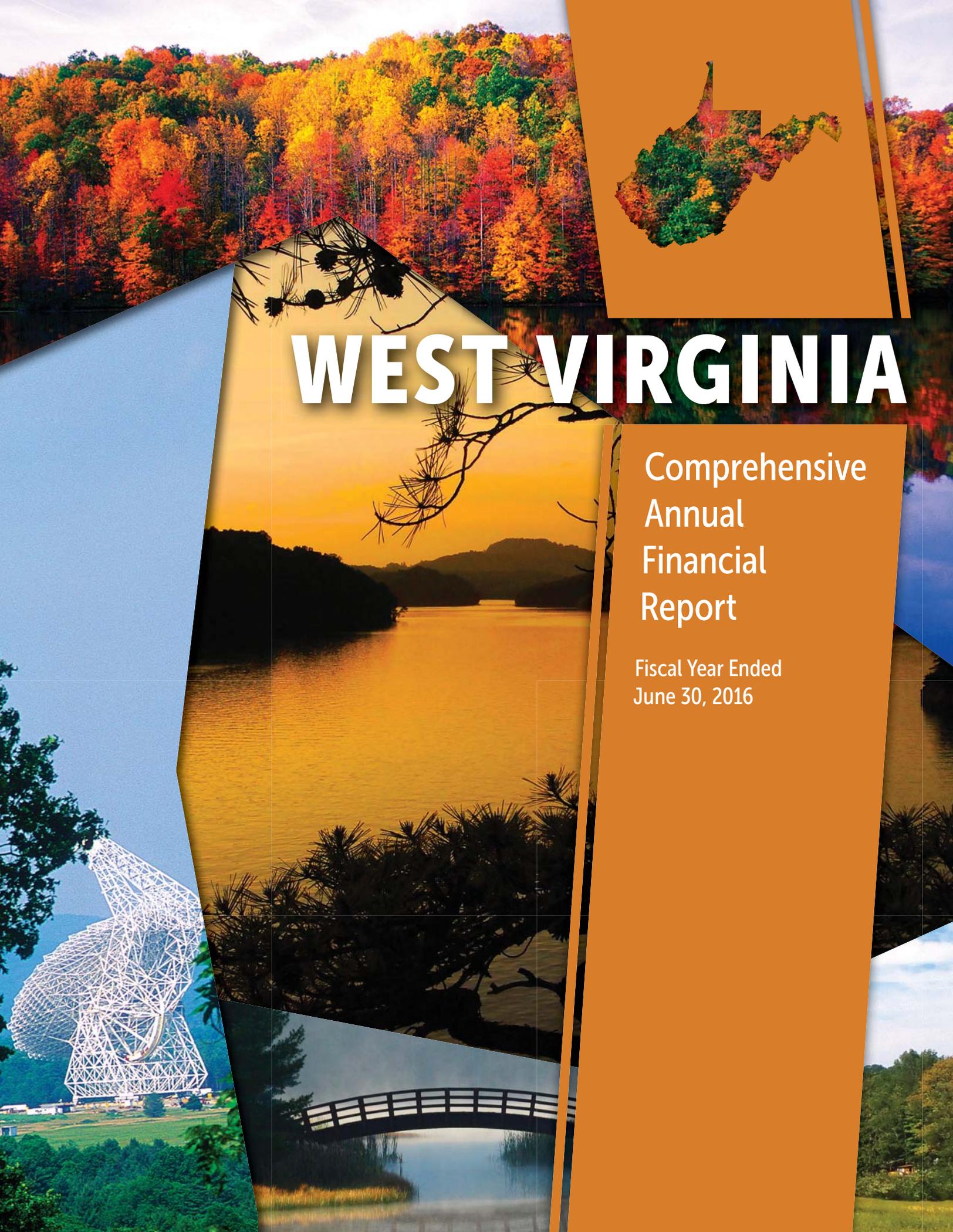




# WEST VIRGINIA

## Comprehensive Annual Financial Report

Fiscal Year Ended  
June 30, 2016



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# *West Virginia*

*Comprehensive Annual*

*Financial Report*

*For the Fiscal Year*

*Ended June 30, 2016*

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***Jim Justice***

Governor

***John Myers***

Cabinet Secretary

Department of  
Administration

***David Mullins***

Acting Finance Director  
Department of Administration

*Prepared by the  
Financial Accounting  
and Reporting Section*

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*Governor Jim Justice*

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*Jim Justice*  
*Governor of West Virginia*

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

I am pleased to provide you with the State of West Virginia's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2016. An independent certified public accounting firm has audited the basic financial statements contained in this report.

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

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

Sincerely,

A handwritten signature in blue ink that reads "Jim Justice".

Jim Justice  
Governor

# ***ACKNOWLEDGMENTS***

***Report Prepared By:***

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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 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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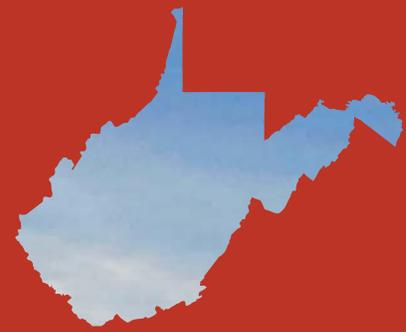
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# INTRODUCTORY SECTION

Transmittal Letter

Certificate of Achievement  
for Excellence in Financial  
Reporting

Organization Chart

Principal Officials

*Spruce Knob is the highest point  
in the state of West Virginia.  
Located in Pendleton County,  
Spruce Knob is named for the  
spruce trees that grow there.*



STATE OF WEST VIRGINIA  
DEPARTMENT OF ADMINISTRATION

JIM JUSTICE  
GOVERNOR

JOHN A. MYERS  
CABINET SECRETARY

April 30, 2017

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

Dear Governor, Senators, Delegates and Citizens:

I am pleased to present the 2016 Comprehensive Annual Financial Report (2016 CAFR) of the State of West Virginia for the fiscal year ended June 30, 2016. This report was prepared by the Financial Accounting and Reporting Section (FARS) within the Finance Division of the Department of Administration (Management).

The 2016 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, 2016, are fairly presented in conformity with generally accepted accounting principles in the United States (GAAP).

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

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

The 2016 CAFR consists of Management's representations concerning the financial information of the State of West Virginia. Consequently, Management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, Management of the State has established a comprehensive internal control framework that is designed to protect the

The Honorable Jim Justice, Governor  
The Honorable Members of the West Virginia Legislature  
Citizens of the State of West Virginia  
April 30, 2017  
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government's assets from loss, theft, or misuse and to compile sufficiently reliable information for the preparation of the State's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls is designed to provide reasonable, rather than absolute, assurance that these financial statements are free from material misstatements. As Management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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

### **Profile of the Government**

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

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

The Honorable Jim Justice, Governor  
The Honorable Members of the West Virginia Legislature  
Citizens of the State of West Virginia  
April 30, 2017  
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## **Economic Review**

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

The State has long been, and remains today, one of America's leading net exporters of electricity. 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.

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

West Virginia's cost of doing business is among the lowest in the country and ranks 11th best in CNBC's America's Top States for Business 2016 "cost of doing business" category. CNBC considers the competitiveness of each state's tax climate, state sponsored incentives, utilities, wages, and rental costs for office and industrial space when determining a state's cost of doing business.

West Virginia 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 2011, more than \$25.5 billion in new business investments have been made in the State's economy.

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:

- One of the largest wholesale distributors in the United States, H.T. Hackney Company, announced in 2017 it will open a warehouse and distribution facility in the city of Milton. The center will be the company's first facility in West Virginia. The warehouse and distribution center is expected to create an estimated 70 jobs, including Class A CDL drivers, office workers, building

and equipment maintenance personnel, diesel mechanics, warehouse workers and sales staff.

- A joint venture formed by MarkWest Energy Partners and Antero Midstream is fueling the expansion of natural gas production in West Virginia. The Sherwood Complex in Doddridge County is currently the largest cryogenic processing plant in the northeastern United States and getting bigger. Plans call to introduce three additional facilities in 2017 and 2018, an investment of roughly \$300 million.
- Bidell Gas Compression, a subsidiary of the Canadian company Total Energy Services Inc., will base its first U.S. manufacturing operation in Weirton, West Virginia. The company expects to create 130 jobs by 2019. The company will repurpose a 100,000 square foot decommissioned machine shop to fabricate, sell, lease and service natural gas compression equipment to customers operating throughout North America and internationally.
- Since opening in 1996, Toyota Motor Manufacturing West Virginia has invested \$1.4 billion in eight expansions. In 2016, Toyota announced an additional \$400 million investment to upgrade the plant in Buffalo with advanced technology to competitively produce products well into the future.
- In 2016, West Virginia introduced the Rock Creek Development Park in Boone and Lincoln counties. The site along Route 119 will offer more than 12,000 acres of flat land for industrial and commercial development. The West Virginia National Guard already plans to base operations for national vehicle maintenance, training and new agricultural projects in Rock Creek Development Park. The state continues long term strategic planning for the development of Rock Creek while mapping out plans for infrastructure and design.
- Hino Motor Manufacturing U.S.A., Inc. celebrated the production of the facility's 50,000th truck in West Virginia. The milestone highlights Hino Motor's record growth. Since the company first established its assembly plant and began production in 2007, it has undergone three business expansions. Currently, the Williamstown plant is Hino's only assembly plant in the United States. The local operations provide employment for more than 250 West Virginians.

The Honorable Jim Justice, Governor  
The Honorable Members of the West Virginia Legislature  
Citizens of the State of West Virginia  
April 30, 2017  
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- Gestamp – which manufactures automotive 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 800 West Virginians.

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 12 percent below the national average;
- A strategic location within an eight hour drive to half the U.S. population and a third of the Canadian market;
- A community and technical college system that is highly responsive to business and workforce needs; and
- High quality of life, low cost of living and unparalleled outdoor recreational activities.

### **Major Initiatives**

The State of West Virginia focused on several major initiatives during FY 2016. Some of these initiatives are outlined below:

#### Pro-Growth Tax Reforms

West Virginia enacted significant business tax reductions between 2006 and 2011 to help boost future investment in the state’s economy. The Corporation Net Income Tax rate was reduced from 9 percent to 6.5 percent. In addition, West Virginia eliminated the Business Franchise Tax, the Corporate Charter Tax, the Telecommunications Tax and a Business Registration Fee renewal requirement. The latest estimates project a net 73 percent reduction in Corporation Net Income Tax for businesses over a decade.

The Honorable Jim Justice, Governor  
The Honorable Members of the West Virginia Legislature  
Citizens of the State of West Virginia  
April 30, 2017  
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In addition to lower business taxes, West Virginia offers a variety of tax credits, exemptions and special valuations for new and existing companies. Credits for manufacturers and certain other types of businesses that create new jobs can offset up to 100 percent of the State's business taxes. There are special valuations on aircraft, high technology, pollution abatement equipment and property tied to specified customer supplier relations, which can dramatically reduce property taxes; and exemptions for manufacturers can eliminate sales tax for goods used in manufacturing. There are new tax credit programs that are now available for customer fulfillment and distribution centers as well as ethane cracker facilities.

### Roads and Highways

During Fiscal Year 2016, 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 also 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 Rosie the Riveter Bridge in Morgantown and the Dr. Martin Luther King, Jr. Memorial Bridge in Bluefield. Other accomplishments this year included the completed resurfacing of approximately 1,200 miles at a cost of approximately \$250 million.

DOT also continued to improve the operating efficiency of its heavy equipment road maintenance fleet through the procurement of approximately \$15 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 34 state parks, nine state forests, the Greenbrier River Trail, and the North Bend Rail Trail. The parks section manages or assists in managing more than

The Honorable Jim Justice, Governor  
The Honorable Members of the West Virginia Legislature  
Citizens of the State of West Virginia  
April 30, 2017  
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164,000 acres of public land and sees up to seven million visitors annually. Facility inventory includes 818 lodge rooms, 369 cabins, 1,498 campsites, 144 picnic shelters and 549 playground units. More than 1,400 miles of hiking trails are provided across 45 areas.

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

Guests visiting West Virginia's state park and forests have an overwhelmingly safe and satisfying experience. The agency is constantly assuring the appropriate operations of complex facilities such as trams, excursion boats, marinas, historic structures, pools, lakes, dames, water and sewage systems, and similar facilities necessary for a pleasant visitor experience. Outstanding guest service is demonstrated in that comment cards show 94 percent Excellent or Good rating.

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

The system is continually focused on protecting natural resources, promoting outdoor recreation, such as hiking, fishing, biking and canoeing, and educating visitors about the natural world.

### Workers' Compensation Reforms

West Virginia continues to reduce its workers' compensation rates. The loss costs have decreased for eleven consecutive filings since the 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. During FY 2016 the State allocated approximately \$122 million to reduce

The Honorable Jim Justice, Governor  
The Honorable Members of the West Virginia Legislature  
Citizens of the State of West Virginia  
April 30, 2017  
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the unfunded liability. As of June 30, 2016, the unfunded liability for the Old Fund was \$51million.

### Environmental Protection Initiatives

In Fiscal Year 2016, the West Virginia Department of Environmental Protection's Rehabilitation Environmental Action Plan (REAP) awarded 35 Recycling Assistance grants totaling more than \$2.28 million to local governments, universities, private and nonprofit organizations for the purpose of planning, initiating, expanding, or upgrading recycling programs, providing related public education programs, and assisting in recycling market procurement efforts; 23 Covered Electronic Devices Recycling grants totaling near \$178,000 to conduct electronic collection events and programs; and 28 Litter Control grants totaling over \$71,000 to initiate, continue, or expand local litter control programs.

The Abandoned Mine Lands and Reclamation Division (AMLR) completed 19 reclamation projects totaling \$8.3 million; 6 waterline projects totaling \$24.6 million; and 22 Emergency projects totaling \$2.3 million. AMLR solicited bids for 41 AML reclamation projects at a cost of \$10.6 million and six waterline construction projects at a cost of \$24.6 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.

Through the Clean Water State Revolving Fund, DEP disbursed more than \$58.2 million to communities for municipal sewer projects under construction; \$340 thousand to nonprofit source pollution control projects; \$48.7 million in closing new loans on nine municipal construction projects; and issued three additional preliminary binding commitment letters for future loans worth \$4.6 million.

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

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

#### 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

The Honorable Jim Justice, Governor  
The Honorable Members of the West Virginia Legislature  
Citizens of the State of West Virginia  
April 30, 2017  
Page 9

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 2016, 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 2016, 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 2016 fiscal year with a General Fund surplus of \$28.8 million, after successfully closing a mid-year budget gap of \$426 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 18.2 percent.

### *Conclusion*

West Virginia continues to aggressively address the fiscal challenges associated with a changing economy. During Fiscal Year 2016, 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 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

The Honorable Jim Justice, Governor  
The Honorable Members of the West Virginia Legislature  
Citizens of the State of West Virginia  
April 30, 2017  
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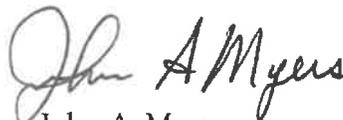
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements. We are again submitting it to the GFOA for consideration. Other State entities that have been awarded the Certificate of Achievement 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 2016 budgets.

The 2016 CAFR is an example of Governor Justice's unwavering belief in, and commitment to, the State's fiscal responsibility and accountability. Acknowledgment is given to the State Legislature and its leadership for their shared commitment to sound budgeting and to meeting the financial obligations of the State. This report would not be possible without the support of all West Virginia state agencies. The State's continued success directly depends on their cooperation and support.

Sincerely,



John A. Myers



Government Finance Officers Association

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

Presented to

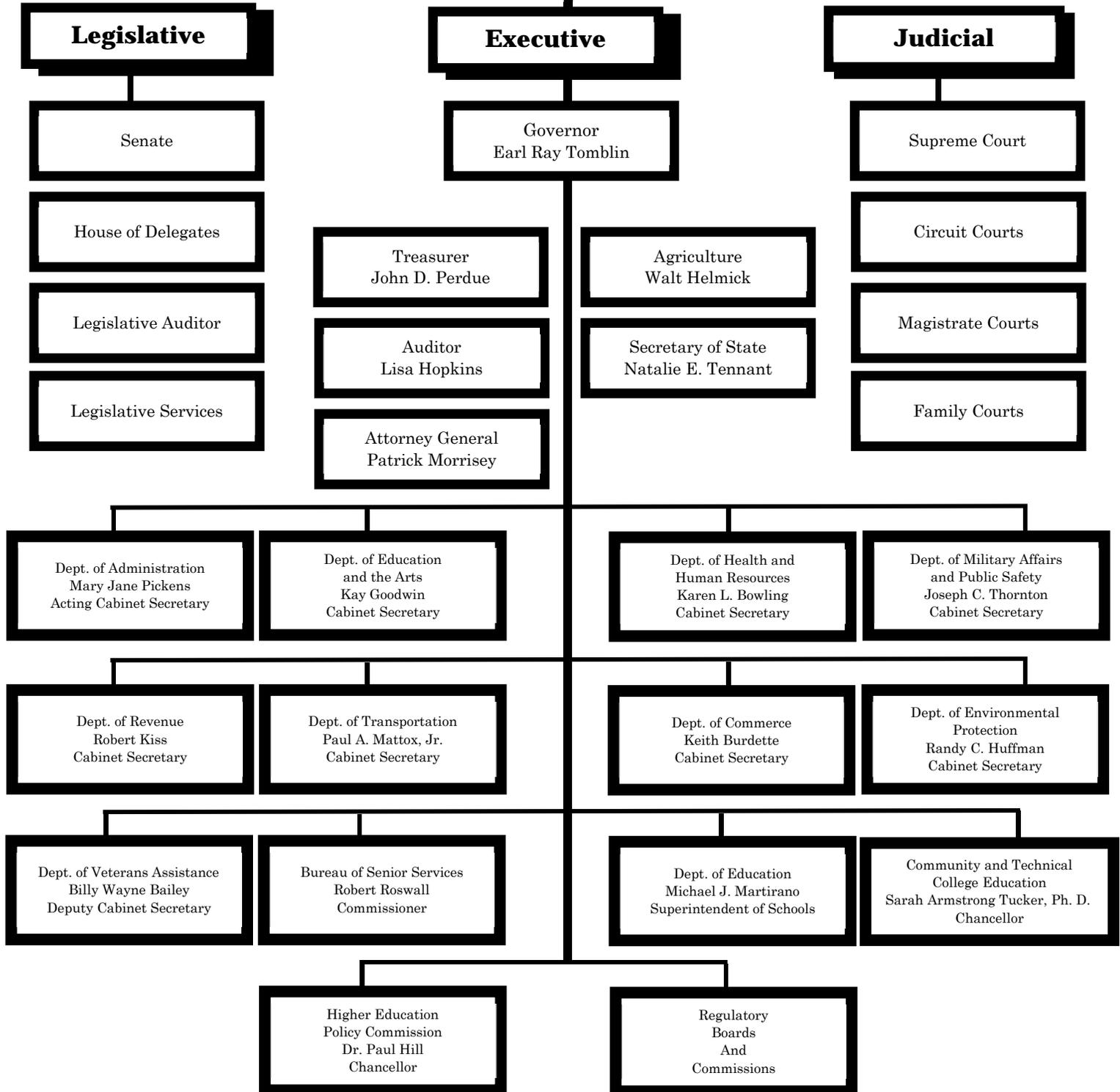
**State of West Virginia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

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  
Lisa Hopkins

Secretary of State  
Natalie E. Tennant

State Treasurer  
John D. Perdue

**Legislative Branch**

Senate President  
William P. Cole, III

Speaker of the House  
Tim Armstead

Chairman  
Senate Finance  
Mike Hall

Chairman  
House Finance  
Eric Nelson

**Judicial Branch**

Supreme Court Chief Justice  
Margaret L. Workman

Supreme Court Justice  
Brent D. Benjamin

Supreme Court Justice  
Robin Jean Davis

Supreme Court Justice  
Menis E. Ketchum, II

Supreme Court Justice  
Allen H. Loughry, II



## FINANCIAL SECTION

Report of Independent  
Auditors

Management's Discussion  
and Analysis

*The Black-eyed Susan is a  
wildflower native to West Virginia.  
This member of the sunflower  
family can be found growing  
in fields and open woods  
around the state.*



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Charleston, WV 25301

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## Report of Independent Auditors

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of West Virginia (the State), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements 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, 73 percent of net position, and 11 percent of total revenues for the governmental activities; 100 percent of total assets, net position, and total revenue for the business-type activities; 100 percent of total assets, net position, and revenues for the aggregate discretely presented component units; 93 percent of total assets, 79 percent of fund balance, and 98 percent of revenues of the major Transportation Special Revenue Fund; 100 percent of total assets, fund balance/net position, and revenues of each of the following major funds – Tobacco Settlement Finance Authority, Workers' Compensation, Unemployment Compensation, and West Virginia Infrastructure and Jobs Development Council; and 92 percent of total assets, 94 percent of net position/fund balance, and 57 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 opinions.

### ***Opinions***

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of West Virginia, at June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

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

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison and pension schedules on pages 212 through 228 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State'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 by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements 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*

April 30, 2017



## 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, 2016. 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 \$6.8 billion, reported as net position. Governmental activities reported \$4.8 billion in net position, a \$235 million increase, up 5.1% from last year, while the business-type activities reported net position of \$1.9 billion, a \$72 million decrease.

#### **Fund Level:**

At year-end, the governmental funds reported combined fund balances of \$840 million, a decrease of \$232 million, or 21.6% lower than the prior year. The unrestricted fund balance, including the committed, assigned, and unassigned balances, was \$(199) million. The nonspendable balance was \$753 million, and \$285 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 \$14.4 million to be transferred to the Revenue Shortfall Reserve Fund (Rainy Day Fund); this transfer was up from the previous year by \$8 million.

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

There was a net increase in the State's long-term obligations of \$6.7 million. The Governmental Activities increased by \$6.7 million and the Business-type Activities increased by \$100 thousands. The net increase of \$6.7 million consisted of an increase in net pension liability in the amount of \$119 million, a reduction of payments on bonds, capital leases, and notes payable in the amount of \$54.5 million, and a decrease of \$75 million in accrued and other liabilities. The decrease in accrued and other liabilities is related to a \$56 million decrease for mine reclamation, a decrease in tax refunds of \$12 million, \$11 million in accrued tuition, and \$11 million in claims & judgments. These decreases were offset by a \$15 million increase in the In Lieu Mitigation fees related to the Environmental Programs Fund.

The insurance and compensation benefits liability increased \$17 million. The increase consisted of \$8 million at the Board of Risk and Insurance Management due to an increase in estimated claims expense, \$5 million in the Workers' Compensation Fund due to the decrease in the discount rate applied to the long term liabilities, and \$6 million in

Unemployment Compensation due to a projected increase in claims. See Note 14 for a more detailed explanation about risk management.

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

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

The statement of net position and the statement of activities together comprise the government-wide statements, which report information about the State as a whole using the full accrual basis of accounting similar to those used by private-sector companies. This means all revenues and expenses are recognized regardless of whether cash has been received or paid, and all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term debt, are reported at the entity level.

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

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

- *Governmental activities* – Most of the State’s basic services are included under these activities, such 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 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 outflows 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 assets 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 a schedule of funding progress for pension plans along with notes with explanatory information.

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

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

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

Comparing June 30, 2016 to June 30, 2015 government-wide balances, current and other assets decreased \$253 million due to a \$330 million decrease in cash equivalents, primarily from the withdrawal of funds from the Rainy Day Fund to close the budget gap, a decrease in transportation tax collections, loan expenses at the West Virginia Infrastructure and Jobs Development Council (WVIJDC), and an increase in regular unemployment expenditures. This decrease was offset by an increase of \$102 million in accounts receivable, mostly due to an increase of new and prior year loan funds to projects funded by WVIJDC and an increase in Medicaid drug rebates. Current and other liabilities from June 30, 2015 to June 30, 2016 increased \$181 million due to an increase in tax refunds payable and other postemployment benefits. The changes in deferred outflows and inflows of resources are due to the allocation of pensions. Significant changes in capital assets and long term liabilities are discussed later in the management's discussion and analysis.

The State's combined net position, governmental and business-type, increased \$163 million over the course of this fiscal year's operations. The net position of the governmental activities increased \$235 million, and the net position of the business-type activities decreased \$72 million.

Net Position as of June 30 (Expressed in Thousands)	Governmental Activities		Business-type Activities		Total Primary Government	
	2015		2015		2015	
	2016	(Revised)*	2016	2015	2016	(Revised)*
Current and Other Assets	\$ 4,106,848	\$ 4,246,499	\$ 4,164,338	\$ 4,277,679	\$ 8,271,186	\$ 8,524,178
Capital Assets	<u>9,520,204</u>	<u>9,435,144</u>	<u>2,940</u>	<u>2,963</u>	<u>9,523,144</u>	<u>9,438,107</u>
Total Assets	<u>13,627,052</u>	<u>13,681,643</u>	<u>4,167,278</u>	<u>4,280,642</u>	<u>17,794,330</u>	<u>17,962,285</u>
Deferred Outflows of Resources	<u>736,974</u>	<u>740,155</u>	<u>3,693</u>	<u>3,208</u>	<u>740,667</u>	<u>743,363</u>
Current and Other Liabilities	3,187,960	2,966,791	428,726	468,909	3,616,686	3,435,700
Long-term Liabilities	<u>5,888,460</u>	<u>6,008,492</u>	<u>1,791,078</u>	<u>1,790,534</u>	<u>7,679,538</u>	<u>7,799,026</u>
Total Liabilities	<u>9,076,420</u>	<u>8,975,283</u>	<u>2,219,804</u>	<u>2,259,443</u>	<u>11,296,224</u>	<u>11,234,726</u>
Deferred Inflows of Resources	<u>441,784</u>	<u>835,854</u>	<u>5,269</u>	<u>6,447</u>	<u>447,053</u>	<u>842,301</u>
Net Position:						
Net Investment in Capital Assets	8,986,789	8,890,142	2,940	2,963	8,989,729	8,893,105
Restricted	422,147	439,118	1,741,004	1,813,975	2,163,151	2,253,093
Unrestricted (Deficit)	<u>(4,563,114)</u>	<u>(4,718,599)</u>	<u>201,954</u>	<u>201,022</u>	<u>(4,361,160)</u>	<u>(4,517,577)</u>
Total Net Position	<u>\$ 4,845,822</u>	<u>\$ 4,610,661</u>	<u>\$ 1,945,898</u>	<u>\$ 2,017,960</u>	<u>\$ 6,791,720</u>	<u>\$ 6,628,621</u>

\*Revised due to a revision of the prior year schedule of employer allocations in the Teachers' Retirement System's contributions, discussed in Note 2.

## 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 \$156 million. In addition, the increase in operating grants and contributions at DHHR for the Medicaid program contributed to the increase in net position.

Restricted net position comprises 31.8% 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, 2016 and 2015 (expressed in thousands):

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for Services	\$ 428,877	\$ 471,293	\$ 1,230,111	\$ 967,687	\$ 1,658,988	\$ 1,438,980
Operating Grants and Contributions	4,774,274	4,610,518	—	—	4,774,274	4,610,518
Capital Grants and Contributions	456,222	390,949	—	—	456,222	390,949
General Revenues:						
Personal Income Tax	1,849,056	1,921,597	—	—	1,849,056	1,921,597
Consumer Sales Tax	1,291,813	1,265,957	—	—	1,291,813	1,265,957
Business Taxes	640,081	907,362	—	—	640,081	907,362
Transportation Taxes	605,403	640,135	—	—	605,403	640,135
Other Taxes	526,348	446,794	—	—	526,348	446,794
Lottery Revenue	342,702	356,401	42,735	37,000	385,437	393,401
Other Revenues	226,837	205,387	37,652	36,553	264,489	241,940
Total Revenues	<u>11,141,613</u>	<u>11,216,393</u>	<u>1,310,498</u>	<u>1,041,240</u>	<u>12,452,111</u>	<u>12,257,633</u>
Program Expenses:						
Legislative	25,766	26,762	—	—	25,766	26,762
Judicial	133,702	126,904	—	—	133,702	126,904
Executive	139,580	124,455	—	—	139,580	124,455
Administration	234,542	280,007	—	—	234,542	280,007
Commerce	166,129	141,566	—	—	166,129	141,566
Environmental Protection	84,533	109,036	—	—	84,533	109,036
Employment Programs	48,173	43,876	—	—	48,173	43,876
Education	2,708,236	2,762,735	—	—	2,708,236	2,762,735
Health and Human Resources	5,352,930	5,241,337	—	—	5,352,930	5,241,337
Military Affairs and Public Safety	417,604	412,894	—	—	417,604	412,894
Revenue	78,504	86,654	—	—	78,504	86,654
Transportation	1,183,397	1,121,182	—	—	1,183,397	1,121,182
Veterans Assistance	20,588	19,264	—	—	20,588	19,264
Regulatory Board and Commissions	47,680	74,255	—	—	47,680	74,255
Senior Services	44,037	49,205	—	—	44,037	49,205
Interest on Long-term Debt	112,273	123,064	—	—	112,273	123,064
Workers' Compensation Fund	—	—	202,406	44,488	202,406	44,488
Unemployment Compensation	—	—	509,796	225,940	509,796	225,940
West Virginia Infrastructure and Jobs Development Council	—	—	60,622	71,587	60,622	71,587
Water Pollution Control Revolving Fund	—	—	4,745	6,358	4,745	6,358
Public Employees' Insurance Agency	—	—	542,825	577,433	542,825	577,433
Board of Risk and Insurance Management	—	—	67,650	72,436	67,650	72,436
Other Nonmajor Business-type Activities	—	—	103,294	108,868	103,294	108,868
Total Expenses	<u>10,797,674</u>	<u>10,743,196</u>	<u>1,491,338</u>	<u>1,107,110</u>	<u>12,289,012</u>	<u>11,850,306</u>
Increase (Decrease) in Net Position, Before Transfers	343,939	473,197	(180,840)	(65,870)	163,099	407,327
Transfers	(108,778)	(230,208)	108,778	230,208	—	—
Increase (Decrease) in Net Position	<u>235,161</u>	<u>242,989</u>	<u>(72,062)</u>	<u>164,338</u>	<u>163,099</u>	<u>407,327</u>
Net Position, Beginning of Year as Originally Reported	<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>
Revision (Note 2)	49,472	—	—	—	49,472	—
Change in Accounting Principle for GASB 68 Implementation	—	(4,823,048)	—	(3,691)	—	(4,826,739)
Net Position, Beginning of Year, as Revised	<u>4,610,661</u>	<u>4,318,200</u>	<u>2,017,960</u>	<u>1,853,622</u>	<u>6,628,621</u>	<u>6,171,822</u>
Net Position, End of Year	<u>\$ 4,845,822</u>	<u>\$ 4,561,189</u>	<u>\$ 1,945,898</u>	<u>\$ 2,017,960</u>	<u>\$ 6,791,720</u>	<u>\$ 6,579,149</u>

## **Governmental Activities**

For the year ended June 30, 2016, the State's change in net position before transfers increased by \$129.3 million for governmental activities. Revenues were lower by \$74.8 million and expenses were higher \$54 million comparing the years ending June 30, 2016 and 2015. Overall tax revenue decreased \$248 million from the previous year. The largest contributing factor was a decrease in severance tax, which fell due to a decline in coal sales and lower energy prices for coal, oil, and natural gas. The decrease in tax revenue was offset by \$130 million of increases to the operating grants and contributions for DHHR, primarily due to the expansion of Medicaid and increase match rate for the Children's Health Insurance Program. In addition, Transportation's capital grants and contributions increased \$79 million due to funding received from Fixing America's Surface Transportation Act (FAST).

Program expenses increased approximately \$54 million in total. DHHR expenses were up \$112 million due to increase in eligibility in Medicaid, partially due to the Affordable Care Act. In addition, transportation expenses were up \$62 million due to increase in other road operations and small construction activities. Offsetting this increase was a decrease in expenditures due to budget reductions for fiscal year 2016.

The charts on the next page depict revenues and expenses, respectively, of the governmental activities for the fiscal year. Approximately 39.4% of the total revenues came from personal income, consumer sales, business taxes, and transportation taxes, while 46.9% was in the form of grants and contributions (see Chart A). The State's governmental activities expenses include 50.1% for health and human resources and 25.4% for education (see Chart B).

Chart A

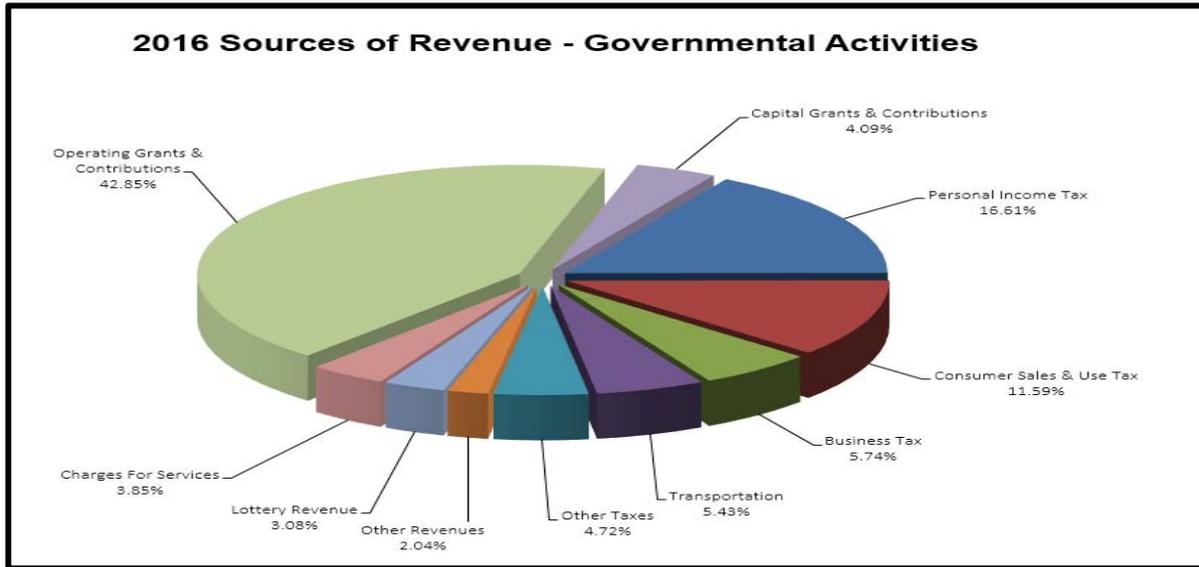
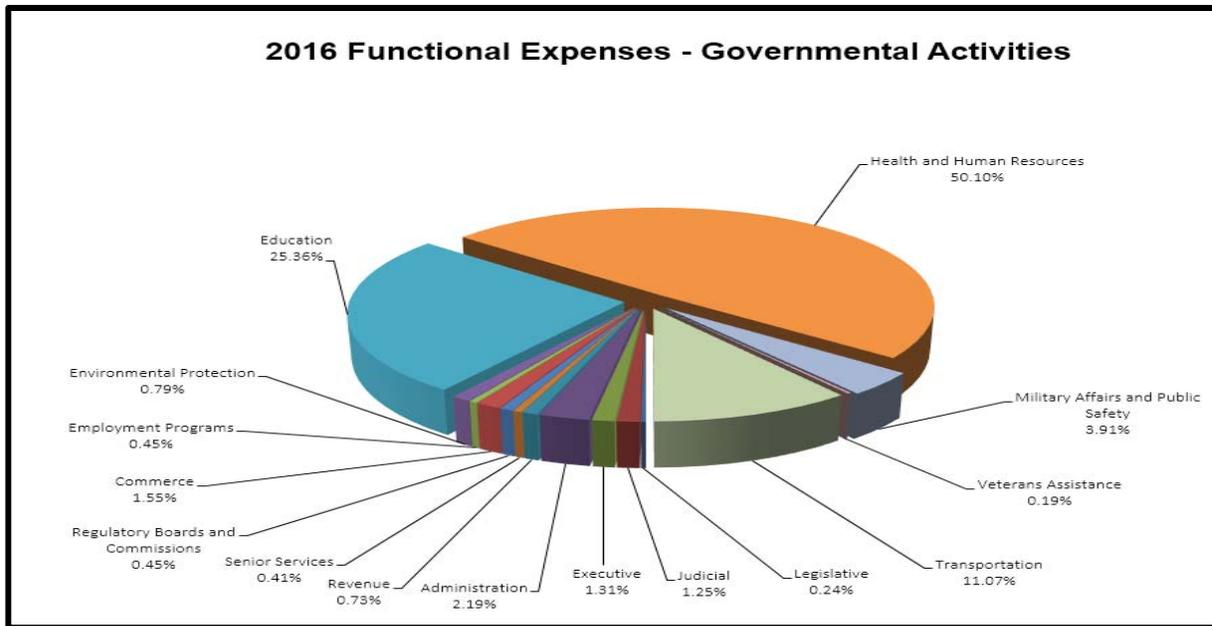


Chart B



### **Business-type Activities**

For fiscal year 2016, business-type activities decreased the State's net position by \$181 million before transfers. Significant contributors to this change were:

- The Unemployment Compensation Fund had a \$77 million decrease in net position before transfers. Revenues were higher by \$208 million and expenses were higher by \$284 million comparing the years ending June 30, 2016 and 2015. The change is due to an increase in unemployment insurance benefits.
- The Workers' Compensation Fund (WCF) had a \$70 million decrease in net position before transfers. Revenues were higher by \$60 million and expenses were higher by \$158 million comparing the years ending June 30, 2016 and 2015. This change is, among other factors, due to the net of increase of \$158 million in insurance claims and claims adjustment expense from FY 2015. An aggressive settlement program as part of the strategy to eliminate the WCF deficit was implemented in FY 2011, and FY 2016 marks the elimination of that deficit.
- West Virginia Infrastructure and Jobs Development Council had a \$22 million decrease in net position before transfers. The receipt of excess lottery revenues of \$36 million increased net position. Also, loan repayments of principal and interest totaling \$21 million increased net position. These increases were offset by loan disbursements of \$71 million during FY 2016.
- West Virginia Public Employees Insurance Agency saw a \$32 million decrease in net position before transfers. This is due to investment depreciation because of unfavorable market experience and liquidating assets to meet current financial obligations offset by a decrease in the premium deficiency reserve.
- West Virginia Board of Risk and Insurance Management (BRIM) recorded a decrease in net position before transfers of \$2 million. This was primarily due to an increase in estimated claims expense liability, which was offset by investment returns.

