 2015 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (Days)</u>
Asset Backed Issues	\$ 97	22
Repurchase Agreements (Underlying Securities)		
Security Lending	142,698	1
Negotiable Time Deposits	<u>68,488</u>	1
Total	<u>211,283</u>	
Investments with no Interest Rate Risk:		
Money Market Fund	32,015	
Common Stock	2,677,637	
Preferred Stock	40,795	
Equity Rights	<u>8</u>	
Total Investments with no Interest Rate Risk	<u>2,750,455</u>	
Total Investment Securities at Carrying Value	<u>\$ 2,961,738</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, 2015, consisted of the following (expressed in thousands):

<u>Currency</u>	<u>Equity Securities</u>	<u>Cash</u>	<u>Total</u>
Australian Dollar	\$ 71,411	\$ 21	\$ 71,432
Brazil Real	113,460	829	114,289
British Pound	272,285	1,049	273,334
Canadian Dollar	130,182	62	130,244
Czech Koruna	11,113	—	11,113
Danish Krone	24,755	1	24,756
Egyptian Pound	3,762	—	3,762
Emirati Dirham	3,773	—	3,773
Euro Currency Unit	410,970	(51)	410,919
Hong Kong Dollar	267,032	979	268,011
Hungarian Forint	9,379	106	9,485
Indian Rupee	49,212	1,019	50,231
Indonesian Rupiah	19,720	39	19,759
Israeli Shekel	19,243	3	19,246
Japanese Yen	401,766	2,410	404,176
Malaysian Ringgit	12,366	252	12,618
Mexican Peso	35,498	5	35,503
New Taiwan Dollar	70,408	2,623	73,031
New Zealand Dollar	1,056	57	1,113
Norwegian Krone	26,742	34	26,776
Pakistan Rupee	5,610	—	5,610
Philippine Peso	8,810	—	8,810
Polish Zloty	10,753	71	10,824
Qatar Riyal	300	9	309
Singapore Dollar	13,923	151	14,074
South African Rand	48,901	551	49,452
South Korean Won	174,570	1,238	175,808
Swedish Krona	48,637	1	48,638
Swiss Franc	97,333	14	97,347
Thailand Baht	25,382	29	25,411
Turkish Lira	<u>45,967</u>	<u>—</u>	<u>45,967</u>
Subtotal	<u>2,434,319</u>	<u>11,502</u>	<u>2,445,821</u>
United States Currency	<u>527,419</u>	<u>—</u>	<u>527,419</u>
Total Assets	<u>\$ 2,961,738</u>	<u>\$ 11,502</u>	<u>\$ 2,973,240</u>

## Short-Term Fixed Income

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

*Credit Risk*

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

The following table provides information on the weighted-average credit ratings as of June 30, 2015, of the Short-Term Fixed Income pool's investments (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value Prior to Repurchase Collateral Included</u>	<u>Reclassified Repurchase Agreement to Actual Investment Types</u>	<u>Carrying Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>				
Rated:						
Commercial Paper	Aaa	AA	\$ 22,999	\$ —	\$ 22,999	8.5%
U.S. Government Agency Issues	Aaa	AA	136,763	—	136,763	50.5%
U.S. Treasury Issues	Aaa	AA	45,557	65,365	110,922	41.0%
Repurchase Agreements			<u>64,341</u>	<u>(64,341)</u>	<u>—</u>	<u>—%</u>
Total Rated Investments			<u>\$ 269,660</u>	<u>\$ 1,024</u>	<u>\$ 270,684</u>	<u>100%</u>

*Interest Rate Risk*

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

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (Days)</u>
Repurchase Agreements (Underlying Securities)		
U.S. Treasury Issues	\$ 64,341	1
Commercial Paper	22,999	19
U.S. Treasury Issues	45,557	70
U. S. Government Agency Issues	<u>136,763</u>	52
Total Assets	<u>\$ 269,660</u>	40

Total Return Fixed Income

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

*Credit Risk*

The IMB limits the exposure to credit risk in the Total Return Fixed Income pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted-average credit ratings of the investments in the Total Return Fixed Income pool as of June 30, 2015 (expressed in thousands):

Security Type	Credit Rating		Carrying Value Prior to Repurchase Collateral Included	Reclassified Repurchase Agreement to Actual Investment Type	Carrying Value	Percent of Assets
	Moody's	S&P				
Rated:						
Corporate Asset-Backed Issues	A	AA	\$ 115,952	\$ 315	\$ 116,267	4.8%
Corporate Collateralized Mortgage Obligations	B	B	101,805	122	101,927	4.2%
Corporate CMO Interest-Only	C	Not rated	7,706	—	7,706	0.3%
Corporate Preferred Securities	Ba	BB	10,428	2	10,430	0.4%
Foreign Asset-Backed Issues	A	A	20,848	28	20,876	0.9%
Foreign Corporate Bonds	Baa	BB	285,962	91	286,053	11.9%
Foreign Government Bonds	Baa	BBB	212,322	13	212,335	8.8%
Municipal Bonds	A	A	51,734	—	51,734	2.2%
Money Market Mutual Fund	Aaa	AAA	102,153	—	102,153	4.3%
Negotiable Time Deposits	P-1	A-1	7,174	—	7,174	0.3%
U.S. Corporate Bonds	Baa	BBB	578,239	53	578,292	24.2%
U.S. Government Agency Bonds	Aaa	AA	2,567	12	2,579	0.1%
U.S. Government Agency CMO	Aaa	AA	80,795	—	80,795	3.4%
U.S. Government Agency CMO Interest-Only	Aaa	AA	3,817	2	3,819	0.2%
U.S. Government Agency MBS	Aaa	AA	292,923	5,821	298,744	12.4%
U.S. Government Agency TBA	Aaa	AA	884	—	884	0.0%
U.S. Treasury Bonds	Aaa	AA	111,401	2,058	113,459	4.7%
U.S. Treasury Inflation-Protected Securities	Aaa	AA	20,616	—	20,616	0.9%
Repurchase Agreements			14,948	(14,948)	—	—%
Total Rated Investments			2,022,274	(6,431)	2,015,843	84.0%
Unrated:						
Common Stock			—	7,266	7,266	0.3%
Corporate CMO Residuals			21,983	—	21,983	0.9%
Investments In Other Funds			356,277	—	356,277	14.8%
Option Contract Purchased Value			1,114	—	1,114	0.0%
Securities Lending Repurchase Agreement						
Less Collateral Received			(835)	—	(835)	0.0%
Total Investment Securities at Carrying Value			\$ 2,400,813	\$ 835	\$ 2,401,648	100%

*Interest Rate Risk*

The IMB monitors interest rate risk of the Total Return Fixed Income pool by evaluating the effective duration of the investments in the pool. The following table provides the weighted-average effective duration for the various asset types in the Total Return Fixed Income pool as of June 30, 2015 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Modified Duration (Years)</u>
Corporate Asset-Backed Issues	\$ 115,952	2.2
Corporate Collateralized Mortgage Obligations	101,802	1.8
Corporate CMO Interest-Only	7,706	18.8
Corporate Preferred Security	10,428	0.3
Foreign Asset-Backed Issues	20,849	1.6
Foreign Corporate Bonds	285,960	6.0
Foreign Government Bonds	212,324	6.3
Investments in Other Funds	356,277	3.2
Municipal Bonds	51,734	8.4
Repurchase Agreements	14,948	0.0
Money Market Mutual Fund	102,153	0.0
Negotiable Time Deposits	7,173	0.0
U.S. Corporate Bonds	578,249	6.6
U.S. Government Agency Bonds	2,566	4.3
U.S. Government Agency CMO	80,795	2.1
U.S. Government Agency CMO Interest-Only	3,816	2.2
U.S. Government Agency MBS	292,921	2.6
U.S. Government Agency TBA	884	2.1
U.S. Treasury Bonds	111,398	4.2
U.S. Treasury Inflation-Protected Securities	<u>20,616</u>	14.0
Total Rated Investments	<u>2,378,551</u>	4.5
Investments with no Interest Rate Risk:		
Corporate CMO Residuals	21,983	
Option Contracts Purchased	<u>1,114</u>	
Total Investments with no Interest Rate Risk	<u>23,097</u>	
Total Investment Securities at Carrying Value	<u>\$ 2,401,648</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, 2015, the Total Return Fixed Income pool held \$623,846,000 of these securities. This represents approximately 20% of the value of the pool's securities.

At June 30, 2015, open foreign currency forward contracts were as follows:

Position	Foreign Currency	Trade Date	Settlement Date	Receivable		Payable		Unrealized Appreciation (Depreciation)
				(in Foreign Currency)	(in U.S. Dollars)	(in Foreign Currency)	(in U.S. Dollars)	
Long	Euro Currency Unit <sup>a</sup>	4/14/2015	7/16/2015	11,920	\$ 13,284		\$12,738	\$ 546
Long	Euro Currency Unit <sup>g</sup>	5/12/2015	8/13/2015	2,400	2,676		2,708	(32)
Long	Euro Currency Unit <sup>g</sup>	6/11/2015	8/13/2015	6,050	6,745		6,819	(74)
Long	Japanese Yen <sup>c</sup>	6/09/2015	7/16/2015	1,208,100	9,875		9,729	146
Long	Mexican Peso <sup>e</sup>	5/06/2015	8/13/2015	74,095	4,707		4,796	(89)
Long	Mexican Peso <sup>e</sup>	6/22/2015	8/13/2015	14,740	936		960	(24)
Long	Russian Ruble <sup>d, h</sup>	5/12/2015	7/20/2015	11,600	207		225	(18)
Long	Russian Ruble <sup>d, h</sup>	5/13/2015	7/20/2015	4,500	80		88	(8)
Long	Russian Ruble <sup>d, h</sup>	5/13/2015	7/20/2015	4,500	80		90	(10)
Long	Russian Ruble <sup>d, h</sup>	5/15/2015	7/20/2015	4,000	71		78	(7)
Long	Russian Ruble <sup>d, h</sup>	5/19/2015	7/20/2015	4,000	71		79	(8)
Long	Russian Ruble <sup>d, h</sup>	5/19/2015	7/20/2015	9,000	160		178	(18)
Long	Russian Ruble <sup>d, h</sup>	6/11/2015	7/20/2015	6,000	107		108	(1)
Short	Euro Currency Unit <sup>b</sup>	5/06/2015	8/13/2015		4,670	4,160	4,638	32
Short	Euro Currency Unit <sup>c</sup>	5/07/2015	8/13/2015		13,127	11,636	12,973	154
Short	Euro Currency Unit <sup>g</sup>	5/07/2015	8/13/2015		4,670	4,100	4,571	99
Short	Euro Currency Unit <sup>g</sup>	5/08/2015	8/13/2015		20,114	17,900	19,957	157
Short	Euro Currency Unit <sup>g</sup>	5/22/2015	8/13/2015		2,067	1,850	2,063	4
Short	Euro Currency Unit <sup>a, h</sup>	6/10/2015	9/15/2015		1,133	1,000	1,115	18
Short	Euro Currency Unit <sup>a, h</sup>	6/10/2015	9/15/2015		1,586	1,400	1,562	24
Short	Euro Currency Unit <sup>c</sup>	6/23/2015	8/13/2015		1,350	1,200	1,338	12
Short	Japanese Yen <sup>c</sup>	5/07/2015	8/13/2015		53,036	6,324,042	51,709	1,327
Short	Japanese Yen <sup>c</sup>	5/22/2015	8/13/2015		505	60,983	499	6
Short	Japanese Yen <sup>c, h</sup>	6/10/2015	9/15/2015		1,371	168,000	1,374	(3)
Short	Russian Ruble <sup>d, h</sup>	4/24/2015	7/20/2015		94	4,883	87	7
Short	Russian Ruble <sup>d, h</sup>	5/06/2015	7/20/2015		1,701	88,118	1,569	132
Short	Swiss Franc <sup>f, h</sup>	6/10/2015	9/15/2015		1,406	1,300	1,395	11
					<u>\$145,829</u>		<u>\$143,446</u>	<u>\$ 2,383</u>

Counterparty, Moody's Rating, S&P Rating

a – Barclay's PLC, Baa, BBB

b – BNY Mellon, A, A

c – Citigroup Inc, Baa, A

d – Deutsche Bank, A, BBB

e – Morgan Stanley, A, A

f – Royal Bank of Canada, Aa, AA

g – UBS AG, A, A

h – Available for offset under a netting provision

## Core Fixed Income Pool

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

*Credit Risk*

The IMB limits the exposure to credit risk in the pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted-average credit ratings of the rated assets in the Core Fixed Income pool as of June 30, 2015 (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value Prior to Repurchase Collateral Included</u>	<u>Reclassified Repurchase Agreement to Actual Investment Types</u>	<u>Carrying Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>				
Rated:						
Corporate Asset-Backed Issues	A	A	\$ 76,571	\$ 309	\$ 76,880	7.0%
Corporate Collateralized Mortgage Obligations	A	A	87,541	120	87,661	8.0%
Corporate CMO Interest-Only	Ba	AAA	1,198	—	1,198	0.1%
Corporate CMO Principal-Only	B	AA	278	—	278	0.0%
Foreign Asset-Backed Issues	Aa	AA	2,786	27	2,813	0.3%
Foreign Corporate Bonds	A	A	46,346	89	46,435	4.3%
Foreign Government Bonds	Aa	A	7,801	13	7,814	0.7%
Municipal Bonds	Aa	AA	8,646	—	8,646	0.8%
Preferred Stock	A	A	—	2	2	0.0%
Money Market Mutual Fund	Aaa	AAA	41,293	—	41,293	3.8%
Negotiable Time Deposits	P-1	A-1	7,044	—	7,044	0.6%
U.S. Corporate Bonds	A	A	222,277	52	222,329	20.4%
U.S. Government Agency Bonds	Aaa	AA	21,730	12	21,742	2.0%
U.S. Government Agency CMO	Aaa	AA	144,364	—	144,364	13.2%
U.S. Government Agency CMO interest-only	Aaa	AA	6,919	2	6,921	0.6%
U.S. Government Agency CMO principal-only	Aaa	AA	10,501	—	10,501	1.0%
U.S. Government Agency MBS	Aaa	AA	188,830	5,716	194,546	17.8%
U.S. Treasury Bonds	Aaa	AA	202,380	2,020	204,400	18.7%
U.S. Treasury Inflation Protected Security	Aaa	AA	415	—	415	0.0%
Repurchase Agreements			<u>14,676</u>	<u>(14,676)</u>	<u>—</u>	<u>—%</u>
Total Rated Investments			<u>1,091,596</u>	<u>(6,314)</u>	<u>1,085,282</u>	<u>99.3%</u>
Common Stock			—	7,134	7,134	0.7%
Securities Lending Repurchase Agreement						
Less Collateral Received			<u>(820)</u>	<u>—</u>	<u>(820)</u>	<u>0.0%</u>
Total Investment Securities at Carrying Value			<u>\$ 1,090,776</u>	<u>\$ 820</u>	<u>\$ 1,091,596</u>	<u>100%</u>

*Interest Rate Risk*

The IMB monitors interest rate risk of the Core Fixed Income pool by evaluating the effective duration of the investments in the pool. The following table provides the weighted-average effective duration for the various asset types in the Core Fixed Income pool as of June 30, 2015 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Modified Duration (Years)</u>
Corporate Asset-Backed Issues	\$ 76,574	2.0
Corporate Collateralized Mortgage Obligations	87,539	2.0
Corporate CMO Interest-Only	1,198	(8.5)
Corporate CMO Principal-Only	278	3.2
Foreign Asset-Backed Issues	2,786	0.1
Foreign Corporate Bonds	46,346	5.7
Foreign Government Bonds	7,800	8.7
Municipal Bonds	8,646	13.9
Repurchase Agreements	14,676	0.0
Money Market Mutual Fund	41,293	0.0
Negotiable Time Deposits	7,044	0.0
U.S. Corporate Bonds	222,273	6.1
U.S. Government Agency Bonds	21,730	4.7
U.S. Government Agency CMO	144,364	3.7
U.S. Government Agency CMO Interest-Only	6,919	7.6
U.S. Government Agency CMO Principal-Only	10,501	7.4
U.S. Government Agency MBS	188,831	4.8
U.S. Treasury Bonds	202,383	7.2
U.S. Treasury Inflation Protected Security	<u>415</u>	5.4
Total Assets	<u>\$ 1,091,596</u>	4.8

The Core Fixed Income pool invests approximately \$519 million in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. At June 30, 2015, this represents approximately 48% of the value of the pool's securities.

TIPS Pool

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

*Credit Risk*

The IMB limits the exposure to credit risk in the pool by primarily investing in U.S. Treasury inflation protected securities. The following table provides the weighted-average credit ratings of the rated assets in the pool as of June 30, 2015 (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>		
Rated:				
U.S. Treasury Inflation-Protected Securities	Aaa	AA	\$ 427,774	99.9%
Money Market Mutual Fund	Aaa	AAA	<u>228</u>	<u>0.1%</u>
Total Rated Investments			<u>\$ 428,002</u>	<u>100%</u>

*Interest Rate Risk*

The IMB monitors interest rate risk of the pool by evaluating the real modified duration of the investments in the pool. The following table provides the weighted-average real modified duration for the various asset types in the pool as of June 30, 2015 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Modified Duration (Years)</u>
U.S. Treasury Inflation-Protected Securities	\$ 427,774	7.9
Money Market Mutual Fund	<u>228</u>	0.0
Total Assets	<u>\$ 428,002</u>	7.9

## TRS Annuity Pool

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

## Private Equity

This pool was established to hold the IMB's investments in various private equity funds, a hedge fund, and a commingled investment fund. Franklin Park Associates, LLC has been retained by the IMB to provide consulting services for the private equity funds. The hedge fund is managed by Bridgewater Associates, LP and the commingled investment fund is managed by State Street Global Advisors. This pool holds limited partnerships, shares of a hedge fund, a commingled investment fund and a money market fund. The money market is rated AAA by Standards & Poor's and Aaa by Moody's. The pool is restricted from investing more than 10% of the IMB's total private equity exposure in a single fund. As of June 30, 2015, the pool was in compliance with this restriction.

Real Estate

This pool was established to hold the IMB's investments in real estate funds, real estate limited partnerships and real estate investment trusts (REITs). Courtland Partners, Ltd. has been retained by the IMB to provide consulting services for the real estate funds and limited partnerships. The REITs are managed by EII Capital Management, Inc. (EII) through September 24, 2014, CBRE Clarion Securities, LLC (CBRE), and Security Capital Research & Management, Inc. (SCRM).

*Credit Risk*

The IMB limits the exposure to credit risk in the Real Estate pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted-average credit ratings of the rated assets in the Real Estate pool as of June 30, 2015 (expressed in thousands):

Security Type	Credit Rating		Carrying Value Prior to Repurchase Collateral Included	Reclassified Repurchase Agreement to Actual Investment Types	Carrying Value	Percent of Assets
	Moody's	S&P				
Rated:						
Corporate Asset-Backed Issues	Aaa	AAA	\$ 4	\$ 150	\$ 154	0.00%
Corporate Collateralized Mortgage Obligations	Aaa	AAA	—	58	58	0.00%
Foreign Asset Backed Issues	Aaa	AAA	—	13	13	0.00%
Foreign Corporate Bonds	Aa	A	—	44	44	0.00%
Foreign Government Bond	Aa	A	—	6	6	0.00%
Money Market Mutual Fund	Aaa	AAA	37,584	—	37,584	2.50%
Negotiable Time Deposits	P-1	A-1	3,422	—	3,422	0.20%
U. S. Corporate Bonds	A1	A	48,929	25	48,954	3.30%
U.S. Government Agency Bond	Aaa	AA	—	6	6	0.00%
U.S. Government Agency CMO Interest-Only	Aaa	AA	—	1	1	0.00%
U.S. Government Agency MBS	Aaa	AA	—	2,776	2,776	0.20%
U.S. Preferred Stock	Baa	BB	72,959	1	72,960	4.90%
U.S. Treasury Issues	Aaa	AA	—	981	981	0.10%
Repurchase Agreements			<u>7,130</u>	<u>(7,130)</u>	<u>—</u>	<u>—%</u>
Total Rated Investments			<u>170,028</u>	<u>(3,069)</u>	<u>166,959</u>	<u>11.20%</u>
Unrated Investments:						
Common Stock			162,025	3,465	165,490	11.00%
Real Estate Limited Partnerships and Funds			1,166,391	—	1,166,391	77.80%
Securities Lending Repurchase Agreement						
Less Collateral Received			<u>(396)</u>	<u>—</u>	<u>(396)</u>	<u>0.00%</u>
Total Unrated Investments			<u>1,328,020</u>	<u>3,465</u>	<u>1,331,485</u>	<u>88.80%</u>
Total Investments			<u>\$ 1,498,048</u>	<u>\$ 396</u>	<u>\$ 1,498,444</u>	<u>100%</u>

*Interest Rate Risk*

The IMB monitors interest rate risk of the Real Estate pool by assessing the effective duration of the investments in the pool. The following table provides the weighted-average effective duration for the various asset types in the Real Estate pool as of June 30, 2015 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Modified Duration (Years)</u>
Rated:		
Asset-Backed Issues	\$ 4	1.0
Repurchase Agreements	7,130	0.0
Money Market Mutual Fund	37,584	0.0
Negotiable Time Deposits	3,422	0.0
U.S. Corporate Bonds	48,929	1.7
U.S. Preferred Stock	<u>72,959</u>	1.9
Total Rated Assets	<u>170,028</u>	1.3
Unrated :		
Common Stock	162,025	
Real Estate Limited Partnerships	<u>1,166,391</u>	
Total Unrated Assets	<u>1,328,416</u>	
Total Assets	<u>\$ 1,498,444</u>	

*Foreign Currency Risk*

The pool has real estate investment trusts and real estate limited partnerships and funds that are denominated in foreign currencies and are exposed to foreign currency risks. The amounts at fair value (in U.S. dollars) of investments denominated in foreign currencies as of June 30, 2015 (expressed in thousands):

<u>Currency</u>	<u>Investments</u>	<u>Percent</u>
Australian Dollar	\$ 4,884	0.3%
British Pound	5,856	0.4%
Canadian Dollar	156	0.0%
Euro Currency Unit	48,995	3.4%
Hong Kong Dollar	5,948	0.4%
Japanese Yen	8,907	0.6%
Singapore Dollar	2,179	0.1%
Swedish Krona	297	0.0%
Swiss Franc	<u>220</u>	<u>0.0%</u>
Subtotal	<u>77,442</u>	<u>5.2%</u>
United States Currency	<u>1,421,002</u>	<u>94.8%</u>
Total Assets	<u>\$ 1,498,444</u>	<u>100%</u>

*Hedge Fund*

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

Consolidated Fund

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

**WV Money Market**

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

*Credit Risk*

The BTI limits the exposure to credit risk in the WV Money Market pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. Additionally, 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, 2015, 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+	\$ 186,737	9.88%
		P-1	A-1	660,027	34.91%
Corporate Bonds and Notes		Aa3	A+	10,005	.53%
		Aa3	AA-	10,000	.53%
		Aa3	NR	10,000	.53%
U.S. Agency Bonds		Aaa	AA+	81,994	4.34%
U.S. Treasury Notes *		Aaa	AA+	229,760	12.15%
U.S. Treasury Bills *		P-1	A-1+	92,059	4.87%
Negotiable Certificates of Deposit		Aa2	AA-	10,000	0.53%
		P-1	A-1+	51,000	2.70%
		P-1	A-1	142,000	7.51%
U.S. Agency Discount Notes		P-1	A-1+	304,342	16.10%
Money Market Funds		Aaa	AAAm	90,017	4.76%
Repurchase Agreements (Underlying Securities):					
	U.S. Treasury Notes*	Aaa	AA+	1,323	0.07%
	U.S. Agency Notes*	Aaa	AA+	<u>11,200</u>	<u>.59%</u>
Total				<u>\$ 1,890,464</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 weighted-average maturities (WAM) for the various asset types in the WV Money Market pool as of June 30, 2015 (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	\$ 846,764	\$ 555,985	\$ 38,951	\$ 17,020	\$ 234,808	30
U.S. Treasury Bills	92,059	60,446	4,235	1,850	25,528	123
Corporate Bonds and Notes	30,000	19,698	1,380	603	8,319	75
Negotiable Certificates of Deposit	203,005	133,293	9,339	4,080	56,293	51
U.S. Agency Bonds	81,994	53,837	3,772	1,648	22,737	58
U.S. Agency Discount Notes	304,342	199,831	14,001	6,116	84,394	60
Money Market Funds	90,017	59,105	4,141	1,809	24,962	1
U.S. Treasury Notes	229,760	150,860	10,570	4,618	63,712	75
Repurchase Agreements (Underlying Securities):						1
U.S. Treasury Notes	1,323	869	60	27	367	
U.S. Agency Notes	<u>11,200</u>	<u>7,354</u>	<u>514</u>	<u>225</u>	<u>3,107</u>	
Total	<u>\$ 1,890,464</u>	<u>\$ 1,241,278</u>	<u>\$ 86,963</u>	<u>\$ 37,996</u>	<u>\$ 524,227</u>	47
Percentage of Ownership	100%	65.66%	4.60%	2.01%	27.73%	

**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, 2015 (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value</u>	<u>Percent of Pool Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>		
U.S. Agency Bonds	Aaa	AA+	\$ 6,000	2.41%
U.S. Treasury Notes *	Aaa	AA+	34,019	13.69%
U.S. Treasury Bills *	P-1	A-1+	11,991	4.83%
U.S. Agency Discount Notes	P-1	A-1+	152,299	61.30%
Money Market Funds	Aaa	AAAm	59	0.02%
Repurchase Agreements (Underlying Securities):				
U.S. Agency Notes	Aaa	AA+	<u>44,100</u>	<u>17.75%</u>
Total			<u>\$ 248,468</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 weighted-average maturities (WAM) for the various asset types in the WV Government Money Market pool as of June 30, 2015 (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	\$ 152,299	\$ 594	\$ 138,379	\$ 13,326	51
U.S. Agency Bonds	6,000	23	5,451	526	30
U.S. Treasury Bills	11,991	47	10,895	1,049	160
Money Market Funds	59	—	54	5	1
U.S. Treasury Notes	34,019	133	30,909	2,977	80
Repurchase Agreements (Underlying Securities):					
U.S. Agency Notes	<u>44,100</u>	<u>172</u>	<u>40,069</u>	<u>3,859</u>	1
Total	<u>\$ 248,468</u>	<u>\$ 969</u>	<u>\$ 225,757</u>	<u>\$ 21,742</u>	51
Percentage of Ownership	100%	0.39%	90.86%	8.75%	

## WV Short Term Bond

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

### *Credit Risk*

The BTI limits the exposure to credit risk in the WV Short Term Bond pool by requiring all corporate bonds to be rated BBB- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's and Aaa by Moody's. The following table provides information on the credit ratings of the WV Short Term Bond pool's investments as of June 30, 2015 (expressed in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Corporate Asset-Backed Securities	Aaa	AAA	\$ 106,301	13.96%
	Aaa	AA+	3,822	.50%
	Aaa	NR	105,366	13.84%
	NR	AAA	80,008	10.51%
Corporate Bonds and Notes	Aaa	AA+	7,689	1.01%
	Aa1	AA+	5,013	0.66%
	Aa1	AA	4,039	0.53%
	Aa2	AA+	4,041	0.53%
	Aa2	AA	6,987	0.92%
	Aa2	AA-	15,025	1.97%
	Aa2	A	1,496	0.20%
	Aa2	A-	1,001	0.13%
	Aa3	AA-	16,380	2.15%
	Aa3	A+	15,787	2.07%
	A1	AA+	7,097	0.93%
	A1	AA-	21,552	2.83%
	A1	A+	24,116	3.17%
	A1	A	8,078	1.06%
	A2	A+	4,617	0.61%
	A2	A	45,485	5.97%
	A2	A-	9,485	1.25%
	A3	A-	43,564	5.72%
	A3	A	20,699	2.72%
	A3	BBB+	9,745	1.28%
	Baa1	A	2,001	0.26%
	Baa1	A-	27,754	3.64%
	Baa1	BBB+	33,751	4.43%
	Baa1	BBB	12,788	1.68%
	Baa1	BBB-	500	0.07%
	Baa2	BBB+	3,205	0.42%
	Baa2	BBB	19,066	2.50%
Baa2	BBB-	3,008	0.40%	
Baa3	BBB+	2,125	0.28%	
Baa3	BBB	6,265	0.82%	
Baa3	BBB-	17,460	2.29%	
U.S. Agency Mortgage-Backed Securities *	Aaa	AA+	32,198	4.23%
Money Market Funds	Aaa	AAAm	34,012	4.46%
Total			<u>\$ 761,526</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, 2015 (expressed in thousands):

<u>Security Type</u>	<u>Total Carrying Value</u>	<u>Primary Government</u>	<u>Investment Trust Funds</u>	<u>Component Units</u>	<u>Effective Duration (Days)</u>
Corporate Bonds and Notes	\$ 399,822	\$ 358,240	\$ 2,319	\$ 39,263	495
U.S. Agency Bonds	—	—	—	—	—
U.S. Treasury Notes	—	—	—	—	—
Corporate Asset-Backed Securities	295,494	264,762	1,714	29,018	357
U.S. Agency Mortgage-Backed Securities	32,198	28,849	187	3,162	267
Commercial Paper	—	—	—	—	—
Money Market Funds	<u>34,012</u>	<u>30,476</u>	<u>197</u>	<u>3,339</u>	1
Total	<u>\$ 761,526</u>	<u>\$ 682,327</u>	<u>\$ 4,417</u>	<u>\$ 74,782</u>	410
Percentage of Ownership	100%	89.60%	0.58%	9.82%	

**WV Bank Pool**

This pool consists of certificates of deposit purchased by the State through the BidWV auction program. The program purchases CDs from eligible banks and depositories to make state investment funds available for consumer and business loans within the State. The nonnegotiable certificates of deposit in this pool total approximately \$116 million, with maturities ranging from July 2015 to December 2015, and an interest in a money market mutual fund valued at approximately \$66,000.

**Loans**

This pool is comprised of loans made by the State. The \$1 unit price is utilized for accounting purposes only. The State is the sole participant in this pool. This pool primarily holds intergovernmental loans and an investment in a money market mutual fund in the amount of approximately \$48,000 with a weighted-average maturity of one day which is rated AAAM by Standard & Poor's and Aaa by Moody's. The loans are not rated by any nationally recognized statistical rating organization; however, as there is the potential for defaults, they are exposed to credit risk. For financial statement purposes, the intergovernmental loans are reflected in the Advances to Component Units line on the Statement of Net Position. The BTI addresses the credit risk by evaluating the need for and establishing a reserve for uncollectible loans.

**Reserve**

This pool is composed of an interest-bearing depository account with funds totaling approximately \$18,712,000 in a bank depository. The pool was created to provide an added layer of security for the WV Money Market and WV Government Money Market pools. The objective of this pool is to provide support for the WV Money Market and WV Government Money Market pools to ensure their unit net position levels do not fall below \$0.9975. The State is the sole participant in this pool.

## Participant-Directed Accounts

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

### Municipal Bond Commission

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

The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in the Municipal Bond Commission account arising from increasing interest rates. The following table provides information on the weighted-average maturities for the various asset types in the Municipal Bond Commission account as of June 30, 2015 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (Days)</u>
U.S. Treasury Bonds and Notes	\$ 3,706	724
State and Local Government Securities	<u>825</u>	334
Total Assets	<u>\$ 4,531</u>	653

### School Fund

The School Fund account holds an interest in a money market mutual fund valued at \$2,174,000 with a weighted-average maturity of one day. The mutual fund is rated AAAM by Standard & Poor's and Aaa by Moody's as of June 30, 2015 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Interest Rate Risk</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
<b>Governmental Activities:</b>					
Money Market	\$ 2,174	\$ 2,174	\$ —	\$ —	\$ —

### EDA-AW

This account holds a U.S. Treasury bond valued at \$1,886,000 that matures on August 15, 2023. The Economic Development Authority's investment policy limits this account to holding only U.S. Treasury securities with twenty-year maturities at time of purchase as of June 30, 2015 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Interest Rate Risk</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
<b>Component Unit Activities:</b>					
U.S. Treasury Bond	\$ 1,886	\$ —	\$ —	\$ 1,886	\$ —

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, 2015 (expressed in thousands):

	<b>Disclosed Value</b>	<b>Pool Receivables/ (Payables)</b>	<b>Net Asset Values</b>
<b><u>IMB Pools</u></b>			
Large Cap Domestic Equity	\$ 3,839,299	\$ (419,807)	\$ 3,419,492
Non-Large Cap Domestic Equity	1,136,217	(324,789)	811,428
International Qualified	1,310,286	(46)	1,310,240
International Nonqualified	153,554	(5)	153,549
International Equity**	2,961,738	(202,906)	2,758,832
Short-Term Fixed Income	269,660	56	269,716
Total Return Fixed Income**	2,401,648	(8,029)	2,393,619
Core Fixed Income	1,091,596	(23,615)	1,067,981
TIPS Pool	428,002	1,531	429,533
TRS Annuity Pool	—	(96)	(96)
Private Equity	1,404,176	(175)	1,404,001
Private Real Estate	1,498,444	(8,897)	1,489,547
Hedge Fund	1,563,142	99,591	1,662,733
<b><u>BTI Pools</u></b>			
WV Money Market Pool	1,890,464	408	1,890,872
WV Government Money Market Pool	248,468	35	248,503
WV Short-Term Bond Pool	761,526	(76)	761,450
WV Bank Pool	116,066	45	116,111
Loss Amortization Pool	—	—	—
Loan Pool	125,197	13	125,210
Municipal Bond Commission Account	4,531	34	4,565
School Fund Account	2,174	—	2,174
Reserve Pool	18,712	4	18,716
EDA-AW	<u>1,886</u>	<u>34</u>	<u>1,920</u>
Total Pooled Investments	<u>21,226,786</u>	<u>(886,690)</u>	<u>20,340,096</u>
Less EDA	125,149	—	125,149
Less MBC	4,531	34	4,565
Less Nonnegotiable Certificates of Deposits	116,000	45	116,045
Less Reserve Pool in Depository	<u>18,712</u>	<u>4</u>	<u>18,716</u>
Total for Disclosure	<u>\$ 20,962,394</u>	<u>\$ (886,773)</u>	<u>\$ 20,075,621</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, 2015 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Credit Rating</u>	
		<u>S&amp;P</u>	<u>Moody's</u>
<b>Primary Government:</b>			
Guaranteed Investment Contracts	\$ 2,870	AA-	A2
Money Market/Mutual Funds	3,881	AAA	Aaa
	367,162	AAA	Aaa-mf
	3,044	AAA	Unrated
	348	Unrated	Unrated
Repurchase Agreement*	71,181	AAA	Aaa
State and Local Government Securities	7,694	Unrated	Unrated
U.S. Government and Agency Obligations	<u>99,977</u>	AAA	Aaa-mf
<b>Total Primary Government</b>	<b><u>\$ 556,157</u></b>		
<b>Pension &amp; Private Purpose Trust Funds:</b>			
Money Market/Mutual Funds	<u>\$ 2,682,752</u>	Unrated	Unrated
<b>Component Units:</b>			
Common and Preferred Stocks	\$ 5,708	Unrated	Unrated
Corporate Bonds	10,795	Unrated	Unrated
Corporate Stock	424	Unrated	Unrated
Fixed Income Fund	7,307	Aa2	AA-
Money Market/Mutual Funds	4,539	AAA	Baa2
	5,061	A	A1
	1,007	A-	A2
	4,324	AAA	Aaa
	135,626	AAA	Aaa
	29,231	AAA	Aaa-mf
	2,367	BB	Ba2
	264,854	Unrated	Unrated
Mortgages Held for Investment	18,574	Unrated	Unrated
Other Investments	16,591	A+	Unrated
	582	AA	Unrated
	1,388	AAA	Aaa-mf
	595	Unrated	AA-
	289,833	Unrated	Unrated
Repurchase Agreements **	793	AAA	Aaa-mf
	4,536	Unrated	Unrated
U.S. Government and Agency Obligations	158,254	AA+	Aaa
	3,713	AAA	Aaa-mf
	<u>188,298</u>	Unrated	Unrated
<b>Total Component Units</b>	<b><u>\$ 1,154,400</u></b>		

#### Underlying Securities:

\* Primary Government:

Federal Agency Obligations \$76,722

\*\* Component Units:

The \$4,536 is invested by the Foundations at the Higher Education institutions which are reported under FASB, and the information is not available.