**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 \$840 million, a decrease of \$232 million in comparison to that of the prior year.

There was a net decrease in revenue of \$28 million. Total tax revenues decreased by \$246 million, as previously described; federal revenues increased \$249 million, primarily from increases in the Medicaid program and Transportation revenues from FAST; other revenue decreased \$22 million; lottery revenues decreased \$13 million; investment earnings increased \$20 million; motor vehicle registration decreased \$9 million; charges for services decreased \$6 million. Expenses were up by \$168 million, primarily due to the Health and Human Resources and Transportation functions, as previously described.

At year end, nonmajor governmental funds had a net decrease in fund balance of approximately \$20 million. The capital projects fund balance decreased approximately \$0.9 million due to construction of ongoing projects for the state parks, capital complex, and higher education institutions. The special revenue fund balance decreased by a net of \$18 million. This decrease was primarily due to the Insurance Commission function decreasing their expenses for public protection. Restricted fund balance is \$172 million, of which \$54 million was available for debt service, \$12 million to fund capital projects, \$55 million for development, tourism and recreation, and \$51 million for public protection. Committed fund balance is \$302 million, \$1.8 million for general government operations and \$300 million for public protection.

Governmental Fund Balances at June 30, 2016  
(Expressed in Thousands)

	General Fund	Transportation	Tobacco Settlement Finance Authority	Other Governmental Funds
Nonspendable	\$ 138,052	\$ 49,766	\$ 564,488	\$ 1,048
Restricted	949	12,031	100,055	172,433
Unrestricted				
Committed	816,641	—	—	301,553
Assigned	6,183	6,309	—	4,506
Unassigned	<u>(1,324,232)</u>	<u>—</u>	<u>—</u>	<u>(9,953)</u>
Total	<u>\$ (362,407)</u>	<u>\$ 68,106</u>	<u>\$ 664,543</u>	<u>\$ 469,587</u>

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the General Fund maintained an assigned fund balance of \$6 million, committed fund balance of \$816 million, nonspendable fund balance of \$138 million offset by an unassigned fund balance of \$(1.3) billion and a total fund balance of \$(362.4) 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 (13.8)% of total General Fund expenditures, while total fund balance represents (3.8)% of the same amount.

Cash and cash equivalents in the General Fund were down \$123 million, primarily due to the withdrawal of funds from the Rainy Day Fund to balance the budget. General fund revenues decreased in fiscal year 2016 from 2015 by \$77 million. This is due to \$216 million decrease in severance tax, as discussed earlier, offset by a \$136 million increase in federal revenues, primarily from the expansion of Medicaid. Revenues were \$17 million less than expenditures. Expenses for the Health and Human Resource function were up \$145 million in 2016 which was offset by a reduction in Education expense of \$127 million.

At year end, Transportation had a \$12 million restricted fund balance and a nonspendable fund balance of \$50 million in inventory. Total fund balance was lower by approximately \$55 million from 2015, primarily due to an increase in other road operations and small construction activities.

The Tobacco Settlement Finance Authority's fund balance decreased by \$21.8 million due to the amortization of the deferred inflows of resources being recognized as an expenditure. Required bond interest in the amount of \$54.3 million was paid during the year.

### **Proprietary Funds**

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds are comprised of enterprise and internal service funds. Enterprise funds are used when services the State provides are charged to external customers. Internal service funds are used when services are provided to other state agencies. The six major enterprise funds include the Water Pollution Control Revolving Fund, Workers' Compensation Fund, Unemployment Compensation, West Virginia Infrastructure and Jobs Development Council, Public Employees' Insurance Agency, and the Board of Risk and Insurance Management.

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

**GENERAL REVENUE FUND BUDGETARY HIGHLIGHTS**

The Final amended budget revenues were lower than the amount originally anticipated. The general revenue fund budget to actual overall revenue variance was negative by \$203 million due to decreases in revenue collection in several tax categories. Personal income taxes decreased by \$57 million, consumer sales taxes decreased by \$39 million, severance taxes decreased by \$195 million, corporate income and business franchise taxes decreased \$30 million, and other taxes decreased \$5.6 million. Other revenue increased \$132 million, and interest income decreased \$12 million.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2016, the State had invested \$9.5 billion, net of accumulated depreciation, in a broad range of capital assets shown below. Depreciation expense for the year totaled \$381 million.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land and Improvements	\$ 1,277,171	\$ 1,243,544	\$ 611	\$ 611	\$ 1,277,782	\$ 1,244,155
Building and Improvements	993,267	974,081	883	961	994,150	975,042
Equipment	101,183	89,640	1,240	1,338	102,423	90,978
Library Holdings	733	938	—	—	733	938
Intangibles	99,310	82,232	206	53	99,516	82,285
Construction in Progress	910,931	894,093	—	—	910,931	894,093
Infrastructure	<u>6,137,609</u>	<u>6,150,616</u>	<u>—</u>	<u>—</u>	<u>6,137,609</u>	<u>6,150,616</u>
Totals	<u>\$ 9,520,204</u>	<u>\$ 9,435,144</u>	<u>\$ 2,940</u>	<u>\$ 2,963</u>	<u>\$ 9,523,144</u>	<u>\$ 9,438,107</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 \$85 million. The most significant changes in capital assets during the year were in the Transportation and Public Safety 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 \$289 million were lower than the prior year amount, resulting in a net decrease of \$13 million in infrastructure, due to depreciation of \$302 million. Transportation also had a net increase of \$30 million in land acquisition. An increase in the intangible in a net amount of \$17 million was due to software licenses at the Enterprise Resource Planning Board and Consolidated Public Retirement Board, offset by depreciation. The \$17 million increase in construction in progress was due primarily to a

\$41 million increase at the Building Commission for renovations of Building 3 and pending completion of the Clarksburg building. This increase was offset by \$28 million in decreases at the Adjutant General for the completion of the Logan and Buckhannon armories. The net increase in buildings of \$19 million is due to the addition of the Logan and Buckhannon armories, offset by depreciation expense. 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, Moody's Investors Service rating is Aa2 and Standard and Poor's Corporation have an AA- rating.

The decrease in accrued and other liabilities of \$75 million is related to \$56 million decrease for mine reclamation, a decrease in tax refunds of \$12 million, \$11 million in accrued tuition, and \$11 million in claims and judgments. These decreases were offset by a \$15 million increase in the In Lieu Mitigation fees related to the Environmental Programs Fund. More detailed information related to the State's overall debt position is presented in Note 10 to the financial statements.

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

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2016</b>	<b>2015 (Revised)</b>	<b>2016</b>	<b>2015 (Revised)</b>	<b>2016</b>	<b>2015 (Revised)</b>
General Obligation Bonds	\$ 393,089	\$ 412,368	\$ —	\$ —	\$ 393,089	\$ 412,368
Revenue Bonds	1,142,347	1,185,022	191,049	197,762	1,333,396	1,382,784
Capital Leases	287,135	271,889	—	—	287,135	271,889
Notes Payable	16,783	17,919	—	—	16,783	17,919
Accrued and Other Liabilities, as adjusted	1,238,537	1,302,336	80,593	91,850	1,319,130	1,394,186
Insurance and Compensation Benefits	—	—	1,892,926	1,875,859	1,892,926	1,875,859
Compensated Absences	88,990	89,087	640	638	89,630	89,725
Net Pension Liability	3,710,290	3,591,887	2,770	1,806	3,713,060	3,593,693
<b>Totals</b>	<b><u>\$ 6,877,171</u></b>	<b><u>\$ 6,870,508</u></b>	<b><u>\$ 2,167,978</u></b>	<b><u>\$ 2,167,915</u></b>	<b><u>\$ 9,045,149</u></b>	<b><u>\$ 9,038,423</u></b>

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

The general revenue estimate for FY 2017 is predicted to be \$4.32 billion, or \$22 million above the FY 2016 official revenue estimate, and lottery revenues available for appropriation are expected to decrease by \$1.7 million. FY 2017 general revenue fund collections are expected to be \$354 million short of estimate by year-end. To help balance the FY 2017 budget and provide for FY 2017 supplemental appropriations, \$21.9 million of excess spending authority and cash from various special revenue funds are proposed to be expired to the FY 2017 general revenue surplus balance. In addition, \$51.8 million of Rainy Day funds are proposed to be used.

The budget for FY 2017 includes increases for the State's share of Medicaid funding, PEIA, Supreme Court, required contributions to Retirement Systems, and various social programs. Although there will be challenges in closing FY 2017's budget gap, the out-years beyond FY 2018 show budget surpluses.

The FY 2017 budget includes a six-year plan showing the projected revenues and expenditures through FY 2021. The goal of the six-year plan is to provide the West Virginia Legislature and citizens a clear understanding of not only the FY 2017 budget, but also the larger implications of today's decisions on the State's future. Careful budgetary planning, with an eye on the future budget requirements, will continue to be a fundamental part of our approach to maintaining balanced budgets while providing necessary services.

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

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



# BASIC FINANCIAL STATEMENTS

Government-Wide

Major Funds

Notes 1 – 16

*West Virginia's Capitol building in Charleston is the seventh tallest capitol in the United States. Designed by architect Cass Gilbert, West Virginia's Capitol was dedicated in 1932.*

**Statement of Net Position**  
**June 30, 2016**  
(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	\$ 1,528,816	\$ 2,058,234	\$ 3,587,050	\$ 966,829
Investments	918,964	102,794	1,021,758	228,535
Receivables, Net	791,033	154,841	945,874	181,630
Capital Leases Receivable from Primary Government	—	—	—	14,855
Due from Other Governments	448,765	446	449,211	—
Due from Primary Government	—	—	—	9,781
Due from Fiduciary Funds	1,511	440	1,951	179
Due from Component Units	126,341	397	126,738	—
Internal Balances	(4,061)	4,061	—	—
Inventories	60,734	2,075	62,809	10,659
Prepaid Insurance	4	15	19	154
Other Assets	2,453	20,000	22,453	13,162
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	2,883	10,198	13,081	109,861
Investments	—	—	—	19,684
Receivables, Net	—	620	620	3,915
Other Restricted Assets	—	<u>210,152</u>	<u>210,152</u>	<u>20</u>
Total Current Assets	<u>3,877,443</u>	<u>2,564,273</u>	<u>6,441,716</u>	<u>1,559,264</u>
<b>Noncurrent Assets:</b>				
Cash and Cash Equivalents	—	—	—	84,155
Investments	—	315,658	315,658	477,994
Receivables, Net	—	1,209,083	1,209,083	283,448
Capital Leases Receivable from Primary Government	—	—	—	260,910
Prepaid Insurance	40	334	374	—
Other Assets	242	—	242	99,777
Advance to Component Units	124,419	—	124,419	—
Net Pension Asset	61,678	—	61,678	—
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	43,026	26,549	69,575	60,436
Investments	—	48,441	48,441	119,109
Receivables, Net	—	—	—	868,056
Other Restricted Assets	—	—	—	6,986
<b>Land and Other Capital Assets</b>				
Not Being Depreciated	2,162,048	611	2,162,659	563,704
Capital Assets, Being Depreciated (Net of Accumulated Depreciation)	<u>7,358,156</u>	<u>2,329</u>	<u>7,360,485</u>	<u>3,381,591</u>
Total Noncurrent Assets	<u>9,749,609</u>	<u>1,603,005</u>	<u>11,352,614</u>	<u>6,206,166</u>
<b>Total Assets</b>	<u>13,627,052</u>	<u>4,167,278</u>	<u>17,794,330</u>	<u>7,765,430</u>
<b>Deferred Outflows of Resources:</b>				
Accumulated Decrease in Fair Value of				
Hedging Derivative	—	—	—	1,817
Deferred Loss on Bond Refundings	8,384	2,153	10,537	50,751
Related to Pensions	<u>728,590</u>	<u>1,540</u>	<u>730,130</u>	<u>20,792</u>
<b>Total Deferred Outflows of Resources</b>	<u>736,974</u>	<u>3,693</u>	<u>740,667</u>	<u>73,360</u>

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

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts Payable	329,923	10,963	340,886	115,580
Interest Payable	1,573	—	1,573	15,594
Accrued Tuition Contract Benefits	—	16,294	16,294	—
Accrued and Other Liabilities	856,716	9,518	866,234	255,264
Due to Other Governments	279,556	4,706	284,262	—
Due to Primary Government	—	—	—	126,738
Due to Fiduciary Funds	1,571,050	11,805	1,582,855	377,609
Due to Component Units	9,491	290	9,781	—
Unearned Revenue	7,544	17,202	24,746	73,575
Premium Deficiency	—	6,860	6,860	—
Insurance and Compensation				
Benefits Obligations	—	345,061	345,061	—
General Obligation Debt	36,142	—	36,142	—
Revenue Bonds Payable	14,116	5,884	20,000	243,451
Capital Leases and Other Debt	7,825	—	7,825	24,808
Capital Leases Payable to Component Units	14,855	—	14,855	—
Compensated Absences	59,169	143	59,312	48,840
Total Current Liabilities	<u>3,187,960</u>	<u>428,726</u>	<u>3,616,686</u>	<u>1,281,459</u>
<b>Noncurrent Liabilities:</b>				
Accrued Tuition Contract Benefits	—	54,781	54,781	—
Accrued and Other Liabilities	381,821	—	381,821	176,866
Due to Other Governments	112	—	112	—
Unearned Revenue	—	—	—	1,061
Insurance and Compensation				
Benefits Obligations	—	1,547,865	1,547,865	—
Advances from Primary Government	—	—	—	124,419
Liabilities Payable from Restricted Assets	—	—	—	78,717
General Obligation Debt	356,947	—	356,947	—
Revenue Bonds Payable	1,128,231	185,165	1,313,396	2,509,876
Capital Leases and Other Debt	20,328	—	20,328	89,811
Capital Leases Payable to Component Units	260,910	—	260,910	—
Net Pension Liability	3,710,290	2,770	3,713,060	55,518
Compensated Absences	29,821	497	30,318	4,993
Total Noncurrent Liabilities	<u>5,888,460</u>	<u>1,791,078</u>	<u>7,679,538</u>	<u>3,041,261</u>
<b>Total Liabilities</b>	<u>9,076,420</u>	<u>2,219,804</u>	<u>11,296,224</u>	<u>4,322,720</u>
<b>Deferred Inflows of Resources:</b>				
Fair Value of Hedging Derivative Instrument	—	—	—	1,484
Related to Pensions	441,784	1,103	442,887	17,661
Service Concession Arrangements	—	—	—	39,746
Grants and Contributions	—	4,166	4,166	515
<b>Total Deferred Inflows of Resources</b>	<u>441,784</u>	<u>5,269</u>	<u>447,053</u>	<u>59,406</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	8,986,789	2,940	8,989,729	2,792,759
<b>Restricted for:</b>				
Capital Projects	54,235	—	54,235	15,231
Debt Service	183,187	—	183,187	535,398
General Government Operations	2,690	1,528	4,218	—
<b>Permanent Funds:</b>				
Nonexpendable	1,000	—	1,000	244,313
Expendable	584	—	584	—
Lending Activities	—	1,459,650	1,459,650	106,517
Insurance Activities	—	279,826	279,826	—
Development, Tourism, and Recreation	55,102	—	55,102	—
Education	65	—	65	—
Health and Social Services	160	—	160	—
Public Protection	113,093	—	113,093	—
Transportation	12,031	—	12,031	—
Specific Fund/Component Unit Purposes	—	—	—	207,751
Unrestricted (Deficit)	<u>(4,563,114)</u>	<u>201,954</u>	<u>(4,361,160)</u>	<u>(445,305)</u>
<b>Total Net Position</b>	<u>\$ 4,845,822</u>	<u>\$ 1,945,898</u>	<u>\$ 6,791,720</u>	<u>\$ 3,456,664</u>

# West Virginia

## Statement of Activities For the Fiscal Year Ended June 30, 2016 (Expressed in Thousands)

Functions	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Legislative	\$ 25,766	\$ 1,431	\$ 136	\$ —
Judicial	133,702	1,730	1,978	—
Executive	139,580	14,407	33,725	—
Administration	234,542	45,767	3,006	2,552
Commerce	166,129	43,541	41,846	—
Environmental Protection	84,533	74,621	98,312	—
Employment Programs	48,173	—	48,050	—
Education	2,708,236	2,580	451,719	—
Health and Human Resources	5,352,930	72,849	3,940,757	—
Military Affairs and Public Safety	417,604	10,868	118,282	1,235
Revenue	78,504	42,754	1,917	—
Transportation	1,183,397	92,171	—	452,435
Veterans Assistance	20,588	—	8,008	—
Senior Services	44,037	—	23,489	—
Regulatory Boards and Commissions	47,680	26,158	3,049	—
Interest on Long-Term Debt	112,273	—	—	—
Total Governmental Activities	<u>10,797,674</u>	<u>428,877</u>	<u>4,774,274</u>	<u>456,222</u>
Business-type Activities:				
Water Pollution Control Revolving Fund	4,745	5,850	—	—
Workers' Compensation Fund	202,406	105,897	—	—
Unemployment Compensation	509,796	431,717	—	—
West Virginia Infrastructure and Jobs Development Council	60,622	1,940	—	—
Public Employees' Insurance Agency	542,825	507,419	—	—
Board of Risk and Insurance Management	67,650	58,303	—	—
Other Activities	103,294	118,985	—	—
Total Business-type Activities	<u>1,491,338</u>	<u>1,230,111</u>	<u>—</u>	<u>—</u>
Total Primary Government	<u>12,289,012</u>	<u>1,658,988</u>	<u>4,774,274</u>	<u>456,222</u>
<b>Component Units:</b>				
West Virginia Lottery	1,147,175	1,136,636	—	—
Economic Development Authority	3,342	7,790	—	—
Housing Development Authority	106,439	40,147	75,910	—
Parkways Authority	88,337	100,983	—	—
Water Development Authority	11,406	13,295	—	—
Higher Education	1,954,266	923,053	437,591	171,966
Regional Jail Authority	91,025	86,425	3,098	—
School Building Authority	70,266	—	1,330	—
Other Component Units	57,179	11,038	2,062	—
Total Component Units	<u>\$ 3,529,435</u>	<u>\$ 2,319,367</u>	<u>\$ 519,991</u>	<u>\$ 171,966</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 Revised				
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
\$ (24,199)	\$ —	\$ (24,199)	\$ —
(129,994)	—	(129,994)	—
(91,448)	—	(91,448)	—
(183,217)	—	(183,217)	—
(80,742)	—	(80,742)	—
88,400	—	88,400	—
(123)	—	(123)	—
(2,253,937)	—	(2,253,937)	—
(1,339,324)	—	(1,339,324)	—
(287,219)	—	(287,219)	—
(33,833)	—	(33,833)	—
(638,791)	—	(638,791)	—
(12,580)	—	(12,580)	—
(20,548)	—	(20,548)	—
(18,473)	—	(18,473)	—
<u>(112,273)</u>	<u>—</u>	<u>(112,273)</u>	<u>—</u>
<u>(5,138,301)</u>	<u>—</u>	<u>(5,138,301)</u>	<u>—</u>
—	1,105	1,105	—
—	(96,509)	(96,509)	—
—	(78,079)	(78,079)	—
—	(58,682)	(58,682)	—
—	(35,406)	(35,406)	—
—	(9,347)	(9,347)	—
—	<u>15,691</u>	<u>15,691</u>	<u>—</u>
—	<u>(261,227)</u>	<u>(261,227)</u>	<u>—</u>
<u>(5,138,301)</u>	<u>(261,227)</u>	<u>(5,399,528)</u>	<u>—</u>
—	—	—	(10,539)
—	—	—	4,448
—	—	—	9,618
—	—	—	12,646
—	—	—	1,889
—	—	—	(421,656)
—	—	—	(1,502)
—	—	—	(68,936)
—	—	—	<u>(44,079)</u>
—	—	—	<u>(518,111)</u>
1,849,056	—	1,849,056	—
1,291,813	—	1,291,813	—
640,081	—	640,081	—
222,578	—	222,578	—
605,403	—	605,403	—
303,770	—	303,770	—
—	—	—	834
34,380	31,098	65,478	5,140
62,697	—	62,697	—
—	—	—	584,875
342,702	42,735	385,437	—
129,760	6,554	136,314	67,102
<u>(108,778)</u>	<u>108,778</u>	<u>—</u>	<u>—</u>
<u>5,373,462</u>	<u>189,165</u>	<u>5,562,627</u>	<u>657,951</u>
235,161	(72,062)	163,099	139,840
<u>4,610,661</u>	<u>2,017,960</u>	<u>6,628,621</u>	<u>3,316,824</u>
<u>\$ 4,845,822</u>	<u>\$ 1,945,898</u>	<u>\$ 6,791,720</u>	<u>\$ 3,456,664</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 232.

# West Virginia

## Balance Sheet Governmental Funds June 30, 2016 (Expressed in Thousands)

	<u>Major Special Revenue</u>				<u>Total</u>
	<u>General</u>	<u>Transportation</u>	<u>Tobacco Settlement Finance Authority</u>	<u>Other Governmental Funds</u>	
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 917,078	\$ 123,614	\$ 28,884	\$ 434,945	\$ 1,504,521
Investments	718,669	25,171	71,181	103,943	918,964
Receivables, Net	607,512	134,085	31,114	8,523	781,234
Due from Other Governments	447,024	—	—	1,741	448,765
Due from Other Funds	1,851	13,527	—	153	15,531
Due from Component Units	124,251	629	—	1,119	125,999
Advance to Component Units	124,419	—	—	—	124,419
Inventories	9,936	49,766	—	48	59,750
Other Assets	1,871	514	—	—	2,385
<b>Restricted Assets:</b>					
Cash and Cash Equivalents	—	—	—	1,449	1,449
<b>Total Assets</b>	<u>2,952,611</u>	<u>347,306</u>	<u>131,179</u>	<u>551,921</u>	<u>3,983,017</u>
<b>Deferred Outflows of Resources:</b>					
Deferred Payments to Tobacco Settlement Finance Authority	—	—	564,483	—	564,483
<b>Total Deferred Outflows of Resources</b>	<u>—</u>	<u>—</u>	<u>564,483</u>	<u>—</u>	<u>564,483</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 2,952,611</u>	<u>\$ 347,306</u>	<u>\$ 695,662</u>	<u>\$ 551,921</u>	<u>\$ 4,547,500</u>
<b>Liabilities:</b>					
Accounts Payable	\$ 201,072	\$ 82,521	\$ 10	\$ 24,270	\$ 307,873
Accrued and Other Liabilities	793,324	17,009	—	20,526	830,859
Unearned Revenue	7,544	20,565	—	—	28,109
Due to Other Governments	267,601	3,160	—	8,609	279,370
Due to Other Funds	1,399,513	155,013	—	28,929	1,583,455
Due to Component Units	8,549	932	—	—	9,481
<b>Total Liabilities</b>	<u>2,677,603</u>	<u>279,200</u>	<u>10</u>	<u>82,334</u>	<u>3,039,147</u>
<b>Deferred Inflows of Resources:</b>					
Tax Revenue	72,932	—	—	—	72,932
Tobacco Settlement Revenue	—	—	31,109	—	31,109
Advances to Tobacco Settlement Finance Authority	564,483	—	—	—	564,483
<b>Total Deferred Inflows of Resources</b>	<u>637,415</u>	<u>—</u>	<u>31,109</u>	<u>—</u>	<u>668,524</u>

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

	<u>Major Special Revenue</u>				<u>Total</u>
	<u>General</u>	<u>Transportation</u>	<u>Tobacco Settlement Finance Authority</u>	<u>Other Governmental Funds</u>	
Fund Balances:					
Nonspendable:					
Inventories	9,936	49,766	—	48	59,750
Permanent Fund	—	—	—	1,000	1,000
Receivables	128,116	—	564,488	—	692,604
Restricted for:					
Capital Projects	—	—	—	12,333	12,333
Debt Service	—	—	100,055	53,591	153,646
General Government Operations	132	—	—	—	132
Development, Tourism, and Recreation	511	—	—	54,591	55,102
Education	65	—	—	584	649
Health and Social Services	160	—	—	—	160
Public Protection	81	—	—	51,334	51,415
Transportation	—	12,031	—	—	12,031
Committed to:					
General Government Operations	1,213	—	—	1,796	3,009
Rainy Day	789,352	—	—	—	789,352
Development, Tourism, and Recreation	695	—	—	—	695
Education	24,031	—	—	—	24,031
Health and Social Services	871	—	—	—	871
Public Protection	479	—	—	299,757	300,236
Assigned to:					
General Government Operations	6,183	—	—	—	6,183
Public Protection	—	—	—	4,506	4,506
Transportation	—	6,309	—	—	6,309
Unassigned	<u>(1,324,232)</u>	<u>—</u>	<u>—</u>	<u>(9,953)</u>	<u>(1,334,185)</u>
Total Fund Balances (Deficit)	<u>(362,407)</u>	<u>68,106</u>	<u>664,543</u>	<u>469,587</u>	<u>839,829</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,952,611</u>	<u>\$ 347,306</u>	<u>\$ 695,662</u>	<u>\$ 551,921</u>	<u>\$ 4,547,500</u>

**Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Position  
June 30, 2016  
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds \$ 839,829

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	\$ 1,237,026	
Construction in Progress	848,408	
Infrastructure Assets	12,401,210	
Buildings, Equipment, and Other Depreciable Assets	1,833,227	
Intangibles	34,725	
Accumulated Depreciation	<u>(7,103,905)</u>	
Total Capital Assets		9,250,691

The Net Pension Asset is not recognized at the fund level. 61,678

Certain tax and other revenues are earned but not available and therefore are deferred inflows in the funds. 104,041

Deferred inflows for pensions (excluding internal service funds) are reported in the statement of net position, but not reported in the funds (439,212)

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. 235,135

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. 286

Deferred Outflows of Resources – related to pensions and loss on bond refundings. 732,324

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	(393,089)	
Revenue Bonds	(1,142,347)	
Capital Leases	(225,693)	
Compensated Absences	(86,986)	
Net Pension Liability	(3,702,833)	
Accrued Interest Payable and Other Liabilities	<u>(388,002)</u>	
Total Long-Term Liabilities		<u>(5,938,950)</u>

Net Position of Governmental Activities \$ 4,845,822

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, 2016  
(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>
Revenues:					
Taxes:					
Personal Income	\$ 1,853,422	\$ —	\$ —	\$ —	\$ 1,853,422
Consumer Sales and Use	1,293,535	—	—	—	1,293,535
Severance	373,801	—	—	—	373,801
Corporate Net Income	152,873	—	—	—	152,873
Business and Occupation	119,594	—	—	—	119,594
Medicaid	221,717	—	—	—	221,717
Gasoline and Motor Carrier	—	404,321	—	—	404,321
Automobile Privilege	—	201,082	—	—	201,082
Other	299,445	4,099	—	—	303,544
Intergovernmental	4,080,225	478,870	—	143,328	4,702,423
Licenses, Permits, and Fees	101,386	5,530	—	132,091	239,007
Motor Vehicle Registration	—	94,277	—	—	94,277
Charges for Services	118,176	—	—	57	118,233
Lottery Revenues	326,284	—	—	10,654	336,938
Food Stamp Revenue	496,107	—	—	—	496,107
Investment Earnings	27,816	424	3,937	2,123	34,300
Other	<u>92,713</u>	<u>40,966</u>	<u>62,419</u>	<u>6,670</u>	<u>202,768</u>
Total Revenues	<u>9,557,094</u>	<u>1,229,569</u>	<u>66,356</u>	<u>294,923</u>	<u>11,147,942</u>
Expenditures:					
Current:					
Legislative	24,959	—	—	1,948	26,907
Judicial	144,091	—	—	—	144,091
Executive	142,313	—	—	—	142,313
Administration	126,535	—	130	3	126,668
Commerce	180,018	—	—	—	180,018
Environmental Protection	6,335	—	—	145,202	151,537
Employment Programs	—	—	—	48,968	48,968
Education	2,869,977	—	—	—	2,869,977
Health and Human Resources	5,430,561	—	—	—	5,430,561
Military Affairs and Public Safety	495,655	—	—	1	495,656
Revenue	65,262	—	—	25,788	91,050
Transportation	8,219	906,690	—	—	914,909
Veterans Assistance	21,545	—	—	1	21,546
Senior Services	44,253	—	—	—	44,253
Regulatory Boards and Commissions	13,880	—	—	22,997	36,877
Capital Outlay	—	358,937	—	952	359,889
Debt Service:					
Principal	—	29,335	12,405	43,440	85,180
Interest	—	<u>9,360</u>	<u>54,281</u>	<u>31,539</u>	<u>95,180</u>
Total Expenditures	<u>9,573,603</u>	<u>1,304,322</u>	<u>66,816</u>	<u>320,839</u>	<u>11,265,580</u>
Excess of Revenues Over (Under) Expenditures	<u>(16,509)</u>	<u>(74,753)</u>	<u>(460)</u>	<u>(25,916)</u>	<u>(117,638)</u>
Other Financing Sources (Uses):					
Capital Lease Acquisition	2,019	—	—	—	2,019
Transfers In	97,285	20,083	—	71,402	188,770
Transfers Out	<u>(218,311)</u>	<u>—</u>	<u>(21,326)</u>	<u>(65,301)</u>	<u>(304,938)</u>
Total Other Financing Sources (Uses)	<u>(119,007)</u>	<u>20,083</u>	<u>(21,326)</u>	<u>6,101</u>	<u>(114,149)</u>
Net Change in Fund Balance	<u>(135,516)</u>	<u>(54,670)</u>	<u>(21,786)</u>	<u>(19,815)</u>	<u>(231,787)</u>
Fund Balances, Beginning of Year	<u>(226,891)</u>	<u>122,776</u>	<u>686,329</u>	<u>489,402</u>	<u>1,071,616</u>
Fund Balances, End of Year	<u>\$ (362,407)</u>	<u>\$ 68,106</u>	<u>\$ 664,543</u>	<u>\$ 469,587</u>	<u>\$ 839,829</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, 2016  
(Expressed in Thousands)**

Net Change in Fund Balances – Total Governmental Funds		\$ (231,787)
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	\$ 384,463	
Depreciation Expense	<u>(344,807)</u>	
Excess of Capital Outlay Over Depreciation Expense		39,656
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.		(2,019)
Accretion of interest related to capital appreciation bonds is an expense of the governmental activities		(14,828)
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	71,380	
Capital Lease Payments	<u>14,980</u>	
Total Long-Term Debt Repayment		86,360
Internal Service Funds are used by management to charge the costs of certain activities, such as building and vehicle maintenance and leasing, data processing, and investment and management of state moneys, to individual funds. The net increase in net assets of the internal service funds is reported with governmental activities.		1,657
Revenues in the statement of activities that do provide current financial resources are not reported as revenues in the funds.		(10,910)
Gain on issuance of new refunding bonds in the current fiscal year, but was deferred on the statement of activities.		(811)
Retirement contributions (excluding internal service funds) to define benefit pension plans in The current fiscal year are not included on the statement of activities.		526,638
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)	(44)	
Increase of Compensated Absences	(54)	
Decrease of Accrued and Other Liabilities	87,916	
Increase of Net Pension Liability (Asset), net of deferrals	(252,015)	
Amortization of Bond Premiums/Discounts	<u>5,402</u>	
Total Change in Expenditures		<u>(158,795)</u>
Change in Net Position of Governmental Activities		<u>\$ 235,161</u>

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



# *PROPRIETARY FUNDS*

## *FINANCIAL STATEMENTS*

### *Major Funds*

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

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

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

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

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

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

Nonmajor proprietary funds are presented beginning on page 254.