The \$793 is invested in Governmental National Mortgage Association.

*Concentration of Credit Risk*

As of June 30, 2015, 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	12.8%
<b>Component Units:</b>			
Other Investments	281,840	Invested by the Foundations at the Higher Education institutions which are reported under FASB and the information is not available	24.4%

*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, 2015 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Interest Rate Risk</u>				
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	<u>N/A</u>
<b>Primary Government:</b>						
Guaranteed Investment Contracts	\$ 2,870	\$ —	\$ 2,870	\$ —	\$ —	\$ —
Money Market/Mutual Funds	374,435	374,435	—	—	—	—
Repurchase Agreements*	71,181	—	—	—	71,181	—
U.S. Government & Agency Obligations	99,977	99,977	—	—	—	—
State and Local Government Securities	<u>7,694</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,694</u>	<u>—</u>
<b>Total Primary Government</b>	<u>556,157</u>	<u>474,412</u>	<u>2,870</u>	<u>—</u>	<u>78,875</u>	<u>—</u>
<b>Pension &amp; Private Purpose Trust Funds:</b>						
Money Market/Mutual Funds	<u>2,682,752</u>	<u>2,682,752</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Component Units:</b>						
Common and Preferred Stocks	5,708	—	—	—	5,708	—
Corporate Bonds	10,795	—	—	—	—	10,795
Corporate Stock	424	424	—	—	—	—
Fixed Income Fund	7,307	352	4,118	1,616	1,147	74
Money Market/Mutual Funds	447,009	288,395	7,364	5,913	2,714	142,623
Mortgages Held for Investment	18,574	35	431	639	17,469	—
Other Investments	308,989	75,481	9,347	9,814	—	214,347
Repurchase Agreements**	5,329	5,329	—	—	—	—
U.S. Government & Agency Obligations	<u>350,265</u>	<u>116,003</u>	<u>99,717</u>	<u>43,709</u>	<u>83,963</u>	<u>6,873</u>
<b>Total Component Units</b>	<u>1,154,400</u>	<u>486,019</u>	<u>120,977</u>	<u>61,691</u>	<u>111,001</u>	<u>374,712</u>
<b>Total Outside Investments</b>	<u>\$ 4,393,309</u>	<u>\$ 3,643,183</u>	<u>\$ 123,847</u>	<u>\$ 61,691</u>	<u>\$ 189,876</u>	<u>\$ 374,712</u>

**Underlying Securities:**

\* Primary Government:

Federal Agency Obligations \$76,722

\*\* Component Units:

The \$4,536 is invested by the Foundations at the Higher Education institutions which are reported under FASB, and the information is not available.

The \$793 is invested in Governmental National Mortgage Association.

## 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, 2015 (expressed in thousands):

### Deposits:

Cash and Cash Equivalents as Reported on the Statement of Net Position	\$ 4,966,281
Cash and Cash Equivalents as Reported on the Statement of Fiduciary Net Position	507,610
Add:	
Non-negotiable Restricted Cash and Cash Equivalents as Reported on the Statement of Net Position	277,075
Certificates of Deposit Disclosed as Deposits	58,936
Less:	
Cash Equivalents and Restricted Cash Disclosed as Investments	(5,240,861)
Cash with U.S. Treasury for Unemployment Programs	<u>(114,721)</u>
Reported Value of Deposits as Disclosed in this Footnote	<u>\$ 454,320</u>

### Investments:

Investments as Reported on the Statement of Net Position	\$ 2,178,358
Investments as Reported on the Statement of Fiduciary Net Position	16,932,576
Add:	
Restricted Investments as Reported on the Statement of Net Position	184,728
Cash Equivalents and Restricted Cash Disclosed as Investments	5,240,861
Less:	
Non-negotiable Certificates of Deposit Disclosed as Deposits	(58,936)
Accrued Interest Disclosed as Investments	<u>(8,657)</u>
Reported Value of Investments as Disclosed in this Footnote	<u>\$ 24,468,930</u>

NOTE 5

RECEIVABLES

(Expressed in Thousands)

Receivables at June 30, 2015, 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	\$ 427,661	\$ 68,181	\$ —	\$ —	\$ 495,842
Accounts	249,664	56,576	30,831	11,583	348,654
Loans	4,719	—	—	—	4,719
Accrued Interest	164	—	2	—	166
Total Receivables	682,208	124,757	30,833	11,583	849,381
Allowance for Doubtful Accounts	(99,389)	—	—	(2,808)	(102,197)
Receivables, Net	<u>\$ 582,819</u>	<u>\$ 124,757</u>	<u>\$ 30,833</u>	<u>\$ 8,775</u>	<u>\$ 747,184</u>
As Reported on the Fund Financial Statements:					
Current Receivables	\$ 582,819	\$ 124,757	\$ 30,833	\$ 8,775	\$ 747,184
Noncurrent Receivables	—	—	—	—	—
Total Receivables, Net	<u>\$ 582,819</u>	<u>\$ 124,757</u>	<u>\$ 30,833</u>	<u>\$ 8,775</u>	<u>\$ 747,184</u>

	<b>Fiduciary</b>	
	<b>Pension and Other Employee Benefit Trust Fund</b>	<b>SMART 529</b>
Accounts	\$ 5,408	\$ —
Loans	5,146	—
Leases	—	—
Contributions	33,909	3,132
Accrued Interest	—	—
Total Receivables	44,463	3,132
Allowance for Doubtful Accounts	(372)	—
Receivables, Net	<u>\$ 44,091</u>	<u>\$ 3,132</u>
As Reported on the Fund/Component Units Financial Statements:		
Current Receivables, Net	\$ 44,091	\$ 3,132
Noncurrent Receivables, Net	—	—
Total Receivables, Net	<u>\$ 44,091</u>	<u>\$ 3,132</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
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
461	19,977	59,596	18	26,279	2,509	1,443	110,283	9,673
584,429	—	—	479,201	—	—	122,768	1,186,398	—
—	—	—	1,942	—	—	61	2,003	—
584,890	19,977	59,596	481,161	26,279	2,509	124,272	1,298,684	9,673
—	—	—	—	(1,474)	—	—	(1,474)	—
<u>\$ 584,890</u>	<u>\$ 19,977</u>	<u>\$ 59,596</u>	<u>\$ 481,161</u>	<u>\$ 24,805</u>	<u>\$ 2,509</u>	<u>\$ 124,272</u>	<u>\$ 1,297,210</u>	<u>\$ 9,673</u>
\$ 31,279	\$ 19,977	\$ 59,596	\$ 20,764	\$ 24,805	\$ 2,509	\$ 9,523	\$ 168,453	\$ 9,673
553,611	—	—	460,397	—	—	114,749	1,128,757	—
<u>\$ 584,890</u>	<u>\$ 19,977</u>	<u>\$ 59,596</u>	<u>\$ 481,161</u>	<u>\$ 24,805</u>	<u>\$ 2,509</u>	<u>\$ 124,272</u>	<u>\$ 1,297,210</u>	<u>\$ 9,673</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
\$ 32,529	\$ —	\$ 763,544	\$ 2,823	\$ 27	\$ 118,986	\$ 13,575	\$ —	\$ 2,819	\$ 934,303
—	124,724	63,806	—	215,556	66,023	—	—	5,524	475,633
—	54,971	—	—	—	—	—	—	—	54,971
—	—	—	—	—	—	—	—	—	—
—	1,197	217	51	3,457	—	—	249	—	5,171
32,529	180,892	827,567	2,874	219,040	185,009	13,575	249	8,343	1,470,078
—	(6,200)	(108,782)	—	—	(36,161)	—	—	—	(151,143)
<u>\$ 32,529</u>	<u>\$ 174,692</u>	<u>\$ 718,785</u>	<u>\$ 2,874</u>	<u>\$ 219,040</u>	<u>\$ 148,848</u>	<u>\$ 13,575</u>	<u>\$ 249</u>	<u>\$ 8,343</u>	<u>\$ 1,318,935</u>
\$ 32,529	\$ 9,666	\$ 7,602	\$ 2,874	\$ 10,975	\$ 101,757	\$ 13,575	\$ 249	\$ 3,080	\$ 182,307
—	165,026	711,183	—	208,065	47,091	—	—	5,263	1,136,628
<u>\$ 32,529</u>	<u>\$ 174,692</u>	<u>\$ 718,785</u>	<u>\$ 2,874</u>	<u>\$ 219,040</u>	<u>\$ 148,848</u>	<u>\$ 13,575</u>	<u>\$ 249</u>	<u>\$ 8,343</u>	<u>\$ 1,318,935</u>

## Taxes Receivable

Taxes Receivable at June 30, 2015, consisted of the following:

<u>Governmental Funds</u>			
	<u>General</u>	<u>Transportation</u>	<u>Total</u>
Taxes Receivable:			
Consumer Sales & Use Tax	\$ 121,347	\$ —	\$ 121,347
Personal Income	164,056	—	164,056
Severance	42,495	—	42,495
Business & Occupation	11,010	—	11,010
Automobile Privilege Taxes	—	19,868	19,868
Gasoline Excise	—	43,608	43,608
Registration Fees	—	4,705	4,705
Insurance	37,689	—	37,689
Corporate Net Income	20,290	—	20,290
Medicaid	24,469	—	24,469
Other	<u>6,305</u>	<u>—</u>	<u>6,305</u>
Subtotal for Taxes Receivables	<u>427,661</u>	<u>68,181</u>	<u>495,842</u>
Refunds Allowance	<u>(24,735)</u>	<u>—</u>	<u>(24,735)</u>
Total	<u>\$ 402,926</u>	<u>\$ 68,181</u>	<u>\$ 471,107</u>

## Leases Receivable

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

Year Ending June 30	Direct Financing Leases <u>Amount Due</u>
2016	\$ 5,373
2017	5,868
2018	5,868
2019	5,837
2020	5,318
2021-2036	<u>39,972</u>
Total Minimum Amount Due	68,236
Less Amount Representing Interest	<u>(54,972)</u>
Present Value of Minimum Lease Amount Due	<u>\$ 13,264</u>



NOTE 6

INTERFUND BALANCES

The following table details the interfund balances and activity as of and for the year ended June 30, 2015 (expressed in thousands):

Due To	Due From			Proprietary Water Pollution Control Revolving Fund
	Governmental		Other Nonmajor	
	General	Transportation		
Governmental Funds:				
General	\$ —	\$ 6,390	\$ 24	\$ —
Transportation	9,534	—	—	—
Other Nonmajor Governmental	101	—	—	—
Total Governmental Funds	<u>9,635</u>	<u>6,390</u>	<u>24</u>	<u>—</u>
Proprietary Funds:				
Unemployment Compensation	542	46	—	—
Public Employees' Insurance Agency	252	—	—	—
Board of Risk and Insurance Management	1	—	—	—
Other Nonmajor Enterprise	1,169	151	50	—
Internal Service Funds	<u>4,739</u>	<u>760</u>	<u>154</u>	<u>—</u>
Total Proprietary Funds	<u>6,703</u>	<u>957</u>	<u>204</u>	<u>—</u>
Fiduciary Funds:				
Pension and Other Employee Benefit Trust Fund	<u>1,321,016</u>	<u>145,263</u>	<u>27,581</u>	<u>352</u>
<u>Discretely Presented Component Units</u>				
Major:				
West Virginia Lottery	—	—	—	—
Parkways & Economic Development	—	—	—	—
Water Development Authority	—	—	—	9
Higher Education	12,555	132	—	—
Nonmajor:				
Educational Broadcasting Authority	—	—	—	—
State Rail Authority	<u>658</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Discretely Presented Component Units	<u>13,213</u>	<u>132</u>	<u>—</u>	<u>9</u>
Total	<u>\$1,350,567</u>	<u>\$152,742</u>	<u>\$27,809</u>	<u>\$ 361</u>

Due From								
Proprietary								
West Virginia Infrastructure and Jobs Development Council	Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Nonmajor Enterprise	Internal Service Funds	Pension and Other Benefit Trust Funds	Discretely Presented Component Units	Total	
\$ —	\$ 131	\$ 1	\$ 8	\$ 16	\$ 9	\$ 117,133	\$ 123,712	
—	92	—	—	—	—	169	9,795	
—	24	—	—	—	—	1,055	1,180	
—	247	1	8	16	9	118,357	134,687	
—	—	—	—	—	5	73	666	
—	—	—	4	7	62	965	1,290	
—	—	—	—	1	—	20	22	
—	2	—	1	8	—	41	1,422	
—	310	21	11	330	178	289	6,792	
—	312	21	16	346	245	1,388	10,192	
—	4,792	425	2,235	10,312	514	357,115	1,869,605	
—	—	—	—	—	—	1,400	1,400	
—	34	—	—	—	—	—	34	
195	6	—	14	—	—	—	224	
—	—	—	—	—	—	2,000	14,687	
—	2	—	—	—	—	—	2	
—	4	—	—	—	—	—	662	
195	46	—	14	—	—	3,400	17,009	
<u>\$ 195</u>	<u>\$ 5,397</u>	<u>\$ 447</u>	<u>\$ 2,273</u>	<u>\$ 10,674</u>	<u>\$ 768</u>	<u>\$ 480,260</u>	<u>\$ 2,031,493</u>	

Due from discretely presented component units includes \$125 million from the Lottery. The General Fund received \$47.9 million to be appropriated at a later date. The Legislature also approved the following distributions from the Lottery to the Senior Services (\$27.5 million), Division of Human Services (\$20 million), Department of Education – Public Education (\$8.9 million), and various other general purposes.

\*The Retiree Health Benefit Trust has not recorded a Due From equal to the Due To recorded at the agencies participating in the plan. GASB 43 requires that only the revenue/receivable that has a reasonable expectation of collection be recorded at RHBT, whereas GASB 45 requires each agency to record contractually owed liability to RHBT. The agencies have recorded a Due to RHBT of \$1.8 billion related to these receivables and obligations.

NOTE 7

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2015, consisted of the following (expressed in thousands):

	Transfers From			
	Governmental			
Transfers To	<u>General</u>	<u>Transportation</u>	<u>Tobacco Settlement Finance Authority</u>	<u>Other Nonmajor</u>
Governmental Funds:				
General	\$ —	\$ —	\$ 21,125	\$ 23,344
Transportation	17,245	—	—	—
Other Nonmajor Governmental	<u>61,922</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Governmental Funds	<u>79,167</u>	<u>—</u>	<u>21,125</u>	<u>23,344</u>
Proprietary Funds:				
Water Pollution Control Revolving Fund	—	—	—	21,856
Workers' Compensation Fund	220,255	—	—	—
Other Nonmajor Enterprise	7,678	—	—	34
Internal Service Funds	<u>9,592</u>	<u>5,000</u>	<u>—</u>	<u>—</u>
Total Proprietary Funds	<u>237,525</u>	<u>5,000</u>	<u>—</u>	<u>21,890</u>
Total	<u>\$ 316,692</u>	<u>\$ 5,000</u>	<u>\$ 21,125</u>	<u>\$ 45,234</u>

The deferred charge of the amortization of the future tobacco settlement revenue of the Tobacco Settlement Finance Authority resulted in a transfer of \$21.1 million to the General Fund. The General Fund transferred \$23 million to the West Virginia Infrastructure and Jobs Development Council and \$19 million to the Economic Development Project Fund for bond debt service. The General Fund also transferred certain dedicated taxes, in the amount of \$220.2 million, to the Workers' Compensation Fund to reduce the unfunded liability for claims prior to June 30, 2005.

Transfers From Proprietary				
West Virginia Infrastructure and Jobs Development Council	Unemployment Compensation	Other Nonmajor Enterprise	Internal Service Funds	Total
\$ 7	\$ —	\$ 19,485	\$ 1,367	\$ 65,328
—	—	—	—	17,245
<u>—</u>	<u>123</u>	<u>—</u>	<u>4,897</u>	<u>66,942</u>
<u>7</u>	<u>123</u>	<u>19,485</u>	<u>6,264</u>	<u>149,515</u>
4,371	—	—	—	26,227
—	—	—	—	220,255
1,769	—	—	—	9,481
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,592</u>
<u>6,140</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>270,555</u>
<u>\$ 6,147</u>	<u>\$ 123</u>	<u>\$ 19,485</u>	<u>\$ 6,264</u>	<u>\$ 420,070</u>

Of the \$17.2 million transferred from the General Fund to Transportation, \$9.5 million is allocated sales tax, and the balance is miscellaneous legislative appropriations. A reappropriation of funds from the Office of the Insurance Commissioner resulted in a \$16.7 million transfer to the General Fund. The Water Pollution Revolving Fund received \$21.8 million in grants from the West Virginia Department of Environmental Protection. All other transfers are made to finance various programs as authorized by the Legislature.



## NOTE 8

## RESTRICTED ASSETS

Restricted assets are held by special revenue funds, a debt service fund, enterprise funds, internal service funds, 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, 2015, are as follows (expressed in thousands):

	<u>Cash</u>	<u>Investments</u>	<u>Other</u>	<u>Totals</u>
Special Revenue:				
Environmental Programs	\$ 325	\$ —	\$ —	\$ 325
Public Service Commission	<u>1,144</u>	<u>—</u>	<u>—</u>	<u>1,144</u>
Total Special Revenue	<u>1,469</u>	<u>—</u>	<u>—</u>	<u>1,469</u>
Debt Service:				
West Virginia Infrastructure and Jobs Development Council	<u>1,020</u>	<u>—</u>	<u>—</u>	<u>1,020</u>
Total Debt Service:	<u>1,020</u>	<u>—</u>	<u>—</u>	<u>1,020</u>
Enterprise:				
Public Employees' Insurance Agency	24,950	—	—	24,950
Board of Risk and Insurance Management	<u>8,219</u>	<u>48,625</u>	<u>204,816</u>	<u>261,660</u>
Total Enterprise	<u>33,169</u>	<u>48,625</u>	<u>204,816</u>	<u>286,610</u>
Internal Service:				
State Building Fund	46,825	—	—	46,825
Travel Management	<u>8,925</u>	<u>—</u>	<u>—</u>	<u>8,925</u>
Total Internal Services	<u>55,750</u>	<u>—</u>	<u>—</u>	<u>55,750</u>
Discretely Presented Component Units:				
West Virginia Lottery	1,130	—	—	1,130
Economic Development Authority	10,980	—	—	10,980
Housing Development Authority	83,835	99,380	676,642	859,857
Parkways Authority	32,910	33,417	—	66,327
Water Development Authority	12,895	3,306	197,701	213,902
Regional Jail Authority	20,798	—	—	20,798
Solid Waste Management Board	3,267	—	1,373	4,640
Educational Broadcasting Authority	—	—	227	227
Jobs Investment Trust	1,321	—	—	1,321
Racing Commission	<u>18,531</u>	<u>—</u>	<u>580</u>	<u>19,111</u>
Total Discretely Presented Component Units	<u>185,667</u>	<u>136,103</u>	<u>876,523</u>	<u>1,198,293</u>
Total Restricted Assets	<u>\$ 277,075</u>	<u>\$ 184,728</u>	<u>\$ 1,081,339</u>	<u>\$ 1,543,142</u>

## Special Revenue Funds

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

### **Debt Service**

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

### **Enterprise Funds**

The Public Employees' Insurance Agency's restricted assets are the premium stabilization fund consisting of accumulated dividends and interest on optional life insurance policies to defray future premium increases. The Board of Risk and Insurance Management's (BRIM) cash and investment assets include funds to provide mine subsidence, medical malpractice, and general liability insurance coverage. BRIM's other restricted assets include advance deposits with insurance companies of \$204 million and \$597 thousand in receivables.

### **Internal Service Funds**

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

### **Discretely Presented Component Units**

The West Virginia Lottery's assets are restricted for the renovation of the Lottery building. The Economic Development Authority's assets are restricted to provide assurance that adequate amounts will be available to repay notes secured by the real estate being leased and to guarantee portions of certain loans made for economic development purposes. The Housing Development Fund's cash and cash equivalents assets are restricted on behalf of mortgagors and for payments collected on mortgages for which the fund acts as servicer only. The investments are primarily United States government and agency obligations, investment agreements, and certificates of deposit with maturities greater than 90 days to meet the requirements of bond resolutions. Other restricted assets for the Housing Development Fund of \$677 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 \$198 million restricted for revenue bonds receivable net of unamortized discount. The Regional Jail Authority's assets are restricted because of a safekeeping arrangement with inmates and for debt service and compliance with bond covenants.

The Educational Broadcasting Authority's (EBA) other restricted assets are in a charitable trust allowing the use of part of the interest to benefit the EBA. The Solid Waste Management Board's assets are restricted because their use is limited by applicable repayment agreements and certain assets are set aside to administer a revolving loan program in accordance with appropriations by the Legislature. Jobs Investment Trust's cash is restricted to fund loans or investments which satisfy the eligibility for the West Virginia Capital Access Program under the State Small Business Credit Initiative. The West Virginia Racing Commission's cash is restricted for unclaimed winning tickets and other trust holdings which are mandated by West Virginia Code.



## NOTE 9

## CAPITAL ASSETS

## Governmental Activities

(Expressed in Thousands)

	<u>Beginning Balance (as Restated)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,196,470	\$ 26,847	\$ —	\$ 1,223,317
Construction-in-Progress	<u>715,406</u>	<u>339,062</u>	<u>(160,375)</u>	<u>894,093</u>
Total Capital Assets, Not Being Depreciated	<u>1,911,876</u>	<u>365,909</u>	<u>(160,375)</u>	<u>2,117,410</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,477,768	47,978	(7,154)	1,518,592
Equipment	441,543	33,465	(19,100)	455,908
Infrastructure	11,999,022	112,848	—	12,111,870
Library Holdings	17,297	366	(1,139)	16,524
Land Improvements	34,616	488	—	35,104
Intangibles	<u>104,475</u>	<u>20,945</u>	<u>—</u>	<u>125,420</u>
Total Capital Assets, Being Depreciated	<u>14,074,721</u>	<u>216,090</u>	<u>(27,393)</u>	<u>14,263,418</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(513,859)	(36,998)	6,346	(544,511)
Equipment	(337,284)	(46,254)	17,270	(366,268)
Infrastructure	(5,652,555)	(308,699)	—	(5,961,254)
Library Holdings	(16,347)	(379)	1,140	(15,586)
Land Improvements	(12,701)	(2,176)	—	(14,877)
Intangibles	<u>(37,296)</u>	<u>(5,892)</u>	<u>—</u>	<u>(43,188)</u>
Total Accumulated Depreciation	<u>(6,570,042)</u>	<u>(400,398)</u>	<u>24,756</u>	<u>(6,945,684)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,504,679</u>	<u>(184,308)</u>	<u>(2,637)</u>	<u>7,317,734</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,416,555</u>	<u>\$ 181,601</u>	<u>\$ (163,012)</u>	<u>\$ 9,435,144</u>

Depreciation expense was charged to function as follows:

Legislative	\$ 76
Judicial	350
Executive	3,097
Administration	25,011
Commerce	6,843
Environmental Protection	59
Employment Programs	155
Education	2,219
Health and Human Resources	8,525
Military Affairs and Public Safety	18,299
Revenue	1,109
Transportation	330,340
Veterans Assistance	119
Regulatory Boards and Commissions	<u>4,196</u>
Total Governmental Activities Depreciation Expense	<u>\$ 400,398</u>

## Business-type Activities

(Expressed in Thousands)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 611	\$ —	\$ —	\$ 611
Total Capital Assets, Not Being Depreciated	<u>611</u>	<u>—</u>	<u>—</u>	<u>611</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,966	63	—	2,029
Equipment	6,674	184	(14)	6,844
Intangibles	<u>8,730</u>	<u>—</u>	<u>—</u>	<u>8,730</u>
Total Capital Assets, Being Depreciated	<u>17,370</u>	<u>247</u>	<u>(14)</u>	<u>17,603</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(993)	(75)	—	(1,068)
Equipment	(5,194)	(325)	13	(5,506)
Intangibles	<u>(8,619)</u>	<u>(58)</u>	<u>—</u>	<u>(8,677)</u>
Total Accumulated Depreciation	<u>(14,806)</u>	<u>(458)</u>	<u>13</u>	<u>(15,251)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,564</u>	<u>(211)</u>	<u>(1)</u>	<u>2,352</u>
Business-type Activities Capital Assets, Net	<u>\$ 3,175</u>	<u>\$ (211)</u>	<u>\$ (1)</u>	<u>\$ 2,963</u>
Depreciation expense was charged to function as follows:				
Public Employees' Insurance Agency	\$ 76			
Alcohol Beverage Control Administration	307			
Correctional Industries	<u>75</u>			
Total Business-type Activities Depreciation Expense	<u>\$ 458</u>			

## Discretely Presented Component Units

(Expressed in thousands)

	<u>Beginning Balance (as Restated)</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Discretely Presented Component Units:				
Capital Assets, Not Being Depreciated:				
Land	\$ 249,499	\$ 6,443	\$ (356)	\$ 255,586
Construction in progress	<u>297,430</u>	<u>207,310</u>	<u>(180,977)</u>	<u>323,763</u>
Total Capital Assets, Not Being Depreciated	<u>546,929</u>	<u>213,753</u>	<u>(181,333)</u>	<u>579,349</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,092,746	280,160	(1,999)	3,370,907
Equipment	462,641	29,683	(9,217)	483,107
Infrastructure	1,345,388	60,096	(374)	1,405,110
Library Holdings	179,105	7,708	(2,171)	184,642
Land Improvements	82,556	6,073	(169)	88,460
Intangibles	<u>180,434</u>	<u>3,888</u>	<u>(38)</u>	<u>184,284</u>
Total Capital Assets, Being Depreciated	<u>5,342,870</u>	<u>387,608</u>	<u>(13,968)</u>	<u>5,716,510</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(928,887)	(70,185)	1,283	(997,789)
Equipment	(310,070)	(36,852)	7,749	(339,173)
Infrastructure	(862,696)	(41,738)	166	(904,268)
Library Holdings	(151,291)	(8,003)	2,164	(157,130)
Land Improvements	(38,114)	(4,615)	111	(42,618)
Intangibles	<u>(124,049)</u>	<u>(23,083)</u>	<u>38</u>	<u>(147,094)</u>
Total Accumulated Depreciation	<u>(2,415,107)</u>	<u>(184,476)</u>	<u>11,511</u>	<u>(2,588,072)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,927,763</u>	<u>203,132</u>	<u>(2,457)</u>	<u>3,128,438</u>
Discrete Component Unit Activities Capital Assets, Net	<u>\$ 3,474,692</u>	<u>\$ 416,885</u>	<u>\$ (183,790)</u>	<u>\$ 3,707,787</u>
Depreciation expense charged to functions as follows:				
Economic Development Authority	\$ 576			
Housing Development Fund	607			
Parkways Authority	35,357			
Water Development Authority	1,230			
Higher Education	136,820			
Educational Broadcasting Authority	775			
Jobs Investment Trust	26			
State Rail Authority	1,972			
Solid Waste Management Board	5			
Regional Jail Authority	5,621			
Lottery	1,354			
Public Defenders Corporation	92			
School Building Authority	31			
Municipal Pension Oversight Board	<u>10</u>			
Total Discrete Component Unit Depreciation Expense	<u>\$ 184,476</u>			



## NOTE 10

## LONG-TERM OBLIGATIONS

## Primary Government:

Long-term obligations at June 30, 2015, and changes for the fiscal year then ended are as follows (expressed in thousands):

## Governmental Activities:

					Balance	Amount
	Balance	Additions	Accretions	Reductions	Balance	Due
	June 30, 2014				June 30, 2015	Within
						One Year
General Obligation Bonds:						
Transportation	\$ 220,525	\$ 133,710	\$ —	\$ (185,390)	\$ 168,845	\$ 2,458
Premium/(Discount)	18,454	26,198	—	(17,092)	27,560	2,825
Total Transportation	238,979	159,908	—	(202,482)	196,405	5,283
WV Infrastructure and Jobs						
Development Council	217,043	71,655	3,952	(91,690)	200,960	16,283
Premium/(Discount)	4,406	10,597	—	—	15,003	802
Total WV Infrastructure and						
Jobs Development Council	221,449	82,252	3,952	(91,690)	215,963	17,085
Total General Obligation Bonds	460,428	242,160	3,952	(294,172)	412,368	22,368
Revenue Bonds:						
Transportation	52,525	—	—	(25,650)	26,875	26,875
Premium/(Discount)	2,040	—	—	(1,019)	1,021	1,021
Total Transportation	54,565	—	—	(26,669)	27,896	27,896
Tobacco Settlement Finance Authority	857,125	—	10,155	(12,205)	855,075	—
Economic Development Project Fund	163,830	—	—	(9,660)	154,170	10,105
Premium/(Discount)	(698)	—	—	70	(628)	(70)
Total Economic Development						
Project Fund	163,132	—	—	(9,590)	153,542	10,035
Education, Arts, Sciences, &						
Tourism Fund	145,370	—	—	(3,010)	142,360	3,130
Premium/(Discount)	6,395	—	—	(246)	6,149	246
Total Education, Arts, Sciences, &						
Tourism Fund	151,765	—	—	(3,256)	148,509	3,376
Total Revenue Bonds	1,226,587	—	10,155	(51,720)	1,185,022	41,307
Capital Leases - Governmental	8,241	580	—	(892)	7,929	306
Capital Leases - Internal Service Funds	3,078	—	—	(113)	2,965	119
Capital Leases Payable to Component Unit	243,790	30,270	—	(13,065)	260,995	13,821
Total Capital Leases (see Note 11)	255,109	30,850	—	(14,070)	271,889	14,246
Notes Payable	16,086	10,163	—	(8,330)	17,919	7,087
Other Obligations:						
Medicaid	459,180	18,648	—	(30,615)	447,213	447,213
Tax Refunds	275,890	287,347	—	(275,890)	287,347	152,349
Claims and Judgments (see Note 15)	431,298	56,729	—	(13,328)	474,699	58,393
Other	82,824	94,738	—	(84,485)	93,077	59,750
Total Accrued and Other Liabilities	1,249,192	457,462	—	(404,318)	1,302,336	717,705
Compensated Absences	89,207	1,900	—	(2,020)	89,087	59,429
Net Pension Liability including Internal						
Service Funds (see Note 12)	114,455	3,466,557	—	—	3,581,012	—
Total Other Obligations	1,452,854	3,925,919	—	(406,338)	4,972,435	777,134
Total Governmental Activities						
Long-Term Obligations	\$ 3,411,064	\$ 4,209,092	\$ 14,107	\$ (774,630)	\$ 6,859,633	\$ 862,142

<b>Business-type Activities</b>	<b>Balance June 30, 2014</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2015</b>	<b>Amount Due Within One Year</b>
WV Infrastructure and Jobs					
Development Council Revenue Bonds	\$ 111,205	\$ 75,790	\$ (2,620)	\$ 184,375	\$ 6,035
Premium /(Discount)	<u>1,530</u>	<u>12,351</u>	<u>(494)</u>	<u>13,387</u>	<u>679</u>
Total WV Infrastructure and Jobs					
Development Council Revenue Bonds	112,735	88,141	(3,114)	197,762	6,714
Accrued Tuition Contract Benefits	86,622	—	(4,697)	81,925	16,653
Insurance and Compensation Benefits	1,998,480	671,075	(793,696)	1,875,859	343,939
Compensated Absences	640	42	(44)	638	150
Net Pension Liability (see Note 12)	—	1,806	—	1,806	—
Accrued and Other	<u>17,481</u>	<u>2,855</u>	<u>(2,082)</u>	<u>18,254</u>	<u>18,254</u>
Total Business-type Activities Long Term	<u>\$ 2,215,958</u>	<u>\$ 763,919</u>	<u>\$ (803,633)</u>	<u>\$ 2,176,244</u>	<u>\$ 385,710</u>

The assets of the general, special revenue, and internal service funds are used to liquidate the capital lease obligations and accrued and other liabilities of their respective fund types. Compensated absences liabilities are liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. The net pension 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, \$2.2 million of internal service funds compensated absences are included in the governmental amounts.