# West Virginia

## Statement of Net Position Proprietary Funds June 30, 2016 (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>				
Current Assets:				
Cash and Cash Equivalents	\$ 104,890	\$ 1,637,501	\$ 53,104	\$ 168,120
Investments	—	—	—	102,794
Receivables, Net	33,372	17,998	54,819	21,824
Due from Other Governments	—	—	446	—
Due from Other Funds	—	—	295	—
Due from Component Units	—	—	222	—
Inventories	—	—	—	—
Prepaid Insurance	—	—	—	15
Other Assets	—	—	—	—
Restricted Assets:				
Cash and Cash Equivalents	—	—	—	—
Receivables, Net	—	—	—	—
Other Restricted Assets	—	—	—	—
Total Current Assets	<u>138,262</u>	<u>1,655,499</u>	<u>108,886</u>	<u>292,753</u>
Noncurrent Assets:				
Investments	—	—	—	—
Receivables, Net	576,165	—	—	509,474
Prepaid Insurance	—	—	—	334
Restricted Assets:				
Cash and Cash Equivalents	—	—	—	—
Investments	—	—	—	—
Capital Assets, Net	—	—	—	—
Total Noncurrent Assets	<u>576,165</u>	<u>—</u>	<u>—</u>	<u>509,808</u>
Total Assets	<u>714,427</u>	<u>1,655,499</u>	<u>108,886</u>	<u>802,561</u>
Deferred Outflows of Resources:				
Deferred Loss on Bond Refundings	—	—	—	2,153
Related to Pensions	261	—	—	71
Total Deferred Outflows of Resources	<u>261</u>	<u>—</u>	<u>—</u>	<u>2,224</u>
<b>Liabilities:</b>				
Current Liabilities:				
Accounts Payable	81	—	—	16
Accrued Tuition Contract Benefits	—	—	—	—
Accrued and Other Liabilities	—	772	1,873	2,958
Premium Deficiency	—	—	—	—
Unearned Revenue	—	—	—	—
Due to Other Governments	—	—	4,706	—
Due to Other Funds	396	—	—	1
Due to Component Units	26	—	—	172
Insurance and Compensation Benefits Obligations	—	179,901	35,218	—
Revenue Bonds Payable	—	—	—	5,884
Capital Leases and Other Debt	—	—	—	—
Capital Leases Payable to Component Units	—	—	—	—
Compensated Absences	78	—	—	—
Total Current Liabilities	<u>581</u>	<u>180,673</u>	<u>41,797</u>	<u>9,031</u>
Noncurrent Liabilities:				
Accrued Tuition Contract Benefits	—	—	—	—
Insurance and Compensation Benefits Obligations	—	1,393,400	—	—
Revenue Bonds Payable	—	—	—	185,165
Capital Leases and Other Debt	—	—	—	—
Capital Leases Payable to Component Units	—	—	—	—
Compensated Absences	42	—	—	—
Net Pension Liability	479	—	—	124
Total Noncurrent Liabilities	<u>521</u>	<u>1,393,400</u>	<u>—</u>	<u>185,289</u>
Total Liabilities	<u>1,102</u>	<u>1,574,073</u>	<u>41,797</u>	<u>194,320</u>
Deferred Inflows of Resources:				
Grants and Contributions	4,166	—	—	—
Related to Pensions	164	—	—	42
Total Deferred Inflows of Resources	<u>4,330</u>	<u>—</u>	<u>—</u>	<u>42</u>
<b>Net Position:</b>				
Net Investment in Capital Assets	—	—	—	—
Restricted for:				
Capital Projects	—	—	—	—
General Government Operations	—	—	—	—
Lending Activities	709,256	—	—	595,586
Insurance Activities	—	132,517	67,089	—
Unrestricted (Deficit)	—	(51,091)	—	14,837
Total Net Position	<u>\$ 709,256</u>	<u>\$ 81,426</u>	<u>\$ 67,089</u>	<u>\$ 610,423</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
\$ 9,589	\$ 15,748	\$ 69,282	\$ 2,058,234	\$ 24,295
—	—	—	102,794	—
16,451	1,079	9,298	154,841	9,799
—	—	—	446	—
3,502	133	1,746	5,676	5,965
35	42	98	397	342
—	—	2,075	2,075	984
—	—	—	15	—
—	—	20,000	20,000	68
—	10,198	—	10,198	2,558
—	620	—	620	—
—	<u>210,152</u>	—	<u>210,152</u>	—
<u>29,577</u>	<u>237,972</u>	<u>102,499</u>	<u>2,565,448</u>	<u>44,011</u>
176,829	83,881	54,948	315,658	—
—	—	123,444	1,209,083	—
—	—	—	334	—
26,549	—	—	26,549	41,902
—	48,441	—	48,441	—
<u>165</u>	—	<u>2,775</u>	<u>2,940</u>	<u>269,513</u>
<u>203,543</u>	<u>132,322</u>	<u>181,167</u>	<u>1,603,005</u>	<u>311,415</u>
<u>233,120</u>	<u>370,294</u>	<u>283,666</u>	<u>4,168,453</u>	<u>355,426</u>
—	—	—	2,153	—
<u>299</u>	<u>245</u>	<u>664</u>	<u>1,540</u>	<u>4,650</u>
<u>299</u>	<u>245</u>	<u>664</u>	<u>3,693</u>	<u>4,650</u>
5,926	988	3,952	10,963	22,050
—	—	16,294	16,294	—
3,145	554	216	9,518	684
6,860	—	—	6,860	—
8,902	8,300	—	17,202	—
—	—	—	4,706	298
9,601	583	2,399	12,980	11,641
72	—	20	290	10
73,523	50,819	5,600	345,061	—
—	—	—	5,884	—
—	—	—	—	6,598
—	—	—	—	545
—	—	<u>65</u>	<u>143</u>	—
<u>108,029</u>	<u>61,244</u>	<u>28,546</u>	<u>429,901</u>	<u>41,826</u>
—	—	54,781	54,781	—
26,549	117,616	10,300	1,547,865	—
—	—	—	185,165	—
—	—	—	—	13,032
—	—	—	—	58,050
—	91	364	497	2,004
<u>528</u>	<u>467</u>	<u>1,172</u>	<u>2,770</u>	<u>7,457</u>
<u>27,077</u>	<u>118,174</u>	<u>66,617</u>	<u>1,791,078</u>	<u>80,543</u>
<u>135,106</u>	<u>179,418</u>	<u>95,163</u>	<u>2,220,979</u>	<u>122,369</u>
—	—	—	4,166	—
<u>183</u>	<u>162</u>	<u>552</u>	<u>1,103</u>	<u>2,572</u>
<u>183</u>	<u>162</u>	<u>552</u>	<u>5,269</u>	<u>2,572</u>
165	—	2,775	2,940	210,966
—	—	—	—	41,902
—	—	1,528	1,528	2,558
—	—	154,808	1,459,650	—
—	57,123	23,097	279,826	—
<u>97,965</u>	<u>133,836</u>	<u>6,407</u>	<u>201,954</u>	<u>(20,291)</u>
<u>\$ 98,130</u>	<u>\$ 190,959</u>	<u>\$ 188,615</u>	<u>\$ 1,945,898</u>	<u>\$ 235,135</u>

# West Virginia

Statement of Revenues, Expenses, and  
Changes in Fund Net Position  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2016  
(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>Operating Revenues:</b>				
Charges for Services and Sales	\$ —	\$ —	\$ 431,717	\$ 1,940
Insurance Premiums	—	105,900	—	—
Tuition Contracts	—	—	—	—
Investment Earnings	2,972	—	—	—
Licenses, Permits, and Fees	2,878	—	—	—
Other	—	52	—	—
<b>Total Operating Revenues</b>	<b><u>5,850</u></b>	<b><u>105,952</u></b>	<b><u>431,717</u></b>	<b><u>1,940</u></b>
<b>Operating Expenses:</b>				
Cost of Sales and Services	—	—	—	—
Insurance Claims and Claims Adjustment	—	191,360	—	—
Tuition Contract Benefits and Expenses	—	—	—	—
Infrastructure and Economic Development	—	—	—	50,029
Unemployment Insurance Benefits	—	—	509,796	—
General and Administrative	4,721	11,046	—	770
Pension Expense	43	—	—	17
Depreciation and Amortization	—	—	—	—
Provisions for Uncollectible Loans	—	—	—	2,117
Other	—	—	—	—
<b>Total Operating Expenses</b>	<b><u>4,764</u></b>	<b><u>202,406</u></b>	<b><u>509,796</u></b>	<b><u>52,933</u></b>
<b>Operating Income (Loss)</b>	<b><u>1,086</u></b>	<b><u>(96,454)</u></b>	<b><u>(78,079)</u></b>	<b><u>(50,993)</u></b>
<b>Nonoperating Revenues (Expenses):</b>				
Gain (Loss) on Sale of Equipment	—	—	—	—
Interest and Other Investment Income (Loss)	1,251	19,940	2,020	687
Interest Expense	—	—	—	(7,689)
Lottery Revenues	—	6,735	—	36,000
Other Nonoperating Revenues	—	—	—	108
<b>Total Nonoperating Revenues (Expenses), Net</b>	<b><u>1,251</u></b>	<b><u>26,675</u></b>	<b><u>2,020</u></b>	<b><u>29,106</u></b>
<b>Income (Loss) Before Transfers</b>	<b><u>2,337</u></b>	<b><u>(69,779)</u></b>	<b><u>(76,059)</u></b>	<b><u>(21,887)</u></b>
<b>Capital Contributions and Transfers:</b>				
Capital Contributions	—	—	—	—
Transfers In	26,094	115,519	—	1,464
Transfers Out	—	(8,477)	—	(5,923)
<b>Total Capital Contributions and Transfers</b>	<b><u>26,094</u></b>	<b><u>107,042</u></b>	<b><u>—</u></b>	<b><u>(4,459)</u></b>
<b>Change in Net Position</b>	<b>28,431</b>	<b>37,263</b>	<b>(76,059)</b>	<b>(26,346)</b>
<b>Net Position, Beginning of Year</b>	<b><u>680,825</u></b>	<b><u>44,163</u></b>	<b><u>143,148</u></b>	<b><u>636,769</u></b>
<b>Net Position, End of Year</b>	<b><u>\$ 709,256</u></b>	<b><u>\$ 81,426</u></b>	<b><u>\$ 67,089</u></b>	<b><u>\$ 610,423</u></b>

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>
\$ —	\$ —	\$ 101,627	\$ 535,284	\$ 125,987
507,434	58,384	13,630	685,348	—
—	—	103	103	—
—	—	—	2,972	—
—	—	3,679	6,557	—
<u>4,883</u>	<u>—</u>	<u>1,382</u>	<u>6,317</u>	<u>—</u>
<u>512,317</u>	<u>58,384</u>	<u>120,421</u>	<u>1,236,581</u>	<u>125,987</u>
—	—	76,148	76,148	108,950
520,104	63,753	12,317	787,534	—
—	—	1,852	1,852	—
—	—	—	50,029	—
—	—	—	509,796	—
12,445	3,768	10,784	43,534	8,727
35	137	103	335	1,360
28	—	389	417	19,067
—	—	—	2,117	—
<u>10,239</u>	<u>—</u>	<u>1,801</u>	<u>12,040</u>	<u>—</u>
<u>542,851</u>	<u>67,658</u>	<u>103,394</u>	<u>1,483,802</u>	<u>138,104</u>
<u>(30,534)</u>	<u>(9,274)</u>	<u>17,027</u>	<u>(247,221)</u>	<u>(12,117)</u>
—	—	—	—	(112)
(1,314)	7,413	1,101	31,098	37
—	—	—	(7,689)	(2,158)
—	—	—	42,735	5,764
<u>—</u>	<u>—</u>	<u>129</u>	<u>237</u>	<u>301</u>
<u>(1,314)</u>	<u>7,413</u>	<u>1,230</u>	<u>66,381</u>	<u>3,832</u>
<u>(31,848)</u>	<u>(1,861)</u>	<u>18,257</u>	<u>(180,840)</u>	<u>(8,285)</u>
—	—	—	—	2,552
—	—	8,484	151,561	14,893
<u>—</u>	<u>—</u>	<u>(28,383)</u>	<u>(42,783)</u>	<u>(7,503)</u>
<u>—</u>	<u>—</u>	<u>(19,899)</u>	<u>108,778</u>	<u>9,942</u>
(31,848)	(1,861)	(1,642)	(72,062)	1,657
<u>129,978</u>	<u>192,820</u>	<u>190,257</u>	<u>2,017,960</u>	<u>233,478</u>
<u>\$ 98,130</u>	<u>\$ 190,959</u>	<u>\$ 188,615</u>	<u>\$ 1,945,898</u>	<u>\$ 235,135</u>

# West Virginia

## Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2016 (Expressed in Thousands)

	<b>Business-type Activities – Enterprise Funds</b>			
	<b>Water Pollution Control Revolving Fund</b>	<b>Workers’ Compensation Fund</b>	<b>Unemployment Compensation</b>	<b>West Virginia Infrastructure and Jobs Development Council</b>
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 36,921	\$ 107,934	\$ 410,554	\$ 21,095
Receipts from State Agencies	—	—	—	—
Payments to Suppliers	—	(11,686)	—	(633)
Payments to Employees	(1,285)	(22)	—	(20)
Payments to Beneficiaries	—	—	—	—
Payments for Loans Originated	(55,717)	—	—	(126,977)
Payments for Premiums	—	—	—	—
Payments to Claimants	—	(186,660)	(503,171)	—
Other Operating Cash Receipts	—	52	28,484	—
Other Operating Cash Payments	<u>(3,505)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Cash Provided by (Used For) Operating Activities	<u>(23,586)</u>	<u>(90,382)</u>	<u>(64,133)</u>	<u>(106,535)</u>
Cash Flows from Noncapital Financing Activities:				
Repayment of Operating Debt	—	—	—	(6,035)
Interest Paid on Operating Debt	—	—	—	(8,347)
Transfers In	25,882	115,465	—	1,464
Transfers Out	—	(8,477)	—	—
Entitlements and Grants	—	—	—	—
Distributions or Subsidies from (to) Other Organizations Provided from Issuing Liquor Licenses	<u>—</u>	<u>6,735</u>	<u>—</u>	<u>36,000</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>25,882</u>	<u>113,723</u>	<u>—</u>	<u>23,082</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Sale of Capital Bonds and Other Debts	—	—	—	108
Repayment of Capital Debt	—	—	—	—
Interest Paid on Capital Debt	—	—	—	—
Acquisition and Construction of Capital Assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>—</u>	<u>—</u>	<u>—</u>	<u>108</u>
Cash Flows from Investing Activities:				
Purchase of Investments	—	—	—	(199,658)
Proceeds from Sale of Investments	—	—	—	199,817
Investment Earnings	<u>1,251</u>	<u>19,940</u>	<u>2,020</u>	<u>548</u>
Net Cash Provided by Investing Activities	<u>1,251</u>	<u>19,940</u>	<u>2,020</u>	<u>707</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>3,547</u>	<u>43,281</u>	<u>(62,113)</u>	<u>(82,638)</u>
Cash and Cash Equivalents, Beginning of Year	<u>101,343</u>	<u>1,594,220</u>	<u>115,217</u>	<u>250,758</u>
Cash and Cash Equivalents, End of Year	<u>\$ 104,890</u>	<u>\$ 1,637,501</u>	<u>\$ 53,104</u>	<u>\$ 168,120</u>

<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>
\$ 518,792	\$ 59,683	\$ 129,947	\$ 1,284,926	\$ —
—	—	—	—	127,090
(28,284)	(2,421)	(78,489)	(121,513)	(92,501)
(1,516)	(1,526)	(6,629)	(10,998)	(28,108)
(583,625)	(56,278)	(12,624)	(652,527)	—
—	—	(16,765)	(199,459)	—
—	—	(6,403)	(6,403)	—
—	—	(10,917)	(700,748)	—
24,299	—	1,289	54,124	—
<u>—</u>	<u>(5,932)</u>	<u>(1,060)</u>	<u>(10,497)</u>	<u>—</u>
<u>(70,334)</u>	<u>(6,474)</u>	<u>(1,651)</u>	<u>(363,095)</u>	<u>6,481</u>
—	—	—	(6,035)	—
—	—	—	(8,347)	—
—	—	8,507	151,318	20,658
—	—	(28,383)	(36,860)	(7,503)
—	—	129	129	—
3,240	—	—	45,975	—
<u>—</u>	<u>—</u>	<u>71</u>	<u>71</u>	<u>—</u>
<u>3,240</u>	<u>—</u>	<u>(19,676)</u>	<u>146,251</u>	<u>13,155</u>
—	—	—	108	36,686
—	—	—	—	(9,618)
—	—	—	—	(2,158)
<u>(127)</u>	<u>—</u>	<u>(314)</u>	<u>(441)</u>	<u>(61,731)</u>
<u>(127)</u>	<u>—</u>	<u>(314)</u>	<u>(333)</u>	<u>(36,821)</u>
(56,006)	(17,047)	(906)	(273,617)	(1,100)
93,580	20,553	12,500	326,450	1,100
<u>2,484</u>	<u>9,409</u>	<u>999</u>	<u>36,651</u>	<u>37</u>
<u>40,058</u>	<u>12,915</u>	<u>12,593</u>	<u>89,484</u>	<u>37</u>
<u>(27,163)</u>	<u>6,441</u>	<u>(9,048)</u>	<u>(127,693)</u>	<u>(17,148)</u>
<u>63,301</u>	<u>19,505</u>	<u>78,330</u>	<u>2,222,674</u>	<u>85,903</u>
<u>\$ 36,138</u>	<u>\$ 25,946</u>	<u>\$ 69,282</u>	<u>\$ 2,094,981</u>	<u>\$ 68,755</u>

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2016**  
(Expressed in Thousands)  
(Continued)

	<b>Business-type Activities – Enterprise Funds</b>			
	<b>Water Pollution Control Revolving Fund</b>	<b>Workers’ Compensation Fund</b>	<b>Unemployment Compensation</b>	<b>West Virginia Infrastructure and Jobs Development Council</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	\$ 1,086	\$ (96,454)	\$ (78,079)	\$ (50,993)
Adjustments to Reconcile Operating Income (Loss)				
Net Cash Provided by (Used for)				
Operating Activities:				
Depreciation and Amortization	—	—	—	—
Provisions for Uncollectible Loans	—	—	—	2,117
Pension Expense	43	—	—	17
Changes in Assets and Liabilities and Deferred Outflow of Resources:				
Receivables	(24,647)	2,034	7,017	(52,220)
Inventories	—	—	—	—
Other Assets	—	—	—	—
Accounts Payable and Accrued Liabilities	56	4,700	6,784	(5,925)
Tuition Contracts Benefits and Expenses	—	—	—	—
Unearned Revenue	—	—	—	—
Escrow Deposits	—	—	—	—
Due to/from Other Funds	44	—	145	506
Unpaid Claims Liabilities	—	—	—	—
Other Liabilities	—	(662)	—	—
Compensated Absences	(13)	—	—	—
Deferred Outflows of Resources	(155)	—	—	(37)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (23,586)</u>	<u>\$ (90,382)</u>	<u>\$ (64,133)</u>	<u>\$ (106,535)</u>
Schedule of Noncash Capital and Financing Activities:				
Contribution of Capital Assets	\$ —	\$ —	\$ —	\$ —
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>
\$ (30,534)	\$ (9,274)	\$ 17,027	\$ (247,221)	\$ (12,117)
28	—	389	417	19,067
—	—	—	2,117	—
35	137	103	335	1,360
5,152	657	(9,130)	(71,137)	1,101
—	—	(29)	(29)	(394)
—	—	—	—	15
(8,874)	—	1,033	(2,226)	(449)
—	—	(10,850)	(10,850)	—
(4,268)	(28)	—	(4,296)	—
—	(5,933)	—	(5,933)	—
411	—	317	1,423	—
—	7,475	—	7,475	—
(32,014)	641	(108)	(32,143)	383
—	—	(1)	(14)	—
<u>(270)</u>	<u>(149)</u>	<u>(402)</u>	<u>(1,013)</u>	<u>(2,485)</u>
<u>\$ (70,334)</u>	<u>\$ (6,474)</u>	<u>\$ (1,651)</u>	<u>\$ (363,095)</u>	<u>\$ 6,481</u>
\$ —	\$ —	\$ —	\$ —	\$ 2,552
—	—	1,723	1,723	—
(3,799)	5,502	102	1,805	—



# *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 264.

# West Virginia

## Statement of Fiduciary Net Position Fiduciary Funds June 30, 2016 (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	\$ 96,894	\$ 256,765	\$ —	\$ 85,171
<b>Investments:</b>				
Equity Pooled Investment	13,835,902	—	—	7,823
Mutual Funds	423,002	—	2,232,968	—
<b>Receivables, Net</b>				
Contributions	40,317	—	16,272	—
Participant Loans	4,291	—	—	—
Accrued Interest	—	—	—	7
Accounts	3,948	—	—	—
Due from Other Funds	94,175	—	—	135
Due from Component Units	<u>679</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Assets</b>	<b><u>14,499,208</u></b>	<b><u>256,765</u></b>	<b><u>2,249,240</u></b>	<b><u>\$ 93,136</u></b>
<b>Deferred Outflows of Resources:</b>				
Related to Pensions	<u>149</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>149</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>Liabilities:</b>				
Accounts Payable	3,716	—	15,696	\$ 1,023
Accrued and Other Liabilities	11,352	—	1,003	—
Due to Other Governments	—	—	—	19,977
Due to Other Funds	2,327	—	—	—
Due to Component Units	179	—	—	—
Insurance Claims Payable	11,950	—	—	—
Agency Liabilities	—	—	—	72,136
Net Pension Liability	<u>301</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Liabilities</b>	<b><u>29,825</u></b>	<b><u>—</u></b>	<b><u>16,699</u></b>	<b><u>\$ 93,136</u></b>
<b>Deferred Inflows of Resources:</b>				
Related to Pensions	<u>104</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>104</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>Net Position:</b>				
<b>Restricted for:</b>				
Pension Benefits	13,783,760	—	—	—
Other Postemployment Benefits	685,668	—	—	—
<b>Held in Trust for:</b>				
External Investment Pool Participants	—	256,765	—	—
Individuals and Organizations	<u>—</u>	<u>—</u>	<u>2,232,541</u>	<u>—</u>
<b>Total Net Position</b>	<b><u>\$ 14,469,428</u></b>	<b><u>\$ 256,765</u></b>	<b><u>\$ 2,232,541</u></b>	<b><u>—</u></b>

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, 2016**  
(Expressed in Thousands)

	<b>Pension and Other Benefit Trust Funds</b>	<b>Investment Trust Funds</b>	<b>SMART 529</b>
Additions:			
Contributions:			
Members	\$ 260,721	\$ —	\$ —
Employer	492,003	—	—
Account Holder Contributions	—	—	187,384
Deposits, Pool Participants	—	599,463	—
Other	<u>302,723</u>	<u>—</u>	<u>—</u>
Total Contributions	<u>1,055,447</u>	<u>599,463</u>	<u>187,384</u>
Investment Income (Loss):			
Net Appreciation (Depreciation) in Fair Value of Investments	(64,976)	637	(136,309)
Interest	81,928	—	115,946
Investment Expense	<u>(39,814)</u>	<u>—</u>	<u>(5,771)</u>
Net Investment Income (Loss)	<u>(22,862)</u>	<u>637</u>	<u>(26,134)</u>
Transfers to Plans	133	—	—
Other	<u>6,195</u>	<u>—</u>	<u>—</u>
Total Additions	<u>1,038,913</u>	<u>600,100</u>	<u>161,250</u>
Deductions:			
Benefits Expense	1,434,418	—	—
Forfeitures	1,371	—	—
Payments in Accordance with Trust Agreements	—	—	187,296
Refunds of Contributions	38,473	—	—
Withdrawals	—	651,075	—
Pension Expense	15	—	—
Administrative Expense	15,704	—	6,246
Transfers from Plans	<u>133</u>	<u>—</u>	<u>—</u>
Total Deductions	<u>1,490,114</u>	<u>651,075</u>	<u>193,542</u>
Change in Net Position Held in Trust For:			
Pension Benefits	(432,277)	—	—
Other Postemployment Benefits	(18,924)	—	—
External Investment Pool Participants Individuals and Organizations	—	(50,975)	—
	—	—	(32,292)
Net Position, Beginning of Year	<u>14,920,629</u>	<u>307,740</u>	<u>2,264,833</u>
Net Position, End of Year	<u>\$ 14,469,428</u>	<u>\$ 256,765</u>	<u>\$ 2,232,541</u>

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

# *DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS*

## *Major Component Units*

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

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

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

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

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

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

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

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

Nonmajor component units are presented beginning on page 278.

# West Virginia

## Combining Statement of Net Position Discretely Presented Component Units June 30, 2016 (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	\$ 166,621	\$ 70,968	\$ 14,707	\$ 9,533
Investments	—	—	—	—
Receivables, Net	25,243	8,090	1,403	3,662
Capital Leases Receivable from Primary Government	—	14,855	—	—
Due from Primary Government	—	—	—	55
Due from Component Units	1,400	—	—	—
Inventories	380	—	—	3,891
Prepaid Insurance	—	—	—	—
Other Assets	1,788	—	—	1,383
Restricted Assets:				
Cash and Cash Equivalents	—	1,689	43,359	25,388
Investments	—	—	—	17,176
Receivables, Net	—	—	3,107	—
Other Restricted Assets	—	—	—	—
Total Current Assets	<u>195,432</u>	<u>95,602</u>	<u>62,576</u>	<u>61,088</u>
Noncurrent Assets:				
Cash and Cash Equivalents	—	—	—	—
Investments	—	3,199	—	—
Receivables, Net	—	171,625	50,382	—
Capital Leases Receivable from Primary Government	—	260,910	—	—
Other Assets	—	—	—	—
Restricted Assets:				
Cash and Cash Equivalents	—	9,320	37,107	—
Investments	—	—	93,506	25,603
Receivables, Net	—	—	677,557	—
Other Restricted Assets	—	—	6,292	—
Capital Assets, Net	<u>44,874</u>	<u>31,593</u>	<u>10,001</u>	<u>453,833</u>
Total Noncurrent Assets	<u>44,874</u>	<u>476,647</u>	<u>874,845</u>	<u>479,436</u>
Total Assets	<u>240,306</u>	<u>572,249</u>	<u>937,421</u>	<u>540,524</u>
Deferred Outflows of Resources:				
Accumulated Decrease in Fair Value of Hedging Derivatives	—	—	—	1,484
Deferred Loss on Bond Refundings Related to Pensions	<u>1,644</u>	<u>150</u>	<u>1,269</u>	<u>3,515</u>
Total Deferred Outflows of Resources	<u>1,644</u>	<u>150</u>	<u>1,269</u>	<u>7,402</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>
\$ 18,413	\$ 444,750	\$ 28,562	\$ 159,452	\$ 53,823	\$ 966,829
—	155,391	—	70,922	2,222	228,535
11,305	118,063	11,650	283	1,931	181,630
—	—	—	—	—	14,855
218	8,977	—	—	710	9,960
—	4,561	—	—	—	5,961
—	4,572	1,790	—	26	10,659
—	—	—	154	—	154
—	9,860	—	—	131	13,162
—	—	20,970	—	18,455	109,861
2,508	—	—	—	—	19,684
—	—	—	—	808	3,915
20	—	—	—	—	20
<u>32,464</u>	<u>746,174</u>	<u>62,972</u>	<u>230,811</u>	<u>78,106</u>	<u>1,565,225</u>
—	84,155	—	—	—	84,155
1,200	468,779	—	—	4,816	477,994
10,708	47,002	—	—	3,731	283,448
—	—	—	—	—	260,910
—	99,227	—	—	550	99,777
14,009	—	—	—	—	60,436
—	—	—	—	—	119,109
189,644	—	—	—	855	868,056
460	—	—	—	234	6,986
<u>6,075</u>	<u>3,234,872</u>	<u>119,883</u>	<u>734</u>	<u>43,430</u>	<u>3,945,295</u>
<u>222,096</u>	<u>3,934,035</u>	<u>119,883</u>	<u>734</u>	<u>53,616</u>	<u>6,206,166</u>
<u>254,560</u>	<u>4,680,209</u>	<u>182,855</u>	<u>231,545</u>	<u>131,722</u>	<u>7,771,391</u>
—	333	—	—	—	1,817
9,677	29,828	—	8,843	—	50,751
<u>140</u>	<u>3,038</u>	<u>7,068</u>	<u>85</u>	<u>3,883</u>	<u>20,792</u>
<u>9,817</u>	<u>33,199</u>	<u>7,068</u>	<u>8,928</u>	<u>3,883</u>	<u>73,360</u>

# West Virginia

## Combining Statement of Net Position Discretely Presented Component Units June 30, 2016 (Expressed in Thousands) (Continued)

	West Virginia <u>Lottery</u>	Economic Development <u>Authority</u>	Housing Development <u>Fund</u>	Parkways <u>Authority</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	23,960	20	—	2,441
Interest Payable	—	—	1,903	166
Accrued and Other Liabilities	26,698	2,682	16,997	5,862
Unearned Revenue	—	—	—	—
Due to Primary Government	129,676	121	80	11,130
Due to Component Units	4,561	1,400	—	—
Revenue Bonds Payable	—	14,855	33,975	9,310
Capital Leases and Other Debt	—	903	—	—
Compensated Absences	570	33	392	735
Total Current Liabilities	<u>185,465</u>	<u>20,014</u>	<u>53,347</u>	<u>29,644</u>
Noncurrent Liabilities:				
Unearned Revenue	—	1,005	—	—
Advances from Primary Government	—	124,419	—	—
Liabilities Payable from Restricted Assets	—	—	63,807	—
Accrued and Other Liabilities	—	—	—	—
Revenue Bonds Payable	—	260,910	329,283	20,479
Capital Leases and Other Debt	—	8,506	622	—
Net Pension Liability	3,044	249	2,310	5,847
Compensated Absences	—	41	—	262
Total Noncurrent Liabilities	<u>3,044</u>	<u>395,130</u>	<u>396,022</u>	<u>26,588</u>
Total Liabilities	<u>188,509</u>	<u>415,144</u>	<u>449,369</u>	<u>56,232</u>
Deferred Inflows of Resources:				
Accumulated Increase in Fair Value of Hedging Derivative Instruments	—	—	—	1,484
Related to Pensions	1,069	84	784	2,111
Service Concession Arrangements	—	—	—	—
Grants and Contributions	—	—	—	—
Total Deferred Inflows of Resources	<u>1,069</u>	<u>84</u>	<u>784</u>	<u>3,595</u>
Net Position:				
Net Investment in Capital Assets	44,874	26,953	9,032	426,447
Restricted for:				
Capital Projects	—	—	—	—
Debt Service	—	—	341,213	58,626
Nonexpendable	—	—	—	—
Lending Activities	—	9,020	71,329	—
Specific Component Unit Purposes	—	—	—	—
Unrestricted (Deficit)	<u>7,498</u>	<u>121,198</u>	<u>66,963</u>	<u>3,026</u>
Total Net Position (Deficit)	<u>\$ 52,372</u>	<u>\$ 157,171</u>	<u>\$ 488,537</u>	<u>\$ 488,099</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>
99	82,935	2,859	6	3,260	115,580
1,637	11,888	—	—	—	15,594
—	187,693	2,218	12,483	631	255,264
—	73,572	—	—	3	73,575
221	328,230	25,087	270	9,532	504,347
—	—	—	—	—	5,961
8,807	141,329	6,830	28,345	—	243,451
—	23,807	98	—	—	24,808
—	<u>43,690</u>	<u>2,048</u>	<u>48</u>	<u>1,324</u>	<u>48,840</u>
<u>10,764</u>	<u>893,144</u>	<u>39,140</u>	<u>41,152</u>	<u>14,750</u>	<u>1,287,420</u>
—	—	—	—	56	1,061
—	—	—	—	—	124,419
—	—	—	—	14,910	78,717
—	176,666	—	—	200	176,866
189,694	1,236,188	31,190	442,132	—	2,509,876
—	80,340	343	—	—	89,811
241	23,450	12,942	439	6,996	55,518
<u>57</u>	<u>4,418</u>	<u>—</u>	<u>—</u>	<u>215</u>	<u>4,993</u>
<u>189,992</u>	<u>1,521,062</u>	<u>44,475</u>	<u>442,571</u>	<u>22,377</u>	<u>3,041,261</u>
<u>200,756</u>	<u>2,414,206</u>	<u>83,615</u>	<u>483,723</u>	<u>37,127</u>	<u>4,328,681</u>
—	—	—	—	—	1,484
81	5,829	4,816	81	2,806	17,661
—	39,746	—	—	—	39,746
—	<u>515</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>515</u>
<u>81</u>	<u>46,090</u>	<u>4,816</u>	<u>81</u>	<u>2,806</u>	<u>59,406</u>
6,075	2,153,792	81,422	734	43,430	2,792,759
—	15,231	—	—	—	15,231
—	3,137	8,785	123,637	—	535,398
—	244,079	—	—	234	244,313
26,168	—	—	—	—	106,517
—	163,538	11,285	—	32,928	207,751
<u>31,297</u>	<u>(326,665)</u>	<u>—</u>	<u>(367,702)</u>	<u>19,080</u>	<u>(445,305)</u>
<u>\$ 63,540</u>	<u>\$2,253,112</u>	<u>\$ 101,492</u>	<u>\$ (243,331)</u>	<u>\$ 95,672</u>	<u>\$3,456,664</u>

# West Virginia

**Combining Statement of Activities  
Discretely Presented Component Units  
For the Fiscal Year Ended June 30, 2016  
(Expressed in Thousands)**

	<u>Program Revenues</u>				
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
<b>Component Units:</b>					
West Virginia Lottery	\$ 1,149,736	\$ 1,136,636	\$ —	\$ —	\$ (13,100)
Economic Development Authority	3,342	7,790	—	—	4,448
Housing Development Fund	106,439	40,147	75,910	—	9,618
Parkways Authority	88,337	100,983	—	—	12,646
Water Development Authority	11,406	13,295	—	—	1,889
Higher Education	1,954,266	925,614	437,591	171,966	(419,095)
Regional Jail Authority	91,025	86,425	3,098	—	(1,502)
School Building Authority	70,266	—	1,330	—	(68,936)
Other Component Units	<u>57,179</u>	<u>11,038</u>	<u>2,062</u>	<u>—</u>	<u>(44,079)</u>
Total Component Units	<u>\$ 3,531,996</u>	<u>\$ 2,321,928</u>	<u>\$ 519,991</u>	<u>\$ 171,966</u>	<u>\$ (518,111)</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 Revised	Net Position (Deficit) End of Year
\$ 788	\$ —	\$ 10,528	\$ —	\$ 11,316	\$ (1,784)	\$ 54,156	\$ 52,372
525	—	562	—	1,087	5,535	151,636	157,171
5,116	—	—	—	5,116	14,734	473,803	488,537
336	—	—	—	336	12,982	475,117	488,099
221	—	—	—	221	2,110	61,430	63,540
(4,786)	—	53,729	456,450	505,393	86,298	2,166,814	2,253,112
116	—	—	—	116	(1,386)	102,878	101,492
2,673	—	—	84,708	87,381	18,445	(261,776)	(243,331)
<u>151</u>	<u>834</u>	<u>2,283</u>	<u>43,717</u>	<u>46,985</u>	<u>2,906</u>	<u>92,766</u>	<u>95,672</u>
<u>\$ 5,140</u>	<u>\$ 834</u>	<u>\$ 67,102</u>	<u>\$ 584,875</u>	<u>\$ 657,951</u>	<u>\$ 139,840</u>	<u>\$ 3,316,824</u>	<u>\$ 3,456,664</u>



**STATE OF WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

**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 (DOT), 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, DOT 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, who serves as the chair. Water Development is responsible for assisting in the preservation, protection, improvement, and management of the State's water resources. Water Development oversees a loan pool program which provides low-interest financing to local governments for water and wastewater projects. Water Development issues bonds to fund the loan pool and uses the proceeds to purchase local government revenue bonds. The revenue bonds are payable solely from the revenues of the projects. Water Development also serves as the financial administrator of the West Virginia Infrastructure and Jobs Development Council and the Drinking Water Treatment Revolving Fund, which are enterprise funds.