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

Compliance – Various debt agreements governing the State's bonds contain a number of covenants, including continuing disclosure requirements, debt service coverage ratio, and maintaining debt service reserve and maintenance reserve funds. It is required that debt service reserve funds, and maintenance reserve funds are to be held with a trustee. As of June 30, 2015, the debt service reserve funds approximated \$73 million, and the maintenance reserve funds approximated \$10 million.

General Obligation Bonds – The State has constitutionally limited its ability to incur debt. The State's general obligation debt must be authorized by constitutional amendment. A proposed amendment must be approved by two-thirds of both the Senate and the House of Delegates before it can be ratified or rejected by the voters. Once the amendment has voter approval, the Legislature must pass specific legislation authorizing the issuance of general obligation debt. Bonds for veterans' bonuses were authorized in 1973, 1992, and 2004. The bonds authorized were \$40 million, \$4 million, and \$8 million, respectively. General revenue funds were available for these bonuses;

therefore, none of these bonds were issued. General obligation bonds outstanding at June 30, 2015, were as follows (expressed in thousands):

	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Transportation Bonds:			
Payable from State Road Fund to build roads, issued under:			
1996 SAFE Roads Amendment	2025	3.00% 5.00%	\$ 196,405
Infrastructure Bonds:			
Payable from dedicated severance tax revenues to fund			
water, wastewater, and economic development projects	2027	.020%-7.625%	<u>215,963</u>
Total			<u>\$ 412,368</u>

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2015, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 11,813	\$ 14,367	\$ 26,180
2017	24,935	13,189	38,124
2018	25,965	11,960	37,925
2019	27,315	10,656	37,971
2020	27,196	9,372	36,568
2021-2025	151,881	26,352	178,233
2026-2030	<u>27,730</u>	<u>1,123</u>	<u>28,853</u>
	<u>296,835</u>	<u>87,019</u>	<u>383,854</u>
<b>Premium</b>	<u>42,563</u>	—	<u>42,563</u>
<b>Total</b>	<u>339,398</u>	<u>\$ 87,019</u>	<u>\$ 426,417</u>

**Capital Appreciation Bonds**

<u>Year Ended June 30</u>	<u>Principal Net of Accreted Amounts</u>	<u>Future Accreted Amounts</u>	<u>Total</u>
2016	6,928	\$ 122	\$ 7,050
2017	6,640	485	7,125
2018	6,240	835	7,075
2019	5,862	1,163	7,025
2020	6,778	1,797	8,575
2021-2025	30,133	14,716	44,849
2026-2030	<u>10,389</u>	<u>8,311</u>	<u>18,700</u>
<b>Total</b>	<u>72,970</u>	<u>\$ 27,429</u>	<u>\$ 100,399</u>

**Total General Obligation Bonds**      \$ 412,368

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

The following describes the purpose and dedicated revenue source of revenue bonds outstanding at June 30, 2015:

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

The Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007 are comprised of two series of turbo term bonds, the Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007A, which are current interest bonds issued in the amount of \$845,810,000, and the Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007B, which are capital appreciation bonds in the amount of \$65,331,503. The Series 2007 Bonds are secured by and are payable solely from the right, title, and interest of the TSFA of 100% of the Tobacco Receipts, and investment earnings on the accounts with the trustee under the Indenture. The tobacco receipts through 2039 have been estimated to be approximately \$2.4 billion, using 85% (the percentage actually received 2005-2007) of the amount calculated by the National Governor’s Association. Assuming a 5.2% interest rate, the net present value of the receipts is \$897 million. During FY 2015, \$67.4 million was paid for interest and principal. Actual tobacco receipts of \$67.0 million and interest earnings were used for the payments.

### **Economic Development Grants Fund**

The Economic Development Project Fund bonds, issued by EDA in FY 2004 in the amount of \$249.9 million to provide financing for various economic development project grants, are payable through 2027. The State has committed to appropriate each year,

from the West Virginia Lottery net profits, amounts sufficient to cover the principal and interest requirements on the EDA debt. EDA has pledged these revenues as the sole security for the bonds. Total principal and interest remaining on the debt is \$215.9 million with annual requirements ranging from \$19.0 million in FY 2016 to \$7.1 million in the final year. For the current year, principal and interest paid were \$18.8 million and the net profits of the Lottery committed to the debt were \$19 million.

### **EAST Fund**

New Education, Arts, Sciences, and Tourism Fund (EAST) bonds were issued by the Economic Development Authority (EDA) in FY 2011 in the amount of \$155.6 million to provide financing for capital projects which promote education, and tourism, payable through 2040. The State has committed to appropriate each year, from 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 \$249.9 million. For the current year, principal and interest paid were \$10 million, and the net profits of the Lottery committed to the debt were \$10 million.

Revenue bonds outstanding at June 30, 2015, were as follows (expressed in thousands):

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Transportation	2006-2009	2016	3.75-5.00	\$ 27,896
Tobacco Settlement Finance Authority	2007	2047	7.47-8.50	855,075
Economic Development Project Fund	2004	2027	1.20-6.07	153,542
Education, Arts, Sciences, and Tourism Fund	2010	2040	2.00-5.00	<u>148,509</u>
Subtotal Governmental				1,185,022
WV Infrastructure and Jobs Development Council	2006-2014	2046	2.00-5.00	<u>197,762</u>
Total				<u>\$1,382,784</u>

Future amounts required to pay principal and interest on revenue bonds at June 30, 2015, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 72,790	\$ 78,076	\$ 150,866
2017	48,770	74,402	123,172
2018	41,625	71,581	113,206
2019	45,100	68,854	113,954
2020	48,865	65,899	114,764
2021-2025	311,245	274,419	585,664
2026-2030	382,065	153,979	536,044
2031-2035	209,130	36,433	245,563
2036-2040	66,570	11,353	77,923
2041-2045	8,655	1,189	9,844
2046-2050	890	21	911
	<u>1,235,705</u>	<u>836,206</u>	<u>2,071,911</u>
<b>Premium</b>	<u>19,929</u>	<u>—</u>	<u>19,929</u>
<b>Total</b>	<u>1,255,634</u>	<u>\$ 836,206</u>	<u>\$ 2,091,840</u>

**Capital Appreciation Bonds**

<u>Year Ended June 30</u>	<u>Principal Net of Accreted Amounts</u>	<u>Future Accreted Amounts</u>	<u>Total</u>
2016	—	\$ 11,037	\$ 11,037
2017	—	11,995	11,995
2018	—	13,036	13,036
2019	—	14,167	14,167
2020	—	15,397	15,397
2021-2025	—	99,509	99,509
2026-2030	—	150,872	150,872
2031-2035	—	166,612	166,612
2036-2040	127,151	53,286	180,437
2041-2045	—	—	—
<b>Total</b>	<u>127,151</u>	<u>\$ 535,911</u>	<u>\$ 663,062</u>
<b>Total Revenue Bonds</b>	<u>\$1,382,785</u>		

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

	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Information Services and Communications	2016-2017	1.00-2.73	\$ 431
Travel Management	2016-2019	0.99-2.78	<u>17,488</u>
<b>Total Notes Payable</b>			<u>\$ 17,919</u>

Future amounts required to pay principal and interest on notes payable at June 30, 2015, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 7,087	\$ 183	\$7,270
2017	5,041	103	5,144
2018	3,769	49	3,818
2019	<u>2,022</u>	<u>11</u>	<u>2,033</u>
<b>Total Notes Payable</b>	<b><u>\$17,919</u></b>	<b><u>\$ 346</u></b>	<b><u>\$18,265</u></b>

**Discretely Presented Component Units**

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

	<u>Balance June 30, 2014</u>	<u>Additions /Debt Issued</u>	<u>Reductions /Debt Paid</u>	<u>Other Changes</u>	<u>Balance June 30, 2015</u>	<u>Amount Due Within One Year</u>
Revenue Bonds:						
Economic Development Authority	\$ 243,790	\$30,270	\$ (13,065)	\$ -	\$ 260,995	\$ 13,821
Housing Development Fund	415,876	99,775	(124,820)	(448)	390,383	32,765
Parkways Authority	47,624	-	(8,540)	(150)	38,934	8,995
Water Development Authority	215,416	-	(7,875)	(502)	207,039	8,537
Higher Education	1,263,289	191,936	(37,991)	-	1,417,234	37,907
Regional Jail Authority	50,650	-	(6,150)	-	44,500	6,480
School Building Authority	<u>491,435</u>	<u>-</u>	<u>(29,555)</u>	<u>(645)</u>	<u>461,235</u>	<u>25,900</u>
Total Discretely Presented Component Unit Revenue Bonds	<b><u>\$ 2,728,080</u></b>	<b><u>\$321,981</u></b>	<b><u>\$(227,996)</u></b>	<b><u>\$(1,745)</u></b>	<b><u>\$2,820,320</u></b>	<b><u>\$ 134,405</u></b>
Capital Leases:						
Higher Education	<u>\$ 34,491</u>	<u>\$ 21,848</u>	<u>\$ (4,619)</u>	<u>\$ -</u>	<u>\$ 51,720</u>	<u>\$ 3,696</u>
Notes Payable:						
Housing Development Fund	\$ 959	\$ 105	\$ -	\$ -	\$ 1,064	\$ -
Economic Development Authority	7,361	747	-	-	8,108	790
Higher Education	37,526	4,549	(1,335)	-	40,740	2,072
Job Investment Trust	<u>5,985</u>	<u>-</u>	<u>(6,000)</u>	<u>15</u>	<u>-</u>	<u>-</u>
Total Discretely Presented Component Unit Notes Payable	<b><u>\$ 51,831</u></b>	<b><u>\$ 5,401</u></b>	<b><u>\$( 7,335)</u></b>	<b><u>\$ 15</u></b>	<b><u>\$ 49,912</u></b>	<b><u>\$ 2,862</u></b>
Total Discretely Presented Component Unit Net Pension Liability (see Note 12)	<u>\$ -</u>	<u>\$ 47,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,540</u>	<u>\$ -</u>

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	1999-2015	2040	2.07-5.23	\$ 260,995
Housing Development Fund	2004-2015	2045	0.40-6.00	390,383
Parkways Authority	2002-2008	2019	3.50-5.25	38,934
Water Development Authority	2005-2013	2044	2.00-5.125	207,039
Higher Education	1998-2014	2045	0.58-6.26	1,417,234
Regional Jail Authority	1998	2021	5.12-5.35	44,500
School Building Authority	2002-2014	2031	2.00-6.92	<u>461,235</u>
Total Revenue Bonds				<u>\$ 2,820,320</u>

Future amounts required to pay principal and interest on revenue bonds of the discretely presented component units at June 30, 2015, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 132,188	\$ 108,966	\$ 241,154
2017	212,136	104,277	316,413
2018	135,041	99,573	234,614
2019	139,634	94,423	234,057
2020	164,245	90,259	254,504
2021-2025	701,508	371,224	1,072,732
2026-2030	499,624	260,253	759,877
2031-2035	335,236	141,017	476,253
2036-2040	261,916	66,187	328,103
2041-2045	166,718	19,093	185,811
2046-2050	—	—	—
	<u>2,748,246</u>	<u>1,355,272</u>	<u>4,103,518</u>
Discount	(646)	—	(646)
Premium	<u>72,720</u>	—	<u>72,720</u>
Total	<u>\$ 2,820,320</u>	<u>\$ 1,355,272</u>	<u>\$ 4,175,592</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, 2015 (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	\$ 1,064
Economic Development Authority	2007 & 2013	2029	3.00	8,108
Higher Education	2008-2014	2033	1.90-6.65	<u>40,740</u>
Total Notes Payable				<u>\$ 49,912</u>

Future amounts required to pay principal and interest on notes payable of the discretely presented component units at June 30, 2015, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,786	\$ 482	\$ 3,268
2017	4,585	451	5,036
2018	2,851	426	3,277
2019	2,898	399	3,297
2020	2,949	370	3,319
2021-2025	17,492	1,425	18,917
2026-2030	7,526	685	8,211
2031-2035	6,105	131	6,236
2036-2040	<u>2,720</u>	—	<u>2,720</u>
Total	<u>\$49,912</u>	<u>\$4,369</u>	<u>\$54,281</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 2015. 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	\$25,100,000
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, 2015, 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, 2015, and the change in fair value of the instrument for the year ended June 30, 2015, 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, 2015, 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.

Using rates as of June 30, 2015, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (expressed in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

<u>Year Ended June 30</u>	<u>Variable-Rate Bonds</u>		<u>Interest Rate</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swap, Net</u>	
2016	\$ 5,900	\$ 274	\$ 1,070	\$ 7,244
2017	6,100	201	818	7,119
2018	6,400	141	558	7,099
2019	<u>6,700</u>	<u>74</u>	<u>286</u>	<u>7,060</u>
	<u>\$ 25,100</u>	<u>\$ 690</u>	<u>\$ 2,732</u>	<u>\$ 28,522</u>

#### **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, 2015, 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, 2015, is approximately \$1.6 billion and \$1.6 billion for HFA and EDA, respectively.

The Housing Development Fund (HDF) has an unused \$15 million line of credit with the Federal Home Loan Bank that is available as a warehouse line for the purchase of single-family, multifamily, and secondary market loans. This line of credit is secured by investments of the Bond Insurance Fund and is a general obligation of the HDF. At June 30, 2015, no advances had been drawn on this line of credit, and accordingly, no balance is outstanding.

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

During 2015, the Housing Development Fund redeemed or refunded bonds in the amount of \$64,525,000. The 2015 refundings reduced total debt service payments over the next 19 years by approximately \$21,188,000 and resulted in an economic gain (difference between the present value of the debt service payments of the refunded bonds and refunding bonds) of approximately \$7,507,000. Also during the year, the Fund redeemed \$101,225,000 of bonds at redemption prices that approximated their carrying value.

In November 2014, West Virginia University issued variable rate refunding revenue bonds 2014 Series C, in the par amount of \$50.2 million, to currently refund the University's \$50.0 million par value 2011 Series C bonds.

The Division of Highways issued on behalf of the State, \$133,710,000 in General Obligation Refunding Bonds, Series 2015A on April 28, 2015, resulting in proceeds of \$159,908,000 and will result in net present value savings of \$25,918,000 over the life of the bonds. The bonds that were refunded were called on June 1, 2015, and are no longer outstanding.

### **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, 2015, the following outstanding bonds are considered defeased (expressed in thousands):

	<b><u>Outstanding Amount</u></b>
Primary Government	\$ 80,915
Discretely Presented Component Units	<u>188,845</u>
Total	<u>\$ 269,760</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 \$261 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, 2015 (expressed in thousands):

<u>Asset Type</u>	<u>Primary Government Governmental Activities</u>	
	<u>Assets Acquired By Capital Lease</u>	<u>Accumulated Depreciation</u>
Land	\$ 2,362	\$ —
Building and Improvements	357,528	104,585
Construction in Process	10,687	—
Infrastructure	<u>1,175</u>	<u>1,027</u>
Total	<u>\$ 371,752</u>	<u>\$ 105,612</u>

Future minimum commitments under capital leases as of June 30, 2015, were as follows (expressed in thousands):

Year Ended June 30	Capital Leases		
	Governmental Activities, Including Payable to EDA	Discretely Presented Component Units	Total
2016	\$ 25,906	\$ 6,186	\$ 32,092
2017	26,330	11,358	37,688
2018	26,639	4,746	31,385
2019	26,840	4,641	31,481
2020	26,803	4,737	31,540
2021-2025	123,630	20,010	143,640
2026-2030	93,558	11,382	104,940
2031-2035	19,238	10,118	29,356
2036-2040	10,010	10,060	20,070
2041-2045	—	7,719	7,719
Total Minimum Lease Payments	378,954	90,957	469,911
Less: Interest	<u>(107,065)</u>	<u>(39,237)</u>	<u>(146,302)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 271,889</u>	<u>\$ 51,720</u>	<u>\$ 323,609</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, 2015, was \$36 million. Future minimum commitments under operating leases as of June 30, 2015, were as follows (expressed in thousands):

Year Ended June 30	Operating Leases			
	Governmental Activities	Business-type Activities	Discretely Presented Component Units	Total
2016	\$ 20,967	\$ 139	\$ 10,755	\$ 31,861
2017	22,633	70	8,173	30,876
2018	17,837	—	6,899	24,736
2019	11,570	—	5,592	17,162
2020	9,632	—	3,905	13,537
2021-2025	18,735	—	17,262	35,997
2026-2030	3,769	—	11,939	15,708
2031-2035	1,032	—	3,013	4,045
2036-2040	—	—	5	5
2041-2045	—	—	5	5
2046-2050	—	—	5	5
2051-2055	—	—	5	5
2056-2058	—	—	3	3
Total Minimum Lease Payments	<u>\$ 106,175</u>	<u>\$ 209</u>	<u>\$ 67,561</u>	<u>\$ 173,945</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, 2015 was 707, including 152 West Virginia State agencies, 105 cities and towns, 395 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. For all employees hired after July 1, 2015, qualification for normal retirement is age 62 with 10 years of service or at least age 55 with age and service equal to 80 or greater. 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.

- 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 140 participating members as of June 30, 2015. If there are fewer than 100 members on January 1, 2017, all members will be merged into the Emergency Medical Services Retirement System. The State makes no employer contributions to MPFRS.
- The Teachers' Retirement System (TRS) is a multiple-employer, cost-sharing, public employee retirement system. Fifty-five county public school systems, certain personnel of the thirteen State-supported institutions of higher education, West Virginia Department of Education, and boards of higher education participate in the TRS plan. There were 87 employers and one nonemployer contributing entity (the State) participating in the plan as of June 30, 2015.

### **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. For all employees hired after July 1, 2015, qualification for normal retirement is age 62 with 10 years of service or age 55 with 30 years of service. A member may retire at any age after 30 years with the pension reduced actuarially if the member retires before age 55. 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. For all employees hired after July 1, 2015, this age increases to 64. 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 10 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.

Plan membership consisted of the following as of the plan valuation date June 30, 2015:

	<u>SPDDRS</u>	<u>SPRS</u>	<u>JRS</u>
Retirees and beneficiaries currently receiving benefits	746	21	55
Terminated members entitled to benefits but not yet receiving them	3	10	1
Terminated nonvested members	1	121	1
Active members	<u>52</u>	<u>625</u>	<u>44</u>
Total	<u>802</u>	<u>777</u>	<u>101</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, 2015:

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

<u>System</u>	<u>Member</u>	<u>Employer</u>
PERS	4.5% - 6.0%	14.0%
TRS	6.0%	13.5% effective July 1, 2015 15.0% State 15.0% Counties
SPDDRF	9.0%	15.0%
SPRS	12.0%	13.5%
JRS	7.0%	12.0% effective July 1, 2015 Appropriated by the Legislature

The State's required and actual contributions for the year ended June 30, 2015 were (in thousands):

<u>System</u>	<u>Actual Contribution</u>
PERS	\$129,240
TRS	414,025
SPDDRF	21,668
SPRS	4,060
JRS	2,845

### **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 relate 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 \$319,327,000 for FY 2014, 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**

At June 30, 2015, the State reported a net pension liability of \$3,537,286,000, for its proportionate share of the multiple-employer cost-sharing plans which were measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to the measurement date of June 30, 2014. 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, 2014.

The State's proportionate share net pension liabilities for the PERS and TRS plans determined by the actuarial valuation as of June 30, 2013, was \$630,495,031 (69.16%) and \$3,961,833,980 including special funding situation (94.80%), respectively. At June 30, 2014, the State's proportionate share of the net pension liability for the PERS and TRS plans were \$252,194,000 (68.33%) and \$3,285,092,000 including special funding situation (95.22%), respectively. The State's proportionate share for FY 2015 has reduced by 0.83% for the PERS and increased by 0.42% for the TRS plan, which results in a change in net pension liability of \$378,301,032 and \$676,741,980 for PERS and TRS, respectively.

The State's amounts for net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense were allocated amount 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 and component units are as follows:

PERS (expressed in thousands)

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Total</u>
Proportionate share of Statewide amount	90.80%	0.72%	0.08%	8.40%	100.00%
Net pension liability	\$ 228,993	\$ 1,806	\$ 210	\$ 21,185	\$ 252,194
Pension expense	24,580	169	23	2,287	27,059
Deferred outflow of resources representing contributions subsequent to the measurement date	117,383	926	104	10,827	129,240
Deferred outflows of resources representing the net difference between projected and actual earnings on pension plan investments	6,217	14	-	304	6,535
Deferred inflows of resources representing the net difference between projected and actual earnings on pension plan investments	242,243	1,909	222	22,411	266,785
Deferred inflows of resources representing the changes in employer proportion	11,090	160	1	721	11,972

Deferred outflows of resources and deferred inflows of resources related to the PERS pension were from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ —	\$ (266,785)
Changes in proportion and difference between employer contributions and proportionate share of contributions	6,535	(11,972)
Contributions made subsequent to the measurement date	<u>129,240</u>	<u>—</u>
Total	<u>\$ 135,775</u>	<u>\$ (278,757)</u>

Deferred outflows of resources of \$129,240,000 related to pensions are the result of contributions made subsequent to the measurement date of June 30, 2014 and will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2016	\$(68,359)
2017	(68,359)
2018	(68,359)
2019	(67,145)

## TRRS including special funding situation (expressed in thousands)

	Governmental <u>Activities</u>	Component <u>Units</u>	<u>Total</u>
Proportionate share of Statewide amount	99.20%	0.80%	100.00%
Net pension liability	\$ 3,258,737	\$ 26,355	\$ 3,285,092
Pension expense, net of interfund special funding situation	180,602	879	181,481
Deferred outflow of resources representing contributions subsequent to the measurement date	410,868	3,157	414,025
Deferred outflows of resources representing the net difference between projected and actual earnings on pension plan investments	56,346	113	56,459
Deferred inflows of resources representing the net difference between projected and actual earnings on pension plan investments	430,741	3,484	434,225
Deferred inflows of resources representing the changes in employer proportion	38,853	2,869	41,722

Deferred outflows of resources and deferred inflows of resources related to the TRRS pension plan were from the following sources:

	Deferred Outflows <u>of Resources</u>	Deferred Inflows <u>of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ —	\$ (434,225)
Changes in proportion and difference between employer and proportionate share of contributions	56,459	(41,722)
Contributions made subsequent to the measurement date	<u>414,025</u>	<u>—</u>
Total	<u>\$ 470,484</u>	<u>\$ (475,947)</u>

Deferred outflows of resources of \$414,025,000 related to pensions are the result of contributions made subsequent to the measurement date of June 30, 2014 and will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2016	\$ (105,555)
2017	(105,555)
2018	(105,555)
2019	(105,555)
2020	2,732

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

As of June 30, 2015, the State's reported a net pension asset and a net pension liability of \$59,229,000 and \$93,282,000, respectively, for the single employer plans, which were measured as of June 30, 2014. The total pension liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to the measurement date of June 30, 2014. The amounts for net pension asset, net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense

were allocated to governmental activities based on each employer contributions to the SPDDRS, SPS, and JRS plans.

**Changes in the Net Pension Liability (Asset)**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
<b><u>SPDDRS</u></b>			
Balance at 6/30/2013	\$ 679,931	\$ 520,322	\$ 159,609
Changes for the year:			
Service cost	2,215	—	2,215
Interest	49,778	—	49,778
Contributions – employer	—	26,218	(26,218)
Contributions – employee	—	545	(545)
Net investment income	—	90,872	(90,872)
Benefit payments	(37,565)	(37,565)	—
Administrative expense	—	(53)	53
Other changes	<u>—</u>	<u>738</u>	<u>(738)</u>
Net Changes	<u>14,428</u>	<u>80,755</u>	<u>(66,327)</u>
Balances at 6/30/14	<u>\$ 694,359</u>	<u>\$ 601,077</u>	<u>\$ 93,282</u>

	<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>
<b><u>SRS</u></b>			
Balance at 6/30/2013	\$ 101,503	\$ 96,092	\$ 5,411
Changes for the year:			
Service cost	5,890	—	5,890
Interest	8,021	—	8,021
Contributions –	—	4,049	(4,049)
Contributions –	—	3,630	(3,630)
Net investment income	—	17,756	(17,756)
Benefit payments	(913)	(913)	—
Administrative expense	<u>—</u>	<u>(42)</u>	<u>42</u>
Net Changes	<u>12,998</u>	<u>24,480</u>	<u>(11,482)</u>
Balances at 6/30/14	<u>\$ 114,501</u>	<u>\$ 120,572</u>	<u>\$ ( 6,071)</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 6/30/2013	\$ 105,739	\$ 141,476	\$ (35,737)
Changes for the year:			
Service cost	2,819	—	2,819
Interest	7,978	—	7,978
Contributions – employer	—	2,456	(2,456)
Contributions – employee	—	474	(474)
Net investment income	—	25,263	(25,263)
Benefit payments	(4,455)	(4,455)	—
Administrative expense	—	(7)	7
Other changes	—	32	(32)
Net Changes	<u>6,342</u>	<u>23,763</u>	<u>(17,421)</u>
Balances at 6/30/14	<u>\$ 112,081</u>	<u>\$ 165,239</u>	<u>\$ (53,158)</u>

## SPDDRS (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	\$ —	\$ (41,738)
Contributions made subsequent to the measurement date	<u>21,668</u>	<u>—</u>
Total	<u>\$ 21,668</u>	<u>\$ (41,738)</u>

For the year ended June 30, 2015, the State recognized pension expense of \$2,366,000. Deferred outflows of resources of \$21,668,000 related to pensions are the result of contributions made subsequent to the measurement date of June 30, 2014 and will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30.</u>	
2016	\$ (10,435)
2017	(10,435)
2018	(10,435)
2019	(10,433)

SPRS (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	\$ —	\$ (8,202)
Contributions made subsequent to the measurement date	<u>4,060</u>	<u>—</u>
Total	<u>\$ 4,060</u>	<u>\$ (8,202)</u>

For the year ended June 30, 2015, the State recognized pension expense of \$769,000. Deferred outflows of resources of \$4,060,000 related to pensions are the result of contributions made subsequent to the measurement date of June 30, 2014 and will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2016	\$ (2,051)
2017	(2,051)
2018	(2,051)
2019	(2,049)

JRS (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	\$ —	\$ (11,761)
Contributions made subsequent to the measurement date	<u>2,845</u>	<u>—</u>
Total	<u>\$ 2,845</u>	<u>\$ (11,761)</u>

For the year ended June 30, 2015, the State recognized pension expense of \$(3,204,000). Deferred outflows of resources of \$2,845,000 related to pensions are the result of contributions made subsequent to the measurement date of June 30, 2014 and will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	
2016	\$ (2,940)
2017	(2,940)
2018	(2,940)
2019	(2,941)

## Actuarial Methods and Assumptions

The total pension liabilities for financial reporting purposes were determined by an actuarial valuation as of July 1, 2013 rolled forward to June 30, 2014, using the actuarial assumptions and methods.

Significant assumptions used in the actuarial valuations are as follows:

	PERS	TRS	SPDDRS
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Asset valuation method	Fair value	Fair value	Fair 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	4.25% – 6.0%	—	—
Nonstate	4.25% – 6.0%	—	—
TRS:			
Teachers	—	3.75% – 5.25%	—
Non Teachers	—	3.40% – 6.50%	—
SPDDRS:	—	—	5.0% for first 2 yrs of service 4.5% for the next 3 yrs of service 4.0% for the next 5 yrs and 3.25% thereafter
Inflation rate	3.0%	3.0%	3.0%
Discount rate	7.5%	7.5%	7.5%
Mortality rates	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	Active - RP2000, non-annuitant mortality table; retired - RP2000 healthy annuitant mortality table projected to 2020 with scale AA; disabled – RP2000 disabled annuitant mortality table projected to 2020 with scale AA, setback 2 yrs for males and setback 1 yrs for females	Active - RP2000 healthy non- annuitant mortality table, projected to 2020 using scale BB; retired RP2000 healthy annuitant mortality table projected to 2025 using scale BB; disabled RP2000 healthy annuitant mortality table projected to 2025 using scale BB, set forward 1 yr
Withdrawal rates			
State	1.0% - 26%	Teachers: 1.2% - 30%	0.0% - 2.67%
Nonstate	2.0% - 31.2%	Non-teachers: 1.4% - 22.5%	
Disability rates	0.0% - .8%	0.0% - .8%	.05% - .4%
Retirement rates	15% - 100%	0.0% - 100%	20% - 100%
Date range in most recent experience study	2004 - 2009	2006 - 2010	2006 - 2011

	SPRS	JRS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial valuation method	Fair value	Fair value
Amortization method	Level dollar, fixed period	Level dollar, fixed period
Amortization period	Through FY 2030	Through FY 2018
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	5.0% for first 2 yrs of service, 4.5% for next 3 yrs of service, 4.0% for the next 5 yrs, and 3.25% thereafter	4.25%
Inflation rate	3.0%	3.0%
Discount rate	7.5%	7.5%
Mortality rates	Active - RP2000 Non-annuitant mortality table projected to 2020 using scale BB; retired - RP-2000 healthy annuitant mortality table projected to 2025 using scale BB; disabled RP-2000 healthy annuitant mortality table projected to 2025 using scale BB, set forward 1 yr	Active – N/A; retired -RP2000 healthy annuitant mortality table projected to 2025 using scale BB; disabled – RP-2000 healthy annuitant mortality table projected to 2025 using scale BB, set forward 1 yr
Withdrawal rates	0.0% – 7.6%	-
Disability rates	.05% - .4%	-
Retirement rates	20% - 100%	5.0% - 100%
Date of most recent experience study	2006 - 2011	2007 - 2012

### 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, 2014:	<b>Long-Term Expected Rate of Return</b>	<b>Target Allocation</b>
<u>Asset Class</u>		
US Equity	5.4%	27.5%
International Equity	6.3%	27.5%
Core Fixed Income	0.7%	7.5%
High Yield Fixed Income	2.6%	7.5%
TIPS	0.7%	— %
Real Estate	4.6%	10.0%
Private Equity	7.7%	10.0%
Hedge Funds	2.8%	10.0%
Cash	2.2%	— %
Total		100.0%

## 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.

Regarding the sensitivity of proportionate share of the net pension liability (asset) on the plans to changes in the discount rate, the following table presents the plans' net pension liabilities (assets) calculated using the current discount rate of 7.5% as well as the plans' net pension liabilities (assets) if they were calculated using a discount rate that is one percentage point lower or one percentage point higher as of June 30, 2014 (in thousands):

	<b>Total Net Pension Liability (Asset)</b>		
	1% Decrease	Current	1% Increase
	(6.5%)	Discount Rate (7.5%)	(8.5%)
<u>As of June 30, 2014:</u>			
PERS	\$ 712,614	\$ 252,194	\$ (140,126)
TRS included special funding situation	4,260,382	3,285,092	2,447,783
SPDDRS	187,049	93,282	16,997
SPRS	16,244	(6,071)	(23,856)
JRS	(63,968)	(53,158)	(40,379)

Detailed pension plan fiduciary net position for all of the 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 4,662 and 4,831 members in the TDCRS plan at June 30, 2015 and 2014, 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.

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

*Custodial Credit Risk - Cash Deposits*

The TDCRS' cash deposits with financial institutions were approximately \$293,000 at June 30, 2015. These deposits, which had a bank balance of approximately \$293,000, 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, 2015, the TDCRS had the following investments and maturities (expressed in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>(in Years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Mutual Funds	\$417,465	\$417,465	\$—	\$—

For the year ended June 30, 2015, the approximate payroll of state employees covered by TDCRS was \$142 million. Both the employees and employers made the required contributions amounting to \$6.5 million and \$11 million, respectively, or approximately 4.60% and 7.9% 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, 2015, contributions were approximately \$43.2 million from the covered employees and approximately \$43.1 million from the 13 participating institutions from the State of West Virginia.

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

### Great-West Retirement Services

Higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have a one-time option to switch to the New Educators Money 401(a) basic retirement plan, administered by Great-West Retirement Services. New hires have the choice of either plan. For the year ended June 30, 2015, contributions were approximately \$683 thousand from the covered employees and \$683 thousand from the thirteen participating institutions from the State of West Virginia.



**NOTE 13****OTHER POSTEMPLOYMENT BENEFITS****General**

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

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

In addition to the pension benefits allowing certain retirees to convert sick leave to health care premiums, state statutes provide that employees who retire may continue participation in the State's health insurance plan subject to certain length of service and participation requirements. Such employees are eligible to participate in the public employees' insurance program by making the premium contribution specified by the PEIA Finance Board. Approximately 41,016 retirees and 76,762 active plan members met those eligibility requirements at June 30, 2015.

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

### **Plan Description**

In conjunction with the implementation of GASB Statement No. 43, the State established the Retiree Health Benefit Trust Fund (RHBT) under West Virginia Code §5-16D-2, an irrevocable trust, to account and report for the other postemployment benefits (OPEBs) provided under the multiemployer cost-sharing plan. The PEIA Finance Board was assigned the authority to establish and amend contribution requirements of the plan members and the participating employers, and PEIA administers the plan. The legislation requires the RHBT to determine, through an actuarial study, the contractually required contribution (CRC) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The CRC, which is reviewed and approved by the PEIA Finance Board, shall be allocated to the 628 respective employers who are required by law to remit at least the minimum annual premium component of the CRC.

The RHBT provides the following basic retiree benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, dental, and prescription drug coverage for retired employees of the State and various 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 formal commitment from the employer or statutory contractual requirement, when there is a reasonable expectation of collection. Benefits and refunds are recognized when due and payable. RHBT cash and cash equivalents principally consist of the deposits in the BTI pooled funds recorded at fair value as more fully described in Note 4.

The State's OPEB liability, including the county school boards, to RHBT at June 30, 2015, is \$1.8 billion. For financial reporting purposes the OPEB liability is reported as follows: the Governmental portion on the Balance Sheet is recorded in the Due to Other Funds; the Proprietary portion on the Statement of Net Position is also recorded in the Due to Other Funds; the liability is included in the Due to Fiduciary Funds on the government-wide Statement of Net Position.