### Higher Education Fund

Each college and university in the Higher Education Fund (the Fund) is governed by a Governing Board, which is responsible for the general determination, control, supervision, and management of the financial business and educational policies and affairs of the institution(s). The West Virginia Higher Education Policy Commission (the Policy Commission), in accordance with Senate Bill No. 653, is the single accountability point responsible for developing, gaining consensus around, and overseeing the implementation and development of a higher education public policy agenda. It is comprised of ten persons appointed by the Governor with the advice and consent of the Senate. The Policy Commission is responsible for preparing and submitting a consolidated budget and allocating state appropriations to supplement institutional operating revenues.

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

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

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

Various foundations have been established as separate nonprofit organizations incorporated in the State of West Virginia having as their purpose ". . . to aid, strengthen and further in every proper and useful way, the work and services of the (individual institutions within the Fund), and their affiliated nonprofit organizations." Oversight of the foundations is the responsibility of separate and independently elected Boards of Directors, not otherwise affiliated with the Fund. In carrying out its responsibilities, the Boards of Directors of the foundations employ management, form policy, and maintain fiscal accountability over funds administered by the foundations. Although the individual institutions within the Fund do not control the timing or amount of receipts from the foundations, the majority of resources, or income thereon, which the foundations hold and invest are restricted to the activities of the individual institutions within the Fund by

donors. Because these restricted resources held by the foundations as detailed in the basic financial statements can only be used by, or for the benefit of, the individual institutions within the Fund, the foundations are considered component units of the Fund and are therefore included with the Fund's financial statements.

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

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

### Regional Jail and Correctional Facility Authority

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

### School Building Authority

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

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

#### Educational Broadcasting Authority

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

#### Jobs Investment Trust

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

#### West Virginia State Rail Authority

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

#### Solid Waste Management Board

The Solid Waste Management Board (Solid Waste) is composed of seven members. Five members are appointed by the Governor and the remaining members are the Secretary of the Department of Health and Human Resources and the Director of the Division of Environmental Protection. Solid Waste is responsible for improving collection and

disposal of solid wastes and encouraging recycling, reuse, and recovery of resources from wastes. Solid Waste is the financing mechanism for solid waste projects and is empowered to issue bonds (with approval of the Water Development Authority) and set a rate structure.

### Racing Commission

The Racing Commission consists of three members appointed by the Governor, by and with the consent of the Senate. The 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 Pensions Oversight Board

The Municipal Pensions 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

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

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 \$6,562,858 for the year ended December 31, 2015. At December 31, 2015, the Project's current liabilities exceeded its current assets by \$95,752,271, and its total liabilities exceeded its total assets by \$61,306,817. 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 2015, except for one partial payment of approximately \$725,000 to the Series A bondholders was made in 2007. Interest payment of \$300,000 was made to A and B bondholders in 2015.

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, 2015, 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. In 2016, this has resulted in written recommendations for increased amenities and programs, additional lodging capacity, and analysis of the impact of such expansion on 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 fund balance and net position amounts presented for the preceding year have been revised 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, which indicates that management does not consider it available for general operations. They also often have constraints on resources imposed by management, but can be removed or modified.

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

### Fund Financial Statements

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

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

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

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

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

### **Governmental Fund Types**

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

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

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

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

*The State reports the following major governmental funds:*

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

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

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

### **Proprietary Fund Types**

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

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

*The State reports the following major enterprise funds:*

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

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

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

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

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

Additionally, the State reports the following fund types:

### **Fiduciary Fund Types**

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

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

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

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

### **Interfund Activity and Balances**

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

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

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

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

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

Originally, the Rainy Day Fund could be used only to offset a shortfall in revenues that would otherwise require the Governor to impose expenditure reductions. In July 1996, the West Virginia Code was amended to allow the Legislature to make appropriations from the fund for emergency revenue needs caused by acts of God or natural disasters or for other fiscal needs as determined by the Legislature. Legislation, which became effective June 9, 2006, also permits the fund to be invested and to retain those earnings. The first \$100 million is invested by the BTI and any amounts over \$100 million are invested by the IMB. Since the fund was created in 1994, \$895.5 million has been deposited into the fund. As of June 30, 2016, the fund contained \$392 million, which amounted to nine percent of FY 2016 total appropriations.

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

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

Expenditures may not be made from the Rainy Day Fund—Part B unless all monies in the Revenue Shortfall Reserve Fund have been first expended. After June 30, 2025, interest and other amounts earned on monies held in the Rainy Day Fund—Part B may be appropriated by the Legislature for continued support of the programs offered by the Public Employees' Insurance Agency; funding for expansion of the federal-state Medicaid program; funding for public health programs, services, and agencies; funding for any State owned or operated health facilities; or in instances of revenue shortfalls or fiscal emergencies of an extraordinary nature. On June 30, 2016, the balance in the Rainy Day Fund—Part B was \$387.1 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, 2016, the balance in the Income Tax Refund Reserve Fund was \$5 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 Fund component unit uses \$1,000 and \$5,000 thresholds. Buildings and improvements which extend the useful lives and/or significantly increase values of capitalized buildings with a combined value in excess of \$100,000 are capitalized. All land, regardless of acquisition price, is capitalized. Intangibles include off-the-shelf computer software, patents, easements, and mineral rights over \$25,000 and internally generated software over \$1 million.

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

are not capitalized. No interest was capitalized during 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. BRIM and PEIA are considered public entity risk pools (enterprise funds). Each organization has included the required supplementary information (in accordance with GASB Statement No. 30) in its separately audited financial statements.

Capital Leases Payable to Component Units - The EDA has issued revenue bonds to provide financial assistance to the State's governmental entities for the acquisition and construction of facilities. The EDA has entered into a lease purchase agreement with the State. A Capital Leases Payable to Component Units has been recorded in the governmental activities at June 30, 2016, of approximately \$275.8 million. There is also an offset of Capital Leases Receivable from Primary Government recorded by the EDA.

Advances - The amount of EDA loans held by the State's General Fund at June 30, 2016, is approximately \$124.4 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 (\$122.7 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 (\$1.2 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

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item at the current value of expected outlays to fund remediation costs using a technique substantially similar to the expected cash flow technique. The technique uses contracts issued, measuring averages and standard deviations, and variances to all the other sites without contracts. A range of possible estimated amounts is used, as well as, all expectations about possible cash flows on a site-specific basis. Ranges are based on actual remediation cost experience, remediation cost estimates and/or discrete cost remediation treatment possibilities. All reported obligation amounts are estimates and are subject to change resulting from price increases or reductions, technology, or changes in applicable laws or regulations. In cases when remediation costs are not reasonably estimable liabilities, a liability for such cases is not reported. For a more detailed explanation of the liability, see Note 15, Commitments and Contingencies.

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

Compensated Absences - Employees accumulate annual leave (vacation) balances to maximum amounts ranging from 240 to 320 hours. Most employees receive a 100% termination payment upon separation based upon their final rate of pay. The liability for annual leave is valued at 100% of the balance plus the State's share of Social Security and retirement contributions. In lieu of a cash payment, at retirement an employee can elect to use accumulated annual leave toward their postemployment health care insurance premium. State employees earn sick leave benefits, which accumulate, but do not vest. When separated from employment with the State, an employee's sick leave benefits are considered ended and no reimbursement is provided. However, eligible employees may convert, at the time of retirement, any unused accumulated sick leave to pay a portion of the employee's postemployment health care insurance premium. See Other Postemployment Benefits discussion in Note 13.

Deferred Inflows/Outflows - A deferred inflow of resources is an acquisition of net assets that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets that is applicable to a future reporting period.

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any

borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Net position that is restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments, and in some cases by legally enforceable enabling legislation or constitution of the State is as restricted net position.
- Unrestricted net position consists of net position which does not meet the definition of the two preceding categories.

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

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

that are not classified as nonspendable and are neither restricted nor committed. Amounts in the General Fund that are intended to be used for a specific purpose are also assigned. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the State has assigned those amounts to the purposes of the respective funds.

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

Agency level assigned and unassigned fund balance spending is at the discretion of the agency, with approval of the State Budget Office. It is the State's overall policy to use restricted balances first, then unrestricted balances in the following order: committed, assigned, and unassigned.

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

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

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

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

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

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

Other Financing Uses - These reductions of governmental fund resources in the fund financial statements are uses of funds that could substantially distort a government's regular operations. They include discounts on debt issued, refunding transactions, and transfers.

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

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

The GASB issued Statement No. 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. 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.

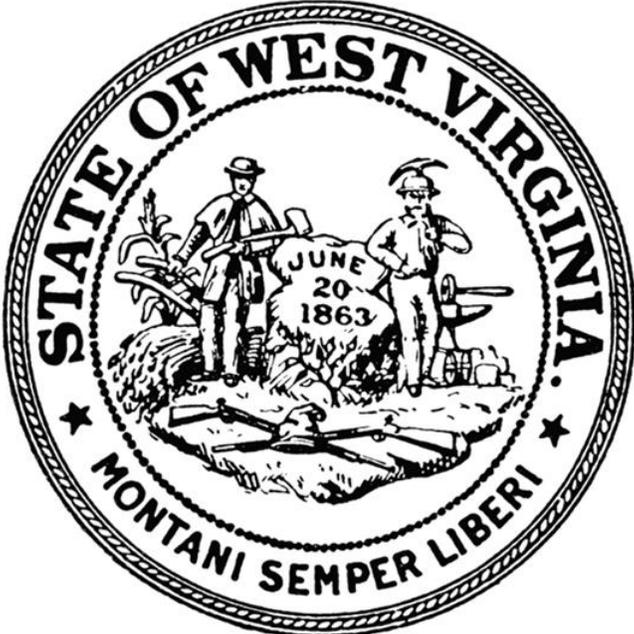
The GASB issued Statement No. 80, “Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14,” which is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement is effective for fiscal year 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. 83, “Certain Asset Retirement Obligations,” which addresses accounting and financial reporting for certain asset retirement obligations. Certain asset retirement obligations are a legally enforceable liability associated with the retirement of a tangible capital asset. This statement is effective for fiscal year 2019, and management has not yet determined the financial statement impact of the pronouncement.

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

The GASB issued Statement No. 85, “Omnibus 2017,” this statement is to address practice issues that have been identified during the implementation and application of certain GASB Statements. This Statement addresses a variety of topics related to the blending of component units, goodwill, fair value measurement, and postemployment benefits. This statement is effective for fiscal year 2018, and management has not yet determined the financial statement impact of the pronouncement.



## NOTE 2

## REVISION AND RESTRICTED BALANCES

## Revision of Beginning Balances

Effective July 1, 2014, the State adopted GASB 68 Accounting and Financial Reporting for Pensions, amended by GASB 71. The standard provided for the cumulative effect of the adoption of the standard to be reported in beginning net position. Due to a subsequent revision in the July 1, 2014 schedule of employer allocations for the Teachers' Retirement Systems, the State identified a misstatement in the cumulative effect that was reported in Governmental Activities net beginning net position in the June 30, 2015 financial statements. The State has concluded that this was not material to the prior year financial statement presentation. Accordingly, the beginning net position has been revised by \$49,472,000 on the statement of activities for the year ended June 30, 2016.

Further, the Higher Education Fund had an increase in its July 1, 2015 net position of \$162,000 for the inclusion of the Blue Ridge Community & Technical College Foundation as a component unit which was immaterial to the Higher Education Fund in prior years.

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

<u>Entity /Reporting Level</u>	<u>Fund Balances or Net Position</u>		
	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Revised</u>
Component Units:			
Higher Education	\$ 2,166,652	\$ 162	\$ 2,166,814
Total Component Units	3,316,662	162	3,316,824
Government-wide:			
Governmental Activities	4,561,189	49,472	4,610,661
Total Primary Government	6,579,149	49,472	6,628,621
Component Units	3,316,662	162	3,316,824

**Restricted Net Position**

The following table summarizes the restricted net position of funds included in “other” columns at June 30, 2016 (expressed in thousands):

<b>Fund Type/Fund</b>	<b>Total Reporting Entity</b>	<b>Restricted for:</b>					<b>Other Specific Fund Purposes</b>
		<b>Capital Projects</b>	<b>Lending Activities</b>	<b>Insurance Activities</b>	<b>General Government Activities</b>	<b>Non-Expendable</b>	
Enterprise Funds:							
Drinking Water Treatment Revolving Fund	\$ 154,808	\$ —	\$ 154,808	\$ —	\$ —	\$ —	\$ —
West Virginia Prepaid College Plan	1,528	—	—	—	1,528	—	—
AccessWV	30	—	—	30	—	—	—
State Entities Workers' Compensation	23,067	—	—	23,067	—	—	—
	<u>179,433</u>	<u>—</u>	<u>154,808</u>	<u>23,097</u>	<u>1,528</u>	<u>—</u>	<u>—</u>
Internal Service Funds:							
State Building Fund	41,902	41,902	—	—	—	—	—
Travel Management	2,558	—	—	—	2,558	—	—
	<u>44,460</u>	<u>41,902</u>	<u>—</u>	<u>—</u>	<u>2,558</u>	<u>—</u>	<u>—</u>
Discretely Presented Component Units:							
Educational Broadcasting Authority	234	—	—	—	—	234	—
Solid Waste Management Board	4,457	—	—	—	—	—	4,457
Municipal Pensions Oversight Board	28,471	—	—	—	—	—	28,471
	<u>33,162</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>234</u>	<u>32,928</u>
Total	<u>\$ 257,055</u>	<u>\$ 41,902</u>	<u>\$ 154,808</u>	<u>\$ 23,097</u>	<u>\$ 4,086</u>	<u>\$ 234</u>	<u>\$ 32,928</u>

The government-wide statement of net position reports \$2,163,151 of restricted net position for the primary government of which \$839,414 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, 2016 (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	\$ 48,726	\$ —	\$ —	\$ —	\$ —	\$ 48,726
Public Service Commission	2,608	—	—	—	—	2,608
Wildlife Resources	<u>54,591</u>	<u>—</u>	<u>—</u>	<u>54,591</u>	<u>—</u>	<u>—</u>
	<u>105,925</u>	<u>—</u>	<u>—</u>	<u>54,591</u>	<u>—</u>	<u>51,334</u>
Capital Projects Funds:						
Education, Arts, Sciences, and Tourism Fund	2,062	2,062	—	—	—	—
Lease Purchase Accounts	<u>10,271</u>	<u>10,271</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>12,333</u>	<u>12,333</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Debt Service:						
West Virginia Infrastructure & Jobs Development Council	1	—	1	—	—	—
Education, Arts, Sciences, and Tourism Fund	1,004	—	1,004	—	—	—
Lease Purchase Accounts	6,878	—	6,878	—	—	—
Economic Development Project Fund	<u>45,708</u>	<u>—</u>	<u>45,708</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>53,591</u>	<u>—</u>	<u>53,591</u>	<u>—</u>	<u>—</u>	<u>—</u>
Permanent Funds:						
Irreducible School	<u>584</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>584</u>	<u>—</u>
<b>Total</b>	<u>\$ 172,433</u>	<u>\$ 12,333</u>	<u>\$ 53,591</u>	<u>\$ 54,591</u>	<u>\$ 584</u>	<u>\$ 51,334</u>



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

Individual funds with net position/fund balance deficits at June 30, 2016, were as follows (expressed in thousands):

	<u>Net Position/ Fund Balance Deficit</u>
<b>General Fund</b>	\$ 362,407
<b>Special Revenue Funds:</b>	
WORKFORCE West Virginia	9,905
<b>Enterprise Funds:</b>	
West Virginia Prepaid College Plan	11,543
<b>Internal Service Funds</b>	
Information Services and Communications	460
<b>Discretely Presented Component Units:</b>	
School Building Authority	243,331
Racing Commission	1,112
Public Defender Corporation	<u>3,163</u>
Total Deficits	<u>\$ 631,921</u>

**General Fund**

The deficit in the General Fund is largely due to OPEB liability in the amount of \$1.9 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 FY 2017 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; for instance, 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 \$12 million as of June 30, 2016. 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 \$1.6 million for the thirteen years ended June 30, 2016, leaving the account with a balance of \$19.8 million at June 30, 2016. Because there was an actuarially determined unfunded liability of approximately \$13 million in the Plan as of June 30, 2016, an additional \$1 million was transferred from the Fund to the Escrow Account on October 31, 2016, 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, 2017. 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, 2016, is \$460 thousand. The deficiency is due to the increase of the net pension liability and net of deferred inflows and outflows.

### **Discretely Presented Component Units**

The School Building Authority of West Virginia's (the SBA) combined net position deficiency at June 30, 2016, is \$243.3 million. The deficit arose from the issuance of revenue bonds to replace or improve school facilities in the State of West Virginia and the SBA's policy to grant ownership of these new and renovated buildings to the local county boards of education. The 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 \$470.5 million in bonds outstanding, compared to \$461.2 million at June 30, 2015, an increase of 2%. This increase of \$9.2 million was caused by principal bond payments, the amortization of unamortized premiums and discounts associated with bond issuance during the current period, and the refunding activity. 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 Racing Commission's net position deficit at June 30, 2016, is \$1.1 million. The deficiency is due to the increase of the net pension liability and related deferred inflows and deferred outflows.

The Public Defender Corporation's net position deficit at June 30, 2016, is \$3.2 million. The deficiency is due to the increase of the net pension liability and related deferred inflows and deferred outflows.



**NOTE 4****DEPOSITS AND INVESTMENTS****Deposits**

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

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

**Primary Government**

At June 30, 2016, the reported amount of the primary government's deposits was \$126,617,000 and the bank balance was \$333,013,000. Of that bank balance, \$23,688,000 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, 2016, the reported amount of the component units' deposits was \$364,079,000 and the bank balance was \$188,816,000. Of that bank balance, \$1,058,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State, and \$21,440,000 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the State.

**Investments**

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

GASB 72 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Fair value of an investment is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., the exit price).

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

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

- Equity securities and money market mutual funds are valued at the last sale price or official closing price reported in the market in which they are primarily traded.
- Equity securities that trade in non-U.S. markets are valued in U.S. dollars using period-end spot market exchange rates as supplied by the pool's custodian.
- Fixed income securities are valued according to prices furnished by independent pricing services to the pool's custodian. These services determine the security prices by a number of methods including, but not limited to, dealer quotes, live market trading levels when available, live feeds of trade execution data, spreads over U.S. Treasury securities, and other models and formulae appropriate to the specific security type.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Futures and option contracts are valued at the last settlement price established each day by the exchange on which they are traded.
- Repurchase agreements and time deposits are valued at amortized cost, provided such amount approximates fair value.
- Commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- 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, 2016.

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

The BTI is an investment vehicle of the State and its component units, all of which are government entities. The investments of the WV Money Market, WV Government Money Market, WV Bank, Loan, and Reserve pools and accounts are carried at cost as permissible under GASB 31, as amended by GASB 72 and 79. The WV Money Market and WV Government Money Market pools measure all investments at amortized cost for financial

reporting purposes in accordance with criteria established in GASB 79. The criteria specify that the pools must transact with their participants at a stable net asset value per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity, and shadow pricing. The BTI does not place any limitations or restrictions on participant withdrawals from the WV Money Market and WV Government Money Market pools, such as redemption notice periods, maximum transaction amounts, and any authority to impose liquidity fees or redemption gates. The specific exceptions to fair value reporting for the other pools as defined in professional standards are as follows:

<u>Pool</u>	<u>Exception</u>
WV Bank	Nonnegotiable certificates of deposit which are nonparticipating interest-earning investment contracts.
Loan	Loans receivable arising from lending activities of economic development authorities.
Reserve	Banks depository account that has no market.

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

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

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

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

Permissible investments for all agencies include those guaranteed by the United States of

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

### Derivatives

The State's investment strategy includes the use of derivatives as a tool in managing market risk and providing an opportunity for enhanced return. The IMB invests in derivative financial investments as authorized by its Board of Trustees. As of June 30, 2016, IMB held derivative financial investments that included: Futures Contracts, Foreign Exchange Forward Contracts, Currency Swaps, and Interest Rate Swaps. Additionally, IMB also held derivative instruments in option contracts and credit default swaps which were deemed immaterial to the State's financial statements. The IMB is indirectly exposed to derivative risk through participation in institutional commingled funds. Credit risk and interest rate risk pertaining to derivatives are disclosed in each participating pool's section in this note. The change in fair value of derivatives is included in the Unrestricted Investment Earnings on the Government-wide Statement of Activities; Interest and Other Investment Income on the Statement of Revenues, Expenses, and Changes in Fund Net Position, Proprietary Funds; and Net Appreciation in Fair Value of Investments on the Statement of Changes in Fiduciary Net Position, Fiduciary Funds. The fair value of derivatives is included in the Investments and Cash Equivalents on the Government-wide Statement of Net Position; Investments on the Statement of Net Position, Proprietary Funds; and Investments on the Statement of Fiduciary Net Position, Fiduciary Funds. More details of the changes in fair value may be obtained from the financial statements of the IMB.

### Repurchase Agreements

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

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

### Foreign Currency

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

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

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, 2016, 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, 2016</u>	<u>Change in Fair Value</u>
Long:				
Large Cap Domestic Equity	Sept 2016	\$ 106,605	\$ 109,631	\$ 3,026
Total Return Fixed Income	Sept 2016	277,461	282,964	5,503
Short:				
Total Return Fixed Income	Dec 2016	(74,314)	(74,494)	(180)
Total Return Fixed Income	Mar 2017	(295,075)	(295,432)	(357)
Total Return Fixed Income	Sept 2016	(206,160)	(209,544)	(3,384)

As of June 30, 2016, 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, 2016</u>	<u>June 30, 2016 Exchange Rate</u>	<u>Change in Fair Value</u>
Short:					
Total Return Fixed Income	Sept 2016	\$ (93,321)	\$ (95,258)	1.1109	\$ (2,152)
Total Return Fixed Income	Sept 2016	(15,205,200)	(15,292,000)	.0097	(846)

At June 30, 2016, the Large Cap Domestic Equity had pledged cash of \$2,607,000 and the Total Return Fixed Income Pool had pledged cash of \$34,940,000 to cover initial margin requirements on open futures contracts. Counterparties had deposited in segregated accounts securities with a value of \$642,000 in connection with open swap contracts.

#### 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, 2016, the IMB was party to outstanding foreign exchange forward contracts to purchase foreign currencies with contract amounts of \$171.9 million, collectively. The fair values of these outstanding contracts were \$168.2 million resulting in a change in fair value of approximately \$3,688,000. 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.

### 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, 2016, 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, \$1,289 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	\$ 798,386	\$ 828,443
Non-Large Cap Domestic Equity	422,464	431,472
International Equity	343,560	373,678
Total Return Fixed Income	207,311	211,988
Core Fixed Income Pool	74,364	76,076
TIPS Pool	53,761	54,862
Real Estate Pool	<u>38,762</u>	<u>40,389</u>
Total	<u>\$ 1,938,608</u>	<u>\$ 2,016,908</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, 2016, the IMB had made commitments to 58 private equity general partnerships (expressed in thousands).

<u>Partner Classification</u>	<u>Total Commitment</u>	<u>Funded Commitment</u>	<u>Unfunded Commitment</u>
Corporate Finance – Buyout Funds	\$ 1,274,000	\$ 615,449	\$ 658,551
Corporate Finance – Distressed Debt	210,000	167,445	42,555
Corporate Finance – Growth Equity	80,000	75,214	4,786
Corporate Finance – Mezzanine	90,000	38,778	51,222
Corporate Finance – Turnaround	200,000	105,327	94,673
Venture Capital	<u>220,500</u>	<u>129,640</u>	<u>90,860</u>
Total	<u>\$ 2,074,500</u>	<u>\$ 1,131,853</u>	<u>\$ 942,647</u>

The IMB also made commitments to 43 real estate investment funds/partnerships.

<u>Partner Classification</u>	<u>Total Commitment</u>	<u>Funded Commitment</u>	<u>Unfunded Commitment</u>
Core Funds	\$ 605,000	\$ 550,206	\$ 54,794
Opportunistic Funds	542,409	254,448	287,961
Value Funds	<u>689,000</u>	<u>368,521</u>	<u>320,479</u>
Total	<u>\$ 1,836,409</u>	<u>\$ 1,173,175</u>	<u>\$ 663,234</u>

**Investment Pools**

Schedule of Participation

The participant balances below for the Total Return Fixed Income and the Core Fixed Income pools do not include approximately a \$7.5 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, 2016 (expressed in thousands):

	Large Cap Domestic Equity	Non-Large Cap Domestic Equity	International			Short- Term Fixed Income
			Qualified	Nonqualified	Equity	
<b>Primary Government:</b>						
Revenue Shortfall Reserve Fund	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 75,030
Revenue Shortfall Reserve Fund B	46,537	10,895	—	12,096	46,318	24
Workers' Compensation Old Fund	157,082	36,940	—	42,953	154,844	43,590
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	3,968	940	—	721	4,284	1,240
Workers' Compensation Self-Insured Employer Security Risk Pool	6,496	1,551	—	331	7,818	1,913
Workers' Compensation Uninsured	1,298	306	—	498	1,142	1,093
Pneumoconiosis	29,399	7,022	—	10,198	27,440	10,886
Wildlife Endowment Fund	11,736	2,780	—	4,395	10,589	78
Prepaid Tuition Trust Fund	12,169	3,013	—	3,037	8,990	1,003
Board of Risk & Insurance Management	15,710	3,716	—	4,892	15,055	6,641
Public Employees' Insurance Agency	20,772	4,992	—	8,533	18,240	103
WV Department of Environmental Protection Trust	2,013	476	—	748	1,814	—
WV Department of Environmental Protection Agency	<u>19,089</u>	<u>4,421</u>	<u>—</u>	<u>3,405</u>	<u>20,247</u>	<u>1,808</u>
Total Primary Government	<u>326,269</u>	<u>77,052</u>	<u>—</u>	<u>91,807</u>	<u>316,781</u>	<u>143,409</u>
Percentage of Ownership	9.91%	9.85%	0.00%	64.97%	11.09%	52.94%
<b>Fiduciary Funds:</b>						
Judges' Retirement System	35,736	8,575	15,247	—	30,934	371
Emergency Medical Services Retirement System	12,643	2,979	5,314	—	10,797	407
Public Employees' Retirement System	1,208,724	287,306	512,339	—	1,034,365	7,511
Teachers' Retirement System	1,386,945	330,567	594,432	—	1,181,323	104,030
Municipal Police Officers and Firefighters' Retirement System	642	151	269	—	551	121
Municipal Policemen's or Firefighter's Pension and Relief Fund	285	68	122	—	248	3
State Police Retirement System	29,775	6,001	12,443	—	25,322	894
State Police Death, Disability and Retirement Fund	121,456	29,329	52,215	—	105,304	13,286
Retiree Health Benefit Trust	130,999	31,019	—	48,963	118,113	67
Deputy Sheriff's Retirement System	<u>37,009</u>	<u>8,752</u>	<u>15,596</u>	<u>—</u>	<u>31,668</u>	<u>775</u>
Total Fiduciary Funds	<u>2,964,214</u>	<u>704,747</u>	<u>1,207,977</u>	<u>48,963</u>	<u>2,538,625</u>	<u>127,465</u>
Percentage of Ownership	90.05%	90.11%	100%	34.65%	88.87%	47.06%
<b>Other Participates:</b>						
Berkeley County Development Authority	1,307	312	—	536	1,140	5
Total Amount	<u>\$ 3,291,790</u>	<u>\$ 782,111</u>	<u>\$ 1,207,977</u>	<u>\$ 141,306</u>	<u>\$ 2,856,546</u>	<u>\$ 270,879</u>
State Percentage of Ownership	99.96%	99.96%	100%	99.62%	99.96%	100%

<u>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>Opportunistic Debt</u>	<u>Total (Memorandum Only)</u>
\$ 86,515	\$ 39,278	\$ 130,548	\$ —	\$ —	\$ —	\$ —	\$ 4,344	\$ 335,715
143,124	64,967	59,019	—	—	—	—	7,195	390,175
471,875	218,456	132,676	—	—	—	—	24,783	1,283,199
7,535	3,450	3,423	—	—	—	7,433	398	33,392
12,811	5,814	5,523	—	—	—	10,936	643	53,836
1,997	913	1,096	—	—	—	2,383	109	10,835
57,183	26,109	25,066	—	—	—	50,216	2,918	246,437
4,960	2,327	—	—	5,672	5,819	5,922	274	54,552
12,647	13,391	—	—	—	—	—	635	54,885
29,183	13,308	13,368	—	—	—	28,793	1,555	132,221
46,613	21,171	17,854	—	—	—	36,014	2,374	176,666
699	333	—	—	—	—	1,683	39	7,805
<u>30,391</u>	<u>13,865</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>26,213</u>	<u>1,606</u>	<u>121,045</u>
<u>905,533</u>	<u>423,382</u>	<u>388,573</u>	<u>—</u>	<u>5,672</u>	<u>5,819</u>	<u>169,593</u>	<u>46,873</u>	<u>2,900,763</u>
42.24%	41.03%	100%	—%	0.39%	0.38%	10.61%	41.03%	17.33%
15,443	7,052	—	—	17,387	17,323	18,232	825	167,125
5,364	2,489	—	—	6,091	6,096	6,354	292	58,826
509,586	234,334	—	—	582,482	610,902	580,641	27,595	5,595,785
572,691	262,479	—	(135)	669,655	713,179	664,889	31,268	6,511,323
258	135	—	—	309	305	323	15	3,079
116	54	—	—	137	137	146	6	1,322
13,364	6,128	—	—	14,287	14,145	15,033	689	138,081
50,489	24,291	—	—	58,643	63,514	57,311	2,745	578,583
55,311	25,335	—	—	63,161	64,582	66,295	3,054	606,899
<u>15,204</u>	<u>7,116</u>	<u>—</u>	<u>—</u>	<u>17,840</u>	<u>18,288</u>	<u>18,794</u>	<u>854</u>	<u>171,896</u>
<u>1,237,826</u>	<u>569,413</u>	<u>—</u>	<u>(135)</u>	<u>1,429,992</u>	<u>1,508,471</u>	<u>1,428,018</u>	<u>67,343</u>	<u>13,832,919</u>
57.74%	57.34%	—%	100%	99.56%	99.57%	89.35%	58.95%	82.64%
550	252	—	—	634	656	666	30	6,088
<u>\$ 2,143,909</u>	<u>\$ 993,047</u>	<u>\$ 388,573</u>	<u>\$ (135)</u>	<u>\$ 1,436,298</u>	<u>\$ 1,514,946</u>	<u>\$ 1,598,277</u>	<u>\$ 114,246</u>	<u>\$ 16,739,770</u>
99.97%	99.97%	100%	100%	99.96%	99.96%	99.96%	99.97%	99.96%

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, 2016 (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:						
Foreign Corporate Bonds	A	A	\$ —	\$ 3,156	\$ 3,156	0.10%
Foreign Government Bonds	Aa	A	—	10	10	0.00%
Money Market Mutual Funds	Aaa	AAA	132,987	—	132,987	3.60%
Non-Negotiable Time Deposits	P-1	A-1	105,546	—	105,546	2.80%
U.S. Corporate Bonds	A	A	—	12,246	12,246	0.30%
U.S. Government Agency Bonds	Aaa	AA	—	3,335	3,335	0.10%
U.S. Government Agency MBS	Aaa	AA	—	109,742	109,742	2.90%
U.S. Treasury Bonds	Aaa	AA	—	32,119	32,119	0.90%
Repurchase Agreements			314,482	(314,482)	—	—
Total Rated Investments			553,015	(153,874)	399,141	10.70%
Unrated:						
Common Stock			3,150,845	171,417	3,322,262	89.30%
Securities Lending Repurchase Agreement Less Collateral Received			(17,543)	—	(17,543)	0.00%
Total Unrated Investments			3,133,302	171,417	3,304,719	89.30%
Total Investment Securities at Carrying Value			\$ 3,686,317	\$ 17,543	\$ 3,703,860	100%

*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 WAM for the investments made with cash collateral for securities loaned as of June 30, 2016 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (Days)</u>
Repurchase Agreements (Underlying Securities)		
Security Lending	\$ 314,482	2
Negotiable Time Deposits	<u>105,546</u>	1
Total	<u>420,028</u>	1
Investments with no Interest Rate Risk:		
Money Market Fund	22,533	
Investments Made with Cash Collateral for Securities Loaned	110,454	
Common Stock	<u>3,150,845</u>	
Total Investments with no Interest Rate Risk	<u>3,282,832</u>	
Total Investment Securities at Carrying Value	<u>\$ 3,703,860</u>	

*Fair Value Measurements*

The table below summarizes the valuation of the investment securities in accordance with GASB 72 fair value hierarchy levels as of June 30, 2016 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 3,150,846	\$ —	\$ —	\$ 3,150,846
Futures Contracts	3,026	—	—	3,026
Investments Made with Cash				
Collateral for Securities Loaned	110,454	420,027	—	530,481
Money Market Mutual Funds	<u>22,533</u>	<u>—</u>	<u>—</u>	<u>22,533</u>
Total	<u>\$ 3,286,859</u>	<u>\$ 420,027</u>	<u>\$ —</u>	<u>\$ 3,706,886</u>

The fair value measurement valuation techniques used for the investments in the Large Cap Domestic Equity Pool can be found on pages 92 and 93.

**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, 2016 (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:						
Foreign Corporate Bonds	A	A	\$ —	\$ 2,198	\$ 2,198	0.20%
Foreign Government Bonds	Aa	A	—	7	7	0.00%
Money Market Mutual Fund	Aaa	AAA	88,686	—	88,686	7.70%
Non-Negotiable Time Deposits	P-1	A-1	73,468	—	73,468	6.40%
U.S. Corporate Bonds	A	A	—	8,524	8,524	0.70%
U.S. Government Agency Bonds	Aaa	AA	—	2,322	2,322	0.20%
U.S. Government Agency MBS	Aaa	AA	—	76,389	76,389	6.60%
U.S. Treasury Bonds	Aaa	AA	—	22,357	22,357	1.90%
Repurchase Agreements			<u>218,904</u>	<u>(218,904)</u>	<u>—</u>	<u>—%</u>
Total Rated Investments			<u>381,058</u>	<u>(107,107)</u>	<u>273,951</u>	<u>23.70%</u>
Unrated:						
Common Stock			760,811	119,319	880,130	76.30%
Securities Lending Repurchase Agreement Less Collateral Received			<u>(12,212)</u>	<u>—</u>	<u>(12,212)</u>	<u>0.00%</u>
Total Unrated Investments			<u>748,599</u>	<u>119,319</u>	<u>867,918</u>	<u>76.30%</u>
Total Investment Securities at Carrying Value			<u>\$ 1,129,657</u>	<u>\$ 12,212</u>	<u>\$ 1,141,869</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 WAM for the investments made with cash collateral for securities loaned as of June 30, 2016 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (Days)</u>
Repurchase Agreements (Underlying Securities)		
Security Lending	\$ 218,904	2
Negotiable Time Deposits	<u>73,468</u>	1
Total	<u>292,372</u>	
Investments with no Interest Rate Risk:		
Money Market Fund	11,800	
Investments Made with Cash Collateral for Securities Loaned	76,886	
Common Stock	<u>760,811</u>	
Total Investments with no Interest Rate Risk	<u>849,497</u>	
Total Investment Securities at Carrying Value	<u>\$ 1,141,869</u>	

*Fair Value Measurements*

The table below summarizes the valuation of the investment securities in accordance with GASB 72 fair value hierarchy levels as of June 30, 2016 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 760,811	\$ —	\$ —	\$ 760,811
Investments Made with Cash				
Collateral for Securities Loaned	76,886	292,372	—	369,258
Money Market Mutual Funds	<u>11,800</u>	<u>—</u>	<u>—</u>	<u>11,800</u>
Total	<u>\$ 849,497</u>	<u>\$ 292,372</u>	<u>\$ —</u>	<u>\$ 1,141,869</u>

The fair value measurement valuation techniques used for the investments in the Large Cap Domestic Equity Pool can be found on pages 92 and 93.

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, 2016, was \$1,208,025,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

*Fair Value Measurements*

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

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, 2016, was \$141,311,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

*Fair Value Measurements*

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

International Equity

This pool invests in the equities of international companies. Acadian Asset Management, LLC, Axiom International Investors, LLC, Brandes Investment Partners, L.P., LSV Asset Management, and Oberweis Asset Management, Inc., inception date manage assets of this pool. The objective of the International Equity Pool is to exceed, net of external investment management fees, Morgan Stanley Capital International's All Country World Free Ex US Index over three- to five-year periods.

*Credit Risk*

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, 2016 (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:						
Foreign Corporate Bonds	A	A	\$ —	\$ 1,127	\$ 1,127	0.00%
Foreign Government Bonds	Aa	A	—	4	4	0.00%
Money Market Mutual Fund	Aaa	AAA	69,992	—	69,992	2.40%
Negotiable Time Deposits	P-1	A-1	37,717	—	37,717	1.20%
U.S. Corporate Bonds	A	A	—	4,376	4,376	0.10%
U.S. Government Agency Bonds	Aaa	AA	—	1,192	1,192	0.00%
U.S. Government Agency MBS	Aaa	AA	—	39,216	39,216	1.30%
U.S. Treasury Bonds	Aaa	AA	—	11,478	11,478	0.40%
Repurchase Agreements			<u>112,379</u>	<u>(112,379)</u>	<u>—</u>	<u>—%</u>
Total Rated Investments			<u>220,088</u>	<u>(54,986)</u>	<u>165,102</u>	<u>5.40%</u>
Unrated:						
Common Stock			2,736,592	61,256	2,797,848	92.40%
Preferred Stock			68,037	—	68,037	2.20%
Equity Rights			217	—	217	0.00%
Securities Lending Repurchase Agreement						
Less Collateral Received			<u>(6,270)</u>	<u>—</u>	<u>(6,270)</u>	<u>0.00%</u>
Total Unrated Investments			<u>2,798,576</u>	<u>61,256</u>	<u>2,859,832</u>	<u>94.60%</u>
Total Investment Securities at Carrying Value			<u>\$ 3,018,664</u>	<u>\$ 6,270</u>	<u>\$3,024,934</u>	<u>100%</u>

*Interest Rate Risk*

The pool is exposed to interest rate risk from certain 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 WAM for the investments made with cash collateral for securities loaned as of June 30, 2016 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (Days)</u>
Repurchase Agreements (Underlying Securities)		
Security Lending	\$ 112,379	2
Negotiable Time Deposits	<u>37,717</u>	1
Total	<u>150,096</u>	1
Investments with no Interest Rate Risk:		
Money Market Fund	30,520	
Common Stock	2,736,592	
Preferred Stock	68,037	
Equity Rights	217	
Investments Made with Cash Collateral for Securities	<u>39,472</u>	
Total Investments with no Interest Rate Risk	<u>2,874,838</u>	
Total Investment Securities at Carrying Value	<u>\$ 3,024,934</u>	

## West Virginia

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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, 2016, consisted of the following (expressed in thousands):

<u>Currency</u>	<u>Equity Securities</u>	<u>Cash</u>	<u>Total</u>
Australian Dollar	\$ 70,519	\$ 1,384	\$ 71,903
Brazil Real	134,558	1,156	135,714
British Pound	251,332	2,256	253,588
Canadian Dollar	114,574	211	114,785
Chilean Peso	12,200	685	12,885
Czech Koruna	8,630	368	8,998
Danish Krone	21,390	1,390	22,780
Egyptian Pound	1,631	(20)	1,611
Emirati Dirham	5,631	5	5,636
Euro Currency Unit	423,512	504	424,016
Hong Kong Dollar	277,680	776	278,456
Hungarian Forint	8,991	135	9,126
Indian Rupee	64,154	697	64,851
Indonesian Rupiah	28,164	132	28,296
Israeli Shekel	16,429	49	16,478
Japanese Yen	381,024	2,588	383,612
Malaysian Ringgit	24,344	207	24,551
Mexican Peso	44,979	383	45,362
New Taiwan Dollar	63,355	1,166	64,521
New Zealand Dollar	7,782	3	7,785
Norwegian Krone	20,899	28	20,927
Pakistan Rupee	5,150	—	5,150
Philippine Peso	10,085	1	10,086
Polish Zloty	5,239	—	5,239
Qatar Riyal	407	16	423
Singapore Dollar	13,817	105	13,922
South African Rand	38,313	94	38,407
South Korean Won	188,612	1,479	190,091
Swedish Krona	52,296	1	52,297
Swiss Franc	95,697	—	95,697
Thailand Baht	47,149	1	47,150
Turkish Lira	<u>55,220</u>	<u>507</u>	<u>55,727</u>
Subtotal	<u>2,493,763</u>	<u>16,307</u>	<u>2,510,070</u>
United States Currency	<u>531,171</u>	<u>—</u>	<u>531,171</u>
Total Assets	<u>\$ 3,024,934</u>	<u>\$ 16,307</u>	<u>\$ 3,041,241</u>

*Fair Value Measurements*

The table below summarizes the valuation of the investment securities in accordance with GASB 72 fair value hierarchy levels as of June 30, 2016 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 2,736,592	\$ —	\$ —	\$ 2,736,592
Foreign Currency Contracts	—	68	—	68
Investments Made with Cash	39,472	150,096	—	189,568
Collateral for Securities Loaned				
Preferred Stock	68,037	—	—	68,037
Rights	217	—	—	217
Money Market Mutual Funds	<u>30,520</u>	<u>—</u>	<u>—</u>	<u>30,520</u>
Total	<u>\$ 2,874,838</u>	<u>\$ 150,164</u>	<u>\$ —</u>	<u>\$ 3,025,002</u>

<u>Liabilities</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Foreign Currency Contracts	\$ —	\$ (63)	\$ —	\$ (63)

The fair value measurement valuation techniques used for the investments in the International Equity Pool can be found on pages 92 and 93.

*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.

## West Virginia

The following table provides information on the weighted-average credit ratings as of June 30, 2016, of the Short-Term Fixed Income pool's investments (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value</u>	<u>Reclassified</u>	<u>Carrying Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>	<u>Prior to Repurchase Collateral Included</u>	<u>Repurchase Agreement to Actual Investment Types</u>		
Rated:						
Commercial Paper	P-1	A-1	\$ 52,734	\$ —	\$ 52,734	14.9%
Money Market Mutual Fund	Aaa	AAA	82,161	—	82,161	23.2%
U.S. Government Agency Bonds	P-1	A-1	130,482	—	130,482	37.0%
U.S. Treasury Bonds	Aaa	AA	74,786	13,260	88,046	24.9%
Repurchase Agreements			<u>13,000</u>	<u>(13,000)</u>	<u>—</u>	<u>—%</u>
Total Rated Investments			<u>353,163</u>	<u>260</u>	<u>353,423</u>	<u>100%</u>
Unrated Investments:						
Repurchase Agreement						
Less Collateral Received			<u>(260)</u>	<u>—</u>	<u>(260)</u>	
Total Unrated Investments			<u>(260)</u>	<u>—</u>	<u>(260)</u>	
Total Investment Securities at Carrying Value			<u>\$ 352,903</u>	<u>\$ 260</u>	<u>\$ 353,163</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 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	\$ 13,000	1
Commercial Paper	52,734	22
U.S. Treasury Issues	74,786	28
U.S. Government Agency Issues	<u>130,482</u>	55
Total	<u>271,002</u>	39
Investments with no Interest Rate Risk:		
Money Market Mutual Fund	<u>82,161</u>	
Total Assets	<u>\$ 353,163</u>	

### Fair Value Measurements

The table below summarizes the valuation of the investment securities in accordance with GASB 72 fair value hierarchy levels as of June 30, 2016 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Commercial Paper	\$ —	\$ 52,734	\$ —	\$ 52,734
Money Market Mutual Funds	82,161	—	—	82,161
Repurchase Agreement	—	13,000	—	13,000
U.S. Government Agency Bonds	—	130,482	—	130,482
U.S. Treasury Bonds	<u>—</u>	<u>74,786</u>	<u>—</u>	<u>74,786</u>
Total	<u>\$ 82,161</u>	<u>\$ 271,002</u>	<u>\$ —</u>	<u>\$ 353,163</u>

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

#### Total Return Fixed Income

The main objective of the Total Return Fixed Income Pool is to 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, 2016 (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 Type</u>	<u>Carrying Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>				
Rated:						
Bank Loan	B	B	\$ 936	\$ —	\$ 936	0.0%
Corporate Asset-Backed Issues	A	A	36,980	—	36,980	1.7%
Corporate Collateralized Mortgage Obligations	Ba	BB	27,879	—	27,879	1.3%
Corporate Preferred Securities	Ba	BB	10,472	—	10,472	0.5%
Foreign Asset-Backed Issues	A	A	11,726	—	11,726	0.5%
Foreign Corporate Bonds	Baa	BBB	292,987	599	293,586	13.6%
Foreign Government Bonds	Ba	BB	217,698	2	217,700	10.1%
Money Market Mutual Fund	Aaa	AAA	66,469	—	66,469	3.1%
Municipal Bonds	A	A	40,081	—	40,081	1.9%
Negotiable Time Deposits	P-1	A-1	20,028	—	20,028	0.9%
U.S. Corporate Bonds	Baa	BBB	540,049	2,324	542,373	25.2%
U.S. Government Agency Bonds	Aaa	AA	2,699	633	3,332	0.2%
U.S. Government Agency CMO	Aaa	AA	64,627	—	64,627	3.0%
U.S. Government Agency CMO Interest-Only	Aaa	AA	6,519	—	6,519	0.3%
U.S. Government Agency MBS	Aaa	AA	254,842	20,824	275,666	12.8%
U.S. Government Agency TBA	Aaa	AA	637	—	637	0.0%
U.S. Treasury Bonds	Aaa	AA	101,702	6,095	107,797	5.0%
U.S. Treasury Inflation-Protected Securities	Aaa	AA	26,550	—	26,550	1.2%
Repurchase Agreements			<u>59,675</u>	<u>(59,675)</u>	<u>—</u>	<u>—%</u>
Total Rated Investments			<u>1,782,556</u>	<u>(29,198)</u>	<u>1,753,358</u>	<u>81.3%</u>
Unrated:						
Common Stock			—	32,528	32,528	1.5%
Corporate ABS Residuals			5,385	—	5,385	0.3%
Investments in Other Funds			360,669	—	360,669	16.8%
Option Contract Purchased Value			1,192	—	1,192	0.1%
Securities Lending Repurchase Agreement						
Less Collateral Received			<u>(3,330)</u>	<u>—</u>	<u>(3,330)</u>	<u>0.0%</u>
Total Unrated Investments			<u>363,916</u>	<u>32,528</u>	<u>396,444</u>	<u>18.7%</u>
Total Investment Securities at Carrying Value			<u>\$ 2,146,472</u>	<u>\$ 3,330</u>	<u>\$2,149,802</u>	<u>100%</u>

*Interest Rate Risk*

The IMB monitors interest rate risk of the Total Return Fixed Income Pool by evaluating the effective duration of the investments in the pool. The following table provides the weighted-average effective duration for the various asset types in the Total Return Fixed Income Pool as of June 30, 2016 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Modified Duration (Years)</u>
Bank Loan	\$ 936	0.1
Corporate Asset-Backed Issues	36,980	1.8
Corporate CMO	27,879	1.9
Corporate Preferred Securities	10,472	0.1
Foreign Asset-Backed Issues	11,726	2.4
Foreign Corporate Bonds	292,987	6.6
Foreign Government Bonds	217,698	6.0
Investments in Other Funds	360,669	2.9
Municipal Bonds	40,081	10.4
Repurchase Agreements	59,675	0.0
Time Deposits	20,028	0.0
U.S. Corporate Bonds	540,049	8.3
U.S. Government Agency Bonds	2,699	3.3
U.S. Government Agency CMO	64,627	0.9
U.S. Government Agency CMO Interest-Only	6,519	34.0
U.S. Government Agency MBS	254,842	1.7
U.S. Government Agency TBA	637	0.0
U.S. Treasury Bonds	101,702	3.0
U.S. Treasury Inflation-Protected Securities	<u>26,550</u>	19.5
Total Rated Investments	<u>2,076,756</u>	5.1
Investments with no Interest Rate Risk:		
Money Market Mutual Funds	66,469	
Corporate ABS Residuals	5,385	
Option Contracts Purchased	<u>1,192</u>	
Total Investments with no Interest Rate Risk	<u>73,046</u>	
Total Investment Securities at Carrying Value	<u>\$ 2,149,802</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, 2016, the Total Return Fixed Income Pool held \$407,958,000 of these securities. This represents approximately 19% of the value of the pool's securities.

## West Virginia

At June 30, 2016, open foreign currency forward contracts were as follows (expressed in thousands):

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>c</sup>	4/04/2016	7/14/2016	1,120	\$ 1,245	—	\$ 1,280	\$ (35)
Long	Euro Currency Unit <sup>a</sup>	4/05/2016	7/14/2016	11,920	13,249	—	13,577	(328)
Long	Euro Currency Unit <sup>c</sup>	5/26/2016	8/12/2016	1,800	2,003	—	2,019	(16)
Long	Euro Currency Unit <sup>a</sup>	6/28/2016	7/14/2016	5,120	5,691	—	5,670	21
Long	Ghana Cedi <sup>a, g</sup>	6/30/2016	7/07/2016	1	—	—	—	—
Long	Japanese Yen <sup>c</sup>	4/04/2016	7/14/2016	1,205	12	—	11	1
Long	Japanese Yen <sup>c</sup>	6/30/2016	7/01/2016	24,200	236	—	235	1
Long	Mexican Peso <sup>e</sup>	5/04/2016	8/12/2016	103,575	5,590	—	5,785	(195)
Long	Mexican Peso <sup>e</sup>	6/20/2016	8/12/2016	17,813	961	—	950	11
Short	Brazil Real <sup>a</sup>	4/04/2016	7/14/2016	—	7,696	28,458	8,844	(1,148)
Short	Brazil Real <sup>d, g</sup>	6/06/2016	9/06/2016	—	4,145	15,000	4,584	(439)
Short	Brazil Real <sup>d, g</sup>	6/10/2016	9/12/2016	—	4,125	14,500	4,424	(299)
Short	Euro Currency Unit <sup>b</sup>	5/04/2016	8/12/2016	—	4,793	4,160	4,629	164
Short	Euro Currency Unit <sup>f</sup>	5/05/2016	8/12/2016	—	5,391	4,700	5,230	161
Short	Euro Currency Unit <sup>c</sup>	5/05/2016	8/12/2016	—	18,103	15,789	17,569	534
Short	Euro Currency Unit <sup>a, g</sup>	6/08/2016	9/13/2016	—	1,258	1,100	1,225	33
Short	Euro Currency Unit <sup>c, g</sup>	6/08/2016	9/13/2016	—	1,715	1,500	1,671	44
Short	Euro Currency Unit <sup>c</sup>	6/14/2016	8/12/2016	—	1,035	920	1,024	11
Short	Euro Currency Unit <sup>c</sup>	6/29/2016	8/12/2016	—	1,219	1,100	1,224	(5)
Short	Euro Currency Unit <sup>c, g</sup>	6/30/2016	7/05/2016	—	68	61	68	—
Short	Japanese Yen <sup>a</sup>	4/05/2016	7/14/2016	—	7,877	868,320	8,468	(591)
Short	Japanese Yen <sup>c</sup>	5/05/2016	8/12/2016	—	37,136	3,967,454	38,726	(1,590)
Short	Japanese Yen <sup>c, g</sup>	6/08/2016	9/13/2016	—	2,406	256,000	2,502	(96)
Short	Japanese Yen <sup>c</sup>	6/17/2016	8/12/2016	—	250	26,000	254	(4)
Short	Japanese Yen <sup>a</sup>	6/28/2016	7/14/2016	—	2,084	213,296	2,080	4
Short	Japanese Yen <sup>c</sup>	6/30/2016	7/14/2016	—	235	24,200	236	(1)
Short	Mexican Peso <sup>e</sup>	6/23/2016	8/12/2016	—	6,413	117,540	6,344	69
					<u>\$134,936</u>		<u>\$138,629</u>	<u>\$ (3,693)</u>

Counterparty, Moody's Rating, S&P Rating

a – Barclay's PLC, Baa, BBB

b – BNY Mellon, A, A

c – Citigroup Inc, Baa, BBB

d – Deutsche Bank, A, BBB

e – Morgan Stanley, A, BBB

f – UBS AG, Ba, A

g – Available for offset under a netting provision

*Fair Value Measurements*

The fair value measurement valuation techniques for the Total Return Fixed Income Pool's asset categories can be found on pages 92 and 93, except for the investments in other funds which is measured using the net asset value per share practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the pool's assets and liabilities are measured at June 30, 2016. All of the investments valued using the net asset value per share practical expedient are not required to be categorized in the fair value hierarchy below as of June 30, 2016 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bank Loan	\$ —	\$ 936	\$ —	\$ 936
Corporate Asset-Backed Issues	—	36,980	—	36,980
Corporate ABS Residual	—	5,385	—	5,385
Corporate Collateralized Mortgage Obligations	—	27,879	—	27,879
Corporate Preferred Security	10,472	—	—	10,472
Foreign Asset-Backed Issues	—	11,726	—	11,726
Foreign Corporate Bonds	—	292,987	—	292,987
Foreign Currency Forward Contracts	—	1,054	—	1,054
Foreign Government Bonds	—	217,698	—	217,698
Futures Contracts	5,597	—	—	5,597
Investments Made with Cash Collateral for Securities Loaned	20,960	79,703	—	100,663
Money Market Mutual Fund	45,509	—	—	45,509
Municipal Bonds	—	40,081	—	40,081
Options Contracts Purchased	849	343	—	1,192
Swaps	—	837	—	837
U.S. Corporate Bonds	—	540,049	—	540,049
U.S. Government Agency Bond	—	2,699	—	2,699
U.S. Government Agency CMO	—	64,627	—	64,627
U.S. Government Agency CMO Interest-Only	—	6,519	—	6,519
U.S. Government Agency MBS	—	254,842	—	254,842
U.S. Government Agency TBA	—	637	—	637
U.S. Treasury Bonds	—	101,702	—	101,702
U.S. Treasury Inflation-Protected Securities	—	26,550	—	26,550
Total	<u>\$ 83,387</u>	<u>\$ 1,713,234</u>	<u>\$ —</u>	<u>\$1,796,621</u>
Investments in Other Funds				<u>360,669</u>
Total				<u>\$2,157,290</u>
<u>Liabilities</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Foreign Currency Forward Contracts	\$ —	\$ (4,747)	\$ —	\$ (4,747)
Futures Contracts	(7,013)	—	—	(7,013)
Options Contracts Written	(142)	(293)	—	(435)
Swaps	—	(18,200)	—	(18,200)
Total	<u>\$ (7,155)</u>	<u>\$ (23,240)</u>	<u>\$ —</u>	<u>\$ (30,395)</u>

The significant investment strategies of the underlying investees of the investments in other funds comprise of the following:

- To maximize total return by investing in U.S. dollar-denominated fixed income securities for non-U.S. issuers in developing markets.
- To maximize total return by investing in U.S. dollar-denominated loans, loan participations and below investment grade fixed income securities.
- To maximize total return by investing in debt securities issued or guaranteed by the U.S. government.
- To maximize total return by investing in debt and fixed income securities of Asian issuers.
- To maximize total return by investing in investment grade asset backed fixed income securities.
- To maximize total return by investing in structured debt including, but not limited to, mortgage-backed securities, asset-backed securities, and other collateralized debt.

The pool can redeem these investments daily.

### Opportunistic Debt Pool

The objective of the Opportunistic Debt Pool is to hold the IMB's investments in middle market direct loans. Assets are managed by Angelo, Gordon & Co. and TCW Asset Management Company. This pool's investment objective, is to generate a total net return of 7%-9% over a normal market cycle (typically a 5-7-year period), and/or 250 basis points above the return of the Credit Suisse Leveraged Loan Index.

#### *Credit Risk*

The pool is exposed to credit risk from investments in unrated direct lending funds. This risk is limited by requiring that underlying fund holdings are at least 90% collateralized by one or more assets of the issuer. The pool also holds shares of a money market fund with the highest credit rating.

#### *Interest Rate Risk*

The pool is exposed to interest rate risk from investments in direct lending funds. The IMB manages interest rate risk of the pool by requiring at least 80% of the fund holdings that mature in more than one year to have variable or floating interest rate structures.

#### *Fair Value Measurements*

The fair value measurement valuation techniques for the Opportunistic Debt Pool's asset categories can be found on pages 92 and 93, except for the direct lending funds which are measured using the net asset value per share practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the pool's assets and liabilities are measured at June 30, 2016. All of the investments valued using the net asset value per share practical expedient are not required to be categorized in the fair value hierarchy below as of June 30, 2016 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Mutual Fund	\$ 100	\$ —	\$ —	\$ 100
Direct Lending Funds				114,158
Total				\$ 114,258

The investment strategies of the underlying investees of the direct lending funds are to generate current income while preserving capital primarily through investments in senior secured loans to middle market companies in domiciled in the U.S. and the redemption is upon termination of partnership or of the limited liability company.

### Core Fixed Income Pool

The main objective of the Core Fixed Income Pool is to generate investment income, provide stability and diversification, but not at the expense of total return. JP Morgan Investment Advisors, Inc. manages this pool. This pool's investment objective, net of external investment management fees, is to meet or exceed the 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, 2016 (expressed in thousands):

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 Investments:						
Corporate Asset-Backed Issues	Aa	AA	\$ 71,452	\$ —	\$ 71,452	6.7%
Corporate Collateralized Mortgage Obligations	A	A	58,738	—	58,738	5.5%
Corporate CMO Interest-Only	Ba	AAA	713	—	713	0.1%
Corporate CMO Principal-Only	B	AA	200	—	200	0.0%
Foreign Asset-Backed Issues	Aa	AA	1,793	—	1,793	0.2%
Foreign Corporate Bonds	A	A	44,401	392	44,793	4.2%
Foreign Government Bonds	Aa	A	7,251	1	7,252	0.7%
Money Market Mutual Fund	Aa	AAA	35,271	—	35,271	3.3%
Municipal Bonds	Aa	AA	9,782	—	9,782	0.9%
Negotiable Time Deposits	P-1	A-1	13,097	—	13,097	1.2%
U.S. Corporate Bonds	A	A	220,656	1,519	222,175	21.1%
U.S. Government Agency Bonds	Aaa	AA	22,805	414	23,219	2.2%
U.S. Government Agency CMO	Aaa	AA	129,989	—	129,989	12.3%
U.S. Government Agency CMO Interest-Only	Aaa	AA	5,229	—	5,229	0.5%
U.S. Government Agency CMO Principal-Only	Aaa	AA	9,002	—	9,002	0.8%
U.S. Government Agency MBS	Aaa	AA	187,412	13,617	201,029	19.0%
U.S. Treasury Bonds	Aaa	AA	200,745	3,985	204,730	19.3%
U.S. Treasury Inflation Protected Security	Aaa	AA	431	—	431	0.0%
Repurchase Agreements			<u>39,023</u>	<u>(39,023)</u>	<u>—</u>	<u>—%</u>
Total Rated Investments			<u>1,057,990</u>	<u>(19,095)</u>	<u>1,038,895</u>	<u>98.0%</u>
Unrated Investments:						
Common Stock			—	21,270	21,270	2.0%
Securities Lending Repurchase Agreement						
Less Collateral Received			<u>(2,175)</u>	<u>—</u>	<u>(2,175)</u>	<u>0.0%</u>
Total Unrated Investments			<u>(2,175)</u>	<u>21,270</u>	<u>19,095</u>	<u>2.0%</u>
Total Investment Securities at Carrying Value			<u>\$ 1,055,815</u>	<u>\$ 2,175</u>	<u>\$ 1,057,990</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, 2016 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Modified Duration (Years)</u>
Corporate Asset-Backed Issues	\$ 71,452	2.1
Corporate Collateralized Mortgage Obligations	58,738	2.5
Corporate CMO Interest-Only	713	(17.4)
Corporate CMO Principal-Only	200	4.2
Foreign Asset-Backed Issues	1,793	0.1
Foreign Corporate Bonds	44,399	5.7
Foreign Government Bonds	7,251	9.0
Municipal Bonds	9,782	14.4
Repurchase Agreements	39,023	0.0
Negotiable Time Deposits	13,097	0.0
U.S. Corporate Bonds	220,665	6.3
U.S. Government Agency Bonds	22,805	3.8
U.S. Government Agency CMO	129,989	3.0
U.S. Government Agency CMO Interest-Only	5,229	5.9
U.S. Government Agency CMO Principal-Only	9,002	7.2
U.S. Government Agency MBS	187,410	4.4
U.S. Treasury Bonds	200,740	8.5
U.S. Treasury Inflation-Protected Security	<u>431</u>	3.4
Total	1,022,719	4.9
Investments with no Interest Rate Risk:		
Money Market Mutual Fund	<u>35,271</u>	
Total Assets	<u>\$ 1,057,990</u>	

The Core Fixed Income Pool invests approximately \$465 million in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. At June 30, 2016, this represents approximately 44% of the value of the pool's securities.

*Fair Value Measurements*

The table below summarizes the valuation of the investment securities in accordance with GASB 72 fair value hierarchy levels as of June 30, 2016 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate Asset-Backed Issues	\$ —	\$ 71,452	\$ —	\$ 71,452
Corporate CMO	—	58,738	—	58,738
Corporate CMO Interest-Only	—	713	—	713
Corporate CMO Principal-Only	—	200	—	200
Foreign Asset-Backed Issues	—	1,793	—	1,793
Foreign Corporate Bonds	—	44,399	—	44,399
Foreign Government Bonds	—	7,251	—	7,251
Investments Made with Cash Collateral for Securities Loaned	13,705	52,120	—	65,825
Money Market Mutual Fund	21,566	—	—	21,566
Municipal Bonds	—	9,782	—	9,782
U.S. Corporate Bonds	—	220,665	—	220,665
U.S. Government Agency Bonds	—	22,805	—	22,805
U.S. Government Agency CMO	—	129,989	—	129,989
U.S. Government Agency CMO Interest-Only	—	5,229	—	5,229
U.S. Government Agency CMO Principal-Only	—	9,002	—	9,002
U.S. Government Agency MBS	—	187,410	—	187,410
U.S. Treasury Bonds	—	200,740	—	200,740
U.S. Treasury Inflation-Protected Security	—	431	—	431
Total	<u>\$ 35,271</u>	<u>\$ 1,022,719</u>	<u>\$ —</u>	<u>\$ 1,057,990</u>

The fair value measurement valuation techniques used for the Core Fixed Income pool can be found on pages 92 and 93.

*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, 2016 (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	\$ 374,622	100.0%
Money Market Mutual Fund	Aaa	AAA	127	0.0%
Total Rated Investments			<u>\$ 374,749</u>	<u>100.0%</u>

*Interest Rate Risk*

The IMB monitors interest rate risk of the pool by evaluating the real modified duration of the investments in the pool. The following table provides the weighted-average real modified duration for the various asset types in the pool as of June 30, 2016 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Modified Duration (Years)</u>
U.S. Treasury Inflation-Protected Securities	\$ 374,622	7.9
Money Market Mutual Fund	<u>127</u>	0.0
Total Assets	<u>\$ 374,749</u>	7.9

*Fair Value Measurements*

The table below summarizes the valuation of the investment securities in accordance with GASB 72 fair value hierarchy levels as of June 30, 2016 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Mutual Fund	\$ 127	\$ —	\$ —	\$ 127
U.S. Treasury Inflation-Protected Securities	<u>—</u>	<u>374,622</u>	<u>—</u>	<u>374,622</u>
Total	<u>\$ 127</u>	<u>\$ 374,622</u>	<u>\$ —</u>	<u>\$ 374,749</u>

The fair value measurement valuation techniques used for the TIPS Pool can be found on pages 92 and 93.

**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 Standard & 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, 2016, the pool was in compliance with this restriction.

*Fair Value Measurements*

The fair value measurement valuation techniques for the Private Equity Pool's asset categories can be found on pages 92 and 93, except for the private equity partnerships and its investment in a multiple strategy hedge fund which are measured using the net asset value per share practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the pool's assets and liabilities are measured at June 30, 2016. All of the investments valued using the net asset value per share practical expedient are not required to be categorized in the fair value hierarchy below as of June 30, 2016 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment in Other Fund	\$ 121,185	\$ —	\$ —	\$ 121,185
Money Market Mutual Fund	<u>51,357</u>	<u>—</u>	<u>—</u>	<u>51,357</u>
Total	<u>\$ 172,542</u>	<u>\$ —</u>	<u>\$ —</u>	<u>172,542</u>
Private Equity Partnerships				1,091,308
Multiple Strategy Hedge Fund				<u>172,646</u>
Total				<u>\$ 1,436,496</u>

The significant investment strategies of the underlying investees of the private equity partnerships and the multiple strategy hedge fund comprise of the following:

- To provide risk capital for, and make investments in the securities of, privately held and publicly listed companies primarily in Europe and North America.
- To make investments, in both domestically and internationally, in public and private companies seeking long-term capital appreciation.
- To seek long-term capital appreciation by acquiring, holding, and disposing of securities involved in or connected to defense, aerospace, marine, or engineering industries.
- To deliver superior risk-adjusted investment returns by applying the Mason Wells Value Creation System to drive improvements to operating and financial performance at portfolio companies.
- To generate long-term capital gains through equity investments in companies engaged in energy, water, and food and agriculture sectors, with an emphasis on privately negotiated equity investments in North America oil and gas companies.
- To seek long-term capital appreciation by acquiring, holding, and disposing of securities involved in or connected with enterprise and infrastructure software, financial and business services, and education.

- To seek long-term capital appreciation by acquiring, holding, and disposing of securities involved in or connected with application, infrastructure and security software, with a secondary focus on business, media and technology-enabled services.
- To target under-managed or underperforming companies possessing strong core franchises and solid fundamentals in the consumer products, manufacturing, retail, distribution, and business and consumer service industries.
- To provide capital to domestic or foreign corporations, partnerships and joint ventures and to assist in developing the business of those enterprises.
- To pursue an opportunistic distressed investment strategy, with a primary focus of acquiring assets such as non-performing loan portfolios, aviation assets, corporate debt, and other distressed assets.
- To invest in special situation investments in small and middle market companies, specifically distressed debt, rescue financing, growth capital, and turnaround investments.
- To invest in distressed debt obligations and other securities of distressed lower middle market companies.
- To provide investors with substantial long-term capital gains by investing in a diversified portfolio of equity securities.
- To achieve capital appreciation with relatively modest risk by originating investments in profitable, middle-market companies in growth industries.
- To make debt and equity investments in middle market companies which typically provide both elements of current income and equity appreciation.
- To acquire underperforming, operationally challenged, or financially distressed small and middle market businesses and to seek to reorganize operations and strategy to restore profitability and growth.
- To realize long-term compounded returns in excess of those available through conventional investments in the public equity markets.

Contractual termination dates range from June 2017 to January 2027. Redemption is upon termination of the partnership.

### 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 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, 2016 (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 Investments:						
Foreign Corporate Bonds	A	A	\$ —	\$ 198	\$ 198	0.00%
Foreign Government Bond	Aa	A	—	1	1	0.00%
Money Market Mutual Fund	Aaa	AAA	70,652	—	70,652	4.60%
Negotiable Time Deposits	P-1	A-1	6,614	—	6,614	0.40%
U. S. Corporate Bonds	Baa	BBB	8,083	767	8,850	0.60%
U.S. Government Agency Bond	Aaa	AA	—	209	209	0.00%
U.S. Government Agency MBS	Aaa	AA	—	6,878	6,878	0.40%
U.S. Preferred Stock	Baa	BB	12,767	—	12,767	0.80%
U.S. Treasury Issues	Aaa	AA	—	2,013	2,013	0.10%
Repurchase Agreements			<u>19,708</u>	<u>(19,708)</u>	<u>—</u>	<u>—%</u>
Total Rated Investments			<u>117,824</u>	<u>(9,642)</u>	<u>108,182</u>	<u>6.90%</u>
Unrated Investments:						
Common Stock			109,014	10,743	119,757	7.80%
Real Estate Limited Partnerships and Funds			1,314,563	—	1,314,563	85.30%
Securities Lending Repurchase Agreement						
Less Collateral Received			<u>(1,101)</u>	<u>—</u>	<u>(1,101)</u>	<u>0.00%</u>
Total Unrated Investments			<u>1,422,476</u>	<u>10,743</u>	<u>1,433,219</u>	<u>93.10%</u>
Total Investments			<u>\$ 1,540,300</u>	<u>\$ 1,101</u>	<u>\$ 1,541,401</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, 2016 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Modified Duration (Years)</u>
Rated:		
Repurchase Agreements	\$ 19,708	0.0
Negotiable Time Deposits	6,614	0.0
U.S. Corporate Bonds	8,083	2.5
U.S. Preferred Stock	<u>12,767</u>	2.2
Total Rated Assets	<u>47,172</u>	1.0
Unrated:		
Money Market Mutual Fund	70,652	
Common Stock	109,014	
Real Estate Limited Partnerships	<u>1,314,563</u>	
Total Unrated Assets	<u>1,494,229</u>	
Total Assets	<u>\$ 1,541,401</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 risks. The amounts at fair value (in U.S. dollars) of investments denominated in foreign currencies as of June 30, 2016 (expressed in thousands):

<u>Currency</u>	<u>Investments</u>	<u>Percent</u>
Australian Dollar	\$ 4,949	0.3%
British Pound	3,641	0.2%
Canadian Dollar	2,288	0.1%
Euro Currency Unit	60,042	3.9%
Hong Kong Dollar	4,331	0.3%
Japanese Yen	9,529	0.6%
Swedish Krona	<u>381</u>	<u>0.0%</u>
Subtotal	<u>85,161</u>	<u>5.4%</u>
United States Currency	<u>1,456,240</u>	<u>94.6%</u>
Total Assets	<u>\$ 1,541,401</u>	<u>100%</u>

### Fair Value Measurements

The fair value measurement valuation techniques for the Real Estate Pool's asset categories can be found on pages 92 and 93, except for the real estate limited partnerships and funds which are measured using the net asset value per share practical expedient. The table that follows sets forth information about the level within the fair value hierarchy at which the pool's assets and liabilities are measured at June 30, 2016. All of the investments valued using the net asset value per share practical expedient are not required to be categorized in the fair value hierarchy below as of June 30, 2016 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 109,014	\$ —	\$ —	\$ 109,014
Investments Made with Cash Collateral for Securities Loaned	6,922	26,322	—	33,244
Money Market Mutual Fund	63,730	—	—	63,730
U.S. Corporate Bonds	—	8,083	—	8,083
U.S. Preferred Stock	<u>12,767</u>	<u>—</u>	<u>—</u>	<u>12,767</u>
Total	<u>\$ 192,433</u>	<u>\$ 34,405</u>	<u>\$ —</u>	226,838
Real Estate Limited Partnerships and Funds				<u>1,314,563</u>
Total				<u>\$ 1,541,401</u>

The significant investment strategies of the underlying investees of the real estate limited partnership and funds comprise of the following:

- To invest in substantially stabilized core real estate and real estate related assets located in urban areas that are experiencing positive transition due to urbanization trends.
- To invest primarily in core portfolio of properties related to education, healthcare, and storage sectors of the commercial real estate market. No contractual termination date. Redemption are quarterly subject to the terms of the fund's governing documents and available liquidity.
- To invest in core properties located in the United States. No contractual termination date. Redemption is quarterly with 90 days written notice.
- To invest in a portfolio of income producing core real estate properties diversified by

property type and geographically in the United States. No contractual termination date. Redemption is quarterly with 45 days written notice.