## **Funding Policy**

Historically, the obligation associated with retiree health care benefits has been funded and recognized for financial statement purposes on a pay-as-you-go basis. The retiree premiums currently pay approximately 35% of health care claims for retirees and their dependents. The balance of the cost is funded by the State and other participating employers through a retiree subsidy, which is included in the premium charged for the coverage of each active employee. A non-Medicare plan member or beneficiaries receiving benefits contributes monthly health care premiums ranging from \$264 to \$1,055 per month for retiree-only coverage, and from \$529 to \$2,510 per month for retiree and spouse coverage. Medicare covered retirees are charged health care premiums ranging from \$84 to \$437 per month for retiree-only coverage, and from \$139 to \$1,464 per month for retiree and spouse coverage. Monthly premiums vary based on years of service and choice of coverage. The PEIA Finance Board has taken the first steps in addressing the OPEB problem by requiring any employees hired after July 1, 2010, to pay the full cost of premiums when they retire. This change will not have a substantial impact on the unfunded liability in the short-term but will virtually eliminate the unfunded liability in the long-run.

Revenues collected by RHBT will be used to fund current OPEB health care claims and administrative expenses with residual funds held in trust for future OPEB costs. The rates charged must generate sufficient revenues to not only meet all expected expenses, including insurance, administrative expenses, and incurred but unreported claims of the RHBT, but also include the amounts necessary to fund the unfunded obligation of the plan over an amortization period not to exceed 30 years. The total CRC for the years ended June 30, 2015, June 30, 2014, and June 30, 2013, were approximately \$262 million, \$253 million, and \$290 million, respectively. The percentages contributed were 58%, 65%, and 59%, respectively.

West Virginia Code §5-16-25 requires the Finance Board of PEIA to maintain a reserve of 10% of projected PEIA plan costs for general operation purposes and to provide future plan stability. In the event the reserve fund exceeds certain parameters specified in the Code, the excess is to be transferred to the West Virginia Retiree Health Benefit Trust Fund, in accordance with Senate Bill 129, which became effective July 1, 2007. In FY 2015, the PEIA reserve did not exceed funding parameters, resulting in zero funds transferred to the RHBT.

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

estimates that the aforementioned \$30 million transfers will likely commence in 2016.

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

### **Actuarial Value of Plan Assets**

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

### **Annual OPEB Cost**

The State's contributions to RHBT for the years ended June 30, 2015, and revised for June 30, 2014, and June 30, 2013, were approximately \$130 million, \$136 million, and \$159 million, respectively; 57%, 81%, and 85%, of the required amount, respectively. These contributions were approximately \$97 million, \$33 million, and \$28 million, respectively, less than the required contributions for each year.

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

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

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

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 \$14.5 million in unpaid claims and claim adjustment expenses at June 30, 2015.

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 \$1.1 million was paid on one claim filed in fiscal year 2015. There are seven claims pending as of June 30, 2015; accordingly, the actuarial estimate of the claims reserve at such date is undetermined. Since the inception of the PICF, there have been approximately \$6.2 million in payments through June 30, 2015. The assets and liabilities as of June 30, 2015, are approximately \$1.1 million. The amount of settlements in the major insurance enterprise funds have not exceeded insurance coverage in the past three years.

## *Description of the Funds*

### Board of Risk and Insurance Management

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

Underwriting and rate-setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be paid by the participants. The BRIM risk pool retains a \$1 million per occurrence coverage maximum on all third-party liability claims. In the normal course of business, BRIM seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable operating results by reinsuring levels of risk in various areas of exposure with other insurance enterprises or reinsurers. Excess coverage under this program is limited to \$400 million per event, subject to limits on certain property. Reinsurance permits recovery of a portion of losses from reinsurers; however, it does not discharge the primary liability of BRIM as direct insurer of the risks insured. BRIM had one reinsurance recovery at June 30, 2015 of \$1.2 million. 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 173,000 individuals, including participants and dependents.

### Workers' Compensation Fund

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

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

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

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

### **Unpaid Claims Liabilities**

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

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

	BRIM		PEIA		WCF	
	2015	2014	2015	2014	2015	2014
Unpaid claims and claims adjustments expense at beginning of year	<u>\$153,204</u>	<u>\$143,568</u>	<u>\$ 53,230</u>	<u>\$62,615</u>	<u>\$1,727,400</u>	<u>\$1,813,100</u>
Incurred claims and claims adjustments expense:						
Provision for insured events of the current fiscal year	62,342	58,389	555,751	515,769	292	465
Increase (decrease) in provision for insured events of prior fiscal years	5,803	3,237	320	(720)	(48,329)	31,105
Amortization of discount	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>81,378</u>	<u>85,398</u>
Total incurred claims and claims adjustment expense	<u>68,145</u>	<u>61,626</u>	<u>556,071</u>	<u>515,049</u>	<u>33,341</u>	<u>116,968</u>
Payments:						
Claims and claims adjustment expense attributable to insured events of the current fiscal year	11,146	10,560	474,120	471,415	13	63
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	<u>49,243</u>	<u>41,430</u>	<u>57,104</u>	<u>53,019</u>	<u>192,128</u>	<u>202,605</u>
Total payments	<u>60,389</u>	<u>51,990</u>	<u>531,224</u>	<u>524,434</u>	<u>192,141</u>	<u>202,668</u>
Total unpaid claims and claims adjustment expense liability, end of year	<u>\$160,960</u>	<u>\$153,204</u>	<u>\$ 78,077</u>	<u>\$ 53,230</u>	<u>\$1,568,600</u>	<u>\$1,727,400</u>

The above PEIA payments are net of pharmacy rebates of \$17,622,057 and \$10,485,407 for the years ended June 30, 2015 and June 30, 2014, 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 2015 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 \$14.2 million for fiscal year 2015. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense. At June 30, 2015, the total undiscounted claims liability for WCF approximated \$2.53 billion. Invested assets of WCF are not sufficient at current investment rates to retire the claims liability and WCF has a significant deficit. GASB standards provide that, if discounting is used, the pool should use a rate that is determined by giving consideration to such factors as the pool's expected settlement rate for those liabilities and its expected investment yield rate. Based on the expected investment yields on WCF's investment portfolio, the estimated liability for unpaid claims and claim adjustment expenses (claims liability) has been discounted using a blended rate of 5% and 3%. If discounting of the WCF claims liability was limited to anticipated investment income, the claims liability would have increased by approximately \$590 million to a claims liability of approximately \$2.16 billion, and the total deficit would have increased to approximately \$550 million at June 30, 2015.

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

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

As stated earlier in this note, the WCC was terminated effective December 31, 2005, and its powers were transferred to the Industrial Council established by Senate Bill 1004 to assist the Insurance Commissioner in the regulation of the workers' compensation system. Senate Bill 1004 further established a workers' compensation debt reduction fund in the State treasury for the deposit of monies received after June 30, 2005, including certain funds designated in Code §4-11a-2 (d): \$30 million to be received annually until 2025 from the tobacco master settlement agreement, which was stopped in Senate Bill 185, March 2007, and replaced with \$50.4 million in annual personal income tax proceeds in addition to the personal income tax proceeds already dedicated to the WCF, Code §29-22A-10, 10b: an estimated \$11 million to be received annually from the video lottery income, Code §11-13V-4: new and additional severance taxes imposed estimated to yield an approximate \$125 million annually, Code §11-21-96: personal income tax proceeds of approximately \$45 million annually, and Code §23-2C-3 (f) (3): monthly premium surcharges to be collected for all West Virginia employers expected to yield \$43 million annually. The net proceeds from collection of these monies are to be dedicated to paying the unfunded liability in the Workers' Compensation Fund until fully paid or paying debt service on bonds sold to raise funds to pay the unfunded liability in the Workers' Compensation Fund.

### **Required Supplementary Information**

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

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

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

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

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



## NOTE 15

## COMMITMENTS AND CONTINGENCIES

## Environmental Protection Claims

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

Management has estimated the total cost at current dollars of remediation efforts to approximate \$396.0 million at June 30, 2015. Approximately \$350 thousand is available to pay current remediation costs and is recorded in the governmental funds. Because it is not expected that the remaining estimated remediation costs will be liquidated by expendable available financial resources, an additional \$395.6 million obligation is reported as a liability in the governmental activities on the statement of net position. As such, the State has recorded in governmental activities the following liabilities related to the above programs at June 30, 2015 (expressed in thousands):

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Amount</u> <u>Due</u> <u>Within</u> <u>One Year</u>
Mine Reclamation Program	\$ 301,179	\$ —	\$ 29,445	\$ 271,734	\$ 47,217
Oil and Gas Well Program	261	101	—	362	362
Landfill Closure Assistance Program	101,530	19,182	—	120,712	9,618
Underground Storage Tanks	<u>3,442</u>	<u>—</u>	<u>259</u>	<u>3,183</u>	<u>350</u>
Total Environmental Liability	<u>\$ 406,412</u>	<u>\$ 19,283</u>	<u>\$ 29,704</u>	<u>\$ 395,991</u>	<u>\$ 57,547</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, or 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 noncomposite-lined facilities. The program designs and constructs all closure-related activities necessary to provide sufficient leachate management, sediment and erosion control, gas management, groundwater monitoring and final cover cap on noncomposite-lined landfills, as funds are available. The LCAP began with 28 landfills. Four landfills have been added to the original inventory by the Legislative process and one in 2015. There are seven landfills left to be closed. As of June 30, 2015, the liability is estimated at \$121 million and is projected to be paid through fiscal year 2051. In addition, the State, through the Solid Waste Management Board (the Board), operated one landfill that was closed in 1993. The Board made an application through the Department of Environmental Protection for closure assistance from the LCAP. The Board's application was accepted by the LCAP and since then the LCAP has paid the landfill costs.

## Underground Storage Tank (UST) Program

The insurance fund for the operators of the underground storage tanks has discontinued accepting new operators into the fund. In response to a lawsuit filed against the fund, the fund's assets have largely been paid out on a pro rata share to those insured. DEP continues to pursue additional sources of money from the Governor and the Legislature that will allow the insured sites to be remediated in an approved voluntary remediation plan or other cost-effective manner. DEP's plan also requires the claimants to submit a schedule for the completion of the work, and it is DEP's objective to have a clearly determined date by which remediation will be accomplished at all sites and no further reimbursements required. In this regard, it should be noted that 10 of 58 sites insured have been issued "no further action" letters, meaning they have been cleaned up to the required standards and will no longer incur additional cost. DEP believes requiring these sites to participate in an approved plan that requires the most cost-effective method of cleanup will result in an overall cost savings to the State and still protect the public health and environment. In the spring of 2008, the Legislature appropriated \$4 million for the UST program. DEP has maintained an inventory of claims submitted that have not been approved for payment by the Underground Storage Tank Advisory Committee and DEP, and these invoices will be reviewed by a consultant before payment. DEP notified tank owners that it would reimburse owners for all approved past costs and reimburse the seven priority sites for any ongoing work. DEP has entered into formal agreements with 20 of the 48 site owners. The fund balance at June 30, 2015, was \$4.6 million and there were claims paid from the fund in fiscal year 2015 of approximately \$288 thousand. As of June 30, 2015, \$3.2 million has been recorded as a liability in the accompanying financial statements.

## Other Contingencies

In addition to the \$395.9 million in environmental protection claims, the State has recorded an obligation in the amount of \$122.8 million, of which \$11.9 million is a current obligation, for the payment of other contingencies. Such other contingencies include, but are not limited to, claims assessed against the State for property damage and personal injury, alleged torts, alleged breaches of contract, and other alleged violations of state and federal laws and regulations. These claims are based on management's evaluation of the nature of such claims and consideration of historical loss experience for the respective types of action. Certain other claims may be covered by the State's insurance carrier under its general liability or medical malpractice coverage.

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

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

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

### **Federal Grants**

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

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

that may arise from cost disallowance or sanctions as a result of those audits and the related impact on the financial statements of the State or its component units is unknown. The ultimate resolution of the regulatory review process could materially impact the State's future change in financial position or cash flows in a particular period.

### Arbitrage Rebates

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

### Construction and Other Commitments

(Expressed in Thousands)

	<u>Amount Committed</u>	<u>Commitment</u>
Governmental Funds:		
Transportation	\$ 558,575	Construction
Enterprise Funds:		
Water Pollution Control Revolving Fund	92,747	Committed for loans
West Virginia Infrastructure and Jobs Development Council	119,547	Funding of water and economic Development projects
Drinking Water Treatment Revolving Fund	7,751	Lending consistent with Safe Drinking Water Act
Discretely Presented Component Units:		
West Virginia Lottery	8,416	Capital assets and construction
Economic Development Authority	51,131	Committed for loans
Housing Development Fund	4,300	Committed for loans
Parkways	30,316	Turnpike improvements
Higher Education	112,176	Construction
School Building Authority	110,022	Acquisition, construction and maintenance grants to county school boards

The Department of Transportation's Inspection Program (Transportation) 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 has signed an agreement providing for the purchase of steam for a remaining period of 15 years. Under the agreement, West Virginia University has an annual minimum steam purchase requirement, purchased at an operating rate calculated in accordance with the agreement. An additional \$600 thousand was accrued at June 30, 2015 to record the West Virginia University's liability to meet the minimum steam purchase requirement for the contract year ended September 30, 2015. 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 \$2.4 million at June 30, 2015, to fund the program obligations. Subsequent to year-end, the program received \$29 million from the Lottery and \$18.5 million in general revenue.

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

On July 1, 2015, the Housing Development Fund issued \$14,000,000 in special obligation bonds as a conduit issuer. The proceeds of these bonds will be used to provide affordable housing for persons living in the Martinsburg, West Virginia area.

On August 3, 2015, 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 \$4,020,000.

On September 10, 2015, the Housing Development Fund issued the Housing Finance 2015 Series C and Series D bonds in the amount of \$70,060,000. The proceeds were used to refund existing obligations currently eligible for redemption, as well as provide funding for purchase of additional single family mortgage loans.

On August 20, 2015, the West Virginia Economic Development Authority issued 2015 Series D Lease Revenue Bonds in the amount of \$28,545,000 to pay a portion of the costs to renovate and equip State Office Building 3 of the Capitol Complex in Charleston.

On January 14, 2016, the School Building Authority issued \$21,340,000, Series A 2016 Lottery Capital Improvement Revenue Bonds, resulting in proceeds of \$25,301,698. The proceeds will be used to make grants to finance capital improvements to public schools located in the State.

With the passage of Senate Bill 419 (SB 419), the Workers' Compensation Fund shall not receive any severance tax or personal income tax proceeds after February 29, 2016. The estimated reduction in revenues from these two sources was approximately \$205.4 million annually. SB 419 also redirected all employer premium surcharges, self-insured assessments, and net terminal proceeds collected, or to be collected, for the remainder of the fiscal year 2016 to the General Fund. The annual estimated proceeds for these revenues were approximately \$54 million.

On March 1, 2016, Senate Bill 558 (SB 558) was passed in the interest of maintaining the solvency of the Unemployment Compensation Fund. SB 558 provides a mechanism for the Governor to borrow funds from the Revenue Shortfall Reserve Fund for a limited period and loan those funds to the Unemployment Compensation Fund, which shall be used to pay benefits. Funds from the Revenue Shortfall Reserve Fund are only transferred if the balance of the Unemployment Compensation Fund drops below \$50 million. The Unemployment Compensation Fund shall repay the loan, without interest, to the Revenue Shortfall Reserve Fund within 180 days of withdrawal. On March 11, 2016, the Unemployment Compensation Fund received \$38,000,000 from the Revenue Shortfall Reserve Fund.

As of April 21, 2016, Standard & Poor's Ratings Services downgraded its rating on West Virginia's general obligation debt from AA to AA-, appropriation debt to A+, and moral obligation debt to A-. Also, the West Virginia Municipal Bond Program ratings were downgraded to AA- from AA because the rating is linked to the state rating. Their outlook on all ratings is stable.

As of May 6, 2016, the State Legislature has not approved a budget for fiscal year 2017.



## REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Budgetary Comparison  
Schedule

Notes to RSI

Budget-to-GAAP  
Reconciliation

Pension Information

*Canaan Valley is known for its vibrant fall foliage because it gets more rainfall than the surrounding areas. West Virginia's foliage season starts in August in the mountain counties and continues well into October in the western counties.*

**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2015**  
**(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	\$ 1,809,600	\$ 1,809,600	\$ 1,840,056	\$ 30,456
Consumer Sales	1,253,500	1,253,500	1,228,221	(25,279)
Severance	474,600	474,600	414,173	(60,427)
Corporate Income/Business Franchise	201,500	201,500	186,101	(15,399)
Business and Occupation	107,000	107,000	120,522	13,522
Gasoline and Motor Carrier	—	—	—	—
Wholesale Motor Fuel	—	—	—	—
Automobile Privilege	—	—	—	—
Other	251,800	251,800	246,097	(5,703)
Excess Lottery Transfer	92,600	92,600	93,228	628
Intergovernmental	—	—	—	—
Licenses, Permits, and Fees	9,451	9,451	8,971	(480)
Departmental Collections	17,600	17,600	18,223	623
Interest Income	1,500	1,500	2,343	843
Other	34,800	34,800	38,375	3,575
Industrial Access Road Transfer	—	—	—	—
<b>Total Revenues</b>	<b><u>4,253,951</u></b>	<b><u>4,253,951</u></b>	<b><u>4,196,310</u></b>	<b><u>(57,641)</u></b>
Expenditures:				
Legislature	27,372	35,133	22,451	12,682
Judicial	131,813	131,813	131,552	261
Executive	40,728	40,728	33,866	6,862
Department of Administration	72,687	72,687	68,422	4,265
Bureau of Commerce	63,698	63,698	55,366	8,332
Department of Environmental Protection	7,231	7,231	6,761	470
Education	2,458,379	2,458,379	2,445,564	12,815
Health and Human Resources	1,011,433	1,011,433	927,385	84,048
Military Affairs and Public Safety	368,276	357,276	332,876	24,400
Revenue	26,022	25,022	21,940	3,082
Transportation	6,222	6,222	2,290	3,932
Veteran's Assistance	11,532	11,532	10,658	874
Bureau of Senior Services	15,958	15,958	15,958	—
Miscellaneous Boards and Commissions	—	—	—	—
<b>Total Expenditures</b>	<b><u>4,241,351</u></b>	<b><u>4,237,112</u></b>	<b><u>4,075,089</u></b>	<b><u>162,023</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	12,600	16,839	121,221	104,382
Expenditures from Prior Year Appropriations	<u>442,242</u>	<u>442,242</u>	<u>181,149</u>	<u>261,093</u>
<b>Total Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year</b>	<b>(429,642)</b>	<b>(425,403)</b>	<b>(59,928)</b>	<b>365,475</b>
Budgetary Fund Balance, Beginning of Year, as Adjusted	440,903	440,903	440,903	—
Adjustments for Accruals, etc.	<u>—</u>	<u>—</u>	<u>184</u>	<u>184</u>
<b>Budgetary Fund Balance, End of Year</b>	<b><u>\$ 11,261</u></b>	<b><u>\$ 15,500</u></b>	<b><u>\$ 381,159</u></b>	<b><u>\$ 365,659</u></b>

<u>Federal Revenue</u>				<u>State Road</u>			
<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	425,500	425,500	434,853	9,353
—	—	—	—	—	—	—	—
—	—	—	—	176,680	176,680	206,026	29,346
—	—	—	—	—	—	—	—
4,998,615	4,532,697	3,986,991	(545,706)	—	—	—	—
—	—	—	—	423,000	423,000	349,661	(73,339)
—	—	—	—	91,674	91,674	100,601	8,927
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	37,064	37,064	22,909	(14,155)
—	—	—	—	<u>(3,000)</u>	<u>(3,000)</u>	<u>—</u>	<u>3,000</u>
<u>4,998,615</u>	<u>4,532,697</u>	<u>3,986,991</u>	<u>(545,706)</u>	<u>1,150,918</u>	<u>1,150,918</u>	<u>1,114,050</u>	<u>(36,868)</u>
3,000	3,000	757	2,243	—	—	—	—
2,000	2,500	2,224	276	—	—	—	—
9,706	22,089	4,717	17,372	—	—	—	—
47,957	49,957	49,957	—	—	—	—	—
130,057	148,367	55,178	93,189	—	—	—	—
195,073	196,338	93,034	103,304	—	—	—	—
563,589	573,589	419,535	154,054	—	—	—	—
3,359,580	3,509,835	3,279,754	230,081	—	—	—	—
161,448	162,961	62,586	100,375	—	—	—	—
14,211	14,211	5,179	9,032	—	—	—	—
33,622	33,622	21,887	11,735	1,172,780	1,218,780	1,043,885	174,895
10,193	10,193	6,692	3,501	—	—	—	—
14,536	14,536	13,078	1,458	—	—	—	—
<u>3,683</u>	<u>4,058</u>	<u>1,282</u>	<u>2,776</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>4,548,655</u>	<u>4,745,256</u>	<u>4,015,860</u>	<u>729,396</u>	<u>1,172,780</u>	<u>1,218,780</u>	<u>1,043,885</u>	<u>174,895</u>
449,960	(212,559)	(28,869)	183,690	(21,862)	(67,862)	70,165	138,027
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
449,960	(212,559)	(28,869)	183,690	(21,862)	(67,862)	70,165	138,027
62,341	62,341	62,341	—	81,259	81,259	81,259	—
<u>—</u>	<u>—</u>	<u>(517)</u>	<u>(517)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 512,301</u>	<u>\$ (150,218)</u>	<u>\$ 32,955</u>	<u>\$ 183,173</u>	<u>\$ 59,397</u>	<u>\$ 13,397</u>	<u>\$ 151,424</u>	<u>\$ 138,027</u>

(Continued)

**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2015**  
 (Expressed in thousands)  
 (Continued)

	<b>Special Revenue Fund</b>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
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	1,910,807	2,084,588	1,881,182	(203,406)
Interest Income	—	—	—	—
Other	—	—	—	—
Industrial Access Road Transfer	—	—	—	—
<b>Total Revenues</b>	<u>1,910,807</u>	<u>2,084,588</u>	<u>1,881,182</u>	<u>(203,406)</u>
Expenditures:				
Legislature	4,448	4,097	1,566	2,531
Judicial	1,200	1,200	1,199	1
Executive	39,714	48,957	32,047	16,910
Department of Administration	102,362	184,534	165,753	18,781
Bureau of Commerce	51,230	51,430	32,994	18,436
Department of Environmental Protection	69,990	71,399	33,725	37,674
Education	191,497	229,714	209,422	20,292
Health and Human Resources	547,833	601,802	488,393	113,409
Military Affairs and Public Safety	35,025	36,771	21,708	15,063
Revenue	903,469	1,164,438	640,262	524,176
Transportation	21,491	23,751	19,711	4,040
Veteran's Assistance	3,130	3,130	2,017	1,113
Bureau of Senior Services	57,827	89,182	88,043	1,139
Miscellaneous Boards and Commissions	150,656	134,331	103,982	30,349
<b>Total Expenditures</b>	<u>2,179,872</u>	<u>2,644,736</u>	<u>1,840,822</u>	<u>803,914</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	(269,065)	(560,148)	40,360	600,508
Expenditures from Prior Year Appropriations	<u>79,626</u>	<u>79,626</u>	<u>30,919</u>	<u>48,707</u>
<b>Total Excess (Deficiency) of Revenues Over     (Under) Expenditures Current Year</b>	<b>(348,691)</b>	<b>(639,774)</b>	<b>9,441</b>	<b>649,215</b>
Budgetary Fund Balance, Beginning of Year, as Adjusted	2,797,705	2,797,705	2,797,705	—
Adjustments for Accruals, etc.	<u>—</u>	<u>—</u>	<u>2,837</u>	<u>2,837</u>
<b>Budgetary Fund Balance, End of Year</b>	<u><b>\$ 2,449,014</b></u>	<u><b>\$ 2,157,931</b></u>	<u><b>\$ 2,809,983</b></u>	<u><b>\$ 652,052</b></u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

### **Notes to Required Supplementary Information**

#### **Budgetary Reporting**

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

#### **Budgetary Process**

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

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

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

In the event of higher than estimated revenue collections throughout the year, supplemental appropriation requests may be made to the Legislature. In FY 2014, Appropriated Special Revenue and Federal Funds were increased by total supplemental appropriations of \$225 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 \$378 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 2014 General Revenue were increased by approximately \$64 million for surplus appropriations. The \$64 million surplus appropriations is 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. However, due to complications associated with the start-up of a new accounting system, payments from expiring funds were made beyond the 31-day period following the fiscal year-end in FY 2014 and FY 2015.

### **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.

**2015 Budgetary Reporting**

In FY 2015, \$6.4 million was transferred to the Rainy Day Fund.

The State's budgetary General Revenue Fund balance at July 1, 2014, has been adjusted as follows (expressed in thousands):

**General Revenue Fund:**

Beginning Fund Balance	\$396,431
Prior Year Refunds	495
Transfer from Expired Funds	44,106
Adjustment	<u>(129)</u>
Adjusted Beginning Fund Balance	<u>\$440,903</u>

**Special Revenue Fund:**

Beginning Fund Balance	\$1,841,815
Rainy Day Funds	<u>955,890</u>
Adjusted Beginning Fund Balance	<u>\$2,797,705</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, 2015, 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, 2015**  
**(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	\$4,196,310	\$3,986,991	\$1,114,050	\$1,881,182
<b>Differences – Budget to GAAP:</b>				
Intrafund transactions not included in GAAP revenues:	(4,862,468)	—	—	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	65,328	—	17,245	—
Basis of Accounting Difference	481,603	—	(19,272)	—
<b>Reclassifications:</b>				
Nonappropriated Budgetary Fund's Revenue included as revenue/transfers in the GAAP General, Transportation, and Other Funds	5,058,270	—	18,197	—
Budgetary special revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority and Other Funds	929,876	—	13,667	(1,881,182)
Budgetary federal funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority and Other Funds	<u>3,765,573</u>	<u>(3,986,991)</u>	<u>21,990</u>	<u>—</u>
<b>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds</b>	<b><u>\$9,634,492</u></b>	<b><u>\$ —</u></b>	<b><u>\$1,165,877</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	\$ 4,256,238	\$4,015,860	\$1,043,885	\$ 1,871,741
<b>Differences – Budget to GAAP:</b>				
Intrafund transactions not included in GAAP expenditures	(4,862,468)	—	—	—
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(316,692)	—	(5,000)	—
Basis of Accounting Difference	503,100	—	94,532	—
<b>Reclassifications:</b>				
Nonappropriated Budgetary Fund's exp./transfers out included as exp, in the GAAP General, Transportation, WV Infrastructure, and Other Funds	5,054,007	—	22,548	—
Budgetary general revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	(10,767)	—	3,510	—
Budgetary special revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	1,031,097	—	19,711	(1,871,741)
Budgetary federal revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	<u>3,875,308</u>	<u>(4,015,860)</u>	<u>21,887</u>	<u>—</u>
<b>Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds</b>	<b><u>\$9,529,823</u></b>	<b><u>\$ —</u></b>	<b><u>\$1,201,073</u></b>	<b><u>\$ —</u></b>

**Schedule of the State's Proportionate Share  
of the Net Pension Liability  
Multiple-Employer Cost Sharing Plans  
(Expressed in thousands)  
June 30, 2015**

	<u>PERS</u>	<u>TRS</u>
State's proportion of the net pension liability	68.33%	1.42%
State's proportionate share of the net pension liability	\$ 252,194	\$ 49,070
State's covered employee payroll	\$ 915,586	\$ 343,570
State's proportionate share of the net pension's liability as a percentage of its covered employee payroll	27.54%	14.28%
Plan fiduciary net position as a percentage of the total pension liability	93.98%	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 2 Fiscal Years**  
**(Expressed in thousands)**

	<u>PERS</u>	
	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 129,240	\$ 132,760
Contributions in relation to the		
Contractually required contribution	<u>129,240</u>	<u>132,760</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>
State's Covered-employee Payroll	\$ 923,143	\$ 915,586
Contributions as a percentage of		
Covered-employee Payroll	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 2 Fiscal Years**  
**(Expressed in thousands)**

	<u>2015</u>	<u>2014</u>
	<u>TRS - State</u>	<u>TRS - State</u>
Contractually required contribution	\$ 6,175	\$ 6,575
Contributions in relation to the contractually required contribution	<u>6,175</u>	<u>6,575</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>
Covered-employee payroll	\$303,074	\$343,570
Contributions as a percentage of covered-employee payroll	2.04%	1.91%

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 2 Fiscal Years**  
**(Expressed in thousands)**

	<u>2015</u>	<u>2014</u>
	<u>TRS - Special Funding Situation</u>	<u>TRS - Special Funding Situation</u>
Statutorily required contribution	\$ 407,850	\$ 432,077
Contributions in relation to the statutorily required contribution	<u>407,850</u>	<u>432,077</u>
Contribution deficiency (excess)	<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 2 Fiscal Years**  
**(Expressed in thousands)**

<u>Year Ended</u> <u>June 30</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Employee</u> <u>Payroll</u>	<u>Actual</u> <u>Contribution as a</u> <u>% of Covered</u> <u>Employee Payroll</u>
<b>SPDDRS (1)</b>					
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 %
2008	5,693	5,352	341	10,997	48.67 %
2007	6,227	6,024	203	11,128	54.13 %
2006	27,224	76,554	(49,330)	11,252	680.36 %
<b>SPRS</b>					
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 %
2008	2,161	2,318	(157)	18,850	12.30 %
2007	1,613	2,176	(563)	15,870	13.71 %
2006	1,351	1,821	(470)	14,311	12.72 %
<b>JRS</b>					
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 %
2008	3,267	6,034	(2,767)	8,261	73.04 %
2007	4,204	6,034	(1,830)	8,029	75.15 %
2006	4,834	6,758	(1,924)	8,145	82.97 %

**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 Charges in the State's**  
**Net Pension Liability and Related Ratios**  
**Fiscal Years Ending June 30**  
**(Expressed in thousands)**

	<u>SPDDRS</u>	<u>SPRS</u>	<u>JRS</u>
<b>Total pension liability: *</b>	<u>2015</u>	<u>2015</u>	<u>2015</u>
Service cost	\$ 2,215	\$ 5,890	\$ 2,819
Interest	49,778	8,021	7,978
Benefit payments	<u>(37,565)</u>	<u>(913)</u>	<u>(4,455)</u>
Net change in total pension liability	14,428	12,998	6,342
Total pension liability – beginning	<u>679,931</u>	<u>101,503</u>	<u>105,739</u>
Total pension liability – ending (a)	<u>694,359</u>	<u>114,501</u>	<u>112,081</u>
Plan fiduciary net position:			
Contributions – employer	26,955	4,049	2,456
Contributions – member	545	3,630	426
Net investment income	90,872	17,756	25,263
Benefit payments	(37,565)	(913)	(4,455)
Administrative expense	(52)	(42)	(7)
Other	<u>—</u>	<u>—</u>	<u>80</u>
Net change in plan fiduciary net position	80,755	24,480	23,763
Plan fiduciary net position – beginning	<u>520,322</u>	<u>96,092</u>	<u>141,476</u>
Plan fiduciary net position – ending (b)	<u>601,077</u>	<u>120,572</u>	<u>165,239</u>
State's net pension liability (asset) – ending (a) - (b)	<u>\$ 93,282</u>	<u>\$ (6,071)</u>	<u>\$ (53,158)</u>
Plan fiduciary net position as a percentage of total pension liability	86.57%	105.30%	147.43%
Covered-employee payroll	\$ 5,988	\$27,701	\$ 8,870
State's Net pension liability (asset) as a percentage of covered-employee payroll	1557.82%	(21.92%)	(599.30%)

\*The measurement date for the information presented above is 6/30/14.

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

Notes to Required Supplementary Information

Actuarial Methods and Assumptions

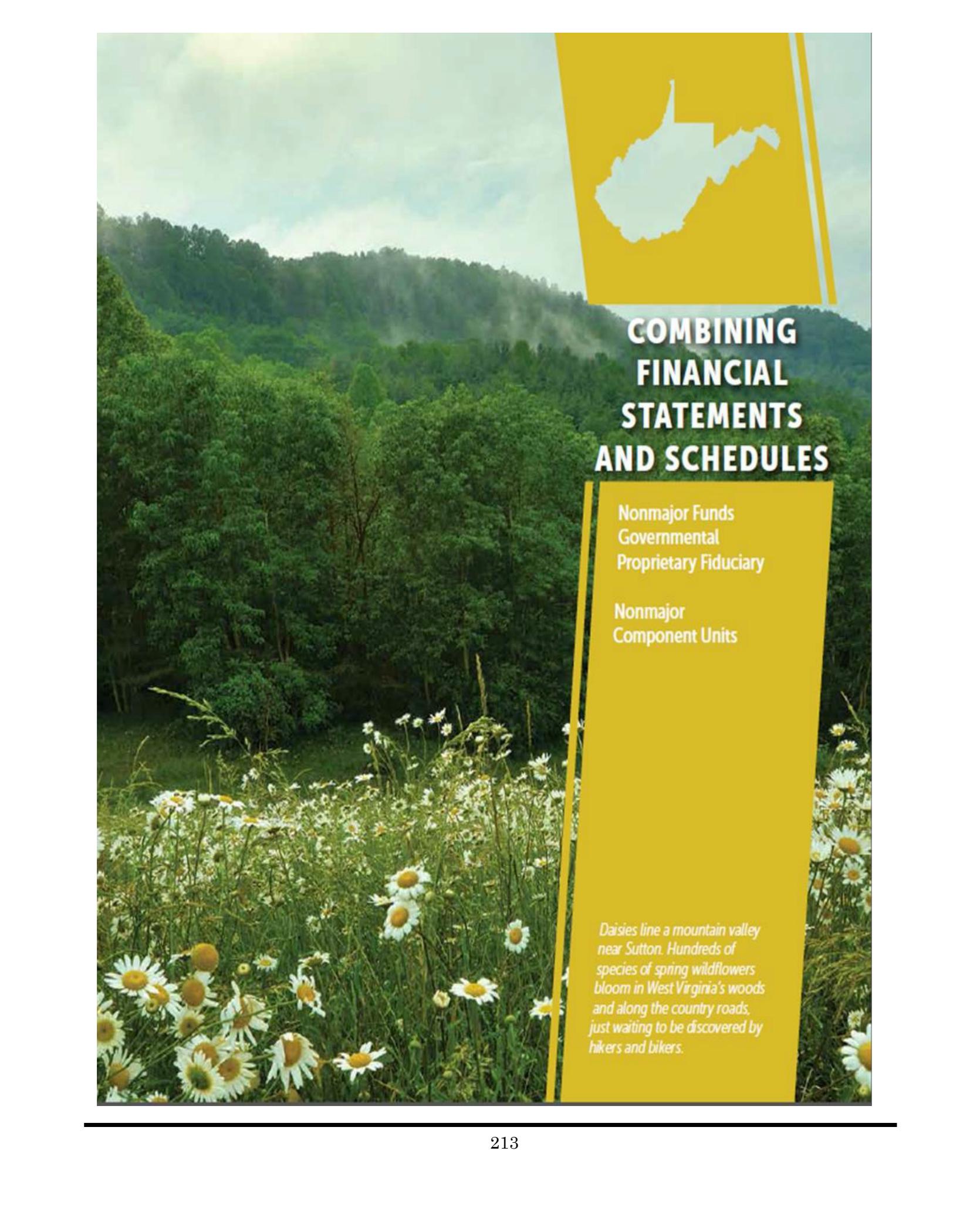
The total pension liabilities for financial reporting purposes were determined by an actuarial valuation as of July 1, 2013 rolled forward to June 30, 2014, using the actuarial assumptions and methods.

Significant assumptions used in the actuarial valuations are as follows:

	PERS	TRS	SPDDRS
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Asset valuation method	Fair value	Fair value	Fair 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	4.25% – 6.0%	—	—
Nonstate	4.25% – 6.0%	—	—
TRS:			
Teachers	—	3.75% – 5.25%	—
Non Teachers	—	3.40% – 6.50%	—
SPDDRS:	—	—	5.0% for first 2 yrs of service 4.5% for the next 3 yrs of service 4.0% for the next 5 yrs and 3.25% thereafter
Inflation rate	3.0%	3.0%	3.0%
Discount rate	7.5%	7.5%	7.5%
Mortality rates	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	Active - RP2000, non-annuitant mortality table; retired - RP2000 healthy annuitant mortality table projected to 2020 with scale AA; disabled – RP2000 disabled annuitant mortality table projected to 2020 with scale AA, setback 2 yrs for males and setback 1 yrs for females	Active - RP2000 healthy non- annuitant mortality table, projected to 2020 using scale BB; retired RP2000 healthy annuitant mortality table projected to 2025 using scale BB; disabled RP2000 healthy annuitant mortality table projected to 2025 using scale BB, set forward 1 yr
Withdrawal rates			
State	1.0% - 26%	Teachers: 1.2% - 30%	0.0% - 2.67%
Nonstate	2.0% - 31.2%	Non-teachers: 1.4% - 22.5%	
Disability rates	0.0% - .8%	0.0% - .8%	.05% - .4%
Retirement rates	15% - 100%	0.0% - 100%	20% - 100%
Date range in most recent experience study	2004 - 2009	2006 - 2010	2006 - 2011

	SPRS	JRS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial valuation method	Fair value	Fair value
Amortization method	Level dollar, fixed period	Level dollar, fixed period
Amortization period	Through FY 2030	Through FY 2018
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	5.0% for first 2 yrs of service, 4.5% for next 3 yrs of service, 4.0% for the next 5 yrs, and 3.25% thereafter	4.25%
Inflation rate	3.0%	3.0%
Discount rate	7.5%	7.5%
Mortality rates	Active - RP2000 Non-annuitant mortality table projected to 2020 using scale BB; retired - RP- 2000 healthy annuitant mortality table projected to 2025 using scale BB; disabled RP-2000 healthy annuitant mortality table projected to 2025 using scale BB, set forward 1 yr	Active – N/A; retired -RP2000 healthy annuitant mortality table projected to 2025 using scale BB; disabled – RP-2000 healthy annuitant mortality table projected to 2025 using scale BB, set forward 1 yr
Withdrawal rates	0.0% – 7.6%	-
Disability rates	.05% - .4%	-
Retirement rates	20% - 100%	5.0% - 100%
Date of most recent experience study	2006 - 2011	2007 - 2012





## COMBINING FINANCIAL STATEMENTS AND SCHEDULES

Nonmajor Funds  
Governmental  
Proprietary Fiduciary

Nonmajor  
Component Units

*Daisies line a mountain valley near Sutton. Hundreds of species of spring wildflowers bloom in West Virginia's woods and along the country roads, just waiting to be discovered by hikers and bikers.*



# *GOVERNMENTAL FUND TYPES - NONMAJOR*

## **Special Revenue:**

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

## **Debt Service:**

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

## **Capital Projects:**

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. These funds consist of the following:

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

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

## **Permanent Funds:**

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

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

**Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015  
(Expressed in Thousands)**

	<u>Special Revenue</u>	<u>Debt Service</u>
Assets:		
Cash and Cash Equivalents	\$ 370,270	\$ 51,898
Investments	101,716	—
Receivables, Net	8,775	—
Due from Other Governments	2,779	—
Due from Other Funds	125	—
Due from Component Units	—	1,055
Inventories	59	—
Restricted Assets:		
Cash and Cash Equivalents	<u>1,469</u>	<u>1,020</u>
Total Assets	<u>\$ 485,193</u>	<u>\$ 53,973</u>
Liabilities:		
Accounts Payable	\$ 15,194	\$ —
Accrued and Other Liabilities	5,909	—
Due to Other Governments	16,296	—
Due to Other Funds	<u>27,809</u>	<u>—</u>
Total Liabilities	<u>65,208</u>	<u>—</u>
Fund Balances:		
Nonspendable:		
Inventories	59	—
Permanent Fund	—	—
Restricted for:		
Capital Projects	—	—
Debt Service	—	53,973
Development, Tourism, and Recreation	54,668	—
Education	—	—
Public Protection	53,233	—
Committed to:		
General Government Operations	2,268	—
Public Protection	311,564	—
Assigned to:		
Public Protection	7,265	—
Unassigned	<u>(9,072)</u>	<u>—</u>
Total Fund Balances	<u>419,985</u>	<u>53,973</u>
Total Liabilities and Fund Balances	<u>\$ 485,193</u>	<u>\$ 53,973</u>

<u>Capital Projects</u>		<u>Permanent Fund</u>	
<u>Education, Arts, Sciences and Tourism Fund</u>	<u>Lease Purchase Account</u>	<u>Irreducible School</u>	<u>Total</u>
\$ 3,043	\$ 10,257	\$ 2,174	\$ 437,642
—	—	—	101,716
—	—	—	8,775
—	—	—	2,779
—	—	—	125
—	—	—	1,055
—	—	—	59
<u>—</u>	<u>—</u>	<u>—</u>	<u>2,489</u>
<u>\$ 3,043</u>	<u>\$ 10,257</u>	<u>\$ 2,174</u>	<u>\$ 554,640</u>
\$ 30	\$ —	\$ —	\$ 15,224
—	—	—	5,909
—	—	—	16,296
<u>—</u>	<u>—</u>	<u>—</u>	<u>27,809</u>
<u>30</u>	<u>—</u>	<u>—</u>	<u>65,238</u>
—	—	—	59
—	—	1,000	1,000
3,013	10,257	—	13,270
—	—	—	53,973
—	—	—	54,668
—	—	1,174	1,174
—	—	—	53,233
—	—	—	2,268
—	—	—	311,564
—	—	—	7,265
<u>—</u>	<u>—</u>	<u>—</u>	<u>(9,072)</u>
<u>3,013</u>	<u>10,257</u>	<u>2,174</u>	<u>489,402</u>
<u>\$ 3,043</u>	<u>\$ 10,257</u>	<u>\$ 2,174</u>	<u>\$ 554,640</u>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2015  
(Expressed in Thousands)**

	<u>Special Revenue</u>	<u>Debt Service</u>
Revenues:		
Intergovernmental	\$ 134,734	\$ —
Licenses, Permits, and Fees	139,017	—
Charges for Services	87	—
Lottery Revenue	—	10,654
Investment Earnings	4,998	226
Other	<u>17,903</u>	<u>—</u>
Total Revenues	<u>\$ 296,739</u>	<u>\$ 10,880</u>
Expenditures:		
Legislative	2,313	—
Administration	—	3
Commerce	—	367
Environmental Protection	124,174	—
Employment Programs	45,743	—
Education	—	—
Military Affairs and Public Safety	—	2
Revenue	29,515	—
Veterans Assistance	—	1
Regulatory Boards and Commissions	22,520	1
Capital Outlay	—	—
Debt Service:		
Principal	—	41,855
Interest	<u>—</u>	<u>32,657</u>
Total Expenditures	<u>224,265</u>	<u>74,886</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>72,474</u>	<u>(64,006)</u>
Other Financing Sources (Uses):		
Face Value of Long-Term Debt	—	71,655
Premiums on Bond Issuance	—	13,075
Payments to Refunded Bond Escrow Agent	—	(84,730)
Transfers In	1,391	65,173
Transfers Out	<u>(45,234)</u>	<u>—</u>
Total Other Financing Sources (Uses)	<u>(43,843)</u>	<u>65,173</u>
Net Changes in Fund Balances	28,631	1,167
Fund Balances, Beginning of Year	<u>391,354</u>	<u>52,806</u>
Fund Balances, End of Year	<u>\$ 419,985</u>	<u>\$ 53,973</u>

<b>Capital Projects</b>		<b>Permanent Fund</b>	
<b>Education, Arts, Sciences and Tourism Fund</b>	<b>Lease Purchase Account</b>	<b>Irreducible School</b>	<b>Total</b>
\$ —	\$ —	\$ —	\$ 134,734
—	—	—	139,017
—	—	3	90
—	—	—	10,654
1	2	—	5,227
<u>—</u>	<u>—</u>	<u>436</u>	<u>18,339</u>
<u>1</u>	<u>2</u>	<u>439</u>	<u>308,061</u>
—	—	—	2,313
—	—	—	3
—	—	—	367
—	—	—	124,174
—	—	—	45,743
166	—	—	166
—	—	—	2
—	—	—	29,515
—	—	—	1
—	—	—	22,521
317	—	—	317
—	—	—	41,855
<u>—</u>	<u>—</u>	<u>—</u>	<u>32,657</u>
<u>483</u>	<u>—</u>	<u>—</u>	<u>299,634</u>
<u>(482)</u>	<u>2</u>	<u>439</u>	<u>8,427</u>
—	—	—	71,655
—	—	—	13,075
—	—	—	(84,730)
—	—	378	66,942
<u>—</u>	<u>—</u>	<u>—</u>	<u>(45,234)</u>
<u>—</u>	<u>—</u>	<u>378</u>	<u>21,708</u>
(482)	2	817	30,135
<u>3,495</u>	<u>10,255</u>	<u>1,357</u>	<u>459,267</u>
<u>\$ 3,013</u>	<u>\$ 10,257</u>	<u>\$ 2,174</u>	<u>\$ 489,402</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, 2015  
(Expressed in Thousands)**

	<b>Environmental Protection</b>	<b>Public Service Commission</b>	<b>Crime Victims' Compensation</b>
Assets:			
Cash and Cash Equivalents	\$ 289,483	\$ 28,661	\$ 2,289
Investments	47,061	—	—
Receivables, Net	2,521	211	—
Due from Other Governments	—	2,779	—
Due from Other Funds	—	18	—
Inventories	—	—	—
Restricted Assets:			
Cash and Cash Equivalents	<u>325</u>	<u>1,144</u>	<u>—</u>
<b>Total Assets</b>	<b><u>\$ 339,390</u></b>	<b><u>\$ 32,813</u></b>	<b><u>\$ 2,289</u></b>
Liabilities:			
Accounts Payable	\$ 11,466	\$ 3,412	\$ 21
Accrued and Other Liabilities	1,534	1,403	—
Due to Other Governments	8,527	7,271	—
Due to Other Funds	<u>—</u>	<u>7,506</u>	<u>—</u>
<b>Total Liabilities</b>	<b><u>21,527</u></b>	<b><u>19,592</u></b>	<b><u>21</u></b>
Fund Balances (Deficits):			
Nonspendable:			
Inventories	—	—	—
Restricted for:			
Development, Tourism, and Recreation	—	—	—
Public Protection	49,884	3,349	—
Committed to:			
General Government Operations	—	—	2,268
Public Protection	260,747	9,839	—
Assigned to:			
Public Protection	7,232	33	—
Unassigned	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Fund Balances (Deficits)</b>	<b><u>317,863</u></b>	<b><u>13,221</u></b>	<b><u>2,268</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 339,390</u></b>	<b><u>\$ 32,813</u></b>	<b><u>\$ 2,289</u></b>

<u>Insurance Commission</u>	<u>WORKFORCE West Virginia</u>	<u>Wildlife Resources Fund</u>	<u>Total</u>
\$ 46,510	\$ 3,314	\$ 13	\$ 370,270
—	—	54,655	101,716
5,946	97	—	8,775
—	—	—	2,779
1	106	—	125
—	59	—	59
—	—	—	1,469
<u>\$52,457</u>	<u>\$ 3,576</u>	<u>\$ 54,668</u>	<u>\$ 485,193</u>
\$ —	\$ 295	\$ —	\$ 15,194
2,156	816	—	5,909
—	498	—	16,296
9,323	10,980	—	27,809
<u>11,479</u>	<u>12,589</u>	—	65,208
—	59	—	59
—	—	54,668	54,668
—	—	—	53,233
—	—	—	2,268
40,978	—	—	311,564
—	—	—	7,265
—	(9,072)	—	(9,072)
<u>40,978</u>	<u>(9,013)</u>	<u>54,668</u>	<u>419,985</u>
<u>\$ 52,457</u>	<u>\$ 3,576</u>	<u>\$ 54,668</u>	<u>\$ 485,193</u>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Fiscal Year Ended June 30, 2015  
(Expressed in Thousands)**

	<u>Environmental Protection</u>	<u>Public Service Commission</u>	<u>Crime Victims' Compensation</u>
Revenues:			
Intergovernmental	\$ 86,107	\$ 2,497	\$ 757
Licenses, Permits, and Fees	71,896	21,391	1,445
Charges for Services	87	—	—
Investment Earnings and Losses	2,913	—	9
Other	<u>17,876</u>	<u>—</u>	<u>27</u>
Total Revenues	<u>178,879</u>	<u>23,888</u>	<u>2,238</u>
Expenditures:			
Legislative	—	—	2,313
Environmental Protection	124,174	—	—
Employment Programs	—	—	—
Revenue	—	—	—
Regulatory Boards and Commissions	<u>—</u>	<u>22,520</u>	<u>—</u>
Total Expenditures	<u>124,174</u>	<u>22,520</u>	<u>2,313</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>54,705</u>	<u>1,368</u>	<u>(75)</u>
Other Planning Sources (Uses):			
Transfers In	1,225	41	—
Transfers Out	<u>(27,794)</u>	<u>(114)</u>	<u>(2)</u>
Total Other Financing Sources (Uses)	<u>(26,569)</u>	<u>(73)</u>	<u>(2)</u>
Net Change in Fund Balances	28,136	1,295	(77)
Fund Balances (Deficits), Beginning of Year	<u>289,727</u>	<u>11,926</u>	<u>2,345</u>
Fund Balances (Deficits), End of Year	<u>\$ 317,863</u>	<u>\$ 13,221</u>	<u>\$ 2,268</u>

<u>Insurance Commission</u>	<u>WORKFORCE West Virginia</u>	<u>Wildlife Resources Fund</u>	<u>Total</u>
\$ —	\$ 45,373	\$ —	\$ 134,734
43,594	—	691	139,017
—	—	—	87
4	—	2,072	4,998
<u>—</u>	<u>—</u>	<u>—</u>	<u>17,903</u>
<u>43,598</u>	<u>45,373</u>	<u>2,763</u>	<u>296,739</u>
—	—	—	2,313
—	—	—	124,174
—	45,743	—	45,743
29,515	—	—	29,515
<u>—</u>	<u>—</u>	<u>—</u>	<u>22,520</u>
<u>29,515</u>	<u>45,743</u>	<u>—</u>	<u>224,265</u>
<u>14,083</u>	<u>(370)</u>	<u>2,763</u>	<u>72,474</u>
—	123	2	1,391
<u>(16,734)</u>	<u>—</u>	<u>(590)</u>	<u>(45,234)</u>
<u>(16,734)</u>	<u>123</u>	<u>(588)</u>	<u>(43,843)</u>
(2,651)	(247)	2,175	28,631
<u>43,629</u>	<u>(8,766)</u>	<u>52,493</u>	<u>391,354</u>
<u>\$ 40,978</u>	<u>\$ (9,013)</u>	<u>\$54,668</u>	<u>\$ 419,985</u>



# *DEBT SERVICE FUNDS*

## *Nonmajor Funds*

**West Virginia Infrastructure and Jobs Development Council** The Council coordinates the review and funding of water, wastewater, and economic development projects in the State. This Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest for the Council's general obligation debt.

**Education, Arts, Sciences, and Tourism Fund** This Fund is used to account for and report the financial resources that are restricted, committed, or assigned to expenditure for principal and interest on the bonds issued to provide public financial support for constructing, equipping, improving, and maintaining capital improvement projects which promote education, arts, sciences, and tourism in the State.

**Lease Purchase Account** This Account is established to ensure that revenues and expenditures for the debt service of the lease-purchase agreements are properly recorded.

**Economic Development Project Fund** This Fund is used to account for and report the financial resources that are restricted, committed, or assigned to expenditure for principal and interest on the bonds issued to provide funds to finance a portion of the costs of construction, equipping, improving or maintaining economic development projects, capital improvement projects and infrastructure projects which promote economic development in the State.

**Combining Balance Sheet  
Nonmajor Debt Service Funds  
June 30, 2015  
(Expressed in Thousands)**

	<b>West Virginia Infrastructure and Jobs Development Council</b>	<b>Education, Arts, Sciences, and Tourism Fund</b>	<b>Lease Purchase Account</b>	<b>Economic Development Project Fund</b>	<b>Total</b>
Assets:					
Cash and Cash Equivalents	\$ —	\$ 3	\$ 6,523	\$45,372	\$ 51,898
Due from Component Units	—	1,000	55	—	1,055
Restricted Assets:					
Cash	<u>1,020</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,020</u>
Total Assets	<u>\$ 1,020</u>	<u>\$1,003</u>	<u>\$ 6,578</u>	<u>\$45,372</u>	<u>\$53,973</u>
Fund Balances:					
Restricted for Debt Service	<u>\$ 1,020</u>	<u>\$1,003</u>	<u>\$ 6,578</u>	<u>\$45,372</u>	<u>\$53,973</u>
Total Fund Balances	<u>\$ 1,020</u>	<u>\$1,003</u>	<u>\$ 6,578</u>	<u>\$45,372</u>	<u>\$53,973</u>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Debt Service Funds  
For the Fiscal Year Ended June 30, 2015  
(Expressed in Thousands)**

	<b>West Virginia Infrastructure and Jobs Development Council</b>	<b>Education, Arts, Sciences, and Tourism Fund</b>	<b>Lease Purchase Account</b>	<b>Economic Development Project Fund</b>	<b>Total</b>
Revenues:					
Lottery Revenues	\$ —	\$ 9,995	\$ 659	\$ —	\$ 10,654
Investment Earnings	<u>4</u>	<u>1</u>	<u>1</u>	<u>220</u>	<u>226</u>
Total Revenues	<u>4</u>	<u>9,996</u>	<u>660</u>	<u>220</u>	<u>10,880</u>
Expenditures:					
Administration	—	—	3	—	3
Commerce	367	—	—	—	367
Military Affairs and Public Safety	—	—	2	—	2
Veterans Assistance	—	—	1	—	1
Regulatory Boards and Commissions	—	—	1	—	1
Debt Service:					
Principal	15,885	3,010	13,300	9,660	41,855
Interest	<u>5,732</u>	<u>6,985</u>	<u>10,836</u>	<u>9,104</u>	<u>32,657</u>
Total Expenditures	<u>21,984</u>	<u>9,995</u>	<u>24,143</u>	<u>18,764</u>	<u>74,886</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(21,980)</u>	<u>1</u>	<u>(23,483)</u>	<u>(18,544)</u>	<u>(64,006)</u>
Other Financing Sources (Uses):					
Face Value of Long-Term Debt Issue	71,655	—	—	—	71,655
Premiums (Discounts) on Bonds Issue	13,075	—	—	—	13,075
Payments to Refunded Bond Escrow	(84,730)	—	—	—	(84,730)
Transfers In	<u>23,000</u>	<u>—</u>	<u>23,187</u>	<u>18,986</u>	<u>65,173</u>
Total Other Financing Sources	<u>23,000</u>	<u>—</u>	<u>23,187</u>	<u>18,986</u>	<u>65,173</u>
Net Change in Fund Balances	1,020	1	(296)	442	1,167
Fund Balances, Beginning of Year	<u>—</u>	<u>1,002</u>	<u>6,874</u>	<u>44,930</u>	<u>52,806</u>
Fund Balances, End of Year	<u>\$ 1,020</u>	<u>\$ 1,003</u>	<u>\$ 6,578</u>	<u>\$ 45,372</u>	<u>\$ 53,973</u>



# *INTERNAL SERVICE FUNDS FINANCIAL STATEMENTS*

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

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

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

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

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

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

## West Virginia

### Combining Statement of Fund Net Position Internal Service Funds June 30, 2015 (Expressed in Thousands)

	State Building Fund	Information Services and Communication	Travel Management	Enterprise Resource Planning Board	Investment Management Board	Board of Treasury Investments	Total
Assets:							
Current Assets:							
Cash and Cash Equivalents	\$ 4,338	\$ 5,374	\$ 2,872	\$ 12,686	\$ 3,880	\$ 1,003	\$ 30,153
Receivables, Net	—	189	—	36	8,931	517	9,673
Due from Other Funds	249	5,434	242	578	—	—	6,503
Due from Component Units	—	121	4	164	—	—	289
Inventories	204	385	—	—	—	—	589
Other Assets	—	—	—	—	83	—	83
Restricted Assets:							
Cash and Cash Equivalents	—	—	8,925	—	—	—	8,925
Total Current Assets	<u>4,791</u>	<u>11,503</u>	<u>12,043</u>	<u>13,464</u>	<u>12,894</u>	<u>1,520</u>	<u>56,215</u>
Noncurrent Assets:							
Restricted Assets:							
Cash and Cash Equivalents	46,825	—	—	—	—	—	46,825
Capital Assets, Net	<u>136,581</u>	<u>1,465</u>	<u>14,894</u>	<u>70,824</u>	<u>344</u>	<u>1</u>	<u>224,109</u>
Total Noncurrent Assets	<u>183,406</u>	<u>1,465</u>	<u>14,894</u>	<u>70,824</u>	<u>344</u>	<u>1</u>	<u>270,934</u>
Total Assets	<u>188,197</u>	<u>12,968</u>	<u>26,937</u>	<u>84,288</u>	<u>13,238</u>	<u>1,521</u>	<u>327,149</u>
Deferred Outflows of Resources:							
Related to Pensions	<u>557</u>	<u>1,602</u>	<u>90</u>	<u>1,059</u>	—	—	<u>3,308</u>
Total Deferred Outflows of Resources	<u>557</u>	<u>1,602</u>	<u>90</u>	<u>1,059</u>	—	—	<u>3,308</u>
Liabilities:							
Current Liabilities:							
Accounts Payable	8,533	3,528	349	175	8,819	838	22,242
Accrued and Other Liabilities	217	529	29	84	—	—	859
Due to Other Governments	18	53	3	11	—	—	85
Due to Other Funds	2,722	7,560	358	34	—	—	10,674
Capital Leases and Other Debt	119	373	6,714	—	—	—	7,206
Capital Leases Payable to Component Units	<u>220</u>	—	—	—	—	—	<u>220</u>
Total Current Liabilities	<u>11,829</u>	<u>12,043</u>	<u>7,453</u>	<u>304</u>	<u>8,819</u>	<u>838</u>	<u>41,286</u>
Noncurrent Liabilities:							
Capital Leases and Other Debt	2,846	58	10,774	—	—	—	13,678
Capital Leases Payable to Component Units	30,050	—	—	—	—	—	30,050
Net Pension Liability	1,012	3,132	149	460	—	—	4,753
Compensated Absences	<u>367</u>	<u>1,099</u>	<u>55</u>	<u>634</u>	—	—	<u>2,155</u>
Total Noncurrent Liabilities	<u>34,275</u>	<u>4,289</u>	<u>10,978</u>	<u>1,094</u>	—	—	<u>50,636</u>
Total Liabilities	<u>46,104</u>	<u>16,332</u>	<u>18,431</u>	<u>1,398</u>	<u>8,819</u>	<u>838</u>	<u>91,922</u>
Deferred Inflows of Resources:							
Related to Pensions	<u>1,077</u>	<u>3,335</u>	<u>158</u>	<u>487</u>	—	—	<u>5,057</u>
Total Deferred Inflows of Resources	<u>1,077</u>	<u>3,335</u>	<u>158</u>	<u>487</u>	—	—	<u>5,057</u>
Net Position:							
Net Investment in Capital Assets	122,799	1,167	6,331	70,824	344	1	201,466
Restricted for Capital Projects	46,825	—	—	—	—	—	46,825
Restricted for General Government Operations	—	—	8,925	—	—	—	8,925
Unrestricted (Deficit)	<u>(28,051)</u>	<u>(6,264)</u>	<u>(6,818)</u>	<u>12,638</u>	<u>4,075</u>	<u>682</u>	<u>(23,738)</u>
Total Net Position	<u>\$141,573</u>	<u>\$ (5,097)</u>	<u>\$ 8,438</u>	<u>\$ 83,462</u>	<u>\$ 4,419</u>	<u>\$ 683</u>	<u>\$ 233,478</u>

**Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Position  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2015  
(Expressed in Thousands)**

	<b>State Building Fund</b>	<b>Information Services and Communication</b>	<b>Travel Management</b>	<b>Enterprise Resource Planning Board</b>	<b>Investment Management Board</b>	<b>Board of Treasury Investments</b>	<b>Total</b>
Operating Revenues:							
Charges for Services	\$ 16,392	\$ 40,823	\$ 10,031	\$ 8,126	\$ 46,392	\$ 2,982	\$ 124,746
Operating Expenses:							
Cost of Sales and Services	19,509	36,476	1,649	13,820	42,005	2,545	116,004
General and Administration	1,889	4,726	679	4,369	4,278	258	16,199
Pension Expense	113	350	17	251	—	—	731
Depreciation and Amortization	4,096	2,940	10,203	4,053	106	2	21,400
Total Operating Expenses	25,607	44,492	12,548	22,493	46,389	2,805	154,334
Operating Income (Loss)	(9,215)	(3,669)	(2,517)	(14,367)	3	177	(29,588)
Nonoperating Revenues (Expenses):							
Loss on Sale of Equipment	(16)	—	(13)	—	—	—	(29)
Investment Income	3	—	—	—	1	—	4
Interest Expense	(162)	(67)	—	—	—	—	(229)
Lottery Revenues	6,548	—	—	—	—	—	6,548
Other Nonoperating Revenues	—	—	77	—	—	—	77
Total Nonoperating Revenues, Net	6,373	(67)	64	—	1	—	6,371
Income (Loss) Before Transfers	(2,842)	(3,736)	(2,453)	(14,367)	4	177	(23,217)
Transfers:							
Transfers In	7,136	—	1,206	6,250	—	—	14,592
Transfers Out	(6,264)	—	—	—	—	—	(6,264)
Total Transfers	872	—	1,206	6,250	—	—	8,328
Change in Net Position	(1,970)	(3,736)	(1,247)	(8,117)	4	177	(14,889)
Net Position, Beginning of Year, As Restated	143,543	(1,361)	9,685	91,579	4,415	506	248,367
Net Position, End of Year	\$ 141,573	\$ (5,097)	\$ 8,438	\$ 83,462	\$ 4,419	\$ 683	\$ 233,478

**Combining Statement of Cash Flows  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2015  
(Expressed in Thousands)**

	State Building Fund	Information Services and Communication	Travel Management	Enterprise Resource Planning Board	Investment Management Board	Board of Treasury Investments	Total
Cash Flows from Operating Activities:							
Receipts from Customers	\$ 17,205	\$ 38,165	\$ 9,914	\$ 7,348	\$ 45,583	\$ 3,138	\$ 121,353
Payments to Supplies	(10,778)	(24,132)	(1,213)	(13,725)	(42,269)	(2,470)	(94,587)
Payments to Employees	(5,224)	(14,971)	(836)	(3,925)	(3,440)	—	(28,396)
Net Cash Provided by (Used for) Operating Activities	<u>1,203</u>	<u>(938)</u>	<u>7,865</u>	<u>(10,302)</u>	<u>(126)</u>	<u>668</u>	<u>(1,630)</u>
Cash Flows from Noncapital Financing Activities:							
Transfers In	13,684	—	1,206	6,250	—	—	21,140
Transfers Out	(5,223)	—	—	—	—	—	(5,223)
Other Nonoperating Receipts	(1,041)	—	—	—	—	—	(1,041)
Net Cash Provided by Noncapital Financing Activities	<u>7,420</u>	<u>—</u>	<u>1,206</u>	<u>6,250</u>	<u>—</u>	<u>—</u>	<u>14,876</u>
Cash Flows from Capital and Related Financing Activities:							
Proceeds from Sale of Capital Bonds and Other Debts	30,270	—	10,163	—	—	—	40,433
Repayment of Capital Debt	(112)	(533)	(7,797)	—	—	—	(8,442)
Interest Paid on Capital Debt	(162)	(67)	—	—	—	—	(229)
Acquisition and Construction of Capital Assets	(26,085)	(342)	(7,160)	(14,897)	(7)	—	(48,491)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>3,911</u>	<u>(942)</u>	<u>(4,794)</u>	<u>(14,897)</u>	<u>(7)</u>	<u>—</u>	<u>(16,729)</u>
Cash Flows from Investing Activities:							
Purchase of Investments	(900)	—	—	—	—	—	(900)
Proceeds from Sale of Investments	900	—	—	—	—	—	900
Investment Earnings	3	—	—	—	1	—	4
Net Cash Provided by Investing Activities	<u>3</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>4</u>
Net Increase (Decrease) in Cash and Cash Equivalents	12,537	(1,880)	4,277	(18,949)	(132)	668	(3,479)
Cash and Cash Equivalents, Beginning of Year, As Adjusted	<u>38,626</u>	<u>7,254</u>	<u>7,520</u>	<u>31,635</u>	<u>4,012</u>	<u>335</u>	<u>89,382</u>
Cash and Cash Equivalents, End of Year	<u>\$51,163</u>	<u>\$ 5,374</u>	<u>\$ 11,797</u>	<u>\$ 12,686</u>	<u>\$ 3,880</u>	<u>\$ 1,003</u>	<u>\$ 85,903</u>

**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**  
**(Continued)**

	<b>State Building Fund</b>	<b>Information Services and Communication</b>	<b>Travel Management</b>	<b>Enterprise Resource Planning Board</b>	<b>Investment Management Board</b>	<b>Board of Treasury Investments</b>	<b>Total</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for)							
Operating Activities:							
Operating Income (Loss)	\$ (9,215)	\$ (3,669)	\$ (2,517)	\$ (14,367)	\$ 3	\$ 177	\$ (29,588)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Depreciation and Amortization	4,096	2,940	10,203	4,053	106	2	21,400
Pension Expense	113	350	17	251	—	—	731
Changes in Assets, Liabilities, and Deferred Inflows of Resources:							
Receivables	812	(2,657)	(117)	(778)	(809)	155	(3,394)
Inventories	208	41	—	—	—	—	249
Other Assets	—	—	—	—	14	—	14
Accounts Payable and Accrued Liabilities	5,500	3,188	334	229	560	334	10,145
Other Liabilities	246	471	35	718	—	—	1,470
Deferred Outflows of Resources	(557)	(1,602)	(90)	(408)	—	—	(2,657)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,203</u>	<u>\$ (938)</u>	<u>\$ 7,865</u>	<u>\$ (10,302)</u>	<u>\$ (126)</u>	<u>\$ 668</u>	<u>\$ (1,630)</u>

# *PROPRIETARY FUNDS - NONMAJOR*

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

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

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

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

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

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

**Combining Statement of Net Position  
Nonmajor Proprietary Funds  
June 30, 2015  
(Expressed in Thousands)**

	<u>Business-type Activities – Enterprise Funds</u>		
	<u>Drinking Water Treatment Revolving Fund</u>	<u>Alcohol Beverage Control Administration</u>	<u>West Virginia Prepaid College Plan</u>
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 23,910	\$ 19,797	\$ 4,601
Receivables, Net	8,313	212	260
Due from Other Funds	—	—	23
Due from Component Units	—	—	—
Inventories	—	46	—
Other Assets	—	—	—
Total Current Assets	<u>32,223</u>	<u>20,055</u>	<u>4,884</u>
Noncurrent Assets:			
Investments	—	—	66,440
Receivables, Net	114,496	70	183
Capital Assets, Net	—	<u>2,336</u>	—
Total Noncurrent Assets	<u>114,496</u>	<u>2,406</u>	<u>66,623</u>
Total Assets	<u>146,719</u>	<u>22,461</u>	<u>71,507</u>
Deferred Outflows of Resources:			
Related to Pensions	—	<u>362</u>	<u>38</u>
Total Deferred Outflows of Resources	<u>—</u>	<u>362</u>	<u>38</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	—	3,946	102
Accrued Tuition Contract Benefits	—	—	16,653
Due to Other Funds	—	2,049	210
Due to Component Units	14	—	—
Insurance and Compensation Fund	—	—	—
Compensated Absences	—	—	<u>64</u>
Total Current Liabilities	<u>14</u>	<u>5,995</u>	<u>17,029</u>
Noncurrent Liabilities:			
Accrued Tuition Contract Benefits	—	—	65,272
Insurance and Compensation	—	—	—
Benefits	—	—	—
Net Pension Liability	—	686	94
Compensated Absences	—	<u>246</u>	—
Total Noncurrent Liabilities	<u>—</u>	<u>932</u>	<u>65,366</u>
Total Liabilities	<u>14</u>	<u>6,927</u>	<u>82,395</u>
Deferred Inflow of Resources:			
Related to Pensions	—	<u>851</u>	<u>129</u>
Total Deferred Inflows of Resources	<u>—</u>	<u>851</u>	<u>129</u>
Net Position (Deficit):			
Net Investment in Capital Assets	—	2,336	—
Restricted for:			
General Government Operations	—	—	1,283
Lending Activities	146,705	70	—
Insurance Activities	—	—	—
Unrestricted (Deficit)	<u>—</u>	<u>12,639</u>	<u>(12,262)</u>
Total Net Position (Deficit)	<u>\$146,705</u>	<u>\$ 15,045</u>	<u>\$ (10,979)</u>