- To invest in a portfolio of core equity investments in income producing real property diversified by property type and geographically in the United States. No contractual termination date. Redemption is quarterly with 60 days written notice.
- To provide investors with positive total return in excess of the rate of invest inflation in all market conditions on a rolling three to five year period. No contractual termination date. Redemption is quarterly with 60 days written notice.
- To invest in a broad range of real estate and real estate related investments in Europe.
- To target distressed real estate debt and equity investments that provide an opportunity for substantial long-term capital appreciation and current income.
- To generate a 14% net return to investors through the acquisition of moderately leveraged real estate assets generally valued between \$10 million and \$30 million in the value-add sector.
- To invest in core plus equity real estate investments primarily located in the U.S. that provide opportunities to enhance and stabilize returns, and to generate a gross return ranging from 13-15%.
- To invest in a broad range of real estate assets in the U.S. in which value can be enhanced through intense operations and asset management, and to generate an internal rate of return in excess of 12%, net of fees, costs, and carried interest.
- To capitalize on inefficiencies in real estate markets and to make real estate investments that provide value-add opportunities expected to provide investors a 12-15% rate of return on their investments.
- To acquire illiquid ownership interests in core-quality properties within the United States and Europe with long-term cash flow profiles and limited lease expiration risks.
- To originate and service first mortgage and mezzanine loans on middle-market, value-added and traditional commercial real estate assets in the United States.

Unless otherwise noted the contractual termination date ranges from August 2020 to September 2025 and redemption is upon termination of the partnership.

#### 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.

#### *Fair Value Measurements*

U.S. GAAP does not require the pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient. All of the pool's investments in hedge funds were valued using the net asset value per share practical expedient. The significant investment strategies of the underlying investees comprising of the following:

- To generate consistent long-term appreciation through active leveraged trading and investment on a global basis. Redemption is monthly with 90 days prior written notice subject to provisions on maximum withdrawals.
- To achieve substantial capital appreciation in a wide range of asset classes using

proprietary investment systems. Redemption is monthly with 5 days prior written notice.

- To achieve long-term capital appreciation through professionally managed trading in derivative instruments of global fixed income, foreign exchange, commodities, and other stock indices. Redemption is monthly with 3 days prior written notice.
- To provide investors above average absolute returns primarily through investing and trading in equities and equity related instruments. Redemption is monthly with 30 days prior written notice.
- To generate attractive risk-adjusted capital appreciation by employing a variety of strategies primarily focused in liquid equity markets. Redemption is every three years with 45 days prior written notice and subject to maximum withdrawal restrictions.
- To identify investment opportunities that will yield attractive rates of return, regardless of market direction. Redemption is quarterly with 60 days prior written notice, subject to provisions on maximum withdrawals.
- To invest in long and short investment opportunities that exhibit significant valuation discrepancies between current trading prices and intrinsic business value. Redemption is quarterly with 65 days prior written notice subject to maximum withdrawal restrictions.
- To achieve long-term capital appreciation through investment in a portfolio of natural catastrophe-linked securities, derivatives, and other instruments. Redemption is monthly with 90 days prior written notice.
- To earn superior risk-adjusted returns while emphasizing preservation of capital. Redemption is annually with 90 days prior written notice subject to provisions on maximum withdrawals.
- To target absolute return of 10-15% with limited volatility through investments in several hedge fund strategies within the CQS group. Redemption is monthly with 95 days prior written notice subject to provisions on maximum withdrawals.
- To achieve capital appreciation with redemption quarterly with 60 days prior written notice subject to provisions on maximum withdrawals.
- To produce returns substantially in excess of those derived from risk-free investments without a substantial increase in overall risk. Redemption is quarterly with 60 days prior written notice subject to maximum withdrawal provisions.
- To achieve superior risk-adjusted total returns through investments in public and private non-investment grade and nonrated debt securities. Redemption is quarterly with 90 days prior written notice subject to provisions on maximum withdrawals.
- To deliver an attractive absolute returns with relatively low volatility and low correlation to major market indices. Redemption is quarterly with 90 days prior written notice.
- To deliver an attractive rate of return by employing a variety of multiple absolute return strategies. Redemption is quarterly with 65 days prior written notice.
- To achieve superior risk-adjusted return with redemption quarterly with 90 days prior written notice subject to provisions on maximum withdrawals.
- To achieve consistent, absolute returns with low volatility primarily by seeking to exploit pricing inefficiencies in equity debt securities of Asian companies. Redemption is annually with 45 days prior written notice.
- To achieve positive annual returns accompanied by a low level of beta and volatility in correlation relative to equity markets. Redemption is quarterly with 90 days prior written notice subject to provisions on maximum withdrawals.

- To generate superior risk-adjusted returns by investing and trading in global markets, primarily employing relative value strategies. Redemption is quarterly with 45 days prior written notice, subject to provisions on maximum withdrawals.
- To generate attractive risk-adjusted returns by employing a variety of strategies primarily focused on convertible arbitrage. Redemption is quarterly with 60 days prior written notice subject to maximum withdrawal provisions.
- To deliver long-term capital appreciation through compound growth. Redemption is monthly with 3 days prior written notice.
- To deliver high risk-adjusted absolute returns with low volatility and low correlation to equity and bond markets. Redemption is monthly with 60 days prior written notice.
- To deliver consistent superior performance with controlled risk and low correlation to broad market indices through a disciplined, research-driven investment approach. Redemption is monthly with 45 days prior written notice.

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, 2016.

#### Consolidated Fund

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

**WV Money Market**

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

*Credit Risk*

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated A+ by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and 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, 2016, 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+	\$ 290,118	18.65%
	P-1	A-1	632,773	40.68%
Corporate Bonds and Notes	Aa1	AA-	23,014	1.48%
	Aa3	AA-	15,000	0.96%
	A2	A	11,268	0.72%
U.S. Agency Bonds	Aaa	AA+	9,499	0.61%
U.S. Treasury Notes *	Aaa	AA+	231,398	14.88%
U.S. Treasury Bills *	P-1	A-1+	19,982	1.28%
Negotiable Certificates of Deposit	Aa2	AA-	3,000	0.19%
	Aa3	AA-	6,000	0.39%
	P-1	A-1+	78,006	5.02%
	P-1	A-1	121,001	7.78%
Money Market Funds	Aaa	AAAm	72,370	4.65%
Repurchase Agreements (Underlying Securities):				
U.S. Treasury Notes*	Aaa	AA+	<u>42,100</u>	<u>2.71%</u>
Total			<u>\$ 1,555,529</u>	<u>100%</u>

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

*Interest Rate Risk*

The overall weighted-average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the WAM for the various asset types in the WV Money Market Pool as of June 30, 2016 (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	\$ 922,891	\$ 537,769	\$ 56,112	\$ 23,349	\$ 305,661	48
U.S. Treasury Bills	19,982	11,643	1,215	506	6,618	91
Corporate Bonds and Notes	49,282	28,717	2,996	1,247	16,322	14
Negotiable Certificates of Deposit	208,007	121,206	12,647	5,263	68,891	40
U.S. Agency Bonds	9,499	5,535	578	240	3,146	24
Money Market Funds	72,370	42,170	4,400	1,831	23,969	1
U.S. Treasury Notes	231,398	134,835	14,070	5,854	76,639	88
Repurchase Agreements (Underlying Securities):						
U.S. Treasury Notes	<u>42,100</u>	<u>24,532</u>	<u>2,559</u>	<u>1,065</u>	<u>13,944</u>	1
Total	<u>\$ 1,555,529</u>	<u>\$ 906,407</u>	<u>\$ 94,577</u>	<u>\$ 39,355</u>	<u>\$ 515,190</u>	49
Percentage of Ownership	100%	58.27%	6.08%	2.53%	33.12%	

**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, 2016 (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. Treasury Notes *	Aaa	AA+	\$ 60,445	31.80%
U.S. Treasury Bills *	P-1	A-1+	6,999	3.68%
U.S. Agency Discount Notes	P-1	A-1+	78,200	41.14%
Money Market Funds	Aaa	AAAm	34	0.02%
Repurchase Agreements (Underlying Securities):				
U.S. Treasury Notes	Aaa	AA+	<u>44,400</u>	<u>23.36%</u>
Total			<u>\$ 190,078</u>	<u>100%</u>

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

## West Virginia

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### Interest Rate Risk

The overall weighted-average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the WAM for the various asset types in the WV Government Money Market Pool as of June 30, 2016 (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	\$ 78,200	\$ 774	\$ 68,808	\$ 8,618	50
U.S. Treasury Bills	6,999	69	6,159	771	21
Money Market Funds	34	—	30	4	1
U.S. Treasury Notes	60,445	598	53,186	6,661	89
Repurchase Agreements (Underlying Securities):					
U.S. Agency Notes	<u>44,400</u>	<u>440</u>	<u>39,067</u>	<u>4,893</u>	1
Total	<u>\$ 190,078</u>	<u>\$ 1,881</u>	<u>\$ 167,250</u>	<u>\$ 20,947</u>	50
Percentage of Ownership	100%	0.99%	87.99%	11.02%	

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

**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, 2016 (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>		
Corporate Asset-Backed Securities	Aaa	AAA	\$ 75,096	9.50%
	Aaa	NR	80,990	10.24%
	NR	AAA	71,821	9.08%
Corporate Bonds and Notes	Aaa	AA+	4,088	0.52%
	Aa1	AA+	4,993	0.63%
	Aa2	AA+	4,105	0.52%
	Aa2	AA	7,027	0.89%
	Aa2	AA-	20,050	2.54%
	Aa3	AA-	11,019	1.39%
	Aa2	A	4,069	0.51%
	Aa3	A+	10,010	1.27%
	Aa3	A	1,495	0.19%
	A1	AA	16,564	2.10%
	A1	A+	11,714	1.48%
	A1	A	8,214	1.04%
	A2	A+	625	0.08%
	A2	A	28,703	3.63%
	A2	A-	18,082	2.29%
	A3	AA-	1,510	0.19%
	A3	A	3,729	0.47%
	A3	A-	41,669	5.27%
	A3	BBB+	29,407	3.72%
	Baa1	A	1,942	0.25%
	Baa1	A-	11,241	1.42%
	Baa1	BBB+	54,401	6.88%
	Baa1	BBB	12,671	1.60%
	Baa1	NR	2,048	0.26%
	Baa2	A-	4,391	0.56%
	Baa2	BBB+	5,942	0.75%
	Baa2	BBB	19,286	2.44%
Baa2	BBB-	6,152	0.78%	
Baa3	BBB+	3,031	0.38%	
Baa3	BBB	13,240	1.67%	
Baa3	BBB-	15,979	2.02%	
Ba1	BBB	2,339	0.30%	
Ba1	BBB-	4,843	0.61%	
NR	BBB-	1,977	0.25%	
U.S. Agency Mortgage-Backed Securities *	Aaa	AA+	47,311	5.98%
Corporate Mortgage Backed Securities *	Aaa	AAA	10,687	1.35%
	Aaa	NR	18,607	2.35%
	NR	AAA	108	0.01%
U.S. Treasury Notes *	Aaa	AA+	89,497	11.32%
Money Market Funds	Aaa	AAAm	10,077	1.27%
<b>Total</b>			<b>\$ 790,750</b>	<b>100%</b>

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, 2016 (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	\$ 386,556	\$ 355,438	\$ 2,397	\$ 28,721	480
U.S. Treasury Notes	89,497	82,292	555	6,650	1,034
Corporate Asset-Backed Securities	227,907	209,561	1,413	16,933	302
U.S. Agency Mortgage-Backed Securities	47,311	43,502	293	3,516	175
Corporate Mortgage Backed Securities	29,402	27,035	182	2,185	338
Money Market Funds	<u>10,077</u>	<u>9,266</u>	<u>62</u>	<u>749</u>	1
Total	<u>\$ 790,750</u>	<u>\$ 727,094</u>	<u>\$ 4,902</u>	<u>\$ 58,754</u>	462
Percentage of Ownership	100%	91.95%	0.62%	7.43%	

*Fair Value Measurements*

The table below summarizes the valuation for the WV Short Term Bond Pool in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2016 (expressed in thousands):

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate bonds and notes	\$ —	\$ 386,556	\$ —	\$ 386,556
Corporate asset backed securities	—	227,907	—	227,907
U.S. Treasury notes	89,497	—	—	89,497
U.S. agency mortgage backed securities	—	47,311	—	47,311
Corporate mortgage backed securities	—	29,402	—	29,402
Money market funds	<u>10,077</u>	<u>—</u>	<u>—</u>	<u>10,077</u>
Total	<u>\$ 99,574</u>	<u>\$ 691,176</u>	<u>\$ —</u>	<u>\$ 790,750</u>

The fair value measurement valuation techniques used for the WV Short Term Bond Pool can be found on page 92.

**WV Bank Pool**

This pool consists of certificates of deposit purchased by the State through the West Virginia CD program. The program purchases CDs from eligible banks and depositories to make state investment funds available for consumer and business loans within the State. The nonnegotiable certificates of deposit in this pool total approximately \$129 million, with maturities ranging from July 2016 to December 2016, and an interest in a money market mutual fund valued at approximately \$145,000.

**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 \$8,000 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 \$18,762,000 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 (MBC), School Fund, and Economic Development Authority–American Woodmark (EDA–AW). Each agency is the sole owner of the investments in its pool and is responsible for the investment decisions in accordance with the legal restrictions applicable to those assets. The BTI serves as custodian of these pools and has no discretion over investment and financial decisions made for them.

**Municipal Bond Commission**

This account only holds 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 MBC account arising from increasing interest rates. The following table provides information on the weighted-average maturities for the various asset types in the MBC account as of June 30, 2016 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (Days)</u>
U.S. Treasury Bonds and Notes	\$ 21,524	485
State and Local Government Securities	<u>3,725</u>	240
Total Assets	<u>\$ 25,249</u>	449

*Fair Value Measurements*

The MBC account holds U.S. Treasury Notes and Bonds reported at a fair value of \$21,524,000 using Level 1 inputs. The Account also holds Treasury Securities – State and Local Government Series (“SLGS”) issues that are reported at historical cost (face value) of \$3,725,000. SLGS are special purpose securities the U.S. Department of the Treasury issues

to state and local government entities, upon request by those entities, to assist them in complying with federal tax laws and Internal Revenue Service arbitrage regulations when they have cash proceeds to invest from their issuance of tax exempt bonds. There is no market for these securities as they may only be redeemed at the U.S. Department of Treasury on or before their stated maturity date at face value plus accrued interest.

School Fund

The School Fund account holds an interest in a money market mutual fund valued at \$1,584,000 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, 2016 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Investment Maturities</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
<b>Governmental Activities:</b>					
Money Market	\$ 1,584	\$ 1,584	\$ —	\$ —	\$ —

*Fair Value Measurements*

The School Fund Account holds a money market fund reported at a fair value of \$1,584,000 using Level 1 inputs. The fair value measurement valuation techniques used for the investments in the School Fund can be found on page 92.

EDA-AW

This account holds a U.S. Treasury bond valued at \$1,937,000 that matures on August 15, 2023. The EDA's investment policy limits this account to holding only U.S. Treasury securities with twenty-year maturities at time of purchase as of June 30, 2016 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Investment Maturities</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
<b>Component Unit Activities:</b>					
U.S. Treasury Bond	\$ 1,937	\$ —	\$ —	\$ 1,937	\$ —

*Fair Value Measurements*

The EDA-AW holds a U.S. Treasury bond reported at a fair value of \$1,937,000 using Level 1 inputs. The fair value measurement valuation techniques used for investment in the EDA-AW can be found on page 92.

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, 2016 (expressed in thousands):

<u>IMB Pools</u>	<u>Disclosed Value</u>	<u>Pool Receivables/ (Payables)</u>	<u>Net Asset Values</u>
Large Cap Domestic Equity	\$ 3,703,860	\$ (412,070)	\$ 3,291,790
Non-Large Cap Domestic Equity	1,141,869	(359,758)	782,111
International Qualified	1,208,025	(48)	1,207,977
International Nonqualified	141,311	(5)	141,306
International Equity**	3,024,934	(168,388)	2,856,546
Short-Term Fixed Income	353,163	(82,198)	270,965
Total Return Fixed Income**	2,149,802	(5,893)	2,143,909
Core Fixed Income	1,057,990	(64,943)	993,047
TIPS Pool	374,749	13,824	388,573
TRS Annuity Pool	—	(135)	(135)
Private Equity	1,436,496	(198)	1,436,298
Private Real Estate	1,541,401	(26,455)	1,514,946
Hedge Fund	1,508,463	89,814	1,598,277
Opportunistic Debt Pool	114,258	(12)	114,246
<u>BTI Pools</u>			
WV Money Market Pool	1,555,529	974	1,556,503
WV Government Money Market Pool	190,078	82	190,160
WV Short-Term Bond Pool	790,750	399	791,149
WV Bank Pool	129,145	149	129,294
Loss Amortization Pool	—	—	—
Loan Pool	124,427	11	124,438
Municipal Bond Commission Account	25,249	47	25,296
School Fund Account	1,584	—	1,584
Reserve Pool	18,762	5	18,767
EDA-AW	<u>1,937</u>	<u>33</u>	<u>1,970</u>
Total Pooled Investments	<u>20,593,782</u>	<u>(1,014,765)</u>	<u>19,579,017</u>
Less EDA	124,418	—	124,418
Less MBC	25,249	47	25,296
Less Nonnegotiable Certificates of Deposits	129,000	149	129,149
Less Reserve Pool in Depository	<u>18,762</u>	<u>5</u>	<u>18,767</u>
Total for Disclosure	<u>\$ 20,296,353</u>	<u>\$ (1,014,966)</u>	<u>\$ 19,281,387</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, 2016 (expressed in thousands):

<b>Security Type</b>	<b>Carrying Value</b>	<b>Credit Rating</b>	
		<b>S&amp;P</b>	<b>Moody's</b>
<b>Primary Government:</b>			
Guaranteed Investment Contracts	\$ 2,870	AA-	A2
Money Market/Mutual Funds	3,853	AAA	Aaa
	279,211	AAAm	Aaa-mf
	2,066	AAAm	Unrated
	2,797	AA+	Aaa
	479	Unrated	Unrated
Repurchase Agreement*	71,181	AA	Aaa
State and Local Government Securities	25,171	Unrated	Unrated
U.S. Government and Agency Obligations	99,923	AAAm	Aaa-mf
<b>Total Primary Government</b>	<u>\$ 487,551</u>		
<b>Pension &amp; Private Purpose Trust Funds:</b>			
Money Market/Mutual Funds	<u>\$ 2,655,970</u>	Unrated	Unrated
<b>Component Units:</b>			
Common and Preferred Stocks	\$ 141,695	Unrated	Unrated
Corporate Bonds	36,234	Unrated	Unrated
Corporate Stock	1,635	Unrated	Unrated
Fixed Income Fund	4,570	Unrated	Unrated
	8,962	AA-	Aa3
	7,080	A+	A+
Money Market/Mutual Funds	1,043	A+	Aa3
	4,601	Unrated	A
	259,738	Unrated	Unrated
	32,621	AAAm	Aaa-mf
	1,878	AAAm	AAA-mf
	162,832	AAAm	Aaa
	4,945	Aa3	AA-
Mortgages Held for Investment	17,410	Unrated	Unrated
Other Investments	156,921	Unrated	Unrated
Repurchase Agreements **	4,807	Unrated	Unrated
State and Local Government Securities	1,815	AA+	Aaa
U.S. Government and Agency Obligations	165,122	AA+	Aaa
	3,753	AAA	AA+
	103,790	Unrated	Unrated
<b>Total Component Units</b>	<u>\$ 1,121,452</u>		

**Underlying Securities:**

\* Primary Government:

US Treasury Notes \$76,089

\*\* Component Units:

The \$4,807 is invested in US Government National Mortgage.

*Concentration of Credit Risk*

As of June 30, 2016, 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	14.6%
State & Local Government Securities	25,171	The County Commission of Monongalia	5.2%
<b>Component Units:</b>			
Other Investments	143,956	The \$75,668,000 of the \$143,956,000 is invested by the Foundations at the Higher Education institutions which are reported under FASB and the information is not available.	12.8%
Common & Preferred Stock	136,879	The \$136,879,000 is invested by the Foundations at the Higher Education institutions which are reported under FASB and the information is not available.	12.2%

*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, 2016 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>Investment Maturities</u>				
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	<u>N/A</u>
<b>Primary Government:</b>						
Guaranteed Investment Contracts	\$ 2,870	\$ —	\$ 2,870	\$ —	\$ —	\$ —
Money Market/Mutual Funds	288,406	288,406	—	—	—	—
Repurchase Agreements*	71,181	—	—	—	71,181	—
U.S. Government & Agency Obligations	99,923	99,923	—	—	—	—
State and Local Government Securities	<u>25,171</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>25,171</u>
<b>Total Primary Government</b>	<u>487,551</u>	<u>388,329</u>	<u>2,870</u>	<u>—</u>	<u>71,181</u>	<u>25,171</u>
<b>Pension &amp; Private Purpose Trust Funds:</b>						
Money Market/Mutual Funds	<u>2,655,970</u>	<u>2,655,970</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Component Units:</b>						
Common and Preferred Stocks	141,695	—	—	—	4,816	136,879
Corporate Bonds	36,234	546	4,807	3,580	1,330	25,971
Corporate Stock	1,635	—	—	—	—	1,635
Fixed Income Fund	20,612	1,105	9,312	3,667	6,528	—
Money Market/Mutual Funds	467,546	275,420	23,968	5,614	4,503	158,041
Mortgages Held for Investment	17,410	—	340	1,634	15,436	—
Other Investments	157,033	21,304	4,520	—	160	131,049
Repurchase Agreements**	4,807	4,807	—	—	—	—
U.S. Government & Agency Obligations	272,665	74,600	87,059	47,208	48,414	15,384
State and Local Government Securities	<u>1,815</u>	<u>—</u>	<u>—</u>	<u>39</u>	<u>1,776</u>	<u>—</u>
<b>Total Component Units</b>	<u>1,121,452</u>	<u>377,782</u>	<u>130,006</u>	<u>61,742</u>	<u>82,963</u>	<u>468,959</u>
<b>Total Outside Investments</b>	<u>\$ 4,264,973</u>	<u>\$ 3,422,081</u>	<u>\$ 132,876</u>	<u>\$ 61,742</u>	<u>\$ 154,144</u>	<u>\$ 494,130</u>

**Underlying Securities:**

\* Primary Government:  
U.S. Treasury Notes \$76,089

\*\*Component Units:  
The \$4,807 is invested in US Government National Mortgage.

*Fair Value Measurements*

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

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

The table below summarizes the valuation of the investment securities in accordance with GASB 72 fair value hierarchy levels as of June 30, 2016 (expressed in thousands):

Security Type	Investment Amount	Fair Value Measurement		
		1	2	3
<b>Primary Government:</b>				
Repurchase Agreements*	\$ 71,181	\$ —	\$ 71,181	\$ —
U.S. Government & Agency Obligations	99,923	—	99,923	—
State and Local Government Securities	<u>25,171</u>	<u>—</u>	<u>—</u>	<u>25,171</u>
<b>Total Primary Government</b>	<u>196,275</u>	<u>—</u>	<u>171,104</u>	<u>25,171</u>
<b>Pension &amp; Private Purpose Trust Funds:</b>				
Money Market/Mutual Funds	<u>1,881,493</u>	<u>1,881,493</u>	<u>—</u>	<u>—</u>
<b>Component Units:</b>				
Common and Preferred Stocks	60,083	55,105	162	4,816
Corporate Bonds	36,233	20,306	15,927	—
Corporate Stock	1,635	1,635	—	—
Fixed Income Fund	20,612	4,570	16,042	—
Money Market/Mutual Funds	163,905	140,870	22,944	91
Other Investments	88,342	21,138	65,068	2,136
U.S. Government & Agency Obligations	272,008	191,378	80,630	—
State and Local Government Securities	<u>1,815</u>	<u>—</u>	<u>1,815</u>	<u>—</u>
<b>Total Component Units</b>	<u>644,633</u>	<u>435,002</u>	<u>202,588</u>	<u>7,043</u>
<b>FV Investments @ Net Asset Value</b>	<u>170,484</u>			
<b>Total Outside Investments</b>	<u>\$ 2,892,885</u>	<u>\$ 2,316,495</u>	<u>\$ 373,692</u>	<u>\$ 32,214</u>

**Underlying Securities:**

- \* Primary Government:
  - U.S. Treasury Notes \$76,089

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

- To invest in foreign and domestic debt, including exposure to global sovereign bonds, opportunistic and high-yield instruments. Withdrawal can occur monthly – quarterly with 5 to 90 days notice period.

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

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

**Reconciliation to Financial Statements**

The following schedule reconciles the amount disclosed as deposits and investments included in this footnote to cash and cash equivalents, investments, and restricted cash and investments in the Statement of Net Position at June 30, 2016 (expressed in thousands):

**Deposits:**

Cash and Cash Equivalents as Reported on the Statement of Net Position	\$ 4,638,034
Cash and Cash Equivalents as Reported on the Statement of Fiduciary Net Position	438,830
Add:	
Non-negotiable Restricted Cash and Cash Equivalents as Reported on the Statement of Net Position	252,953
Certificates of Deposit Disclosed as Deposits	21,200
Less:	
Cash Equivalents and Restricted Cash Disclosed as Investments	(4,807,596)
Cash with U.S. Treasury for Unemployment Programs	<u>(52,725)</u>
Reported Value of Deposits as Disclosed in this Footnote	<u>\$ 490,696</u>

**Investments:**

Investments as Reported on the Statement of Net Position	\$ 2,043,945
Investments as Reported on the Statement of Fiduciary Net Position	16,499,695
Add:	
Restricted Investments as Reported on the Statement of Net Position	187,234
Cash Equivalents and Restricted Cash Disclosed as Investments	4,807,596
Mortgages Held for Investment Disclosed as Investments	17,410
Accrued Interest Disclosed as Investments	11,680
Less:	
Non-negotiable Certificates of Deposit Disclosed as Deposits	<u>(21,200)</u>
Reported Value of Investments as Disclosed in this Footnote	<u>\$ 23,546,360</u>



**NOTE 5**

**RECEIVABLES**

(Expressed in Thousands)

Receivables at June 30, 2016, 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	\$ 407,010	\$ 67,798	\$ —	\$ —	\$ 474,808
Accounts	289,520	66,287	31,109	9,365	396,281
Loans	4,284	—	—	—	4,284
Accrued Interest	<u>10,094</u>	<u>—</u>	<u>5</u>	<u>1,144</u>	<u>11,243</u>
Total Receivables	710,908	134,085	31,114	10,509	886,616
Allowance for Doubtful Accounts	<u>(103,396)</u>	<u>—</u>	<u>—</u>	<u>(1,986)</u>	<u>(105,382)</u>
Receivables, Net	<u>\$ 607,512</u>	<u>\$ 134,085</u>	<u>\$ 31,114</u>	<u>\$ 8,523</u>	<u>\$ 781,234</u>
As Reported on the Fund Financial Statements:					
Current Receivables	\$ 607,512	\$ 134,085	\$ 31,114	\$ 8,523	\$ 781,234
Noncurrent Receivables	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Receivables, Net	<u>\$ 607,512</u>	<u>\$ 134,085</u>	<u>\$ 31,114</u>	<u>\$ 8,523</u>	<u>\$ 781,234</u>

	<b>Fiduciary</b>	
	<b>Pension and Other Employee Benefit Trust Fund</b>	<b>SMART 529</b>
Accounts	\$ 3,948	\$ —
Loans	4,291	—
Leases	—	—
Contributions	40,723	16,272
Accrued Interest	<u>—</u>	<u>—</u>
Total Receivables	48,962	16,272
Allowance for Doubtful Accounts	<u>(406)</u>	<u>—</u>
Receivables, Net	<u>\$ 48,556</u>	<u>\$ 16,272</u>
As Reported on the Fund/Component Units Financial Statements:		
Current Receivables, Net	\$ 48,556	\$ 16,272
Noncurrent Receivables, Net	<u>—</u>	<u>—</u>
Total Receivables, Net	<u>\$ 48,556</u>	<u>\$ 16,272</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
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
477	17,998	54,819	18	17,979	1,699	824	93,814	9,799
609,060	—	—	529,477	—	—	131,855	1,270,392	—
—	—	—	1,803	—	—	63	1,866	—
609,537	17,998	54,819	531,298	17,979	1,699	132,742	1,366,072	9,799
—	—	—	—	(1,528)	—	—	(1,528)	—
<u>\$ 609,537</u>	<u>\$ 17,998</u>	<u>\$ 54,819</u>	<u>\$ 531,298</u>	<u>\$ 16,451</u>	<u>\$ 1,699</u>	<u>\$ 132,742</u>	<u>\$ 1,364,544</u>	<u>\$ 9,799</u>
\$ 33,372	\$ 17,998	\$ 54,819	\$ 21,824	\$ 16,451	\$ 1,699	\$ 9,298	\$ 155,461	\$ 9,799
576,165	—	—	509,474	—	—	123,444	1,209,083	—
<u>\$ 609,537</u>	<u>\$ 17,998</u>	<u>\$ 54,819</u>	<u>\$ 531,298</u>	<u>\$ 16,451</u>	<u>\$ 1,699</u>	<u>\$ 132,742</u>	<u>\$ 1,364,544</u>	<u>\$ 9,799</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
\$ 25,243	\$ —	\$ 776,566	\$ 3,569	\$ —	\$ 136,129	\$ 11,650	\$ —	\$ 2,472	\$ 955,629
—	129,168	66,138	—	208,321	65,093	—	—	4,843	473,563
—	55,556	—	—	—	—	—	—	—	55,556
—	—	—	—	—	—	—	—	—	—
—	1,591	196	93	3,336	—	—	283	10	5,509
25,243	186,315	842,900	3,662	211,657	201,222	11,650	283	7,325	1,490,257
—	(6,600)	(110,451)	—	—	(36,157)	—	—	—	(153,208)
<u>\$ 25,243</u>	<u>\$ 179,715</u>	<u>\$ 732,449</u>	<u>\$ 3,662</u>	<u>\$ 211,657</u>	<u>\$ 165,065</u>	<u>\$ 11,650</u>	<u>\$ 283</u>	<u>\$ 7,325</u>	<u>\$ 1,337,049</u>
\$ 25,243	\$ 8,090	\$ 4,510	\$ 3,662	\$ 11,305	\$ 118,063	\$ 11,650	\$ 283	\$ 2,739	\$ 185,545
—	171,625	727,939	—	200,352	47,002	—	—	4,586	1,151,504
<u>\$ 25,243</u>	<u>\$ 179,715</u>	<u>\$ 732,449</u>	<u>\$ 3,662</u>	<u>\$ 211,657</u>	<u>\$ 165,065</u>	<u>\$ 11,650</u>	<u>\$ 283</u>	<u>\$ 7,325</u>	<u>\$ 1,337,049</u>

**Taxes Receivable**

Taxes receivable at June 30, 2016, consisted of the following:

<u>Governmental Funds</u>			
	<u>General</u>	<u>Transportation</u>	<u>Total</u>
Taxes Receivable:			
Consumer Sales & Use Tax	\$ 110,223	\$ —	\$ 110,223
Personal Income	162,334	—	162,334
Severance	39,605	—	39,605
Business & Occupation	10,733	—	10,733
Automobile Privilege Taxes	—	15,968	15,968
Gasoline Excise	—	48,896	48,896
Registration Fees	—	2,934	2,934
Insurance	38,301	—	38,301
Corporate Net Income	10,828	—	10,828
Medicaid	27,859	—	27,859
Other	<u>7,127</u>	<u>—</u>	<u>7,127</u>
Subtotal for Taxes Receivable	<u>407,010</u>	<u>67,798</u>	<u>474,808</u>
Refunds Allowance	<u>(21,719)</u>	<u>—</u>	<u>(21,719)</u>
Total	<u>\$ 385,291</u>	<u>\$ 67,798</u>	<u>\$ 453,089</u>

**Leases Receivable**

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

<u>Year Ending June 30</u>	<u>Direct Financing Leases Amount Due</u>
2017	\$ 6,430
2018	6,430
2019	6,412
2020	5,907
2021	5,879
2022-2037	<u>36,626</u>
Total Minimum Amount Due	67,684
Less Amount Representing Interest	<u>(12,128)</u>
Present Value of Minimum Lease Amount Due	<u>\$ 55,556</u>



NOTE 6

INTERFUND BALANCES

The following table details the interfund balances and activity as of and for the year ended June 30, 2016 (expressed in thousands):

Due To	Due From			Proprietary Water Pollution Control Revolving Fund
	Governmental	Governmental	Other Nonmajor	
	General	Transportation	Other Nonmajor	
Governmental Funds:				
General	\$ —	\$ 145	\$ 133	\$ —
Transportation	12,853	—	—	—
Other Nonmajor Governmental	127	—	—	—
Total Governmental Funds	12,980	145	133	—
Proprietary Funds:				
Unemployment Compensation	253	39	—	—
Public Employees' Insurance Agency	79	2,709	2	—
Board of Risk and Insurance Management	—	—	—	—
Other Nonmajor Enterprise	1,473	188	61	—
Internal Service Funds	4,653	754	93	—
Total Proprietary Funds	6,458	3,690	156	—
Fiduciary Funds:				
Pension and Other Employee Benefit Trust Fund	1,380,075	151,178	28,640	396
Discretely Presented Component Units				
Major:				
West Virginia Lottery	—	—	—	—
Parkways Authority	—	—	—	—
Water Development Authority	—	—	—	26
Higher Education	7,968	932	—	—
Nonmajor:				
Educational Broadcasting Authority	—	—	—	—
State Rail Authority	581	—	—	—
Public Defenders Corporation	—	—	—	—
Total Discretely Presented Component Units	8,549	932	—	26
Total	\$ 1,408,062	\$ 155,945	\$ 28,929	\$ 422

**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
\$ —	\$ 178	\$ 105	\$ 8	\$ 11	\$ 1,271	\$ 124,251	\$ 126,102
—	518	—	—	—	156	629	14,156
—	26	—	—	—	—	1,119	1,272
—	722	105	8	11	1,427	125,999	141,530
—	—	—	3	—	—	222	517
—	—	—	—	405	307	35	3,537
—	—	—	—	—	133	42	175
—	1	—	—	23	—	98	1,844
—	318	7	11	45	84	342	6,307
—	319	7	14	473	524	739	12,380
—	8,560	471	2,378	11,157	376	377,609	1,960,840
—	—	—	—	—	—	1,400	1,400
—	—	—	—	—	55	—	55
172	—	—	20	—	—	—	218
—	67	—	—	10	—	4,561	13,538
—	2	—	—	—	1	—	3
—	3	—	—	—	—	—	584
—	—	—	—	—	123	—	123
172	72	—	20	10	179	5,961	15,921
<u>\$ 172</u>	<u>\$ 9,673</u>	<u>\$ 583</u>	<u>\$ 2,420</u>	<u>\$ 11,651</u>	<u>\$ 2,506</u>	<u>\$ 510,308</u>	<u>\$ 2,130,671</u>

Due from discretely presented component units includes \$134 million from the Lottery. The General Fund received \$51.3 million to be appropriated at a later date. The Legislature also approved the following distributions from the Lottery to the Senior Services (\$26.3 million), Division of Human Services (\$30 million), Department of Education – Public Education (\$6.4 million), and various other general purposes.