<u>West Virginia Correctional Industries</u>	<u>AccessWV</u>	<u>State Entities Workers' Compensation</u>	<u>Total</u>
\$ 2,200	\$ 4,800	\$ 23,022	\$ 78,330
738	—	—	9,523
1,358	—	—	1,381
41	—	—	41
2,001	—	—	2,047
<u>—</u>	<u>—</u>	<u>19,687</u>	<u>19,687</u>
<u>6,338</u>	<u>4,800</u>	<u>42,709</u>	<u>111,009</u>
—	—	—	66,440
—	—	—	114,749
<u>561</u>	<u>—</u>	<u>—</u>	<u>2,897</u>
<u>561</u>	<u>—</u>	<u>—</u>	<u>184,086</u>
<u>6,899</u>	<u>4,800</u>	<u>42,709</u>	<u>295,095</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>400</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>400</u>
302	—	—	4,350
—	—	—	16,653
—	—	—	2,259
—	—	—	14
—	—	4,900	4,900
<u>—</u>	<u>—</u>	<u>—</u>	<u>64</u>
<u>302</u>	<u>—</u>	<u>4,900</u>	<u>28,240</u>
—	—	—	65,272
—	—	9,600	9,600
—	—	—	780
<u>120</u>	<u>—</u>	<u>—</u>	<u>366</u>
<u>120</u>	<u>—</u>	<u>9,600</u>	<u>76,018</u>
<u>422</u>	<u>—</u>	<u>14,500</u>	<u>104,258</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>980</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>980</u>
561	—	—	2,897
—	—	—	1,283
—	—	—	146,775
—	4,800	28,209	33,009
<u>5,916</u>	<u>—</u>	<u>—</u>	<u>6,293</u>
<u>\$ 6,477</u>	<u>\$ 4,800</u>	<u>\$ 28,209</u>	<u>\$ 190,257</u>

**Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Position  
Nonmajor Proprietary Funds  
For the Fiscal Year Ended June 30, 2015  
(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	\$ 1,325	\$ 93,951	\$ —
Insurance Premiums	—	—	—
Tuition Contracts	—	—	20
Licenses, Permits, and Fees	—	3,964	—
Other	—	90	1,329
<b>Total Operating Revenues</b>	<b><u>1,325</u></b>	<b><u>98,005</u></b>	<b><u>1,349</u></b>
Operating Expenses:			
Cost of Sales and Services	—	72,942	—
Insurance Claims and Claims Adjustment Provisions	—	—	—
Tuition Contract Benefits and Expenses	—	—	6,534
General and Administration	—	4,879	1,060
Pension Expense	—	40	9
Depreciation and Amortization	—	307	—
Other	2,784	—	—
<b>Total Operating Expenses</b>	<b><u>2,784</u></b>	<b><u>78,168</u></b>	<b><u>7,603</u></b>
Operating Income (Loss)	(1,459)	19,837	(6,254)
Nonoperating Revenues (Expenses):			
Loss on Sale of Equipment	—	—	—
Interest and Other Investment Income	27	—	2,044
Other Nonoperating Revenues	—	91	—
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>27</u></b>	<b><u>91</u></b>	<b><u>2,044</u></b>
Income (Loss) Before Transfers	(1,432)	19,928	(4,210)
Transfers:			
Transfers In	9,374	—	73
Transfers Out	—	(18,812)	—
<b>Total Transfers</b>	<b><u>9,374</u></b>	<b><u>(18,812)</u></b>	<b><u>73</u></b>
Change in Net Position	7,942	1,116	(4,137)
Net Position (Deficit), Beginning of Year, as restated	<u>138,763</u>	<u>13,929</u>	<u>(6,842)</u>
Net Position (Deficit), End of Year	<u>\$ 146,705</u>	<u>\$ 15,045</u>	<u>\$(10,979)</u>

<u>West Virginia Correctional Industries</u>	<u>AccessWV</u>	<u>State Entities Workers' Compensation</u>	<u>Total</u>
\$ 7,876	\$ —	\$ —	\$ 103,152
—	—	13,500	13,500
—	—	—	20
—	—	—	3,964
<u>—</u>	<u>21</u>	<u>—</u>	<u>1,440</u>
<u>7,876</u>	<u>21</u>	<u>13,500</u>	<u>122,076</u>
3,520	—	—	76,462
—	—	11,672	11,672
—	—	—	6,534
3,269	8	1,836	11,052
—	—	—	49
75	—	—	382
<u>—</u>	<u>—</u>	<u>—</u>	<u>2,784</u>
<u>6,864</u>	<u>8</u>	<u>13,508</u>	<u>108,935</u>
1,012	13	(8)	13,141
(1)	—	—	(1)
—	3	—	2,074
<u>—</u>	<u>—</u>	<u>—</u>	<u>91</u>
<u>(1)</u>	<u>3</u>	<u>—</u>	<u>2,164</u>
1,011	16	(8)	15,305
—	34	—	9,481
<u>(673)</u>	<u>—</u>	<u>—</u>	<u>(19,485)</u>
<u>(673)</u>	<u>34</u>	<u>—</u>	<u>(10,004)</u>
338	50	(8)	5,301
<u>6,139</u>	<u>4,750</u>	<u>28,217</u>	<u>184,956</u>
<u>\$ 6,477</u>	<u>\$ 4,800</u>	<u>\$ 28,209</u>	<u>\$ 190,257</u>

**Combining Statement of Cash Flows  
Nonmajor Proprietary Funds  
For the Fiscal Year Ended June 30, 2015  
(Expressed in Thousands)**

	<u>Business-type Activities – Enterprise Funds</u>		
	<u>Drinking Water Treatment Revolving Fund</u>	<u>Alcohol Beverage Control Administration</u>	<u>West Virginia Prepaid College Plan</u>
Cash Flows From Operating Activities:			
Receipts from Customers	\$6,863	\$ 97,971	\$ 224
Payments to Suppliers	—	(74,224)	(509)
Payments to Employees	—	(3,853)	(520)
Payments to Beneficiaries	—	—	(11,231)
Payments for Loans Originated	(12,519)	—	—
Payments for Premiums	—	—	—
Payments to Claimants	—	—	—
Other Operating Cash Receipts	—	—	1,326
Other Operating Cash Payments	<u>(104)</u>	<u>—</u>	<u>—</u>
Net Cash Provided by (Used for) Operating Activities	<u>(5,760)</u>	<u>19,894</u>	<u>(10,710)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In	9,374	—	72
Transfers Out	—	(18,813)	—
Entitlements and Grants	—	92	—
Provided from Issuing Liquor Licenses	<u>—</u>	<u>451</u>	<u>—</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>9,374</u>	<u>(18,270)</u>	<u>72</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	<u>—</u>	<u>(200)</u>	<u>—</u>
Net Cash Used for Capital and Related Financing Activities	<u>—</u>	<u>(200)</u>	<u>—</u>
Cash Flows from Investing Activities:			
Purchase of Investments	—	—	(1,185)
Proceeds from Sale of Investments	—	—	12,700
Investment Earnings	<u>27</u>	<u>—</u>	<u>1,189</u>
Net Cash Provided by (Used For) Investing Activities	<u>27</u>	<u>—</u>	<u>12,704</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,641	1,424	2,066
Cash and Cash Equivalents, Beginning of Year	<u>20,269</u>	<u>18,373</u>	<u>2,535</u>
Cash and Cash Equivalents, End of Year	<u>\$ 23,910</u>	<u>\$ 19,797</u>	<u>\$ 4,601</u>

<b>West Virginia Correctional Industries</b>	<b>AccessWV</b>	<b>State Entities Workers' Compensation</b>	<b>Total</b>
\$ 6,920	\$ —	\$ 18,747	\$ 130,725
(3,552)	(25)	(10)	(78,320)
(2,183)	(34)	—	(6,590)
—	—	—	(11,231)
—	—	—	(12,519)
—	—	(6,893)	(6,893)
—	—	(9,873)	(9,873)
—	2	—	1,328
<u>(938)</u>	<u>(51)</u>	<u>(1,324)</u>	<u>(2,417)</u>
<u>247</u>	<u>(108)</u>	<u>647</u>	<u>4,210</u>
—	—	—	9,446
(673)	—	—	(19,486)
—	—	—	92
<u>—</u>	<u>—</u>	<u>—</u>	<u>451</u>
<u>(673)</u>	<u>—</u>	<u>—</u>	<u>(9,497)</u>
<u>(47)</u>	<u>—</u>	<u>—</u>	<u>(247)</u>
<u>(47)</u>	<u>—</u>	<u>—</u>	<u>(247)</u>
—	—	—	(1,185)
—	—	—	12,700
<u>—</u>	<u>3</u>	<u>—</u>	<u>1,219</u>
<u>—</u>	<u>3</u>	<u>—</u>	<u>12,734</u>
(473)	(105)	647	7,200
<u>2,673</u>	<u>4,905</u>	<u>22,375</u>	<u>71,130</u>
<u>\$ 2,200</u>	<u>\$ 4,800</u>	<u>\$ 23,022</u>	<u>\$ 78,330</u>

**Combining Statement of Cash Flows  
Nonmajor Proprietary Funds  
For the Fiscal Year Ended June 30, 2015  
(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)	\$ (1,459)	\$ 19,837	\$ (6,254)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by (Used for) Operating Activities:			
Depreciation and Amortization	—	307	—
Pension Expense	—	40	9
Changes in Assets, Liabilities, and Deferred Inflows of Resources:			
Receivables	(4,301)	(34)	201
Inventories	—	(31)	—
Accounts Payable and Accrued Liabilities	—	30	54
Tuition Contracts Benefits and Expenses	—	—	(4,697)
Due to/from Other Funds	—	103	11
Other Liabilities	—	—	—
Compensated Absences	—	4	4
Deferred Outflows Related to Pensions	—	(362)	(38)
Net Cash Provided by (Used for)			
Operating Activities	<u>\$ (5,760)</u>	<u>\$ 19,894</u>	<u>\$ (10,710)</u>
Schedule of Noncash Capital and Financing Activities:			
Loans Originated with Principal Forgiveness Features	\$ 2,708	\$ —	\$ —
Unrealized Gain (Losses) on Investments	—	—	855

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West Virginia Correctional Industries	<u>AccessWV</u>	State Entities Workers' Compensation	<u>Total</u>
\$ 1,012	\$ 13	\$ (8)	\$ 13,141
75	—	—	382
—	—	—	49
(956)	—	(1,325)	(6,415)
(29)	—	—	(60)
154	(51)	1,800	1,987
—	—	—	(4,697)
—	—	—	114
—	(70)	180	110
(9)	—	—	(1)
—	—	—	(400)
<u>\$ 247</u>	<u>\$ (108)</u>	<u>\$ 647</u>	<u>\$ 4,210</u>
\$ —	\$ —	\$ —	\$ 2,708
—	—	—	855

# *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 Plan Net Position  
Pension Trust and Other Employee  
Benefit Trust Funds  
For the Fiscal Year Ended June 30, 2015  
(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	\$ 652	\$ 20,899	\$ 2	\$ —	\$ —
Investments:					
Equity in Pooled Investments	5,742,388	6,753,118	607,339	131,954	170,703
Mutual Funds	—	—	—	—	—
Receivables, Net					
Contributions	3,550	24,533	—	—	—
Participant Loans	4	4,496	—	163	—
Accounts	—	—	—	—	—
Due from Other Funds	106,778	664	—	—	—
Due from Component Units	<u>458</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Assets	<u>5,853,830</u>	<u>6,803,710</u>	<u>607,341</u>	<u>132,117</u>	<u>170,703</u>
Deferred Outflows of Resources:					
Related to Pensions	<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:					
Accrued and Other Liabilities	25	368	183	—	—
Due to Other Funds	249	—	—	—	—
Insurance Claims Payable	—	—	—	—	—
Net Pension Liability	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities	<u>274</u>	<u>368</u>	<u>183</u>	<u>—</u>	<u>—</u>
Deferred Inflows of Resources:					
Related to Pensions	<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	5,853,556	6,803,342	607,158	132,117	170,703
Other Postemployment Benefits	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Net Position	<u>\$5,853,556</u>	<u>\$ 6,803,342</u>	<u>\$ 607,158</u>	<u>\$ 132,117</u>	<u>\$ 170,703</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</b>	<b>Total Pension Trust Funds</b>	<b>Other Employee Benefit Trust Fund</b>	<b>Total Pension and Other Employee Benefit Trust Fund</b>
\$ 5,603	\$ 82	\$ 12	\$ 4	\$ 27,254	\$ 104,284	\$ 131,538
—	170,181	56,547	1,944	13,634,174	607,251	14,241,425
417,465	—	—	—	417,465	—	417,465
1,291	681	380	98	30,533	3,004	33,537
45	438	—	—	5,146	—	5,146
—	—	—	—	—	5,408	5,408
—	—	—	—	107,442	—	107,442
—	—	—	—	458	3,785	4,243
<u>424,404</u>	<u>171,382</u>	<u>56,939</u>	<u>2,046</u>	<u>14,222,472</u>	<u>723,732</u>	<u>14,946,204</u>
—	—	—	—	—	—	—
—	—	—	—	—	104	104
—	—	—	—	—	104	104
5,585	23	2	—	6,186	5,962	12,148
—	—	—	—	249	519	768
—	—	—	—	—	12,330	12,330
—	—	—	—	—	210	210
<u>5,585</u>	<u>23</u>	<u>2</u>	<u>—</u>	<u>6,435</u>	<u>19,021</u>	<u>25,456</u>
—	—	—	—	—	223	223
—	—	—	—	—	223	223
418,819	171,359	56,937	2,046	14,216,037	—	14,216,037
—	—	—	—	—	704,592	704,592
<u>\$418,819</u>	<u>\$ 171,359</u>	<u>\$ 56,937</u>	<u>\$ 2,046</u>	<u>\$ 14,216,037</u>	<u>\$ 704,592</u>	<u>\$ 14,920,629</u>

**Combining Statement of Changes in Plan Net Position  
Pension Trust and Other Employee  
Benefit Trust Funds  
For the Fiscal Year Ended June 30, 2015  
(Expressed in Thousands)**

	<u>Public Employees' Retirement System</u>	<u>Teachers' Retirement System</u>	<u>Public Safety Death, Disability, and Retirement Fund</u>	<u>State Police Retirement System</u>	<u>Judges' Retirement System</u>
Additions:					
Contributions:					
Members	\$ 61,838	\$ 94,694	\$ 445	\$ 3,609	\$ 413
Employers	189,947	138,655	808	4,060	2,845
Other	<u>—</u>	<u>351,985</u>	<u>20,860</u>	<u>—</u>	<u>—</u>
Total Contributions	<u>251,785</u>	<u>585,334</u>	<u>22,113</u>	<u>7,669</u>	<u>3,258</u>
Investment Income (Loss:)					
Net Appreciation (Depreciation) in Fair Value of Investments	209,507	244,993	21,852	4,760	6,233
Interest	26,943	31,003	2,781	605	802
Investment Expense	<u>(17,121)</u>	<u>(20,008)</u>	<u>(1,767)</u>	<u>(393)</u>	<u>(510)</u>
Net Investment Income	<u>219,329</u>	<u>255,988</u>	<u>22,866</u>	<u>4,972</u>	<u>6,525</u>
Transfers to Plan	265	—	—	—	—
Other Income	<u>17</u>	<u>3,460</u>	<u>861</u>	<u>—</u>	<u>—</u>
Total Additions	<u>471,396</u>	<u>844,782</u>	<u>45,840</u>	<u>12,641</u>	<u>9,783</u>
Deductions:					
Benefits Expense	363,495	710,833	39,708	633	4,244
Forfeitures	—	—	—	—	—
Refunds of Contributions	10,669	8,006	—	418	69
Administrative Expenses	4,785	4,432	51	45	6
Pension Expense	—	—	—	—	—
Transfer from Plan	<u>—</u>	<u>262</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deductions	<u>378,949</u>	<u>723,533</u>	<u>39,759</u>	<u>1,096</u>	<u>4,319</u>
Change in Net Position:					
Restricted for Pension Benefits	92,447	121,249	6,081	11,545	5,464
Held in Trust for Other Postemployment Benefits	—	—	—	—	—
Net Position, Beginning of Year, as Restated	<u>5,761,109</u>	<u>6,682,093</u>	<u>601,077</u>	<u>120,572</u>	<u>165,239</u>
Net Position, End of Year	<u>\$ 5,853,556</u>	<u>\$ 6,803,342</u>	<u>\$ 607,158</u>	<u>\$ 132,117</u>	<u>\$ 170,703</u>

Teachers' Defined Contribution Retirement System	Deputy Sheriff Retirement System	Emergency Medical Services Retirement System	Municipal Police Officers and Fire Fighters	Total Pension Trust Funds	Other Employee Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Fund
\$ 6,504	\$ 4,068	\$ 2,071	\$ 417	\$ 174,059	\$ 83,024	\$ 257,083
11,194	5,972	2,607	417	356,505	148,508	505,013
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>372,845</u>	<u>—</u>	<u>372,845</u>
<u>17,698</u>	<u>10,040</u>	<u>4,678</u>	<u>834</u>	<u>903,409</u>	<u>231,532</u>	<u>1,134,941</u>
(3,079)	6,252	2,055	64	492,637	20,096	512,733
18,609	793	258	7	81,801	3,046	84,847
<u>—</u>	<u>(511)</u>	<u>(169)</u>	<u>(5)</u>	<u>(40,484)</u>	<u>—</u>	<u>(40,484)</u>
<u>15,530</u>	<u>6,534</u>	<u>2,144</u>	<u>66</u>	<u>533,954</u>	<u>23,142</u>	<u>557,096</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	265	<u>—</u>	265
<u>354</u>	<u>506</u>	<u>—</u>	<u>—</u>	<u>5,198</u>	<u>1,481</u>	<u>6,679</u>
<u>33,582</u>	<u>17,080</u>	<u>6,822</u>	<u>900</u>	<u>1,442,826</u>	<u>256,155</u>	<u>1,698,981</u>
<u>—</u>	7,554	1,600	<u>—</u>	1,128,067	237,533	1,365,600
2,584	<u>—</u>	<u>—</u>	<u>—</u>	2,584	<u>—</u>	2,584
12,968	817	666	49	33,662	<u>—</u>	33,662
1,064	96	46	7	10,532	5,156	15,688
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	23	23
<u>3</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>265</u>	<u>—</u>	<u>265</u>
<u>16,619</u>	<u>8,467</u>	<u>2,312</u>	<u>56</u>	<u>1,175,110</u>	<u>242,712</u>	<u>1,417,822</u>
16,963	8,613	4,510	844	267,716	<u>—</u>	267,716
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	13,443	13,443
<u>401,856</u>	<u>162,746</u>	<u>52,427</u>	<u>1,202</u>	<u>13,948,321</u>	<u>691,149</u>	<u>14,639,470</u>
<u>\$ 418,819</u>	<u>\$ 171,359</u>	<u>\$ 56,937</u>	<u>\$ 2,046</u>	<u>\$14,216,037</u>	<u>\$ 704,592</u>	<u>\$ 14,920,629</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.

## West Virginia

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### Combining Statement of Fiduciary Net Position Investment Trust Funds June 30, 2015 (Expressed in Thousands)

	West Virginia Money Market	West Virginia Government Money Market	Total
Assets:			
Cash and Cash Equivalents	<u>\$ 90,302</u>	<u>\$ 217,438</u>	<u>\$ 307,740</u>
Total Assets	<u>\$ 90,302</u>	<u>\$ 217,438</u>	<u>\$ 307,740</u>
Net Position:			
Held in Trust for External Investment Pool Participants	<u>\$ 90,302</u>	<u>\$ 217,438</u>	<u>\$ 307,740</u>
Total Net Position	<u>\$ 90,302</u>	<u>\$ 217,438</u>	<u>\$ 307,740</u>

### Combining Statement of Changes in Fiduciary Net Position Investment Trust Funds For the Year Ended June 30, 2015 (Expressed in Thousands)

	West Virginia Money Market	West Virginia Government Money Market	Total
Additions:			
Deposits, Pool Participants	\$ 300,238	\$ 465,943	\$ 766,181
Investment Income:			
Net Appreciation, in Fair Value of Investments	<u>108</u>	<u>74</u>	<u>182</u>
Total Additions	<u>300,346</u>	<u>466,017</u>	<u>766,363</u>
Deductions:			
Withdrawals	<u>302,516</u>	<u>452,583</u>	<u>755,099</u>
Change in Net Position Held in Trust for External Investment Pool Participants	<u>(2,170)</u>	<u>13,434</u>	<u>11,264</u>
Net Position, Beginning of Year	<u>92,472</u>	<u>204,004</u>	<u>296,476</u>
Net Position, End of Year	<u>\$ 90,302</u>	<u>\$ 217,438</u>	<u>\$ 307,740</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, 2015  
 (Expressed in Thousands)**

	Local Government		Other Agency			
	Local Government	Municipal Bond Commission	Consolidated Investment Pool	Patient Injury Compensation Fund	Other Agency Funds	Total
Assets:						
Current Assets:						
Cash and Cash Equivalents	\$ 10	\$ 2,939	\$ 44,689	\$ 1,146	\$ 19,548	\$ 68,332
Investments	—	—	8,399	—	—	8,399
Due from Other Funds	<u>104</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>104</u>
Total Assets	<u>\$ 114</u>	<u>\$ 2,939</u>	<u>\$ 53,088</u>	<u>\$ 1,146</u>	<u>\$ 19,548</u>	<u>\$ 76,835</u>
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ —	\$ —	\$ —	\$ 3	\$ —	\$ 3
Due to Other Governments	114	2,939	—	—	368	3,421
Agency Liabilities	<u>—</u>	<u>—</u>	<u>53,088</u>	<u>1,143</u>	<u>19,180</u>	<u>73,411</u>
Total Liabilities	<u>\$ 114</u>	<u>\$ 2,939</u>	<u>\$ 53,088</u>	<u>\$ 1,146</u>	<u>\$ 19,548</u>	<u>\$ 76,835</u>

**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2015**  
**(Expressed in Thousands)**

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Local Government</b>				
Assets:				
Cash	\$ 484	\$ 1,287,431	\$ 1,287,905	\$ 10
Due from Other Funds	<u>—</u>	<u>104</u>	<u>—</u>	<u>104</u>
Total Assets	<u>\$ 484</u>	<u>\$ 1,287,535</u>	<u>\$ 1,287,905</u>	<u>\$ 114</u>
Liabilities:				
Accounts Payable	\$ —	\$ 451,883	\$ 451,883	\$ —
Due to Other Governments	<u>484</u>	<u>835,652</u>	<u>836,022</u>	<u>114</u>
Total Liabilities	<u>\$ 484</u>	<u>\$ 1,287,535</u>	<u>\$ 1,287,905</u>	<u>\$ 114</u>
<b>Municipal Bond Commission</b>				
Assets:				
Cash	\$ 2,984	\$ 724,621	\$ 724,666	\$ 2,939
Total Assets	<u>\$ 2,984</u>	<u>\$ 724,621</u>	<u>\$ 724,666</u>	<u>\$ 2,939</u>
Liabilities:				
Accounts Payable	\$ —	\$ 1,154	\$ 1,154	\$ —
Due to Other Governments	<u>2,984</u>	<u>723,467</u>	<u>723,512</u>	<u>2,939</u>
Total Liabilities	<u>\$ 2,984</u>	<u>\$ 724,621</u>	<u>\$ 724,666</u>	<u>\$ 2,939</u>
<b>Consolidated Investment Pool</b>				
Assets:				
Cash	\$ 5,171	\$ 38,435	\$ 38,410	\$ 5,196
Equity in Pooled Cash Equivalents	35,327	7,035	2,869	39,493
Investments	8,598	974	1,173	8,399
Accrued Interest Receivable	<u>122</u>	<u>—</u>	<u>122</u>	<u>—</u>
Total Assets	<u>\$ 49,218</u>	<u>\$ 46,444</u>	<u>\$ 42,574</u>	<u>\$ 53,088</u>
Liabilities:				
Accounts Payable	\$ —	\$ 4,178	\$ 4,178	\$ —
Agency Liabilities	<u>49,218</u>	<u>42,266</u>	<u>38,396</u>	<u>53,088</u>
Total Liabilities	<u>\$ 49,218</u>	<u>\$ 46,444</u>	<u>\$ 42,574</u>	<u>\$ 53,088</u>

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Patient Injury Compensation Fund</b>				
Assets:				
Cash and Cash Equivalents	\$ 2,025	\$ —	\$ 1,950	\$ 75
Equity in Pooled Cash	<u>171</u>	<u>900</u>	<u>—</u>	<u>1,071</u>
Total Assets	<u>\$ 2,196</u>	<u>\$ 900</u>	<u>\$ 1,950</u>	<u>\$ 1,146</u>
Liabilities:				
Accounts Payable	\$ 12	\$ 1,053	\$ 1,062	\$ 3
Agency Liabilities	<u>2,184</u>	<u>(153)</u>	<u>888</u>	<u>1,143</u>
Total Liabilities	<u>\$ 2,196</u>	<u>\$ 900</u>	<u>\$ 1,950</u>	<u>\$ 1,146</u>
 <b>Other Agency Funds</b>				
Assets:				
Cash and Cash Equivalents	\$ 15,962	\$ 249,456	\$ 249,154	\$ 16,264
Equity in Pooled Cash	<u>3,732</u>	<u>1,242</u>	<u>1,690</u>	<u>3,284</u>
Total Assets	<u>\$ 19,694</u>	<u>\$ 250,698</u>	<u>\$ 250,844</u>	<u>\$ 19,548</u>
Liabilities:				
Due to Other Governments	\$ —	\$ 3,089	\$ 2,721	\$ 368
Agency Liabilities	<u>19,694</u>	<u>247,609</u>	<u>248,123</u>	<u>19,180</u>
Total Liabilities	<u>\$ 19,694</u>	<u>\$ 250,698</u>	<u>\$ 250,844</u>	<u>\$ 19,548</u>
 <b>Total All Agency Funds</b>				
Assets:				
Cash and Cash Equivalents	\$ 26,626	\$ 2,299,943	\$ 2,302,085	\$ 24,484
Equity in Pooled Cash Equivalents	39,230	9,177	4,559	43,848
Investments	8,598	974	1,173	8,399
Due from Other Funds	—	104	—	104
Accrued Interest Receivable	<u>122</u>	<u>—</u>	<u>122</u>	<u>—</u>
Total Assets	<u>\$ 74,576</u>	<u>\$ 2,310,198</u>	<u>\$ 2,307,939</u>	<u>\$ 76,835</u>
Liabilities:				
Accounts Payable	\$ 12	\$ 458,268	\$ 458,277	\$ 3
Due to Other Governments	3,468	1,562,208	1,562,255	3,421
Agency Liability	<u>71,096</u>	<u>289,722</u>	<u>287,407</u>	<u>73,411</u>
Total Liabilities	<u>\$ 74,576</u>	<u>\$ 2,310,198</u>	<u>\$ 2,307,939</u>	<u>\$ 76,835</u>



# *DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS*

## *Nonmajor Component Units*

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

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

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

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

**Racing Commission** The Commission has full jurisdiction and supervision over all horse and dog race meetings, and all persons involved in the holding or conducting of horse or dog race meetings. It can fix the annual fee for permits and registrations. Other racing taxes and fees are set by West Virginia State Code, Chapter 19, Article 23.

**Public 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, 2015  
(Expressed in Thousands)**

	<b>Educational Broadcasting Authority</b>	<b>Job Investment Trust</b>	<b>WV State Rail Authority</b>
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,563	\$ 5,924	\$ 6,884
Investments	529	—	—
Receivables, Net	328	—	82
Due from Primary Governments	2	—	662
Inventories	—	—	37
Other Assets	—	—	—
Restricted Assets:			
Cash and Cash Equivalents	—	1,321	—
Receivables, Net	—	—	—
Total Current Assets	<u>2,422</u>	<u>7,245</u>	<u>7,665</u>
Noncurrent Assets:			
Investments	—	5,708	—
Receivables, Net	—	4,151	—
Other Assets	—	366	—
Restricted Assets:			
Receivables, Net	—	—	—
Other Restricted Assets	227	—	—
Capital Assets, Net	<u>4,378</u>	<u>149</u>	<u>37,112</u>
Total Noncurrent Assets	<u>4,605</u>	<u>10,374</u>	<u>37,112</u>
Total Assets	<u>7,027</u>	<u>17,619</u>	<u>44,777</u>
Deferred Outflows of Resources:			
Related to Pensions	<u>440</u>	<u>43</u>	<u>60</u>
Total Deferred Outflows of Resources	<u>440</u>	<u>43</u>	<u>60</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	358	24	565
Accrued and Other Liabilities	—	38	40
Due to Primary Government	2,403	—	675
Unearned Revenue	7	—	3
Compensated Absences	<u>298</u>	<u>—</u>	<u>60</u>
Total Current Liabilities	<u>3,066</u>	<u>62</u>	<u>1,343</u>
Noncurrent Liabilities:			
Accrued and Other Liabilities	—	—	—
Unearned Revenue	—	—	60
Liabilities Payable from Restricted Assets	—	—	—
Net Pension Liability	817	80	119
Compensated Absences	<u>—</u>	<u>—</u>	<u>—</u>
Total Noncurrent Liabilities	<u>817</u>	<u>80</u>	<u>179</u>
Total Liabilities	<u>3,883</u>	<u>142</u>	<u>1,522</u>
Deferred Inflows of Resources:			
Related to Pensions	<u>925</u>	<u>87</u>	<u>152</u>
Total Deferred Inflows of Resources	<u>925</u>	<u>87</u>	<u>152</u>
Net Position (Deficit):			
Net Investment in Capital Assets	4,379	149	37,112
Restricted for:			
Nonexpendable	227	—	—
Specific Component Unit Purposes	—	—	—
Unrestricted	<u>(1,947)</u>	<u>17,284</u>	<u>6,051</u>
Total Net Position (Deficit)	<u>\$ 2,659</u>	<u>\$ 17,433</u>	<u>\$ 43,163</u>

<u>Solid Waste Management Board</u>	<u>Racing Commission</u>	<u>Public Defender Corporation</u>	<u>Municipal Pensions Oversight Board</u>	<u>Total</u>
\$ 3,421	\$ 2,671	\$ 2,269	\$ 28,205	\$ 50,937
—	—	—	—	529
245	46	1,538	—	2,239
—	—	—	—	664
—	—	—	—	37
1	—	45	—	46
3,267	18,531	—	—	23,119
<u>261</u>	<u>580</u>	<u>—</u>	<u>—</u>	<u>841</u>
<u>7,195</u>	<u>21,828</u>	<u>3,852</u>	<u>28,205</u>	<u>78,412</u>
—	—	—	—	5,708
—	—	—	—	4,151
—	—	—	—	366
1,112	—	—	—	1,112
—	—	—	—	227
<u>20</u>	<u>—</u>	<u>804</u>	<u>13</u>	<u>42,476</u>
<u>1,132</u>	<u>—</u>	<u>804</u>	<u>13</u>	<u>54,040</u>
<u>8,327</u>	<u>21,828</u>	<u>4,656</u>	<u>28,218</u>	<u>132,452</u>
<u>79</u>	<u>282</u>	<u>1,562</u>	<u>30</u>	<u>2,496</u>
<u>79</u>	<u>282</u>	<u>1,562</u>	<u>30</u>	<u>2,496</u>
121	1,595	35	27	2,725
—	99	407	27	611
319	1,137	4,029	8	8,571
—	—	—	—	10
<u>—</u>	<u>—</u>	<u>866</u>	<u>—</u>	<u>1,224</u>
<u>440</u>	<u>2,831</u>	<u>5,337</u>	<u>62</u>	<u>13,141</u>
200	—	—	—	200
—	—	—	—	60
—	18,531	—	—	18,531
143	556	2,961	56	4,732
<u>34</u>	<u>185</u>	<u>—</u>	<u>—</u>	<u>219</u>
<u>377</u>	<u>19,272</u>	<u>2,961</u>	<u>56</u>	<u>23,742</u>
<u>817</u>	<u>22,103</u>	<u>8,298</u>	<u>118</u>	<u>36,883</u>
<u>151</u>	<u>710</u>	<u>3,215</u>	<u>59</u>	<u>5,299</u>
<u>151</u>	<u>710</u>	<u>3,215</u>	<u>59</u>	<u>5,299</u>
20	—	804	13	42,477
—	—	—	—	227
4,440	—	—	28,058	32,498
<u>2,978</u>	<u>(703)</u>	<u>(6,099)</u>	<u>—</u>	<u>17,564</u>
<u>\$ 7,438</u>	<u>\$ (703)</u>	<u>\$ (5,295)</u>	<u>\$ 28,071</u>	<u>\$ 92,766</u>

**Combining Statement of Activities  
Nonmajor Discretely Presented Component Units  
For the Fiscal Year Ended June 30, 2015  
(Expressed in Thousands)**

		<b>Program Revenues</b>		
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Net (Expense) Revenue</b>
Component Units:				
Educational Broadcasting Authority	\$ 10,058	\$ 1,960	\$ 1,535	\$ (6,563)
Jobs Investment Trust	1,861	638	6,321	5,098
WV State Rail Authority	4,426	2,789	—	(1,637)
Solid Waste Management Board	2,677	2,916	—	239
Racing Commission	4,470	3,085	—	(1,385)
Public Defender Corporation	15,865	—	1	(15,864)
Municipal Pensions Oversight Board	<u>16,948</u>	<u>—</u>	<u>—</u>	<u>(16,948)</u>
Total Component Units	<u>\$ 56,305</u>	<u>\$ 11,388</u>	<u>\$ 7,857</u>	<u>\$ (37,060)</u>

<u>General Revenue</u>						Net Position Beginning of Year, as restated	Net Position, End of Year
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		
\$ —	\$ 895	\$ 966	\$ 4,423	\$ 6,284	\$ (279)	\$ 2,938	\$ 2,659
18	—	—	—	18	5,116	12,317	17,433
18	—	—	2,160	2,178	541	42,622	43,163
—	—	1	—	1	240	7,198	7,438
—	—	—	—	—	(1,385)	682	(703)
2	—	—	17,600	17,602	1,738	(7,033)	(5,295)
<u>32</u>	<u>—</u>	<u>—</u>	<u>17,776</u>	<u>17,808</u>	<u>860</u>	<u>27,211</u>	<u>28,071</u>
<u>\$ 70</u>	<u>\$ 895</u>	<u>\$ 967</u>	<u>\$ 41,959</u>	<u>\$ 43,891</u>	<u>\$ 6,831</u>	<u>\$ 85,935</u>	<u>\$ 92,766</u>





## STATISTICAL SECTION

Financial Trends

Revenue Capacity

Debt Capacity

Demographics and  
Economic Information

Operating Information

Miscellaneous

*Fog hangs in the Elk River valley near Amma in Roane County. The Elk River begins as a trout stream, but for most of its 177 miles is a warm-water fishery known for large muskellunge.*



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Financial Trends - These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

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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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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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Governmental Activities</b>				
Net Investment in Capital Assets	\$ 8,890,142	\$ 8,791,243	\$ 8,620,814	\$ 8,404,751
Restricted	439,118	367,636	407,011	504,680
Unrestricted Net Position (Deficit)	<u>(4,768,071)</u>	<u>(17,631)</u>	<u>78,335</u>	<u>298,279</u>
<b>Total Governmental Activities</b>				
<b>Net Position</b>	<u>\$ 4,561,189</u>	<u>\$ 9,141,248</u>	<u>\$ 9,106,160</u>	<u>\$ 9,207,710</u>
<b>Business-type Activities</b>				
Net Investment in Capital Assets	\$ 2,963	\$ 3,175	\$ 3,392	\$ 4,555
Restricted	1,813,975	1,812,958	1,792,845	1,721,727
Unrestricted Net Position (Deficit)	<u>201,022</u>	<u>41,180</u>	<u>(222,728)</u>	<u>(450,488)</u>
<b>Total Business-type Activities</b>				
<b>Net Position (Deficit)</b>	<u>\$ 2,017,960</u>	<u>\$ 1,857,313</u>	<u>\$ 1,573,509</u>	<u>\$ 1,275,794</u>
<b>Primary Government</b>				
Net Investment in Capital Assets	\$ 8,893,105	\$ 8,794,418	\$ 8,624,206	\$ 8,409,306
Restricted	2,253,093	2,180,594	2,199,856	2,226,407
Unrestricted Net Position (Deficit)	<u>(4,567,049)</u>	<u>23,549</u>	<u>(144,393)</u>	<u>(152,209)</u>
<b>Total Primary Government</b>				
<b>Net Position</b>	<u>\$ 6,579,149</u>	<u>\$10,998,561</u>	<u>\$10,679,669</u>	<u>\$10,483,504</u>

Notes: The Worker's Compensation Fund (WCF) had negative claims payment trends during fiscal years ended June 30, 2001 and 2002, which continued into fiscal 2003. In June 2003, a special legislative session passed several pieces of legislation making major changes to the workers' compensation laws that became effective in fiscal year 2004. These changes caused the WCF deficit to improve. In February 2005, additional legislation was passed that caused the formation of an employer's mutual insurance company to replace the WCF. The "workers' compensation old fund" was created for those funds due and owing the Workers' Compensation Fund as of June 30, 2005. The old fund did not novate to the new employer's mutual.