\*The Retiree Health Benefit Trust (RHBT) has recorded a Due From, but because the receivable is uncollectible the RHBT has also recorded a valuation allowance; however the Due To has been recorded by 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 \$1.9 billion related to these receivables and obligations.

**NOTE 7**

**INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2016, consisted of the following (expressed in thousands):

<u>Transfers To</u>	<u>Transfers From</u>		
	<u>Governmental</u>		
	<u>General</u>	<u>Tobacco Settlement Finance Authority</u>	<u>Other Nonmajor</u>
Governmental Funds:			
General	\$ —	\$ 21,326	\$ 42,092
Transportation	20,083	—	—
Other Nonmajor Governmental	<u>60,906</u>	<u>—</u>	<u>—</u>
Total Governmental Funds	<u>80,989</u>	<u>21,326</u>	<u>42,092</u>
Proprietary Funds:			
Water Pollution Control Revolving Fund	—	—	21,745
Workers' Compensation Fund	115,519	—	—
Other Nonmajor Enterprise	6,910	—	—
Internal Service Funds	<u>14,893</u>	<u>—</u>	<u>—</u>
Total Proprietary Funds	<u>137,322</u>	<u>—</u>	<u>21,745</u>
Total	<u>\$ 218,311</u>	<u>\$ 21,326</u>	<u>\$ 63,837</u>

The deferred charge of the amortization of the future tobacco settlement revenue of the Tobacco Settlement Finance Authority resulted in a transfer of \$21.3 million to the General Fund. The General Fund transferred \$22.5 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 \$115.5 million, to the Workers' Compensation Fund to reduce the unfunded liability for claims prior to June 30, 2005.

<b>Transfers From Proprietary</b>				
<b>Workers' Compensation Fund</b>	<b>West Virginia Infrastructure and Jobs Development Council</b>	<b>Other Nonmajor Enterprise</b>	<b>Internal Service Funds</b>	<b>Total</b>
\$ 8,477	\$ —	\$ 23,383	\$ 2,007	\$ 97,285
—	—	—	—	20,083
—	—	<u>5,000</u>	<u>5,496</u>	<u>71,402</u>
<u>8,477</u>	—	<u>28,383</u>	<u>7,503</u>	<u>188,770</u>
—	4,349	—	—	26,094
—	—	—	—	115,519
—	1,574	—	—	8,484
—	—	—	—	<u>14,893</u>
—	<u>5,923</u>	—	—	<u>164,990</u>
<u>\$ 8,477</u>	<u>\$ 5,923</u>	<u>\$ 28,383</u>	<u>\$ 7,503</u>	<u>\$ 353,760</u>

Of the \$20 million transferred from the General Fund to Transportation, \$12.5 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 \$33.6 million transfer to the General Fund. The Water Pollution Revolving Fund received \$21.7 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, 2016, are as follows (expressed in thousands):

	<u>Cash</u>	<u>Investments</u>	<u>Other</u>	<u>Totals</u>
Special Revenue:				
Environmental Programs	\$ 324	\$ —	\$ —	\$ 324
Public Service Commission	<u>1,124</u>	<u>—</u>	<u>—</u>	<u>1,124</u>
Total Special Revenue	<u>1,448</u>	<u>—</u>	<u>—</u>	<u>1,448</u>
Debt Service:				
West Virginia Infrastructure and Jobs Development Council	<u>1</u>	<u>—</u>	<u>—</u>	<u>1</u>
Total Debt Service:	<u>1</u>	<u>—</u>	<u>—</u>	<u>1</u>
Enterprise:				
Public Employees' Insurance Agency	26,549	—	—	26,549
Board of Risk and Insurance Management	<u>10,198</u>	<u>48,441</u>	<u>210,772</u>	<u>269,411</u>
Total Enterprise	<u>36,747</u>	<u>48,441</u>	<u>210,772</u>	<u>295,960</u>
Internal Service:				
State Building Fund	41,902	—	—	41,902
Travel Management	<u>2,558</u>	<u>—</u>	<u>—</u>	<u>2,558</u>
Total Internal Services	<u>44,460</u>	<u>—</u>	<u>—</u>	<u>44,460</u>
Discretely Presented Component Units:				
Economic Development Authority	11,009	—	—	11,009
Housing Development Authority	80,466	93,506	686,956	860,928
Parkways Authority	25,388	42,779	—	68,167
Water Development Authority	14,009	2,508	190,124	206,641
Regional Jail Authority	20,970	—	—	20,970
Solid Waste Management Board	3,545	—	1,112	4,657
Educational Broadcasting Authority	—	—	234	234
Racing Commission	<u>14,910</u>	<u>—</u>	<u>551</u>	<u>15,461</u>
Total Discretely Presented Component Units	<u>170,297</u>	<u>138,793</u>	<u>878,977</u>	<u>1,188,067</u>
Total Restricted Assets	<u>\$ 252,953</u>	<u>\$ 187,234</u>	<u>\$ 1,089,749</u>	<u>\$ 1,529,936</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 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. 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 \$210 million and \$620 thousand in receivables.

### **Internal Service Funds**

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

### **Discretely Presented Component Units**

The Economic Development Authority's assets are restricted to provide assurance that adequate amounts will be available to repay notes secured by the real estate being leased and to guarantee portions of certain loans made for economic development purposes. The Housing Development Authority's (HDA) 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 HDA of \$686 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 \$190 million restricted for revenue bonds receivable net of unamortized discount. The Regional Jail Authority's assets are restricted because of a safekeeping arrangement with inmates and for debt service and compliance with bond covenants. The Solid Waste Management Board's assets are restricted because their use is limited by applicable repayment agreements and certain assets are set aside to administer a revolving loan program in accordance with appropriations by the Legislature. The Educational Broadcasting Authority's (EBA) other restricted assets are in a charitable trust allowing the use of part of the interest to benefit the EBA. The West Virginia Racing Commission's cash is restricted for unclaimed winning tickets and other trust holdings which are mandated by West Virginia Code.

**NOTE 9**

**CAPITAL ASSETS**

**Governmental Activities**

(Expressed in Thousands)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,223,317	\$ 27,800	\$ —	\$ 1,251,117
Construction-in-Progress	<u>894,093</u>	<u>374,568</u>	<u>(357,730)</u>	<u>910,931</u>
Total Capital Assets, Not Being Depreciated	<u>2,117,410</u>	<u>402,368</u>	<u>(357,730)</u>	<u>2,162,048</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,518,592	55,782	(452)	1,573,922
Equipment	455,908	44,039	(23,291)	476,656
Infrastructure	12,111,870	289,425	—	12,401,295
Library Holdings	16,524	341	(50)	16,815
Land Improvements	35,104	7,883	—	42,987
Intangibles	<u>125,420</u>	<u>24,062</u>	<u>—</u>	<u>149,482</u>
Total Capital Assets, Being Depreciated	<u>14,263,418</u>	<u>421,532</u>	<u>(23,793)</u>	<u>14,661,157</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(544,511)	(36,512)	368	(580,655)
Equipment	(366,268)	(31,567)	22,362	(375,473)
Infrastructure	(5,961,254)	(302,432)	—	(6,263,686)
Library Holdings	(15,586)	(532)	36	(16,082)
Land Improvements	(14,877)	(2,056)	—	(16,933)
Intangibles	<u>(43,188)</u>	<u>(6,984)</u>	<u>—</u>	<u>(50,172)</u>
Total Accumulated Depreciation	<u>(6,945,684)</u>	<u>(380,083)</u>	<u>22,766</u>	<u>(7,303,001)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,317,734</u>	<u>41,449</u>	<u>(1,027)</u>	<u>7,358,156</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,435,144</u>	<u>\$ 443,817</u>	<u>\$ (358,757)</u>	<u>\$ 9,520,204</u>

Depreciation expense was charged to function as follows:

Legislative	\$ 95
Judicial	198
Executive	1,730
Administration	21,293
Commerce	7,161
Environmental Protection	127
Employment Programs	147
Education	2,332
Health and Human Resources	3,254
Military Affairs and Public Safety	15,354
Revenue	844
Transportation	321,981
Veterans Assistance	66
Regulatory Boards and Commissions	<u>5,501</u>
Total Governmental Activities Depreciation Expense	<u>\$ 380,083</u>

**Business-type Activities**

(Expressed in Thousands)

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 611	\$ —	\$ —	\$ 611
Total Capital Assets, Not Being Depreciated	<u>611</u>	<u>—</u>	<u>—</u>	<u>611</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,029	—	—	2,029
Equipment	6,844	232	(254)	6,822
Intangibles	<u>8,730</u>	<u>165</u>	<u>—</u>	<u>8,895</u>
Total Capital Assets, Being Depreciated	<u>17,603</u>	<u>397</u>	<u>(254)</u>	<u>17,746</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,068)	(78)	—	(1,146)
Equipment	(5,506)	(327)	251	(5,582)
Intangibles	<u>(8,677)</u>	<u>(12)</u>	<u>—</u>	<u>(8,689)</u>
Total Accumulated Depreciation	<u>(15,251)</u>	<u>(417)</u>	<u>251</u>	<u>(15,417)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,352</u>	<u>(20)</u>	<u>(3)</u>	<u>2,329</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,963</u>	<u>\$ (20)</u>	<u>\$ (3)</u>	<u>\$ 2,940</u>

Depreciation expense was charged to function as follows:

Public Employees' Insurance Agency	\$ 28
Alcohol Beverage Control Administration	323
Correctional Industries	<u>66</u>
Total Business-type Activities	
Depreciation Expense	<u>\$ 417</u>

**Discretely Presented Component Units**

(Expressed in Thousands)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Discretely Presented Component Units:				
Capital Assets, Not Being Depreciated:				
Land	\$ 255,586	\$ 3,568	\$ (3,142)	\$ 256,012
Construction in progress	<u>323,763</u>	<u>204,149</u>	<u>(220,220)</u>	<u>307,692</u>
Total Capital Assets, Not Being Depreciated	<u>579,349</u>	<u>207,717</u>	<u>(223,362)</u>	<u>563,704</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,370,907	369,643	(8,820)	3,731,730
Equipment	483,107	32,726	(14,572)	501,261
Infrastructure	1,405,110	40,680	(446)	1,445,344
Library Holdings	184,642	6,850	(749)	190,743
Land Improvements	88,460	3,588	(5)	92,043
Intangibles	<u>184,284</u>	<u>619</u>	<u>(338)</u>	<u>184,565</u>
Total Capital Assets, Being Depreciated	<u>5,716,510</u>	<u>454,106</u>	<u>(24,930)</u>	<u>6,145,686</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(997,789)	(80,920)	2,177	(1,076,532)
Equipment	(339,173)	(33,607)	13,203	(359,577)
Infrastructure	(904,268)	(43,932)	265	(947,935)
Library Holdings	(157,130)	(7,580)	19	(164,691)
Land Improvements	(42,618)	(4,983)	2	(47,599)
Intangibles	<u>(147,094)</u>	<u>(20,982)</u>	<u>315</u>	<u>(167,761)</u>
Total Accumulated Depreciation	<u>(2,588,072)</u>	<u>(192,004)</u>	<u>15,981</u>	<u>(2,764,095)</u>
Total Capital Assets, Being Depreciated, Net	<u>3,128,438</u>	<u>262,102</u>	<u>(8,949)</u>	<u>3,381,591</u>
Discrete Component Unit Activities Capital Assets, Net	<u>\$ 3,707,787</u>	<u>\$ 469,819</u>	<u>\$ (232,311)</u>	<u>\$ 3,945,295</u>
Depreciation expense charged to functions as follows:				
Economic Development Authority	\$ 575			
Housing Development Fund	494			
Parkways Authority	36,929			
Water Development Authority	1,337			
Higher Education	142,550			
Educational Broadcasting Authority	695			
Jobs Investment Trust	26			
State Rail Authority	1,904			
Solid Waste Management Board	5			
Regional Jail Authority	6,256			
Lottery	1,086			
Public Defenders Corporation	132			
School Building Authority	5			
Municipal Pension Oversight Board	<u>10</u>			
Total Discrete Component Unit Depreciation Expense	<u>\$ 192,004</u>			



## NOTE 10

## LONG-TERM OBLIGATIONS

## Primary Government:

Long-term obligations at June 30, 2016, and changes for the fiscal year then ended are as follows (expressed in thousands):

Governmental Activities:	Balance June 30, 2015 (as Revised)	Additions	Accretions	Reductions	Balance June 30, 2016	Amount Due Within One Year
General Obligation Bonds:						
Transportation	\$ 168,845	\$ —	\$ —	\$ (2,460)	\$ 166,385	\$ 15,225
Premium/(Discount)	27,560	—	—	(2,823)	24,737	2,825
Total Transportation	196,405	—	—	(5,283)	191,122	18,050
WV Infrastructure and Jobs						
Development Council	200,960	—	3,791	(16,405)	188,346	16,710
Premium/(Discount)	15,003	—	—	(1,382)	13,621	1,382
Total WV Infrastructure and Jobs Development Council	215,963	—	3,791	(17,787)	201,967	18,092
Total General Obligation Bonds	412,368	—	3,791	(23,070)	393,089	36,142
Revenue Bonds:						
Transportation	26,875	—	—	(26,875)	—	—
Premium/(Discount)	1,021	—	—	(1,021)	—	—
Total Transportation	27,896	—	—	(27,896)	—	—
Tobacco Settlement Finance Authority	855,075	—	11,037	(12,405)	853,707	—
Economic Development Project Fund	154,170	—	—	(10,105)	144,065	10,650
Premium/(Discount)	(628)	—	—	70	(558)	(70)
Total Economic Development Project Fund	153,542	—	—	(10,035)	143,507	10,580
Education, Arts, Sciences, &						
Tourism Fund	142,360	—	—	(3,130)	139,230	3,290
Premium/(Discount)	6,149	—	—	(246)	5,903	246
Total Education, Arts, Sciences, & Tourism Fund	148,509	—	—	(3,376)	145,133	3,536
Total Revenue Bonds	1,185,022	—	11,037	(53,712)	1,142,347	14,116
Capital Leases - Governmental	7,929	2,019	—	(1,425)	8,523	1,227
Capital Leases - Internal Service Funds	2,965	—	—	(118)	2,847	125
Capital Leases Payable to Component Units	260,995	28,545	—	(13,775)	275,765	14,855
Total Capital Leases (see Note 11)	271,889	30,564	—	(15,318)	287,135	16,207
Notes Payable	17,919	8,142	—	(9,278)	16,783	6,473
Other Obligations:						
Medicaid	447,213	20,683	—	(20,140)	447,756	447,756
Tax Refunds	287,347	275,323	—	(287,347)	275,323	252,150
Claims and Judgments (see Note 15)	474,699	1,448	—	(68,573)	407,574	77,153
Other	93,077	122,997	—	(108,190)	107,884	79,657
Total Accrued and Other Liabilities	1,302,336	420,451	—	(484,250)	1,238,537	856,716
Compensated Absences	89,087	1,746	—	(1,843)	88,990	59,169
Net Pension Liability including Internal Service Funds (see Note 12)	3,591,887	118,403	—	—	3,710,290	—
Total Other Obligations	4,983,310	540,600	—	(486,093)	5,037,817	915,885
Total Governmental Activities						
Long-Term Obligations	\$ 6,870,508	\$ 579,306	\$ 14,828	\$ (587,471)	\$ 6,877,171	\$ 988,823

<b>Business-type Activities</b>	<b>Balance June 30, 2015, as Revised</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2016</b>	<b>Amount Due Within One Year</b>
WV Infrastructure and Jobs					
Development Council Revenue Bonds	\$ 184,375	\$ —	\$ (6,035)	\$ 178,340	\$ 5,205
Premium /(Discount)	<u>13,387</u>	<u>—</u>	<u>(678)</u>	<u>12,709</u>	<u>679</u>
Total WV Infrastructure and Jobs					
Development Council Revenue Bonds	197,762	—	(6,713)	191,049	5,884
Accrued Tuition Contract Benefits	81,925	—	(10,850)	71,075	16,294
Insurance and Compensation Benefits	1,875,859	830,247	(813,180)	1,892,926	345,061
Compensated Absences	638	49	(47)	640	143
Net Pension Liability (see Note 12)	1,806	964	—	2,770	—
Accrued and Other	<u>9,925</u>	<u>555</u>	<u>(962)</u>	<u>9,518</u>	<u>9,518</u>
Total Business-type Activities Long Term	<u>\$ 2,167,915</u>	<u>\$ 831,815</u>	<u>\$ (831,752)</u>	<u>\$ 2,167,978</u>	<u>\$ 376,900</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, \$2.0 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, 2016, 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, 2016, were as follows (expressed in thousands):

	<b>Final Maturity Date</b>	<b>Interest Rate(s)%</b>	<b>Balance</b>
Transportation Bonds:			
Payable from State Road Fund to build roads, issued under:			
1996 SAFE Roads Amendment	2025	4.00%-5.00%	\$ 191,122
Infrastructure Bonds:			
Payable from dedicated severance tax revenues to fund			
water, wastewater, and economic development projects	2027	.020%-7.625%	<u>201,967</u>
Total			<u>\$ 393,089</u>

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2016, were as follows (expressed in thousands):

<b><u>Year Ending June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2017	\$ 24,935	\$ 13,189	\$ 38,124
2018	25,965	11,960	37,925
2019	27,315	10,656	37,971
2020	27,195	9,372	36,567
2021	28,430	8,076	36,506
2022-2026	138,735	19,090	157,825
2027-2031	<u>12,445</u>	<u>307</u>	<u>12,752</u>
	<u>285,020</u>	<u>72,650</u>	<u>357,670</u>
<b>Premium</b>	<u>38,358</u>	—	<u>38,358</u>
<b>Total</b>	<u>323,378</u>	<u>\$ 72,650</u>	<u>\$ 396,028</u>
<b>Capital Appreciation Bonds</b>			
<b><u>Year Ending June 30</u></b>	<b><u>Principal Net of Accreted Amounts</u></b>	<b><u>Future Accreted Amounts</u></b>	<b><u>Total</u></b>
2017	7,000	\$ 125	\$ 7,125
2018	6,585	490	7,075
2019	6,189	836	7,025
2020	7,156	1,419	8,575
2021	6,817	1,807	8,624
2022-2026	30,570	14,905	45,475
2027-2031	<u>5,394</u>	<u>4,056</u>	<u>9,450</u>
<b>Total</b>	<u>69,711</u>	<u>\$ 23,638</u>	<u>\$ 93,349</u>
<b>Total General Obligation Bonds</b>	<u>\$ 393,089</u>		

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

The following describes the purpose and dedicated revenue source of revenue bonds outstanding at June 30, 2016:

<u>Agency</u>	<u>Purpose</u>	<u>Revenue Source</u>
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 2016, \$66.7 million was paid for interest and principal. Actual tobacco receipts of \$66.4 million and interest earnings were used for the payments.

**Economic Development Project Fund**

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

\$196.9 million with annual requirements ranging from \$19.0 million in FY 2017 to \$7.1 million in the final year. For the current year, principal and interest paid were \$18.7 million and the net profits of the Lottery committed to the debt were \$19 million.

**EAST Fund**

New Education, Arts, Sciences, and Tourism Fund (EAST) bonds were issued by the 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 \$239.9 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, 2016, were as follows (expressed in thousands):

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Tobacco Settlement Finance Authority	2007	2047	7.47-8.50	\$ 853,707
Economic Development Project Fund	2004	2027	1.20-6.07	143,507
Education, Arts, Sciences, and Tourism Fund	2010	2040	2.00-5.00	<u>145,133</u>
Subtotal Governmental				1,142,347
WV Infrastructure and Jobs Development Council	2006-2014	2046	2.00-5.00	<u>191,049</u>
Total				<u>\$1,333,396</u>

## West Virginia

Future amounts required to pay principal and interest on revenue bonds at June 30, 2016, were as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 48,770	\$ 75,465	\$ 124,235
2018	41,625	72,646	114,271
2019	45,100	69,917	115,017
2020	48,865	66,962	115,827
2021	52,860	63,759	116,619
2022-2026	336,355	258,411	594,766
2027-2031	415,135	131,198	546,333
2032-2036	125,300	27,228	152,528
2037-2041	55,390	8,226	63,616
2042-2046	7,755	799	8,554
2047-2051	—	—	—
	<u>1,177,155</u>	<u>774,611</u>	<u>1,951,766</u>
<b>Premium</b>	<u>18,054</u>	<u>—</u>	<u>18,054</u>
<b>Total</b>	<u>1,195,209</u>	<u>\$ 774,611</u>	<u>\$ 1,969,820</u>

<u>Year Ending June 30</u>	<u>Principal Net of Accreted Amounts</u>	<u>Future Accreted Amounts</u>	<u>Total</u>
2017	—	\$ 11,995	\$ 11,995
2018	—	13,036	13,036
2019	—	14,167	14,167
2020	—	15,397	15,397
2021	—	16,734	16,734
2022-2026	—	108,146	108,146
2027-2031	—	163,968	163,968
2032-2036	—	149,684	149,684
2037-2041	138,187	31,748	169,935
2042-2046	—	—	—
<b>Total</b>	<u>138,187</u>	<u>\$ 524,875</u>	<u>\$ 663,062</u>

<b>Total Revenue Bonds</b>	<u>\$1,333,396</u>		
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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	2017-2020	1.00-2.73	\$ 1,736
Travel Management	2017-2020	0.99-2.65	<u>15,047</u>
<b>Total Notes Payable</b>			<u>\$ 16,783</u>

Future amounts required to pay principal and interest on notes payable at June 30, 2016, were as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 6,473	\$ 160	\$ 6,633
2018	5,207	91	5,298
2019	3,587	38	3,625
2020	1,354	8	1,362
2021	<u>162</u>	<u>1</u>	<u>163</u>
<b>Total Notes Payable</b>	<b><u>\$16,783</u></b>	<b><u>\$ 298</u></b>	<b><u>\$17,081</u></b>

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

	<u>Balance June 30, 2015</u>	<u>Additions /Debt Issued</u>	<u>Reductions /Debt Paid</u>	<u>Other Changes</u>	<u>Balance June 30, 2016</u>	<u>Amount Due Within One Year</u>
Revenue Bonds:						
Economic Development Authority	\$ 260,995	\$ 28,545	\$ (13,775)	\$ —	\$ 275,765	\$ 14,855
Housing Development Fund	390,383	70,060	(97,126)	(59)	363,258	33,975
Parkways Authority	38,934	—	(8,995)	(150)	29,789	9,310
Water Development Authority	207,039	—	(8,035)	(503)	198,501	8,807
Higher Education	1,417,234	346	(38,716)	(1,347)	1,377,517	141,329
Regional Jail Authority	44,500	—	(6,480)	—	38,020	6,830
School Building Authority	<u>461,235</u>	<u>84,980</u>	<u>(89,120)</u>	<u>13,382</u>	<u>470,477</u>	<u>28,345</u>
Total Discretely Presented Component Unit Revenue Bonds	<b><u>\$ 2,820,320</u></b>	<b><u>\$183,931</u></b>	<b><u>\$(262,247)</u></b>	<b><u>\$11,323</u></b>	<b><u>\$2,753,327</u></b>	<b><u>\$ 243,451</u></b>
Capital Leases:						
Higher Education	<u>\$ 51,720</u>	<u>\$ 4,275</u>	<u>\$ (3,755)</u>	<u>\$ (93)</u>	<u>\$ 52,147</u>	<u>\$ 9,735</u>
Notes Payable:						
Housing Development Fund	\$ 1,064	\$ —	\$ (212)	\$ (230)	\$ 622	\$ —
Economic Development Authority	8,108	1,301	—	—	9,409	903
Regional Jail Authority	—	498	(57)	—	441	98
Higher Education	<u>40,740</u>	<u>12,000</u>	<u>(2,129)</u>	<u>1,389</u>	<u>52,000</u>	<u>14,072</u>
Total Discretely Presented Component Unit Notes Payable	<b><u>\$ 49,912</u></b>	<b><u>\$ 13,799</u></b>	<b><u>\$ (2,398)</u></b>	<b><u>\$ 1,159</u></b>	<b><u>\$ 62,472</u></b>	<b><u>\$ 15,073</u></b>
Total Discretely Presented Component Unit Net Pension Liability (see Note 12)	<b><u>\$ 47,540</u></b>	<b><u>\$ 7,978</u></b>	<b><u>\$ —</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 55,518</u></b>	<b><u>\$ —</u></b>

## West Virginia

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

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Economic Development Authority	1999-2016	2040	2.07-5.23	\$ 275,765
Housing Development Fund	2006-2015	2044	0.60-6.00	363,258
Parkways Authority	2002-2008	2019	3.50-5.25	29,789
Water Development Authority	2005-2013	2044	2.00-5.125	198,501
Higher Education	1998-2016	2045	0.58-7.65	1,377,517
Regional Jail Authority	1998	2021	5.12-5.35	38,020
School Building Authority	2007-2016	2031	2.00-6.92	<u>470,477</u>
Total Revenue Bonds				<u>\$ 2,753,327</u>

Future amounts required to pay principal and interest on revenue bonds of the discretely presented component units at June 30, 2016, were as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 243,014	\$ 108,364	\$ 351,378
2018	138,431	102,826	241,257
2019	148,608	97,645	246,253
2020	166,825	88,870	255,695
2021	257,272	83,542	340,814
2022-2026	578,530	352,939	931,469
2027-2031	469,613	232,095	701,708
2032-2036	306,329	115,838	422,167
2037-2041	234,264	53,156	287,420
2042-2046	<u>128,379</u>	<u>12,391</u>	<u>140,770</u>
	<u>2,671,265</u>	<u>1,247,666</u>	<u>3,918,931</u>
Discount	(612)	—	(612)
Premium	<u>82,674</u>	<u>—</u>	<u>82,674</u>
Total	<u>\$ 2,753,327</u>	<u>\$ 1,247,666</u>	<u>\$ 4,000,993</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, 2016 (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	\$ 622
Economic Development Authority	2007 & 2013	2029	3.00	9,409
Regional Jail Authority	2015	2020	1.23	441
Higher Education	2008-2014	2033	1.90-6.65	<u>52,000</u>
Total Notes Payable				<u>\$ 62,472</u>

Future amounts required to pay principal and interest on notes payable of the discretely presented component units at June 30, 2016, were as follows (expressed in thousands):

<u>Year Ending June</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 16,386	\$ 472	\$ 16,858
2018	4,526	471	4,997
2019	3,113	414	3,527
2020	3,165	381	3,546
2021	4,866	360	5,226
2022-2026	15,742	1,267	17,009
2027-2031	7,265	497	7,762
2032-2036	5,764	59	5,823
2037-2041	<u>1,645</u>	—	<u>1,645</u>
Total	<u>\$ 62,472</u>	<u>\$ 3,921</u>	<u>\$ 66,393</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 2016 and 2015, respectively. Parkways completed the refunding to remove the requirement for bond insurance that was included in the Series 2003 Bonds. In July 2011, Parkways converted the Series 2008 Variable Rate Demand Revenue Refunding Bonds to a LIBOR Index rate and placed the bonds with a direct purchaser. The supplemental indenture established eight distinct registered bonds in principal amounts identical to the principal maturity schedule prior to the conversion. The Indenture establishes an applicable factor ranging from 67% to 82% of the one-month LIBOR Index with an additional spread ranging from 70 to 110 basis points on each bond. The Interest Rate Swap associated with the

Series 2008 Variable Rate Bonds was amended to relate to the new index rate bonds under substantially similar terms.

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

Type	Pay-fixed interest rate swap
Objective	Hedge changes in cash flows on the Series 2008 Refunding Variable Rate Bonds
Notional Amount	\$19,200,000
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, 2016 and 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, 2016, and the change in fair value of the instrument for the year ended June 30, 2016, 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, 2016, no collateralization was required by the interest rate swap agreement.

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

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

Parkways has the right to optionally terminate the swap agreement at any time.

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

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

Using rates as of June 30, 2016, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (expressed in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

<u>Year Ending June 30</u>	<u>Variable-Rate Bonds</u>		<u>Interest Rate</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swap, Net</u>	
2017	\$ 6,100	\$ 242	\$ 784	\$ 7,126
2018	6,400	169	535	7,104
2019	<u>6,700</u>	<u>89</u>	<u>274</u>	<u>7,063</u>
	<u>\$ 19,200</u>	<u>\$ 500</u>	<u>\$ 1,593</u>	<u>\$ 21,293</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, 2016, 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, 2016, is approximately \$1.9 billion and \$1.7 billion for HFA and EDA, respectively.

**Current Year Extinguishment of Debt**

During 2016, the Housing Development Fund redeemed or refunded bonds in the amount of \$40,060,000. The 2016 refundings reduced total debt service payments over the next 25 years by approximately \$21,742,000 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 \$7,415,000. Also during the year, the Fund redeemed \$72,880,000 of bonds at redemption prices that approximated their carrying value.

In November 2015, the School Building Authority issued the 2015A Excess Lottery Revenue Refunding Bonds in the amount of \$63,640,000. The 2015A Bonds were issued to advance refund portions of the 2008 Excess Lottery Revenue Bonds. As a result of the advance refunding, the Authority reduced its total debt service requirements over the next thirteen years by \$5,659,372, which resulted in an economic gain of \$5,633,832.

**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, 2016, the following outstanding bonds are considered defeased (expressed in thousands):

	<u>Outstanding Amount</u>
Primary Government	\$ 80,915
Discretely Presented Component Units	<u>188,405</u>
Total	<u>\$ 269,320</u>

**NOTE 11**

**LEASES**

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

The State has also entered into lease/purchase agreements with the Economic Development Authority (EDA) which issued bonds to finance construction and acquisition of various capital assets as well as an energy savings project. The State becomes the tenant of the facility under a lease/purchase agreement which provides for the payment of rentals sufficient to cover the related bond debt service and for the passage of title to the State after the bonds have been repaid. These capital leases, totaling \$276 million, are shown separately on the government-wide Statement of Net 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, 2016 (expressed in thousands):

	<b>Primary Government Governmental Activities</b>	
<u>Asset Type</u>	<u>Assets Acquired By Capital Lease</u>	<u>Accumulated Depreciation</u>
Land	\$ 2,362	\$ —
Building and Improvements	357,528	113,524
Construction in Process	53,220	—
Infrastructure	1,175	1,084
Total	\$ 414,285	\$ 114,608

Future minimum commitments under capital leases as of June 30, 2016, were as follows (expressed in thousands):

Year Ending June 30	Capital Leases		
	Governmental Activities, Including Payable to EDA	Discretely Presented Component Units	Total
2017	\$ 28,404	\$ 12,205	\$ 40,609
2018	28,222	5,629	33,851
2019	28,832	5,525	34,357
2020	28,797	5,621	34,418
2021	28,757	5,490	34,247
2022-2026	129,193	18,323	147,516
2027-2031	85,461	10,559	96,020
2032-2036	27,042	10,110	37,152
2037-2041	15,825	10,045	25,870
2042-2046	—	5,715	5,715
Total Minimum Lease Payments	400,533	89,222	489,755
Less: Interest	<u>(113,398)</u>	<u>(37,075)</u>	<u>(150,473)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 287,135</u>	<u>\$ 52,147</u>	<u>\$ 339,282</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, 2016, was \$37 million. Future minimum commitments under operating leases as of June 30, 2016, were as follows (expressed in thousands):

Year Ending June 30	Operating Leases			Total
	Governmental Activities	Business-type Activities	Discretely Presented Component Units	
2017	\$ 29,305	\$ 236	\$ 8,984	\$ 38,525
2018	23,536	222	7,109	30,867
2019	16,888	222	6,087	23,197
2020	14,085	37	4,450	18,572
2021	9,991	—	3,783	13,774
2022-2026	20,345	—	14,852	35,197
2027-2031	3,266	—	11,494	14,760
2032-2036	696	—	782	1,478
2037-2041	—	—	5	5
2042-2046	—	—	5	5
2047-2051	—	—	5	5
2052-2056	—	—	5	5
2057-2060	—	—	2	2
Total Minimum Lease Payments	<u>\$ 118,112</u>	<u>\$ 717</u>	<u>\$ 57,563</u>	<u>\$ 176,392</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, 2016 was 646, including 134 West Virginia state agencies, 116 cities and towns, 341 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 191 participating members as of June 30, 2016. The State makes no employer contributions to MPFRS.
- The Teachers' Retirement System (TRS) is a multiple-employer, cost-sharing, public employee retirement system. Fifty-five county public school systems, certain personnel of the thirteen State-supported institutions of higher education, West Virginia Department of Education, and boards of higher education participate in the TRS plan. There were 79 employers and one nonemployer contributing entity (the State) participating in the plan as of June 30, 2016.

### **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, 2016:

	<u>SPDDRS</u>	<u>SPRS</u>	<u>JRS</u>
Retirees and beneficiaries currently receiving benefits	747	24	54
Terminated members entitled to benefits but not yet receiving them	3	11	1
Terminated nonvested members	1	124	2
Active members	<u>42</u>	<u>611</u>	<u>42</u>
Total	<u>793</u>	<u>770</u>	<u>99</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, 2016:

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

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<u>System</u>	<u>Member</u>	<u>Employer</u>
PERS	4.5% - 6.0%	13.5% 12.0% effective July 1, 2016
TRS	6.0%	15.0% State 15.0% Counties
SPDDRS	9.0%	15.0%
SPRS	12.0%	12.0%
JRS	7.0%	Appropriated by the Legislature

The State's required and actual contributions for the year ended June 30, 2016 were (expressed in thousands):

<u>System</u>	<u>Actual Contribution</u>
PERS	\$126,530
TRS	398,756
SPDDRS	13,977
SPRS	3,724
JRS	739

### Special Funding Situation

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

The State Supreme Court has required the State to fund the TRS in an actuarially sound manner to eliminate the unfunded liability over a 40-year period beginning on July 1, 1994, and to meet the cash flow requirements of the TRS in fulfilling its future anticipated obligations to its members. The State Supreme Court has further ordered the State, through the Governor, to require the appropriate funding should the State Legislature fail to do so. Since this ruling, the Legislature has supplemented the funding of the TRS to meet this special funding situation requirement in the amount of \$316,160,000 for FY 2015, which is exclusive of the SAF appropriation.

The State's net pension asset (liability), deferred outflows of resources, deferred inflows of resources and pension expense relating to the governmental, business-type, fiduciary, and component units' activities for the PERS plan, governmental and component units' activities for the TRS plan, and governmental activities for the single employer plans are as follows for June 30, 2016 (expressed in thousands):

<u>Description</u>	<u>PERS</u>	<u>TRS</u>	<u>Single Employer Plans</u>	<u>Total</u>
Net Pension Liability	\$ (379,669)	\$(3,284,851)	\$ (42,681)	\$ (3,707,201)
Deferred Outflows of Resources	85,327	122,018	—	207,345
Deferred Outflows of Resources – Contributions after measurement date	126,530	398,756	18,440	543,726
Deferred Inflows of Resources	(142,288)	(292,500)	(25,864)	(460,652)
Pension Expense	41,762	216,043	1,364	259,169

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

At June 30, 2016, the State reported a net pension liability of \$3,664,520,000, for its proportionate share of the multiple-employer, cost-sharing plans which were measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to the measurement date of June 30, 2015. 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, 2015.