Beginning in FY 2008, the School Building Authority is no longer included in the Governmental Funds. It is now accounted for as a discretely presented component unit. The 2006-2007 amounts above have not been restated to reflect this change in presentation because the necessary information is not readily available.

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

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

GASB 63 was implemented in fiscal year 2013 which changed net assets to net position.

2011	2010	2009	2008	2007	2006
\$ 8,288,909	\$ 7,909,484	\$ 7,532,883	\$ 7,230,626	\$ 6,934,539	\$ 6,771,494
551,892	435,296	817,524	926,541	861,508	714,802
<u>1,347,124</u>	<u>1,407,481</u>	<u>1,725,672</u>	<u>1,402,670</u>	<u>846,987</u>	<u>91,573</u>
<u>\$10,187,925</u>	<u>\$ 9,752,261</u>	<u>\$ 10,076,079</u>	<u>\$ 9,559,837</u>	<u>\$ 8,643,034</u>	<u>\$ 7,577,869</u>
\$ 6,200	\$ 31,428	\$ 11,732	\$ 12,330	\$ 4,049	\$ 2,775
1,551,461	1,432,449	1,000,274	1,074,139	1,026,973	944,256
<u>(568,660)</u>	<u>(744,459)</u>	<u>(1,095,509)</u>	<u>(1,329,576)</u>	<u>(1,704,657)</u>	<u>(2,017,602)</u>
<u>\$ 989,001</u>	<u>\$ 719,418</u>	<u>\$ (83,503)</u>	<u>\$ (243,107)</u>	<u>\$ (673,635)</u>	<u>\$ (1,070,571)</u>
\$ 8,295,109	\$ 7,940,912	\$ 7,544,615	\$ 7,242,956	\$ 6,938,588	\$ 6,774,269
2,103,353	1,867,745	1,817,798	2,000,680	1,888,481	1,659,058
<u>778,464</u>	<u>663,022</u>	<u>630,163</u>	<u>73,094</u>	<u>(857,670)</u>	<u>(1,926,029)</u>
<u>\$11,176,926</u>	<u>\$ 10,471,679</u>	<u>\$ 9,992,576</u>	<u>\$ 9,316,730</u>	<u>\$ 7,969,399</u>	<u>\$ 6,507,298</u>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental Activities:				
Expenses:				
Legislative	\$ 26,762	\$ 30,147	\$ 34,693	\$ 36,722
Judicial	126,904	143,929	129,667	140,515
Executive	124,455	154,212	117,706	216,356
Administration	280,007	308,685	309,009	320,377
Commerce	141,566	182,198	233,474	231,178
Environmental Protection	109,036	150,859	168,322	204,158
Employment Programs	43,876	50,406	47,369	51,595
Education	2,762,735	2,924,767	3,059,791	3,757,725
Health and Human Resources	5,241,337	4,759,982	4,660,450	4,402,259
Military Affairs and Public Safety	412,894	424,232	446,954	491,717
Revenue	86,654	131,627	62,615	91,344
Transportation	1,121,182	1,148,566	1,028,742	1,299,400
Veterans Assistance	19,264	23,551	19,212	27,019
Senior Services	49,205	45,846	47,608	47,561
Regulatory Boards and Commissions	74,255	44,847	62,883	92,662
Interest on Long-Term Debt	<u>123,064</u>	<u>119,268</u>	<u>125,559</u>	<u>125,105</u>
Total Expenses	10,743,196	10,643,122	10,554,054	11,535,693
Program Revenues:				
Charges for Services:				
Legislative	1,436	1,440	1,550	1,591
Judicial	944	972	969	1,024
Executive	22,440	24,539	21,110	22,093
Administration	51,167	15,608	31,569	33,180
Commerce	46,972	48,312	43,882	48,928
Environmental Protection	71,302	85,487	84,358	61,188
Employment Programs	—	—	—	—
Education	3,970	3,982	3,563	4,362
Health and Human Resources	84,731	83,974	90,383	90,604
Military Affairs and Public Safety	8,751	9,847	10,308	11,146
Revenue	50,547	33,231	30,888	31,729
Transportation	97,716	92,772	100,966	100,700
Senior Services	—	—	—	1
Regulatory Boards and Commissions	<u>31,317</u>	<u>31,403</u>	<u>25,090</u>	<u>31,254</u>
Total Charges for Services	471,293	431,567	444,636	437,800
Operating Grants and Contributions:				
Legislative	784	1,523	984	1,977
Judicial	2,296	1,453	491	640
Executive	14,076	64,345	62,496	136,752
Administration	50,731	43,532	48,938	45,498
Commerce	39,802	54,672	70,260	70,004
Environmental Protection	102,018	103,557	104,386	142,590
Employment Programs	45,306	49,686	50,537	51,845
Education	443,295	405,576	420,116	446,297
Health and Human Resources	3,811,046	3,385,470	3,222,601	3,045,355
Military Affairs and Public Safety	65,630	59,304	76,807	82,240
Revenue	144	35	23	9
Veterans Assistance	9,604	7,814	2,298	—
Senior Services	22,728	22,588	22,025	23,351
Regulatory Boards and Commissions	<u>3,058</u>	<u>2,782</u>	<u>3,033</u>	<u>2,747</u>
Total Operating Grants and Contributions	4,610,518	4,202,337	4,084,995	4,049,305
Capital Grants & Contributions:				
Executive	—	—	—	—
Administration	—	3,180	—	2,005
Education	—	—	—	—
Military Affairs and Public Safety	17,241	24,395	46,326	49,854
Transportation	373,708	—	493,949	519,768
Veterans Assistance	—	476,631	3,005	5,321
Total Capital Grants and Contributions	<u>390,949</u>	<u>504,206</u>	<u>543,280</u>	<u>576,948</u>
Total Program Revenues	<u>5,472,760</u>	<u>5,138,110</u>	<u>5,072,911</u>	<u>5,064,053</u>
Total Governmental Activities Net Program Expenses	(5,270,436)	(5,505,102)	(5,481,143)	(6,471,640)

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 31,721	\$ 28,896	\$ 29,552	\$ 28,027	\$ 26,154	\$ 25,345
130,104	124,627	106,933	102,738	88,209	77,789
325,389	261,764	143,872	128,261	114,547	104,726
260,298	163,662	201,469	213,546	153,677	147,774
217,334	204,178	201,901	204,448	218,610	235,749
174,211	141,279	110,652	74,827	225,458	125,216
58,312	57,286	45,000	56,122	53,617	72,069
2,839,216	2,850,805	2,821,883	2,646,434	2,454,835	2,669,307
4,317,911	4,088,254	3,737,102	3,451,206	3,254,172	3,119,005
441,523	441,068	427,575	381,104	360,443	417,606
82,820	270,870	83,458	51,242	70,148	71,158
1,035,601	1,064,417	977,616	876,073	778,817	780,950
—	—	—	—	—	—
47,186	46,671	43,729	43,701	32,195	30,115
33,328	36,917	35,079	35,168	34,212	33,082
<u>135,443</u>	<u>135,534</u>	<u>141,756</u>	<u>140,208</u>	<u>94,475</u>	<u>93,401</u>
10,130,397	9,916,228	9,107,577	8,433,105	7,959,569	8,003,292
1,571	1,598	1,644	1,654	1,757	1,824
1,116	929	907	1,014	869	919
22,868	19,787	17,365	15,248	12,024	15,872
6,289	29,086	28,337	29,115	24,812	49,492
44,747	46,009	48,685	45,684	44,114	41,885
52,683	49,450	56,016	44,720	56,621	54,877
—	—	—	—	—	—
4,195	3,352	3,096	1,698	3,008	4,465
88,737	84,680	81,230	74,960	83,230	84,428
10,019	10,352	12,957	11,097	10,165	5,317
73,947	69,800	45,944	62,352	65,364	44,229
101,000	100,533	91,669	102,561	96,068	97,064
—	1	—	4	—	—
<u>30,815</u>	<u>30,407</u>	<u>26,121</u>	<u>27,897</u>	<u>21,638</u>	<u>26,789</u>
437,987	445,984	413,971	418,004	419,670	427,161
634	2,135	1,212	255	1,269	545
1,049	986	850	813	380	436
214,224	164,062	40,551	35,615	38,249	27,138
41,426	38,498	37,716	36,670	37,945	56,748
73,424	59,632	34,220	38,138	47,463	32,749
116,378	121,366	67,529	50,090	53,301	44,255
58,008	54,460	46,804	55,839	54,690	65,303
444,269	452,315	377,749	380,708	388,305	369,428
3,252,622	3,077,246	2,783,872	2,365,068	2,235,552	2,224,260
52,057	74,472	67,269	95,331	52,708	60,756
28	12	156	—	66,214	214
—	—	—	—	—	—
22,671	20,614	14,310	21,244	11,637	11,594
<u>2,105</u>	<u>2,014</u>	<u>2,598</u>	<u>2,937</u>	<u>2,267</u>	<u>4,376</u>
<u>4,278,895</u>	<u>4,067,812</u>	<u>3,474,836</u>	<u>3,082,708</u>	<u>2,989,980</u>	<u>2,897,802</u>
3	57,442	—	41	—	—
—	—	—	28	4,001	—
—	—	—	1,027	31	233
74,581	18,758	11,518	4,743	5,423	10,127
554,394	558,947	476,779	419,810	410,669	447,727
—	—	—	—	—	—
<u>628,978</u>	<u>635,147</u>	<u>488,297</u>	<u>425,649</u>	<u>420,124</u>	<u>458,087</u>
<u>5,345,860</u>	<u>5,148,943</u>	<u>4,377,104</u>	<u>3,926,361</u>	<u>3,829,774</u>	<u>3,783,050</u>
<u>(4,784,537)</u>	<u>(4,767,285)</u>	<u>(4,730,473)</u>	<u>(4,506,744)</u>	<u>(4,129,795)</u>	<u>(4,220,242)</u>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Revenue and Other Changes in Net Position				
Taxes:				
Personal Income	1,921,597	1,771,473	1,771,481	1,790,146
Consumer Sales	1,265,957	1,216,812	1,198,983	1,216,561
Business	907,362	937,751	923,575	905,515
Medicaid	197,692	189,111	203,421	190,419
Transportation	640,135	628,989	605,768	594,871
Other	249,102	303,889	304,693	318,938
Entitlements and Grants	—	31,078	15,896	5,056
Unrestricted Investment Earnings	12,259	71,178	23,287	54,699
Tobacco Settlement Revenues	62,105	61,337	88,327	63,270
Federal Appropriations – Jobs Growth Tax Relief	—	—	—	—
Lottery Revenue	356,401	343,220	388,888	497,874
Miscellaneous	131,023	125,770	94,150	112,324
Special Item	—	—	—	—
Transfers	(230,208)	(217,282)	(220,028)	(258,248)
Excess Reserve Transfer to RHBT	—	—	—	—
Total General Revenue, Special Item and Transfers	<u>5,513,425</u>	<u>5,463,326</u>	<u>5,398,441</u>	<u>5,491,425</u>
Total Governmental Activities Changes in Net Position	<u>\$ 134,901</u>	<u>\$ (41,686)</u>	<u>\$ (82,702)</u>	<u>\$ (980,215)</u>
Business Type Activities Expenses:				
West Virginia Lottery	\$ —	\$ —	\$ —	\$ —
Water Pollution Control Revolving Fund	6,358	9,991	10,645	5,740
Workers' Compensation Fund	44,488	129,087	105,430	147,230
Unemployment Compensation	225,940	274,215	380,239	365,312
WV Infrastructure & Jobs Development Council	71,587	29,752	17,669	18,503
Public Employees' Insurance Agency	577,433	573,008	490,841	524,789
Board of Risk and Insurance Management	72,436	67,524	57,293	57,288
Other Business-type Activities	<u>108,868</u>	<u>110,133</u>	<u>114,918</u>	<u>108,221</u>
Total Expenses	<u>1,107,110</u>	<u>1,193,710</u>	<u>1,177,035</u>	<u>1,227,094</u>
Program Revenues:				
Charges for Services:				
West Virginia Lottery	—	—	—	—
Water Pollution Control Revolving Fund	5,725	5,611	5,011	4,631
Workers' Compensation Fund	46,272	45,099	54,817	54,361
Unemployment Compensation	223,836	270,784	356,531	400,238
WV Infrastructure & Jobs Development Council	2,591	3,076	2,771	4,381
Public Employees' Insurance Agency	516,689	515,987	513,982	499,236
Board of Risk and Insurance Management	51,940	45,959	41,243	45,587
Other Business-type Activities	<u>120,634</u>	<u>123,772</u>	<u>123,710</u>	<u>117,206</u>
Total Charges for Services	<u>967,687</u>	<u>1,010,288</u>	<u>1,098,065</u>	<u>1,125,640</u>
Capital Grants & Contributions:				
Water Pollution Control Revolving Fund	—	—	—	—
West Virginia Lottery	—	—	—	—
Total Capital Grants & Contributions	—	—	—	—
Total Revenues	<u>967,687</u>	<u>1,010,288</u>	<u>1,098,065</u>	<u>1,125,640</u>
Total Business Type Activities Net Program Expenses	<u>(139,423)</u>	<u>(183,422)</u>	<u>(78,970)</u>	<u>(101,454)</u>
General Revenue & Other Changes in Net Assets:				
Unrestricted Investment Earnings	29,282	175,662	94,612	66,690
Tobacco Settlement Revenue	—	—	—	—
Lottery Revenue	37,000	57,000	57,000	57,000
Miscellaneous	7,271	17,282	6,473	6,309
Transfers	<u>230,208</u>	<u>217,282</u>	<u>220,028</u>	<u>258,248</u>
Total General Revenue and Other Changes in Net Position	<u>303,761</u>	<u>467,226</u>	<u>378,113</u>	<u>388,247</u>
Total Business Type Activities Changes in Net Position	<u>\$164,338</u>	<u>\$283,804</u>	<u>\$299,143</u>	<u>\$286,793</u>
Total Primary Government Change in Net Position	<u>\$299,239</u>	<u>\$242,118</u>	<u>\$216,441</u>	<u>\$(693,422)</u>

\* In FY 2008, the School Building was removed from Governmental Funds. It is now accounted for as a discretely presented component unit. The 2002-2007 amounts above have not been restated to reflect this change in presentation because the necessary information is not readily available.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1,657,258	1,534,970	1,630,492	1,557,957	1,372,646	1,330,913
1,150,887	1,131,075	1,088,901	990,051	1,020,128	981,536
977,252	844,405	912,252	1,040,604	906,022	920,940
173,103	157,693	165,759	161,896	162,692	169,866
574,949	541,023	533,833	564,736	535,979	501,022
264,260	277,811	297,644	394,798	393,400	382,718
29,995	—	—	—	—	229
63,821	89,635	(33,983)	89,581	105,317	71,233
61,233	66,199	81,703	73,079	48,294	33,137
—	—	—	—	—	—
408,974	—	—	—	—	—
103,228	97,791	96,098	128,940	111,277	74,047
—	—	—	—	—	—
(244,759)	279,309	206,287	214,864	539,205	438,733
—	—	—	(108,168)	—	—
<u>5,220,201</u>	<u>5,019,911</u>	<u>4,978,986</u>	<u>5,108,338</u>	<u>5,194,960</u>	<u>4,904,374</u>
<u>\$ 435,664</u>	<u>\$ 252,626</u>	<u>\$ 248,513</u>	<u>\$ 601,594</u>	<u>\$ 1,065,165</u>	<u>\$ 684,132</u>
\$ —	\$ 899,247	\$ 1,022,747	\$ 1,087,321	\$ 1,081,336	\$ 1,096,893
26,723	34,796	1,905	1,651	1,630	1,718
179,803	173,967	36,252	(161,079)	81,459	392,975
444,036	605,272	356,715	175,107	153,663	147,308
16,024	22,882	—	—	—	—
527,830	437,496	394,616	444,380	379,742	545,384
37,624	35,614	40,498	47,229	39,441	41,256
<u>101,937</u>	<u>97,089</u>	<u>69,184</u>	<u>77,329</u>	<u>76,785</u>	<u>66,631</u>
<u>1,333,977</u>	<u>2,306,363</u>	<u>1,921,917</u>	<u>1,671,938</u>	<u>1,814,056</u>	<u>2,292,165</u>
—	1,358,092	1,493,036	1,523,457	1,562,259	1,522,532
4,548	4,509	4,154	3,819	3,744	3,383
51,015	50,460	49,921	44,073	235,664	524,269
467,910	510,048	249,996	141,921	147,091	148,731
3,162	2,756	—	—	—	—
499,726	481,060	402,377	360,564	406,311	567,107
46,376	51,613	56,337	66,592	74,097	78,787
<u>103,143</u>	<u>97,846</u>	<u>90,438</u>	<u>83,542</u>	<u>77,553</u>	<u>73,155</u>
<u>1,175,880</u>	<u>2,556,384</u>	<u>2,346,259</u>	<u>2,223,968</u>	<u>2,506,719</u>	<u>2,917,964</u>
—	—	11,384	20,788	12,627	20,241
—	—	—	—	—	—
—	—	11,384	20,788	12,627	20,241
<u>1,175,880</u>	<u>2,556,384</u>	<u>2,357,643</u>	<u>2,244,756</u>	<u>2,519,346</u>	<u>2,938,205</u>
<u>(158,097)</u>	<u>250,021</u>	<u>435,726</u>	<u>572,818</u>	<u>705,290</u>	<u>646,040</u>
160,942	190,159	(86,937)	38,441	189,761	65,758
0	—	—	—	15,000	45,000
51,000	—	—	—	—	—
7,362	54,718	17,102	32,022	26,090	51,847
<u>244,759</u>	<u>(279,309)</u>	<u>(206,287)</u>	<u>(214,864)</u>	<u>(539,205)</u>	<u>(438,733)</u>
<u>464,063</u>	<u>(34,432)</u>	<u>(276,122)</u>	<u>(144,401)</u>	<u>(308,354)</u>	<u>(276,128)</u>
<u>\$ 305,966</u>	<u>\$ 215,589</u>	<u>\$ 159,604</u>	<u>\$ 428,417</u>	<u>\$ 396,936</u>	<u>\$ 369,912</u>
<u>\$ 741,630</u>	<u>\$ 468,215</u>	<u>\$ 408,117</u>	<u>\$ 1,030,011</u>	<u>\$ 1,462,101</u>	<u>\$ 1,054,044</u>

**Schedule 3**  
**Fund Balances, Governmental Funds\***  
**Last Ten Fiscal Years**  
**(Expressed in thousands)**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>General Fund</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Nonspendable:				
Inventories	10,288	11,485	13,268	11,143
Receivables	129,150	132,830	122,135	111,340
Restricted for:				
Government Operations	846	5,600	9,821	17,065
Development, Tourism, and Recreation	2,376	9,318	14,748	16,162
Education	268	1,508	2,625	2,207
Health & Social Services	780	3,644	7,300	17,399
Public Protection	402	3,411	6,682	7,217
Committed for:				
Government Operations	5,430	960,077	1,044,948	946,290
Rainy Day Funds	879,749	-	-	-
Development, Tourism, and Recreation	3,160	16,972	33,168	8,745
Education	17,590	18,189	23,804	14,123
Health & Social Services	5,268	25,700	81,720	27,501
Public Protection	2,308	10,801	20,940	-
Assigned for:				
Government Operations	-	26,692	32,261	14,117
Development, Tourism, and Recreation	-	1,219	1,723	-
Education	-	2,257	3,341	-
Health & Social Services	-	3,883	5,894	-
Public Protection	-	1,683	3,801	-
Unassigned	<u>(1,284,506)</u>	<u>(1,284,401)</u>	<u>(1,102,111)</u>	<u>(640,981)</u>
<b>Total General Fund</b>	<u>\$ (226,891)</u>	<u>\$ (49,132)</u>	<u>\$ 326,068</u>	<u>\$ 552,328</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	48,686	37,980	44,798	47,371
Permanent Fund	1,000	1,000	1,000	1,000
Receivables	585,811	606,938	627,800	645,301
Restricted for:				
Capital Projects	13,270	13,750	32,953	96,637
Debt Services	154,491	153,707	152,824	151,727
Development, Tourism, and Recreation	54,668	52,493	45,840	40,050
Education	1,174	357	327	555
Public Protection	53,233	44,940	41,908	43,114
Transportation	12,968	14,224	11,077	17,350
Committed for:				
Government Operations	2,268	2,345	3,772	5,504
Public Protection	311,564	290,746	245,947	233,177
Assigned for:				
Health and Social Services	-	-	28	-
Public Protection	7,265	9,596	5,741	1,357
Transportation	61,181	92,946	29,666	-
Unassigned	<u>(9,072)</u>	<u>(8,797)</u>	<u>(6,430)</u>	<u>(8,425)</u>
<b>Total All Other Governmental Funds</b>	<u>1,298,507</u>	<u>1,312,225</u>	<u>1,237,251</u>	<u>1,274,718</u>
<b>Total Fund Balances, Governmental Funds</b>	<u>\$1,071,616</u>	<u>\$1,263,093</u>	<u>\$1,563,319</u>	<u>\$1,827,046</u>

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ -	\$ -	\$ 400,816	\$ 346,377	\$ 343,380	\$ 328,482
-	-	767,100	822,579	697,704	1,079,851
9,928	11,426	-	-	-	-
153,307	152,911	-	-	-	-
5,936	16,012	-	-	-	-
12,881	12,598	-	-	-	-
3,582	3,203	-	-	-	-
14,195	9,962	-	-	-	-
8,435	17,371	-	-	-	-
421,296	413,657	-	-	-	-
-	-	-	-	-	-
36,811	46,104	-	-	-	-
18,376	21,417	-	-	-	-
220,216	227,265	-	-	-	-
20,174	20,691	-	-	-	-
22,408	21,227	-	-	-	-
3,412	3,368	-	-	-	-
2,711	2,543	-	-	-	-
15,926	28,296	-	-	-	-
3,395	4,227	-	-	-	-
<u>427,107</u>	<u>270,221</u>	-	-	-	-
<u>\$1,400,096</u>	<u>\$1,282,499</u>	<u>\$1,167,916</u>	<u>\$1,168,956</u>	<u>\$1,041,084</u>	<u>\$1,408,333</u>
\$ -	\$ -	\$ 508,529	\$ 457,501	\$ 457,109	\$ 410,115
-	-	1,309	1,671	1,762	1,886
-	-	67,240	40,681	264,836	236,561
-	-	185,540	183,548	228,699	131,765
-	-	1,415,461	1,610,996	1,488,498	562,996
-	-	-	-	-	-
-	-	-	-	-	-
40,434	38,676	-	-	-	-
1,000	1,000	-	-	-	-
666,824	-	-	-	-	-
147,798	28,283	-	-	-	-
173,097	181,415	-	-	-	-
40,391	34,877	-	-	-	-
386	393	-	-	-	-
31,147	23,363	-	-	-	-
14,584	-	-	-	-	-
5,843	6,764	-	-	-	-
220,245	191,383	-	-	-	-
-	649	-	-	-	-
1,739	2,568	-	-	-	-
113,544	23,121	-	-	-	-
(6,398)	862,381	-	-	-	-
<u>1,450,634</u>	<u>1,394,873</u>	<u>2,178,079</u>	<u>2,294,397</u>	<u>2,440,904</u>	<u>1,343,323</u>
<u>\$2,850,730</u>	<u>\$2,677,372</u>	<u>\$3,345,995</u>	<u>\$3,463,353</u>	<u>\$3,481,988</u>	<u>\$2,751,656</u>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:				
Taxes:				
Personal Income	\$ 1,915,382	\$ 1,768,069	\$ 1,767,626	\$ 1,790,299
Consumer Sales and Use	1,264,716	1,211,057	1,197,317	1,216,286
Severance	589,883	612,283	547,453	564,327
Corporate Net Income	189,473	202,444	230,131	232,266
Business and Occupation	120,426	121,401	125,692	123,137
Medicaid	200,408	184,666	219,568	176,661
Gasoline and Motor Carrier	435,142	433,252	417,571	408,571
Automobile Privilege	204,993	195,737	188,197	186,300
Wholesale Motor Fuel	—	—	—	—
Other	249,071	303,923	304,687	318,999
Intergovernmental	4,452,997	4,160,993	4,073,257	4,077,933
Licenses, Permits, and Fees	242,406	262,481	245,631	234,984
Motor Vehicle Registration	103,092	99,430	93,363	92,951
Charges for Services	124,305	123,767	128,257	127,806
Lottery Revenue	349,853	335,075	380,052	487,122
Investment Earnings	14,298	78,537	28,696	55,931
Food Stamp Revenue	494,131	479,215	513,960	491,416
Other	<u>224,883</u>	<u>224,015</u>	<u>199,087</u>	<u>209,490</u>
Total Revenues	<u>11,175,459</u>	<u>10,796,345</u>	<u>10,660,545</u>	<u>10,794,479</u>
Expenditures				
Current:				
Legislative	28,840	30,224	34,742	36,731
Judicial	140,847	142,859	127,804	139,941
Executive	126,313	182,887	149,602	216,268
Administration	155,998	159,680	155,163	190,164
Commerce	163,777	185,011	214,172	226,194
Environmental Protection	131,371	151,742	133,541	152,634
Employment Programs	45,743	53,540	50,210	55,969
Education	2,997,533	2,968,967	3,024,480	3,760,480
Health and Human Resources	5,285,201	4,895,617	4,684,841	4,425,591
Military Affairs and Public Safety	461,599	466,444	490,711	526,654
Revenue	92,758	150,556	67,760	91,349
Transportation	801,658	845,679	743,613	1,009,032
Veterans Assistance	20,261	23,464	19,114	26,600
Senior Services	49,439	45,919	47,669	47,656
Regulatory Boards and Commissions	54,965	68,545	64,130	93,643
Capital Outlay	335,493	302,040	465,399	334,046
Debt Service				
Principal	105,800	101,350	122,855	341,673
Interest	<u>100,348</u>	<u>106,307</u>	<u>113,136</u>	<u>113,204</u>
Total Expenditures	<u>11,097,944</u>	<u>10,880,831</u>	<u>10,708,942</u>	<u>11,787,829</u>
Excess of Revenues Over (Under) Expenditures	77,516	(84,486)	(48,397)	(993,350)
Other Financing Sources (Uses):				
Fair Value of Long-Term Debt Issued	205,365	—	—	18,615
Premiums on Bonds Issued	39,273	—	—	1,025
Capital Lease Acquisition	580	955	495	234,765
Other Nonoperating Revenues	—	—	—	—
Payments to Refunded Bonds Escrow Agents	(244,030)	—	—	(20,935)
Transfers In	149,515	134,350	154,945	170,321
Transfers Out	(388,051)	(351,045)	(370,770)	(434,125)
Excess Reserve Transfer to RHBT	—	—	—	—
Total Other Financing Sources (Uses)	<u>(237,348)</u>	<u>(215,740)</u>	<u>(215,330)</u>	<u>(30,334)</u>
Net Changes in Fund Balances	<u>\$ (159,833)</u>	<u>\$ (300,226)</u>	<u>\$ (263,727)</u>	<u>\$ (1,023,684)</u>
Debt service as a percentage of noncapital expenditures	1.92%	2.01%	2.31%	3.98%

Note: In FY 2008, the School Building Authority was removed from the Governmental Funds. It is now accounted for as a discretely presented component unit. The 2006-2007 amounts above have not been restated to reflect this change in presentation because the necessary information is not readily available.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,654,563	\$ 1,531,867	\$ 1,612,897	\$ 1,557,352	\$ 1,370,566	\$ 1,329,796
1,151,363	1,132,951	1,087,130	989,517	1,019,631	989,642
571,539	530,940	470,266	518,724	340,544	355,680
263,963	227,693	256,389	373,180	384,440	380,287
127,103	133,245	148,247	147,989	180,527	184,364
170,079	157,693	165,759	161,896	162,692	169,866
406,347	393,557	391,903	395,641	364,550	330,538
168,602	147,466	141,930	169,095	171,429	170,484
—	—	—	—	—	—
266,723	279,444	293,654	396,772	393,210	380,711
4,372,908	4,115,677	3,552,545	3,183,463	3,033,765	3,037,432
218,431	214,293	211,932	214,655	216,504	194,681
96,504	91,902	91,667	96,592	92,422	92,681
147,142	135,914	126,317	117,360	117,970	121,420
398,974	—	—	—	—	—
495,777	100,111	(38,440)	91,030	184,957	101,736
75,594	478,622	372,270	293,439	273,227	265,344
<u>175,821</u>	<u>184,935</u>	<u>197,669</u>	<u>205,820</u>	<u>136,117</u>	<u>121,654</u>
<u>10,761,433</u>	<u>9,856,310</u>	<u>9,082,135</u>	<u>8,912,525</u>	<u>8,442,551</u>	<u>8,226,316</u>
31,916	29,022	29,622	28,163	26,389	25,322
130,574	125,184	110,410	108,075	90,829	82,381
354,357	256,364	146,181	131,404	118,550	122,576
120,881	114,972	127,517	111,866	106,020	95,227
226,931	223,569	214,767	214,102	228,570	243,092
134,515	148,982	117,402	69,882	114,482	109,829
61,536	60,483	47,974	58,563	58,488	75,438
2,878,686	2,773,160	2,789,173	2,688,399	3,616,732	2,690,459
4,334,459	4,056,573	3,767,274	3,472,108	3,251,403	3,135,884
523,868	462,163	425,488	382,372	353,445	389,909
90,370	263,427	89,042	86,496	76,257	42,725
741,384	754,486	695,354	579,982	520,281	531,848
—	—	—	—	—	—
47,292	46,727	43,841	43,719	32,315	30,118
34,540	37,161	35,917	36,469	34,691	33,345
571,034	521,480	579,722	535,538	502,232	550,415
101,978	103,735	103,276	92,338	134,464	74,427
<u>123,841</u>	<u>123,670</u>	<u>129,795</u>	<u>129,705</u>	<u>86,237</u>	<u>89,788</u>
<u>10,508,162</u>	<u>10,101,158</u>	<u>9,452,755</u>	<u>8,769,181</u>	<u>9,351,385</u>	<u>8,322,783</u>
253,271	(244,848)	(370,620)	143,344	(908,834)	(96,467)
190,755	—	76,835	—	1,349,893	54,800
10,292	—	4,129	—	5,126	697
805	—	1,115	3,235	190	13,359
—	12,505	—	—	—	—
(37,730)	—	—	—	(242,616)	(56,062)
134,473	654,340	653,249	497,811	749,215	875,203
(378,508)	(383,264)	(475,798)	(347,579)	(222,642)	(457,190)
—	—	—	(108,168)	—	—
<u>(79,913)</u>	<u>283,581</u>	<u>259,530</u>	<u>45,299</u>	<u>1,639,166</u>	<u>430,807</u>
<u>\$ 173,358</u>	<u>\$ 38,733</u>	<u>\$ (111,090)</u>	<u>\$ 188,643</u>	<u>\$ 730,332</u>	<u>\$ 334,340</u>
2.30%	2.40%	2.64%	2.70%	2.50%	2.12%

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Personal Income by Industry - (Calendar Year)</b>				
Farm Earnings	\$ 19,745	\$ (15,408)	\$ 19,745	\$ (40,920)
Agricultural/Forestry, Fishing, and Other	102,143	97,594	90,077	97,810
Mining	3,423,411	3,749,493	3,947,662	3,440,574
Construction	2,857,279	2,894,652	2,857,741	2,513,975
Manufacturing	3,601,454	3,753,280	3,666,492	3,565,688
Transportation, Warehousing, and Public Utilities	2,127,148	2,134,739	2,097,404	2,034,076
Wholesale Trade	1,539,380	1,519,306	1,537,622	1,477,230
Retail Trade	2,941,483	3,039,500	2,948,321	2,867,136
Finance, Insurance, and Real Estate	1,956,188	2,043,981	1,894,862	1,769,826
Service Industries	15,033,408	14,871,664	14,559,593	13,908,974
Federal, Civilian	2,349,128	2,296,812	2,281,687	2,469,552
Military	299,618	327,312	344,553	466,154
State and Local Government	6,210,344	6,203,760	6,055,436	6,376,291
<b>Tax Revenue - (Fiscal Year)</b>				
Consumer Sales	1,173,100	1,193,300	1,216,000	1,148,200
Personal Income	1,664,100	1,700,500	1,689,000	1,593,200
Severance	488,700	409,700	467,900	440,900
Corporate Income and Business Franchise	203,500	238,100	188,100	303,000
Motor Fuel	441,100	408,900	387,000	397,700
Automobile Privilege	195,737	188,197	186,300	168,602

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 2014.

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

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ (51,659)	\$ (46,725)	\$ (134,000)	\$ (78,000)	\$ (61,000)	\$ (24,000)
74,187	104,000	111,000	118,000	123,000	116,000
2,753,612	2,958,000	3,410,000	2,871,000	2,682,000	2,363,000
2,408,107	2,301,000	2,453,000	2,362,000	2,393,000	2,079,000
3,376,006	3,334,000	3,919,000	3,925,000	3,951,000	3,932,000
1,943,157	1,990,000	1,989,000	1,856,000	1,813,000	1,722,000
1,413,039	1,442,000	1,513,000	1,478,000	1,453,000	1,327,000
2,754,166	2,832,000	2,720,000	2,658,000	2,611,000	2,493,000
1,649,776	1,591,000	1,619,000	1,551,000	1,492,000	1,409,000
13,261,227	12,808,000	11,998,000	11,272,000	11,041,000	10,362,000
2,431,677	2,496,000	2,181,000	2,100,000	1,956,000	1,892,000
522,277	535,000	436,000	405,000	419,000	436,000
6,104,522	7,252,000	6,082,000	5,763,000	5,368,000	5,182,000
1,095,700	1,110,000	1,109,800	1,129,500	1,125,800	960,200
1,446,900	1,557,400	1,518,700	1,360,500	1,297,700	1,170,100
400,600	359,600	338,200	312,200	314,700	248,100
232,900	270,200	388,000	358,400	347,600	280,800
390,900	384,500	404,200	349,200	320,700	311,600
147,466	141,930	169,095	171,429	170,484	178,763

**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**

	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Corporate Net Income (applies to C corporations)	6.50%	7.00%	8.50%	8.50%
Severance Tax				
Timber	0%	Temporarily Discontinued	1.22%	1.22%
Oil/Gas	5%	5%	5%	5%
Coal	Various	Various	Various	Various
Consumer Sales Tax	6%	6%	6%	6%
Food Tax *	0%	0%	1%	3% / 2%
Motor Fuel Excise and Sales Tax** (cents per gallon)	34.6	34.7	33.4	32.2 / 33.4
Automobile Privilege Tax	5%	5%	5%	5%

\*On July 1, 2012, the tax rate on food declined from 2% to 1%. On July 1, 2013, the food tax was eliminated except when sold prepared or via vending machine.

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

All rates are set by the Legislature.

Sources: State Tax Department and the Division of Motor Vehicles.

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

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

At Least —	But less than —					
\$5,000	\$12,500.....	\$ 150.00	plus 4.0%	of excess over \$	5,000	
\$12,500	\$20,000.....	\$ 450.00	plus 4.5%	of excess over \$	12,500	
\$20,000	\$30,000.....	\$ 787.50	plus 6.0%	of excess over \$	40,000	
\$30,000	.....	\$1,387.50	plus 6.5%	of excess over \$	30,000	

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
8.50%	8.50%	8.50%	8.75%	8.75%	9.00%
Temporarily Discontinued	Temporarily Discontinued	1.22%	1.22%	1.22%	3.22%
5%	5%	5%	5%	5%	5%
Various	Various	Various	Various	Various	Various
6%	6%	6%	6%	6%	6%
3%	3%	3%	4%	5%	5%
32.2	32.2	32.2	32.2	31.5	27.0
5%	5%	5%	5%	5%	5%

**Schedule 7**

**Revenue Payers by Industry/Category**

**Most Current Available Year and**

**Historical Comparison**

(Dollars Expressed in Thousands)

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

**Tax Year 2013**

<b><u>Industry</u></b>	<b><u>Remittance</u></b>	<b><u>Percent of Total</u></b>	<b><u>Accounts</u></b>	<b><u>Percent of Total</u></b>
Agriculture, Forestry				
Fishing and Hunting	\$ 2,562,463	0.21%	649	1.56%
Mining, Quarrying, and				
Oil and Gas Extraction	14,747,163	1.19%	295	0.71%
Construction	39,145,299	3.15%	3,716	8.92%
Manufacturing	73,281,413	5.90%	3,083	7.40%
Wholesale Trade	109,243,636	8.80%	2,838	6.81%
Retail Trade	565,962,381	45.61%	9,406	22.58%
Finance and Insurance	11,623,578	0.94%	471	1.13%
Services	348,897,658	28.11%	18,783	45.10%
Other	<u>75,533,745</u>	<u>6.09%</u>	<u>2,411</u>	<u>5.79%</u>
Total	<u>\$ 1,240,997,336</u>	<u>100.00%</u>	<u>41,652</u>	<u>100.00%</u>

**Tax Year 2004**

<b><u>Industry</u></b>	<b><u>Remittance</u></b>	<b><u>Percent of Total</u></b>	<b><u>Accounts</u></b>	<b><u>Percent of Total</u></b>
Agriculture, Forestry,				
Fishing and Hunting	\$ 4,263,248	0.40%	1,520	2.16%
Mining, Quarrying, and				
Oil and Gas Extraction	5,715,604	0.53%	1,502	2.13%
Construction	32,432,170	3.00%	11,977	17.02%
Manufacturing	53,336,059	4.94%	4,062	5.77%
Wholesale Trade	90,177,184	8.35%	3,164	4.50%
Retail Trade	582,626,343	53.95%	16,075	22.84%
Finance and Insurance	3,115,399	0.29%	579	0.82%
Services	244,810,238	22.67%	26,800	38.08%
Other	<u>63,413,908</u>	<u>5.87%</u>	<u>4,698</u>	<u>6.68%</u>
Total	<u>\$1,079,890,153</u>	<u>100.00%</u>	<u>70,377</u>	<u>100.00%</u>

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 2013**

<b><u>Income Level</u></b>	<b><u>Tax Liability</u></b>	<b><u>Percent of Total</u></b>	<b><u>Returns</u></b>	<b><u>Percent of Total</u></b>
\$0 - \$10,000	\$ 1,098,080	0.07%	156,047	18.72%
\$10,000 - \$20,000	26,200,461	1.57%	140,540	16.86%
\$20,000 - \$40,000	141,840,486	8.52%	181,417	21.76%
\$40,000 - \$60,000	189,813,996	11.40%	112,438	13.49%
Over \$60,000	<u>1,305,510,917</u>	<u>78.44%</u>	<u>243,195</u>	<u>29.17%</u>
Total	<u>\$1,664,463,940</u>	<u>100.00%</u>	<u>833,637</u>	<u>100.00%</u>

**Tax Year 2004**

<b><u>Income Level</u></b>	<b><u>Tax Liability</u></b>	<b><u>Percent of Total</u></b>	<b><u>Returns</u></b>	<b><u>Percent of Total</u></b>
\$0 - \$10,000	\$ 2,666,632	0.24%	173,523	22.59%
\$10,000 - \$20,000	42,235,429	3.75%	151,367	19.71%
\$20,000 - \$40,000	147,284,859	13.06%	181,879	23.68%
\$40,000 - \$60,000	189,236,975	16.79%	111,000	14.45%
Over \$60,000	<u>745,832,597</u>	<u>66.16%</u>	<u>150,353</u>	<u>19.57%</u>
Total	<u>\$1,127,256,492</u>	<u>100.00%</u>	<u>768,122</u>	<u>100.00%</u>

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

	<b>Primary Government – Debt</b>			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental Activities:				
General Obligation Bonds	\$ 412,368	\$ 460,428	\$ 498,776	\$ 533,304
Revenue Bonds	1,185,022	1,226,587	1,266,848	1,330,795
Capital Leases and Notes Payable	28,813	27,405	34,104	34,025
Capital Leases Payable to Component Units	<u>260,995</u>	<u>243,790</u>	<u>256,155</u>	<u>275,530</u>
Total Governmental Activities	<u>1,887,198</u>	<u>1,958,210</u>	<u>2,055,883</u>	<u>2,173,654</u>
Enterprise Activities:				
Revenue Bonds	<u>197,762</u>	<u>112,735</u>	<u>115,497</u>	<u>113,950</u>
Total Primary Government Debt	<u>\$ 2,084,960</u>	<u>\$ 2,070,945</u>	<u>\$ 2,171,380</u>	<u>\$ 2,287,604</u>

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

**Governmental Activities Tax Income**

<u>Year</u>	<u>Personal Income</u>	<u>Consumer Sales and Use</u>	<u>Business</u>	<u>Transportation</u>	<u>Other</u>	<u>Total</u>
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
2008	1,557,957	990,051	1,040,604	564,736	394,798	4,548,146
2007	1,372,646	1,020,128	906,022	535,979	393,400	4,228,175
2006	1,330,913	981,536	920,940	501,022	382,718	4,117,129

**General Obligation Bond Debt Ratios**

<u>Year</u>	<u>General Obligation Bond Debt</u>	<u>Percent of Tax Income</u>	<u>Percent of Personal Income</u>	<u>Amount of Debt Per Capita*</u>
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
2008	705,955	15.52%	1.30%	0.39
2007	744,790	17.61%	1.44%	0.41
2006	772,912	18.77%	1.61%	0.43

**Primary Government – Debt**

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 580,357	\$ 622,928	\$ 665,294	\$ 705,955	\$ 744,790	\$ 772,912
1,366,199	1,243,106	1,405,645	1,362,022	1,742,647	726,249
330,722	336,143	322,776	338,603	343,813	354,000
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>2,277,278</u>	<u>2,202,177</u>	<u>2,393,715</u>	<u>2,406,580</u>	<u>2,831,250</u>	<u>1,853,161</u>
<u>116,319</u>	<u>118,612</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 2,393,597</u>	<u>\$ 2,320,789</u>	<u>\$ 2,393,715</u>	<u>\$ 2,406,580</u>	<u>\$ 2,831,250</u>	<u>\$ 1,853,161</u>

**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>
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
2008	2,406,580	52.91%	4.45%	1.33
2007	2,831,250	66.96%	5.46%	1.57
2006	1,853,161	45.01%	3.85%	1.03

All General Obligation Bonds carry a pledge of the State to levy taxes if funds are insufficient to meet debt service.

Infrastructure bonds are paid from the dedication of the first \$24 million in severance tax collections.

Safe Roads Bonds are paid from a debt service fund which is administered by the West Virginia State Treasurer's Office. The Division of Highways makes a monthly transfer to this fund from the Road Fund. The monthly transfer amount is equal to 10% of the annual debt service requirements on all Safe Roads Bonds.

\*These ratios are calculated using the current fiscal year debt total divided by personal income and population for the prior calendar year. See Schedule 10 for personal income and population data.

Beginning in FY 2008, the School Building Authority is no longer included in the Governmental Funds. It is now accounted for as a discretely presented component unit. The 2006-2007 amounts above have not been restated to reflect this change in presentation because the necessary information is not readily available.

**Schedule 9**

**Pledged Revenue Coverage**

**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

**Department of Transportation**

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

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
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
2008	14,745	—	14,745	10,285	4,460	14,745	1.00
2007	1,207	—	1,207	—	1,207	1,207	1.00

**WV Infrastructure and Jobs Development Council**

The primary source of repayment for the revenue and refunding bonds is the receipt of payments of principal and interest on a set of loans, known as defined loans, previously made to projects from revenue bond proceeds. New bonds were issued in 2012 to refund earlier bond issues.

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
2008	78,698	18,988	59,710	14,625	20,492	35,117	1.70
2007	78,363	17,121	61,242	14,600	20,636	35,236	1.74
2006	89,442	20,041	69,401	8,150	19,822	27,972	2.48

### 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
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
2008	77,447	25	77,422	12,320	58,771	71,091	1.09

### Economic Development Project Fund

West Virginia State Code Chapter 29, Article 22, Section 18a designates \$19 million annually from the “excess lottery revenue fund” to be paid into the Economic Development Project Fund created in subsection (d) for payment of revenue bonds issued pursuant to the same subsection. Interest on the account and any other amounts paid into the Economic Development Project Fund are also to be used for the repayment of the bonds, which were issued in 2004.

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
2008	20,560	—	20,560	7,440	11,446	18,886	1.09
2007	19,888	—	19,888	7,275	11,629	18,904	1.05
2006	22,627	100	22,527	7,165	11,767	18,932	1.19

(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
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
2008	10,601	3	10,598	8,210	1,563	9,773	1.08
2007	11,002	3	10,999	7,780	2,002	9,782	1.12
2006	10,860	—	10,860	7,375	2,421	9,796	1.11

**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.

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
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
2008	146,744	7,230	139,514	23,521	39,135	62,656	2.23
2007	154,643	8,123	146,520	20,180	36,402	56,582	2.59
2006	154,190	9,783	144,407	19,560	33,896	53,456	2.70

### 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.

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
2008	15,882	620	15,262	6,330	12,326	18,656	0.82
2007	15,829	502	15,327	6,585	12,537	19,122	0.80
2006	16,334	569	15,765	5,120	12,123	17,243	0.91

(Continued)

**Schedule 9**

**Pledged Revenue Coverage**

**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

(Continued)

**Higher Education Fund**

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

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
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
2008	1,508,466	1,317,474	190,992	24,006	31,650	55,656	3.43
2007	1,333,158	1,217,652	115,506	46,439	32,636	79,075	1.46
2006	1,254,971	1,147,583	107,388	20,527	33,149	53,676	2.00

**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.

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
2008	85,688	70,194	15,494	4,335	4,533	8,868	1.75
2007	84,597	69,267	15,330	4,130	4,735	8,865	1.73
2006	85,389	67,623	17,766	3,940	4,926	8,866	2.00

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.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
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
2008	43,166	17,891	25,275	23,725	13,584	37,309	0.68
2007	43,359	2,367	40,992	22,760	18,383	41,143	1.00
2006	42,754	1,252	41,502	20,030	19,349	39,379	1.05

### 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.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Debt Service	Coverage
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
2008	56,690	31,183	25,507	11,852	2.15
2007	58,219	32,606	25,613	10,876	2.36
2006	61,806	31,478	30,328	10,801	2.81

Sources: Department of Transportation; School Building Authority; West Virginia Infrastructure and Jobs Development Council; Housing Development Fund; Water Development Authority; Higher Education Fund; West Virginia Regional Jail and Correctional Facility Authority; Parkways Authority; Tobacco Settlement Finance Authority; and bond indentures.

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Population:</b>				
West Virginia (in millions)	1,850,326	1,854,304	1,855,413	1,855,364
Change	-0.21%	-0.06%	0.00%	0.13%
National (in millions)	318,857,056	316,128,839	313,914,040	311,591,917
Change	0.86%	0.70%	0.75%	0.92%
<b>Total Personal Income</b>				
West Virginia	\$ 66,857	\$ 65,889	\$ 63,968	\$ 62,178
Change	1.45%	3.00%	2.88%	4.65%
National	\$ 14,683,147	\$ 14,151,427	\$ 13,401,869	\$ 12,981,741
Change	3.62%	5.59%	3.24%	5.08%
<b>Per Capita Personal Income *</b>				
West Virginia	\$ 36,132	\$ 35,533	\$ 34,477	\$ 33,513
Change	1.66%	3.06%	2.88%	4.59%
National	\$ 46,049	\$ 44,765	\$ 42,693	\$ 41,663
Change	2.79%	4.85%	2.47%	4.32%
<b>Median Age</b>	41.3	41.3	41.3	41.1
<b>Educational Attainment</b>				
9th Grade or Less	5%	5.4%	5.6%	6.8%
Some High School, No Diploma	9.9%	10.0%	9.9%	11.3%
High School Diploma	41.1%	40.2%	40.6%	41.3%
Some College, No Degree	18.4%	18.6%	19.0%	17.6%
Associate, Bachelor's or Graduate Degree	25.7%	25.7%	25.0%	23.0%
<b>Labor Force and Employment (people in thousands)</b>				
Civilian Labor Force	787.8	797.4	805.0	799.9
Employed	733.5	744.6	746.0	736.1
Unemployed	54.3	52.8	59.0	63.8
Unemployment Rate	6.9%	6.6%	7.3%	8.0%
Nonfarm Wage and Salary Workers Employed in West Virginia Goods Producing Industries:				
Mining	25.5	33.3	33.7	33.6
Construction	27.7	31.9	35.6	33.0
Manufacturing - Durable Goods	28.9	30.1	29.6	30.0
Manufacturing - Nondurable Goods	<u>18.8</u>	<u>18.9</u>	<u>19.6</u>	<u>19.5</u>
Total Goods Producing Industries	100.9	114.2	118.5	116.1
Non-Goods Producing Industries:				
Trade	107.9	108.8	111.0	109.9
Service	389.6	398.4	381.7	376.2
State and Local Government	130.0	132.8	130.7	128.3
Federal Government	<u>22.2</u>	<u>23.2</u>	<u>23.3</u>	<u>23.5</u>
Total Non-Goods Producing Industries	649.7	663.2	646.7	637.9
Total Nonfarm Wage and Salary Employment	750.6	777.4	765.2	754.0

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

The most current period available is 2014.

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

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
1,852,994	1,819,777	1,814,873	1,811,198	1,807,237	1,803,920
1.83%	0.27%	0.20%	0.22%	0.18%	0.03%
308,745,538	307,006,550	304,374,846	301,579,895	298,593,212	295,753,151
0.57%	0.86%	0.93%	1.00%	0.96%	0.92%
\$ 59,417	\$ 57,535	\$ 57,576	\$ 54,100	\$ 51,862	\$ 48,139
3.27%	(0.07)%	6.43%	4.32%	7.73%	3.53%
\$ 12,353,577	\$ 11,916,773	\$12,451,660	\$11,900,562	\$11,256,516	\$10,476,669
3.67%	(4.30)%	4.63%	5.72%	7.44%	5.52%
\$ 32,042	\$ 31,137	\$ 31,286	\$ 29,497	\$ 28,372	\$ 26,443
2.91%	(0.48)%	6.07%	3.97%	7.29%	2.55%
\$ 39,937	\$ 38,846	\$ 40,947	\$ 39,506	\$ 37,725	\$ 35,452
2.81%	(5.13)%	3.65%	4.72%	6.41%	4.64%
41.3	40.5	40.6	40.4	40.7	40.7
6.1%	6.5%	6.6%	7.0%	7.1%	10.0%
10.7%	10.7%	11.1%	11.8%	11.9%	14.8%
41.6%	41.0%	40.9%	41.1%	42.7%	39.4%
18.3%	18.5%	18.5%	16.7%	16.1%	16.6%
23.3%	23.2%	22.9%	23.4%	22.2%	19.2%
782.3	797.9	806.0	813.0	810.0	798.0
711.1	734.6	772.0	778.0	773.0	759.0
71.2	63.3	34.0	35.0	37.0	39.0
9.1%	7.9%	4.3%	4.3%	4.6%	4.9%
29.9	29.6	30.7	27.5	28.1	25.9
32.6	34.1	38.4	38.7	39.2	36.8
29.6	30.9	35.2	37.2	38.4	38.8
<u>19.5</u>	<u>19.8</u>	<u>21.1</u>	<u>21.8</u>	<u>22.6</u>	<u>23.0</u>
111.6	114.4	125.4	125.2	128.3	124.5
109.2	110.0	114.4	116.2	115.5	113.6
372.5	369.9	374.0	369.5	367.8	364.9
128.3	126.3	123.7	122.6	122.4	121.7
<u>24.3</u>	<u>23.6</u>	<u>22.9</u>	<u>22.5</u>	<u>22.1</u>	<u>21.9</u>
634.3	629.8	635.0	630.8	627.8	622.1
745.9	744.2	760.4	756.0	756.1	746.6

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

**Estimated as of June 30, 2015**

<b>Major West Virginia Employers</b>	<b>Number of Employees</b>	<b>Percentage of Total Employed</b>
Local Government	75,000 - 79,999	10.28%
State Government	40,000 - 44,999	5.72%
Federal Government	20,000 - 24,999	3.15%
Wal-Mart Associates, Inc.	10,000 - 13,000	1.57%
West Virginia United Health System	7,000 - 9,999	1.16%
Charleston Area Medical Center, Inc.	5,000 - 6,999	0.82%
Kroger	3,000 - 4,999	0.55%
Mylan Pharmaceuticals, Inc.	3,000 - 4,999	0.55%
Murray American Energy, Inc.	1,000 - 2,999	0.27%
St. Mary's Medical Center, Inc.	1,000 - 2,999	0.27%
Lowe's Home Centers, Inc.	1,000 - 2,999	0.27%
Cabell-Huntington Hospital, Inc.	1,000 - 2,999	0.27%
Res-Care Inc.	1,000 - 2,999	0.27%

**Estimated as of June 30, 2006**

<b>Major West Virginia Employers</b>	<b>Number of Employees</b>	<b>Percentage of Total Employed</b>
Local Government	70,000 - 74,999	9.50%
State Government	40,000 - 44,999	5.35%
Federal Government	20,000 - 24,999	2.83%
Wal-Mart Associates, Inc.	10,000 - 13,000	1.49%
West Virginia University Hospitals	3,000 - 5,999	0.58%
Charleston Area Medical Center, Inc.	3,000 - 5,999	0.58%
Kroger	3,000 - 5,999	0.58%
CSX Corporation	3,000 - 5,999	0.58%
American Electric Power	1,000 - 2,999	0.26%
Lowe's Home Centers, Inc.	1,000 - 2,999	0.26%
Consolidation Coal Company	1,000 - 2,999	0.26%
Verizon	1,000 - 2,999	0.26%
St. Mary's Hospital	1,000 - 2,999	0.26%

**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>
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
2007-08	155,832	125,903	281,735
2006-07	154,479	126,818	281,297
2005-06	152,969	126,819	279,788

**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>
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
2007-08	88,276	15,040	11,131	2,686
2006-07	86,972	14,733	10,639	2,682
2005-06	84,713	14,206	10,811	2,575

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

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Executive *	931	920	932	958
Legislative	189	210	213	221
Judicial	1,109	1,079	1,055	1,069
Administration	914	908	889	683
Commerce				
Division of Natural Resources (Parks)	703	741	748	756
Tourism and Development	141	146	163	162
WORKFORCE West Virginia	365	390	391	396
Other	408	428	441	439
Environmental Protection	850	883	855	842
Education and the Arts				
Department of Education	507	528	550	584
School for the Deaf and the Blind	161	178	174	193
Rehabilitation Services	539	558	531	564
Higher Education	11,633	11,676	11,717	11,575
Other	259	268	280	279
Revenue	987	1,028	1,062	1,094
Health and Human Services	5,463	5,514	5,630	5,621
Military Affairs and Public Safety (MAPS)				
Corrections	1,688	1,839	1,760	1,758
Juvenile Services	516	511	676	712
State Police	1,050	1,037	1,024	1,067
Regional Jail Authority	948	971	911	912
Other	591	569	620	556
Veterans Assistance	207	226	246	240
Transportation	5,629	5,723	5,876	5,834
Miscellaneous	<u>519</u>	<u>535</u>	<u>533</u>	<u>506</u>
Total	<u>36,307</u>	<u>36,866</u>	<u>37,277</u>	<u>37,021</u>

## Notes:

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

In 2006, Workers' Compensation Commission was privatized, approximately 300 of the employees moved to the Insurance Commission under Revenue.

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

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
946	921	927	916	896	881
216	218	216	213	208	204
1,042	1,010	961	912	936	882
693	679	696	659	663	573
752	798	836	844	844	813
160	155	162	164	166	182
409	440	399	397	372	405
400	400	391	379	364	353
832	823	804	821	820	843
601	576	579	560	519	511
182	195	202	192	192	204
555	563	542	518	544	694
11,431	10,965	10,762	10,383	10,165	9,959
285	274	286	272	261	272
1,080	1,067	1,057	1,087	1,042	1,024
5,535	5,562	5,495	5,556	5,596	5,588
1,725	1,700	1,692	1,684	1,648	1,632
718	681	640	610	615	601
1,043	1,033	1,026	1,011	1,011	987
883	886	896	903	938	869
530	511	486	525	450	433
227	213	181	161	134	87
5,776	5,346	5,658	5,499	5,490	5,296
<u>509</u>	<u>497</u>	<u>488</u>	<u>490</u>	<u>496</u>	<u>503</u>
<u>36,530</u>	<u>35,513</u>	<u>35,382</u>	<u>34,756</u>	<u>34,370</u>	<u>33,796</u>

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Department of Transportation				
Division of Highways				
Total highway construction projects authorized	891	757	806	1,305
Number of roadway resurfacing projects	483	325	348	775
Highway mileage resurfaced (in miles)	1,481	975	1,067	1,716
WORKFORCE West Virginia (Employment Programs)				
Applications processed for job seekers (in thousands)	102	114	141	145
Filled job openings	3,235	3,725	4,673	4,943
Department of Education				
Schools receiving exemplary accreditation status	N/A	N/A	8%	7.98%
Schools receiving full accreditation status	N/A	N/A	63.72%	72.08%
School districts receiving full approval status	N/A	N/A	89.09%	87.27%
Department of Health and Human Resources				
Number of food stamp recipients	360,266	351,392	342,831	339,258
Number of food stamps issued	40,995,643	39,975,707	41,335,676	40,951,366
Medicaid enrollees	632,808	551,682	410,770	415,030
Counties enrolled in managed care	100%	100%	100.00%	100.00%
Child support collections (in millions)	\$212	\$208	\$209	\$213
Students served by school-based health clinics	61,265	24,391	20,708	28,436
Division of Natural Resources				
Attendance at State Parks (in millions)	7.0	7.0	7.0	6.8
Hunting and Fishing License Sales (Calendar year)	913,578	927,069	911,219	881,062
Individuals whitewater rafting on rivers (Calendar year)	134,170	130,192	140,027	142,036
Department of Environmental Protection				
Division of Air Quality				
Number of air quality inspections	546	700	550	2457
Average days open per complaint	8.24	17.00	9.75	10.80
Division of Land Restoration Programs				
Organizations that adopted highways	1,301	1,256	1,227	1,186
Division of Mining and Reclamation				
Surface mine blasting examinations and certifications	134	111	114	125
Surface mine mineral extractions inspections	20,205	21,086	21,790	20,530
Number of acres reclaimed through reclamation/restoration of land	398	700	1,202	7,842
Office of Miners Health and Safety (Calendar Year)				
Total Safety Inspections	5,750	6,751	6,690	6,432
Violations issued by mine inspectors	8,767	11,415	13,267	15,705
Lost time injuries of mining personnel	584	639	570	648
Department of Military Affairs and Public Safety				
Division of Corrections				
Adult inmate housing capacity	5,987	5,923	5,778	5,242
Inmate employment (Prison Industries)	240	244	250	253
Youth successfully completed programs/returned to community (calendar year)	166	179	180	163
Veterans' Home				
Average daily number of residents	81	87	86	98
Average daily cost per resident	\$97.62	\$97.15	\$107.14	\$87.05
Bureau of Senior Services				
Persons served under Medicaid Aged and Disabled Waiver	6,455	6,208	7,107	8,530

Items in bold italics are estimated figures.

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

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

This schedule has been revised.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1,070	1,231	702	1,169	874	1,105
508	584	208	527	324	481
995	1,328	479	1,557	944	1,239
141	175	150	141	128	100
4,673	4,673	7,003	8,380	9,517	11,069
9.06%	8.36%	8.17%	10.00%	10.00%	17.00%
71.57%	69.73%	71.80%	80.00%	80.00%	68.00%
89.09%	89.09%	89.09%	96.00%	93.00%	93.00%
338,665	326,730	288,500	245,931	235,772	261,577
41,314,740	39,885,163	31,098,046	24,555,462	22,869,066	21,982,039
414,935	405,178	393,187	307,686	305,054	311,289
100.00%	100.00%	95.00%	93.00%	89.00%	89.00%
\$222	\$201	\$204	\$201	\$192	\$188
27,076	24,992	20,380	20,224	26,800	25,950
6.5	6.3	5.9	6.7	6.3	6.7
879,678	914,474	1,005,953	983,544	955,737	968,954
156,962	155,712	164,325	181,105	170,266	201,358
2,236	1,503	1,795	2,096	1,584	1,565
11.06	12.87	15.30	32.41	37.34	25.96
1,867	1,536	1,879	1,834	1,882	1,891
109	118	149	123	159	191
21,243	20,812	13,391	21,183	22,092	21,891
5,887	2,784	2,298	2,483	7,261	12,655
5,413	5,873	5,980	5,709	5,508	5,816
18,708	15,306	14,804	16,130	12,488	12,258
784	801	809	973	929	1,089
5,185	5,114	5,113	5,017	4,931	4,520
243	242	247	245	238	230
148	159	159	156	115	160
100	97	97	95	89	96
\$77.32	\$76.53	\$70.78	\$71.19	\$68.74	\$64.00
8,029	5,950	6,449	5,300	4,737	4,571

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Vehicles:				
Executive	227	219	195	192
Judicial	20	20	19	15
Administration				
Agency-Owned	8	6	6	7
Leased to other agencies	<u>2,664</u>	<u>2,114</u>	<u>2,021</u>	<u>2,035</u>
Totals	2,672	2,120	2,027	2,042
Revenue	—	—	1	1
Commerce				
Division of Natural Resources (Parks)	710	606	549	571
Division of Forestry	135	139	135	96
Others	<u>18</u>	<u>15</u>	<u>17</u>	<u>17</u>
Total Commerce	863	760	701	684
Environmental Protection	8	17	8	11
Education	42	53	48	42
Health and Human Services	38	29	29	25
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	1,014	895	902	852
Division of Corrections	25	47	45	42
Regional Jail	51	28	27	27
Others	<u>25</u>	<u>37</u>	<u>33</u>	<u>32</u>
Total MAPS	1,115	1,007	1,007	953
Veterans Affairs	80	68	67	75
Regulatory Boards and Commissions	2	2	2	2
Boats				
Commerce	103	97	100	92
Environmental Protection	8	8	7	7
Buildings				
Executive	28	27	26	29
Administration	70	69	71	78
Revenue	2	2	3	3
Commerce				
Division of Natural Resources (Parks)	907	909	907	905
Division of Forestry	5	5	5	5
Others	<u>11</u>	<u>11</u>	<u>11</u>	<u>8</u>
Total Commerce	923	925	923	918
Environmental Protection	7	7	7	7
Education	79	69	69	82
Health and Human Services	106	105	107	108
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	92	91	90	90
Division of Corrections	63	59	55	55
Regional Jail	149	112	109	154
Others	<u>66</u>	<u>64</u>	<u>59</u>	<u>55</u>
Total MAPS	370	326	313	354
Veterans Affairs	10	10	10	10
Regulatory Boards and Commissions	4	4	4	3

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

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
178	185	171	169	171	140
14	14	12	10	10	5
6	6	6	4	4	5
<u>1,743</u>	<u>1,731</u>	<u>1,685</u>	<u>1,648</u>	<u>1,857</u>	<u>1,623</u>
1,749	1,737	1,691	1,652	1,861	1,628
1	0	0	1	1	1
510	582	584	570	581	581
132	136	133	130	135	137
<u>8</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>5</u>	<u>6</u>
650	725	724	707	721	724
10	11	11	11	13	12
44	51	58	42	41	41
28	68	72	68	69	68
947	992	999	1,110	916	811
36	40	40	38	28	25
40	94	99	104	90	87
<u>34</u>	<u>34</u>	<u>31</u>	<u>30</u>	<u>28</u>	<u>24</u>
1,057	1,160	1,169	1,282	1,062	947
70	72	59	56	51	53
2	2	2	2	2	2
93	90	95	94	93	92
7	7	6	5	5	4
28	28	28	28	28	28
78	72	70	68	66	60
2	2	2	2	2	2
889	889	889	884	885	893
5	5	5	5	4	4
<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>7</u>	<u>6</u>
902	902	902	897	896	903
8	7	7	7	7	7
81	91	91	90	90	90
108	108	109	109	157	147
85	85	85	83	82	81
53	55	55	54	53	53
157	158	167	165	167	171
<u>51</u>	<u>50</u>	<u>46</u>	<u>43</u>	<u>40</u>	<u>31</u>
346	348	353	345	342	336
9	9	9	9	9	9
3	3	3	3	3	3

**Schedule 16**  
**Miscellaneous Statistics**  
**June 30, 2015**

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	38,759
Miles Maintained by the State	34,602
State Police Protection:	
Number of State Police Detachments	59
Number of State Police Troopers	683
Higher Education (State Supported):	
Number of Campuses	21
Number of Students	85,869
Recreation:	
Number of State Parks	34
Area of State Parks	76,961 acres
Number of State Forests	8
Area of State Forests	71,488 acres
Number of State Owned and Operated Rail Trails	2
Distance of Rail Trails	150 miles
Wildlife Fish and Game Management Areas	106
Acreage of Wildlife Management Areas (Owned and Leased)	381,226 acres

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