The State's proportionate share of the net pension liabilities for the PERS and TRS plans determined by the actuarial valuation as of June 30, 2014, was \$252,194,000 (68.33%) and \$3,295,967,000, as revised, including special funding situation (95.53%), respectively. At June 30, 2015, the State's proportionate share of the net pension liability for the PERS and TRS plans were \$379,669,000 (67.99%) and \$3,284,851,000 including special funding situation (94.79%), respectively. The State's proportionate share for FY 2016 has increased by 0.34% for the PERS and decreased by 0.74% for the TRS plan, which results in a change in net pension liability of \$127,475,000 and \$11,116,000 related to PERS and TRS, respectively.



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

PERS (expressed in thousands):

	<u>Governmental Activities</u>	<u>Water Pollution</u>	<u>Infrastructure</u>
Proportionate share of Statewide amount	90.86%	0.13%	0.03%
Net pension liability	\$ (344,969)	\$ (479)	\$ (124)
Pension expense	37,530	43	17
Deferred outflow of resources representing contributions subsequent to the measurement date	114,601	155	38
Deferred outflows of resources representing the changes in employer proportion	7,345	8	8
Deferred outflows of resources representing difference between expected and actual experience	70,553	98	25
Net deferred inflows of resources representing the difference between projected and actual earnings	(76,202)	(105)	(27)
Deferred inflows of resources representing the changes in employer proportion	(12,191)	(1)	—
Deferred inflows of resources representing change in assumptions	(40,937)	(58)	(15)
Amortization of applicable deferred amounts in current period	(51,432)	(58)	(9)
Amortization of applicable deferred amounts in future periods:			
2017	(26,140)	(31)	(6)
2018	(26,140)	(31)	(6)
2019	(25,435)	(33)	(6)
2020	26,283	37	9
Sensitivity Analysis:			
Net pension liability at 6.5% discount rate	(795,589)	(1,104)	(286)
Net pension liability at 7.5% discount rate	(344,969)	(479)	(124)
Net pension asset (liability) at 8.5% discount rate	35,737	50	13

<u>PEIA</u>	<u>BRIM</u>	<u>Nonmajor Business-type</u>	<u>Total Business-type</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Total</u>
0.14%	0.12%	0.31%	0.73%	0.08%	8.33%	100%
\$(528)	\$(467)	\$(1,172)	\$(2,770)	\$ (301)	\$ (31,629)	\$ (379,669)
35	137	103	335	15	3,882	41,762
191	149	402	935	87	10,907	126,530
—	—	22	38	—	294	7,677
108	96	240	567	62	6,468	77,650
(116)	(103)	(256)	(607)	(66)	(6,932)	(83,807)
(3)	(3)	(156)	(163)	(2)	(1,015)	(13,371)
(64)	(56)	(140)	(333)	(36)	(3,804)	(45,110)
(75)	(66)	(290)	(498)	(42)	(4,989)	(56,961)
(43)	(34)	(136)	(250)	(25)	(2,536)	(28,951)
(43)	(34)	(136)	(250)	(25)	(2,536)	(28,951)
(29)	(33)	(108)	(209)	(15)	(2,467)	(28,126)
40	35	90	211	23	2,550	29,067
(1,217)	(1,076)	(2,702)	(6,385)	(694)	(72,945)	(875,613)
(528)	(467)	(1,172)	(2,770)	(301)	(31,629)	(379,669)
55	48	121	287	31	3,277	39,332

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	\$ —	\$ (83,807)
Changes in proportion and difference between employer contributions and proportionate share of contributions	7,677	(13,371)
Difference between expected and actual experience	77,650	—
Change in Assumptions	—	(45,110)
Contributions made subsequent to the measurement date	<u>126,530</u>	<u>—</u>
Total	<u>\$ 211,857</u>	<u>\$ (142,288)</u>

Deferred outflows of resources of \$126,530,000 related to pensions are the result of contributions made subsequent to the measurement date of June 30, 2015 and will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. 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>	<u>Amount</u>
2017	\$ (28,951)
2018	(28,951)
2019	(28,126)
2020	29,067

TRS including special funding situation (expressed in thousands):

	Governmental	Component	
	<u>Activities</u>	<u>Units</u>	<u>Total</u>
Proportionate share of statewide amount	99.28%	0.72%	100%
Net pension liability	\$ (3,260,962)	\$ (23,889)	\$ (3,284,851)
Pension expense, net of interfund special funding situation	214,338	1,705	216,043
Deferred outflow of resources representing contributions subsequent to the measurement date	396,082	2,674	398,756
Deferred outflows of resources representing the changes in employer proportion	121,569	449	122,018
Deferred inflows of resources representing the net difference between projected and actual earnings on pension plan investments	(137,633)	(1,277)	(138,910)
Deferred inflows of resources representing the changes in employer proportion	(120,722)	(4,436)	(125,158)
Deferred inflows of resources representing the net difference between expected and actual experience	(28,235)	(197)	(28,432)
Amortization of applicable deferred amounts in current period	(165,021)	(5,461)	(170,482)
Amortization of applicable deferred amounts in future periods:			
2017	(66,084)	(2,187)	(68,271)
2018	(66,084)	(2,187)	(68,271)
2019	(66,084)	(2,187)	(68,271)
2020	38,735	1,282	40,017
2021	(5,504)	(182)	(5,686)
Sensitivity Analysis:			
Net pension liability at 6.50% discount rate	(4,227,566)	(30,544)	(4,258,110)
Net pension liability at 7.50% discount rate	(3,260,962)	(23,889)	(3,284,851)
Net pension liability at 8.50% discount rate	(2,430,980)	(17,693)	(2,448,673)

Deferred outflows of resources and deferred inflows of resources related to the TRS pension plan 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	\$ —	\$ (138,910)
Changes in proportion and difference between employer and proportionate share of contributions	122,018	(125,158)
Net difference in expected and actual experience		(28,432)
Contributions made subsequent to the measurement date	<u>398,756</u>	<u>—</u>
Total	<u>\$ 520,774</u>	<u>\$ (292,500)</u>

Deferred outflows of resources of \$398,756,000 related to pensions are the result of contributions made subsequent to the measurement date of June 30, 2015 and will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. 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>	<u>Amount</u>
2017	\$ (68,271)
2018	(68,271)
2019	(68,271)
2020	40,017
2021	(5,686)

As of June 30, 2016, the State reported a net pension asset and a net pension liability of \$61,678,000 and \$104,359,000, respectively, for the single employer plans, which were measured as of June 30, 2015. The total pension liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to the measurement date of June 30, 2015. The amounts for net pension asset, net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense were allocated to reporting units related to governmental activities based on each reporting units' employer contributions to the SPDDRS, SPRS, and JRS plans.

Single Employer Plans (expressed in thousands):

	<u>SPRS</u>	<u>SPDDRS</u>	<u>JRS</u>	<u>Total</u>
Net pension asset/(liability)	\$ 3,507	\$ (104,359)	\$ 58,171	\$ (42,681)
Pension expense	1,260	5,000	(4,896)	1,364
Deferred outflow of resources representing contributions subsequent to the measurement date	3,724	13,977	739	18,440
Deferred inflows of resources representing the difference between expected and actual experience	(178)	—	(4,879)	(5,057)
Deferred inflows of resources representing the net difference between projected and actual earnings on pension plan investments	(2,660)	(13,993)	(4,154)	(20,807)
Amortization of applicable deferred amounts in current period	(2,838)	(13,993)	(9,033)	(25,864)
Amortization of applicable deferred amounts in future periods:				
2017	(1,201)	(6,107)	(3,400)	(10,708)
2018	(1,201)	(6,107)	(3,400)	(10,708)
2019	(1,199)	(6,105)	(3,399)	(10,703)
2020	849	4,326	1,166	6,341
2021-2024	(86)	—	—	(86)
Sensitivity Analysis:				
Net pension asset/(liability) 6.5%	(20,943)	(198,769)	45,452	(174,260)
Net pension asset/(liability) 7.5%	3,507	(104,359)	58,171	(42,681)
Net pension asset/(liability) 8.5%	23,043	(27,387)	68,947	64,603

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

<b>SPDDRS</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) – (b)</b>
Balance at 6/30/2014	\$ 694,359	\$ 601,077	\$ 93,282
Changes for the year:			
Service cost	1,774	—	1,774
Interest	50,748	—	50,748
Difference between expected and actual experience	4,344	—	4,344
Contributions – employer	—	21,668	(21,668)
Contributions – employee	—	445	(445)
Net investment income	—	22,866	(22,866)
Benefit payments	(39,708)	(39,708)	—
Administrative expense	—	(51)	51
Other changes	—	861	(861)
Net changes	<u>17,158</u>	<u>6,081</u>	<u>11,077</u>
Balances at 6/30/2015	<u>\$ 711,517</u>	<u>\$ 607,158</u>	<u>\$ 104,359</u>

<b>SPRS</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) – (b)</b>
Balance at 6/30/2014	\$ 114,501	\$ 120,572	\$ (6,071)
Changes for the year:			
Service cost	6,337	—	6,337
Interest	9,024	—	9,024
Difference between expected and actual experience	(201)	—	(201)
Contributions – employer	—	4,060	(4,060)
Contributions – employee	—	3,609	(3,609)
Net investment income	—	4,972	(4,972)
Benefit payments	(1,051)	(1,051)	—
Administrative expense	—	(45)	45
Net changes	<u>14,109</u>	<u>11,545</u>	<u>2,564</u>
Balances at 6/30/2015	<u>\$ 128,610</u>	<u>\$ 132,117</u>	<u>\$ (3,507)</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 6/30/2014	\$ 112,081	\$ 165,239	\$ (53,158)
Changes for the year:			
Service cost	2,812	—	2,812
Interest	8,458	—	8,458
Difference between expected and actual experience	(6,506)	—	(6,506)
Contributions – employer	—	2,845	(2,845)
Contributions – employee	—	413	(413)
Net investment income	—	6,525	(6,525)
Benefit payments	(4,313)	(4,313)	—
Administrative expense	—	(6)	6
Other changes	—	—	—
Net changes	<u>451</u>	<u>5,464</u>	<u>(5,013)</u>
Balances at 6/30/2015	<u>\$ 112,532</u>	<u>\$ 170,703</u>	<u>\$ (58,171)</u>

## Actuarial Methods and Assumptions

The total pension liabilities for financial reporting purposes were determined by an actuarial valuation as of July 1, 2014 rolled forward to June 30, 2015, 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	Market value	Market value	Market value
Amortization method	Level dollar, fixed period	Level dollar, fixed period	Level dollar, fixed period
Amortization period	Through FY 2035	Through FY 2034	Through FY 2025
Actuarial assumptions:			
Investment rate of return	7.5%	7.5%	7.5%
Projected salary increases:			
PERS:			
State	3.00% – 4.6%	—	—
Nonstate	3.35% – 6.0%	—	—
TRS:			
Teachers	—	3.75% – 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 – 110% of RP-2000 healthy annuitant table projected Scale AA; healthy females – 101% of RP-2000 healthy annuitant table projected Scale AA; disabled male - 96% of RP-2000 disabled annuitant table projected with Scale AA disabled females – 107% of RP-2000 disabled annuitant table, projected with Scale AA	Active–RP-2000, non-annuitant mortality table; retired–RP-2000 healthy annuitant mortality table projected to 2020 with Scale AA; disabled – RP-2000 disabled annuitant mortality table projected to 2020 with Scale AA, set back 2 yrs for males and set back 1 yr for females	Active – RP-2000 healthy 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
Withdrawal rates:			
State	1.75% - 26%	Teachers: 1.2% - 35%	0.0% - 2.67%
Nonstate	2.0% - 31.2%	Non-teachers: 1.4% - 24.75%	
Disability rates	0.0% - 0.7%	0.0% - 0.7%	.05% - 0.4%
Retirement rates	25% - 100%	0.0% - 100%	20% - 100%
Date range in most recent experience study	2009 - 2014	2005 - 2010	2006 - 2011

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	SPRS	JRS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial valuation method	Market value	Market value
Amortization method	Level dollar, fixed period	Level dollar, fixed period
Amortization period	Through FY 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 – RP-2000 non-annuitant tables projected to 2020; healthy RP-2000 healthy annuitant tables, projected to 2025 with Scale BB; disabled RP-2000 healthy annuitant tables, projected to 2025 with Scale BB, set forward 1 yr	Active – N/A; post-retirement RP-2000 healthy annuitant Scale BB; disabled – RP-2000 healthy annuitant tables, projected to 2025 with Scale BB
Withdrawal rates	0.0% – 7.6%	-
Disability rates	.05% - 0.4%	-
Retirement rates	20% - 100%	5.0% - 100%
Date of most recent experience study	2006 - 2011	2006 - 2011

### 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, 2015:

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>	<u>Target Allocation</u>
US Equity	7.0%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	2.7%	7.5%
High Yield Fixed Income	5.5%	7.5%
Real Estate	5.6%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%
Cash	1.5%	— %
Total		<u>100.0%</u>

## **Discount Rate**

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

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

## **Defined Contribution Plans**

The Teachers' Defined Contribution Retirement System (TDCRS)

TDCRS, administered by the Consolidated Public Retirement Board, is a multiple-employer defined contribution retirement system primarily covering the full-time employees of the State's 55-county public school systems, the State Department of Education, and the School for the Deaf and the Blind, who were hired between July 1, 1991, and June 30, 2005. TDCRS members also include former TRS plan members, including higher education employees, who have elected to participate in the TDCRS plan. There are approximately 4,513 and 4,662 members in the TDCRS plan at June 30, 2016 and 2015, 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

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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 (except for fully benefit-responsive investment contracts, which are reported at contract value) as determined by a third-party pricing service utilized by an investment management company. For fully benefit-responsive investment contracts, contract value is the relevant measure for the portion of investments attributable to fully benefit-responsive investment contracts because contract value is the amount participants normally would receive if they were to initiate permitted transactions under the terms of the plan. Investment income for the TDCRS is determined monthly and distributed to the individual participant accounts.

### *Custodial Credit Risk - Cash Deposits*

The TDCRS' cash deposits with financial institutions were approximately \$36,000 at June 30, 2016. These deposits, which had a bank balance of approximately \$36,000, 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, 2016, 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	\$423,002	\$423,002	\$ —	\$ —

For the year ended June 30, 2016, the approximate payroll of state employees covered by TDCRS was \$144 million, and total covered payroll for both the TDCRS and TRS was approximately 1.6 billion. Both the employees and employers made the required contributions amounting to \$6.4 million and \$11.4 million, respectively, or approximately 4.50% 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, 2016, contributions were approximately \$44.1 million from the covered employees and approximately \$44.1 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, 2016, contributions were approximately \$681 thousand from the covered employees and \$681 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 Public Employee's Insurance Agency (PEIA) Finance Board. Approximately 41,850 retirees and 76,104 active plan members met those eligibility requirements at June 30, 2016.

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, Retiree Health Benefit Trust Fund (RHBT) transferred \$715 million in annual required contribution liability from the county boards of education to the State.

### **Plan Description**

In conjunction with the implementation of GASB Statement No. 43, the State established the RHBT under West Virginia Code §5-16D-2, an irrevocable trust, to account and report for the other postemployment benefits (OPEBs) provided under the multiemployer cost-sharing plan. The PEIA Finance Board was assigned the authority to establish and amend contribution requirements of the plan members and the participating employers, and PEIA administers the plan. The legislation requires the RHBT to determine, through an actuarial study, the contractually required contribution (CRC) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The CRC, which is reviewed and approved by the PEIA Finance Board, shall be allocated to the 550 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 Board of Treasury Investments (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, 2016, is \$1.9 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 33% 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, 2016, June 30, 2015, and June 30, 2014, were approximately \$284 million, \$262 million, and \$253 million, respectively. The percentages contributed were 66%, 58%, and 65%, 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 RHBT, in accordance with Senate Bill 129, which became effective July 1, 2007. In FY 2016, 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 (WCF) to the RHBT. Transfers will not commence until the WCF has been certified by the Governor to the Legislature as paid or provided for in its entirety. Thereafter, transfers will be made until the RHBT unfunded liability has been provided for in its entirety or July 1, 2037, whichever date is later. Presently, management estimates that the aforementioned \$30 million transfers will likely commence in 2017.

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, 2016, June 30, 2015, and revised for June 30, 2014, were approximately \$128 million, \$130 million, and \$136 million, respectively; 54%, 57%, and 81%, of the required amount, respectively. These contributions were approximately \$109 million, \$97 million, and \$33 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 \$15.9 million in unpaid claims and claim adjustment expenses at June 30, 2016.

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 \$200,000 was paid on one claim filed in fiscal year 2016. There are nineteen claims pending as of June 30, 2016; accordingly, the actuarial estimate of the claims reserve at such date is undetermined. Since the inception of the PICF, there have been approximately \$6.3 million in payments through June 30, 2016. The assets and liabilities as of June 30, 2016, are approximately \$900,000. The amount of settlements in the major insurance enterprise funds have not exceeded insurance coverage in the past three years.

### *Description of the Funds*

#### Board of Risk and Insurance Management

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

Underwriting and rate-setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be paid by the participants. The BRIM risk pool retains a \$1 million per occurrence coverage maximum on all third-party liability claims. In the normal course of business, BRIM seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable operating results by reinsuring levels of risk in various areas of exposure with other insurance enterprises or reinsurers. Excess coverage under this program is limited to \$400 million per event, subject to limits on certain property. Reinsurance permits recovery of a portion of losses from reinsurers; however, it does not discharge the primary liability of BRIM as direct insurer of the risks insured. BRIM had reinsurance recovery at June 30, 2016 of \$200,000. BRIM does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. There have been no significant reductions in insurance coverage from the prior year.

#### Public Employees' Insurance Agency

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

On February 26, 2016, the WV Legislature passed Senate Bill 419, amending and reenacting sections of the Code to redirect certain employer surcharges and lottery revenues to the General Fund for periods prior to June 30, 2017. Subsequent to fiscal year 2017, the employer surcharges and lottery revenues, estimated to yield approximately \$50 million annually, will remain statutorily dedicated to the Old Fund until the deficit is eliminated.

### **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	
	2016	2015	2016	2015	2016	2015
Unpaid claims and claims adjustments expense at beginning 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>
Incurred claims and claims adjustments expense:						
Provision for insured events of the current fiscal year	66,740	62,342	556,952	555,751	1,297	292
Increase (decrease) in provision for insured events of prior fiscal years	(2,987)	5,803	(2,180)	320	123,795	(48,329)
Amortization of discount	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>66,268</u>	<u>81,378</u>
Total incurred claims and claims adjustment expense	<u>63,753</u>	<u>68,145</u>	<u>554,772</u>	<u>556,071</u>	<u>191,360</u>	<u>33,341</u>
Payments:						
Claims and claims adjustment expense attributable to insured events of the current fiscal year	12,863	11,146	500,897	474,120	381	13
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	<u>43,415</u>	<u>49,243</u>	<u>58,429</u>	<u>57,104</u>	<u>186,279</u>	<u>192,128</u>
Total payments	<u>56,278</u>	<u>60,389</u>	<u>559,326</u>	<u>531,224</u>	<u>186,660</u>	<u>192,141</u>
Total unpaid claims and claims adjustment expense liability, end of year	<u>\$168,435</u>	<u>\$160,960</u>	<u>\$ 73,523</u>	<u>\$ 78,077</u>	<u>\$1,573,300</u>	<u>\$1,568,600</u>

The above PEIA payments are net of pharmacy rebates of \$24,183 and \$17,622 for the years ended June 30, 2016 and June 30, 2015, 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 2016 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 \$14.9 million for fiscal year 2016. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense. At June 30, 2016, the total undiscounted claims liability for WCF approximated \$2.42 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 4.5% and 3%. If discounting of the WCF claims liability was limited to anticipated investment income, the claims liability would have increased by approximately \$490 million to a claims liability of approximately \$2.07 billion, and the total deficit would have increased to approximately \$410 million at June 30, 2016.

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.

On February 26, 2016, the WV Legislature passed Senate Bill 419, amending and reenacting Codes: §4-11A-18, §11-13A-3b, §11-13V-4, §11-21-96, §23-2C-3, §29-22A-10d, and §29-22A-10e, all relating to the termination of transfers of certain tax revenues to the Workers' Compensation Debt Reduction Fund; termination of additional severance taxes on coal, natural gas, and timber on or after July 1, 2016, and authorizing redirection of the additional severance tax revenues to the General Fund prior to the termination date, and authorizing redirection by Executive Order of amounts collected from employer surcharges and assessments on workers' compensation insurance policies for periods prior to June 30, 2017, and authorizing redirection of amounts collected from certain deposits of revenue derived from net terminal income for periods prior to June 30, 2017. Subsequent to fiscal year 2017, the employer surcharges and lottery revenues, estimated, to yield approximately \$50 million annually, will remain statutorily dedicated to the Old Fund until the deficit is eliminated.

### **Required Supplementary Information**

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

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

Board of Risk and Insurance Management  
1124 Smith Street  
Suite 4300  
Charleston, WV 25301

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

Workers' Compensation Fund  
c/o Offices of the Insurance Commissioner  
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 \$339.8 million at June 30, 2016. The estimated remediation costs is not expected to be liquidated by expendable available financial resources, so the obligation is reported as a liability in the governmental activities on the statement of net position. As such, the State has recorded in governmental activities the following liabilities related to the above programs at June 30, 2016 (expressed in thousands):

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Amount</u> <u>Due</u> <u>Within</u> <u>One Year</u>
Mine Reclamation Program	\$ 271,734	\$ —	\$ 54,183	\$ 217,551	\$ 68,295
Oil and Gas Well Program	362	115	—	477	477
Landfill Closure Assistance Program	120,712	—	1,948	118,764	7,295
Underground Storage Tanks	<u>3,183</u>	<u>—</u>	<u>165</u>	<u>3,018</u>	<u>—</u>
Total Environmental Liability	<u>\$ 395,991</u>	<u>\$ 115</u>	<u>\$ 56,296</u>	<u>\$ 339,810</u>	<u>\$ 76,067</u>

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

### Mine Reclamation Program

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

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

### Landfill Closure Assistance Program (LCAP)

The LCAP was established to provide landfill closure assistance to owners/permittees or landfills that were required to cease operations pursuant to certain statutory closure deadlines for 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, 2016, the liability is estimated at \$119 million and is projected to be paid through fiscal year 2052. In addition, the State, through the Solid Waste Management Board (the Board), operated one landfill that was closed in 1993. The Board made an application through the DEP for closure assistance from the LCAP. The Board's application was accepted by the LCAP and since then the LCAP has paid the landfill costs.

## Underground Storage Tank (UST) Program

The insurance fund for the operators of the underground storage tanks has discontinued accepting new operators into the fund. In response to a lawsuit filed against the fund, the fund's assets have largely been paid out on a pro rata share to those insured. DEP continues to pursue additional sources of money from the Governor and the Legislature that will allow the insured sites to be remediated in an approved voluntary remediation plan or other cost-effective manner. DEP's plan also requires the claimants to submit a schedule for the completion of the work, and it is DEP's objective to have a clearly determined date by which remediation will be accomplished at all sites and no further reimbursements required. In this regard, it should be noted that 10 of 58 sites insured have been issued "no further action" letters, meaning they have been cleaned up to the required standards and will no longer incur additional cost. DEP believes requiring these sites to participate in an approved plan that requires the most cost-effective method of cleanup will result in an overall cost savings to the State and still protect the public health and environment. In the spring of 2008, the Legislature appropriated \$4 million for the UST program. DEP has maintained an inventory of claims submitted that have not been approved for payment by the Underground Storage Tank Advisory Committee and DEP, and these invoices will be reviewed by a consultant before payment. DEP notified tank owners that it would reimburse owners for all approved past costs and reimburse the seven priority sites for any ongoing work. DEP has entered into formal agreements with 20 of the 48 site owners. The fund balance at June 30, 2016, was \$4.4 million and there were claims paid from the fund in fiscal year 2016 of approximately \$191 thousand. As of June 30, 2016, \$3 million has been recorded as a liability in the accompanying financial statements.

## Other Contingencies

In addition to the \$339.8 million in environmental protection claims, the State has recorded an obligation in the amount of \$108 million, of which \$13.6 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	\$ 743,730	Construction
Enterprise Funds:		
Water Pollution Control Revolving Fund	85,597	Committed for loans
West Virginia Infrastructure and Jobs Development Council	69,061	Funding of water and economic Development projects
Drinking Water Treatment Revolving Fund	12,158	Lending consistent with Safe Drinking Water Act
Discretely Presented Component Units:		
West Virginia Lottery	9,656	Capital assets and construction
Economic Development Authority	47,785	Committed for loans
Housing Development Fund	16,537	Committed for loans
Parkways	64,472	Turnpike improvements
Higher Education	93,961	Construction
School Building Authority	119,697	Acquisition, construction and maintenance grants to county school boards

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

West Virginia University (WVU) has signed an agreement providing for the purchase of steam for a remaining period of 14 years. Under the agreement, WVU has an annual minimum steam purchase requirement, purchased at an operating rate calculated in accordance with the agreement. An additional \$1.4 million was accrued at June 30, 2016 to record the WVU's liability to meet the minimum steam purchase requirement for the contract year ended September 30, 2016. Payments in future years will be dependent on actual operating costs and other cost indices in those years.

## *West Virginia*

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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 \$2.7 million at June 30, 2016, to fund the program obligations. Subsequent to year-end, the program received \$20.9 million from the Lottery and \$17.6 million in general revenue.

**NOTE 16**

**SUBSEQUENT EVENTS**

On August 1, 2016, 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 \$5,000,000.

On November 16, 2016, the School Building Authority issued \$21,255,000, Series 2016 B Lottery Capital Improvement Revenue Bonds, resulting in proceeds of \$25,285,685. The proceeds will be used to make grants to finance capital improvements to public schools located in the State.

On November 1, 2016, the Housing Development Fund redeemed various Housing Finance Bonds and General New Issue Bond Program Bonds in advance of the scheduled maturities at a par amount of \$7,265,000.

On December 15, 2016, the West Virginia University Research Corporation closed on a notes payable for \$36,090,000. The proceeds of the loan were used to reimburse West Virginia University for the purchase of the Beckley campus as well as for capital improvements to the campus.

On December 22, 2016, the Division of Highways issued the Surface Transportation Improvements Special Obligation Notes Series 2016 A bonds in the amount of \$53,380,000. The proceeds were used to construct the Rock Creek Development Park access road.

On December 20, 2016, the West Virginia Infrastructure and Jobs Development Council issued \$74,320,000, Series A 2016 Infrastructure Refunding Revenue Bonds. The proceeds of \$37,185,000 was used to refund the remaining balance of the 2006 Series A Bonds, \$7,855,000 was used to refund the remaining balance of the 2006 Series B Bonds, and \$33,560,000 was used to refund the remaining balance of the 2007 Series A Bonds.

On December 20, 2016, the West Virginia Water Development Authority issued \$51,105,000, Series A-II 2016 Water Development Refunding Revenue Bonds (Loan Program). The proceeds will be used to refund the 2005 Series A-II Bonds in the amount of \$13,345,000, the 2005 Series B-II Bonds in the amount of \$9,100,000, and the 2006 Series A Bonds in the amount of \$32,290,000. A portion of the proceeds was deposited into the 2005 Series A-II Escrow Account to pay principal and interest coming due and redemption price, if any, on the 2005 Series A-II To Be Refunded as described in the Escrow Agreement. A portion of the proceeds will be deposited into the 2005 Series B-II Escrow Account to pay the principal and interest due and redemption price, if any, on the 2005 Series B-II To Be Refunded as described in the Escrow Agreement. A portion of the proceeds was deposited into the 2006 Series A-II Escrow Account to pay the principal and interest coming due and redemption price, if any, on the 2006 Series A-II Bonds To Be Refunded as described in the Escrow Agreement.

On January 12, 2017, the State of West Virginia issued Infrastructure General Obligation Refunding Bonds, Series 2017 in the amount of \$28,215,000. The proceeds were used to refund all outstanding maturities of the Infrastructure General Obligation Refunding Bonds Series 2006 prior to their maturity and pay the principal, interest, and any premium on February 13, 2017.

On February 1, 2017, 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 \$6,010,000.

On April 19, 2017, the Housing Development Fund issued the Housing Finance 2017 Series A and B in the amount of \$39,505,000. Bond proceeds and other available funds in the amount of \$15,685,000 will be used to fully redeem the Housing Finance Bonds 2007 Series A on May 19, 2017. Bond proceeds in the amount of \$25,000,000 will be used to originate single family mortgage loans.



# **REQUIRED SUPPLEMENTARY INFORMATION (RSI)**

Budgetary Comparison  
Schedule

Notes to RSI

Budget-to-GAAP  
Reconciliation

Pension Information

*Tygart Lake, near Grafton in Taylor County, is home to Tygart Lake State Park. This 10-mile long, 1,750-acre lake offers many recreation opportunities.*

**Required Supplementary Information  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2016  
(Expressed in Thousands)**

	<b>General Revenue Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
Revenues:				
Taxes:				
Personal Income	\$ 1,860,500	\$1,860,500	\$ 1,803,311	\$ (57,189)
Consumer Sales	1,269,800	1,269,800	1,231,044	(38,756)
Severance	471,700	471,700	276,440	(195,260)
Corporate Income/Business Franchise	173,200	173,200	143,605	(29,595)
Business and Occupation	117,000	117,000	119,174	2,174
Gasoline and Motor Carrier	—	—	—	—
Wholesale Motor Fuel	—	—	—	—
Automobile Privilege	—	—	—	—
Other	250,850	250,850	245,211	(5,639)
Excess Lottery Transfer	83,355	83,355	84,164	809
Intergovernmental	—	—	—	—
Licenses, Permits, and Fees	8,921	8,921	8,743	(178)
Departmental Collections	18,100	18,100	19,029	929
Interest Income	15,000	15,000	2,509	(12,491)
Other	37,350	37,350	169,449	132,099
Industrial Access Road Transfer	—	—	—	—
<b>Total Revenues</b>	<b><u>4,305,776</u></b>	<b><u>4,305,776</u></b>	<b><u>4,102,679</u></b>	<b><u>(203,097)</u></b>
Expenditures:				
Legislature	23,655	23,655	17,239	6,416
Judicial	139,572	139,573	138,327	1,246
Executive	37,729	37,729	29,068	8,661
Department of Administration	61,974	59,151	58,759	392
Bureau of Commerce	59,774	59,774	52,082	7,692
Department of Environmental Protection	6,909	6,909	5,948	961
Education	2,367,179	2,369,244	2,326,948	42,296
Health and Human Resources	1,181,312	1,135,006	1,009,023	125,983
Military Affairs and Public Safety	361,978	353,478	323,497	29,981
Revenue	25,321	25,322	19,404	5,918
Transportation	6,130	6,130	2,070	4,060
Veteran's Assistance	11,041	11,041	9,949	1,092
Bureau of Senior Services	14,063	6,469	5,907	562
Miscellaneous Boards and Commissions	—	—	—	—
<b>Total Expenditures</b>	<b><u>4,296,637</u></b>	<b><u>4,233,481</u></b>	<b><u>3,998,221</u></b>	<b><u>235,260</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	9,139	72,295	104,458	32,163
Expenditures from Prior Year Appropriations	<u>404,418</u>	<u>404,418</u>	<u>194,342</u>	<u>210,076</u>
<b>Total Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year</b>	<b>(395,279)</b>	<b>(332,123)</b>	<b>(89,884)</b>	<b>242,239</b>
Budgetary Fund Balance, Beginning of Year, as Adjusted	401,750	401,750	401,750	—
Adjustments for Accruals, etc.	<u>—</u>	<u>—</u>	<u>611</u>	<u>611</u>
<b>Budgetary Fund Balance, End of Year</b>	<b><u>\$ 6,471</u></b>	<b><u>\$ 69,627</u></b>	<b><u>\$ 312,477</u></b>	<b><u>\$ 242,850</u></b>

Federal Revenue				State Road			
Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	438,000	419,800	396,397	(23,403)
—	—	—	—	—	—	—	—
—	—	—	—	189,031	189,031	206,247	17,216
4,868,212	4,746,779	4,100,254	(646,525)	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	429,000	467,885	396,426	(71,459)
—	—	—	—	92,286	92,286	86,983	(5,303)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	25,837	35,637	24,964	(10,673)
—	—	—	—	(3,000)	(3,000)	—	3,000
<u>4,868,212</u>	<u>4,746,779</u>	<u>4,100,254</u>	<u>(646,525)</u>	<u>1,171,154</u>	<u>1,201,639</u>	<u>1,111,017</u>	<u>(90,622)</u>
3,000	3,000	—	3,000	—	—	—	—
2,000	2,000	1,981	19	—	—	—	—
21,600	21,825	5,183	16,642	—	—	—	—
—	—	—	—	—	—	—	—
136,713	146,864	62,288	84,576	—	—	—	—
196,298	196,298	84,476	111,822	—	—	—	—
568,625	596,125	421,449	174,676	—	—	—	—
3,553,258	3,878,149	3,425,390	452,759	—	—	—	—
163,580	172,330	50,559	121,771	—	—	—	—
14,211	14,211	1,080	13,131	—	—	—	—
33,722	33,722	19,912	13,810	—	—	—	—
10,193	10,193	7,216	2,977	1,185,922	1,278,411	1,183,081	95,330
14,536	14,536	12,358	2,178	—	—	—	—
2,848	5,607	1,994	3,613	—	—	—	—
<u>4,720,584</u>	<u>5,094,860</u>	<u>4,093,886</u>	<u>1,000,974</u>	<u>1,185,922</u>	<u>1,278,411</u>	<u>1,183,081</u>	<u>95,330</u>
147,628	(348,081)	6,368	354,449	(14,768)	(76,772)	(72,064)	4,708
—	—	—	—	—	—	—	—
147,628	(348,081)	6,368	354,449	(14,768)	(76,772)	(72,064)	4,708
32,955	32,955	32,955	—	151,424	151,424	151,424	—
—	—	29	29	—	—	—	—
<u>\$ 180,583</u>	<u>\$ (315,126)</u>	<u>\$ 39,352</u>	<u>\$ 354,478</u>	<u>\$ 136,656</u>	<u>\$ 74,652</u>	<u>\$ 79,360</u>	<u>\$ 4,708</u>

(Continued)

**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2016**  
**(Expressed in Thousands)**  
**(Continued)**

	<b>Special Revenue Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
Revenues:				
Taxes:				
Personal Income	\$ —	\$ —	\$ —	\$ —
Consumer Sales	—	—	—	—
Severance	—	—	—	—
Corporate Income/Business Franchise	—	—	—	—
Business and Occupation	—	—	—	—
Gasoline and Motor Carrier	—	—	—	—
Wholesale Motor Fuel	—	—	—	—
Automobile Privilege	—	—	—	—
Other	—	—	—	—
Excess Lottery Transfer	—	—	—	—
Intergovernmental	—	—	—	—
Licenses, Permits, and Fees	—	—	—	—
Departmental Collections	2,144,573	1,806,978	1,588,326	(218,652)
Interest Income	—	—	—	—
Other	—	—	—	—
Industrial Access Road Transfer	—	—	—	—
<b>Total Revenues</b>	<b><u>2,144,573</u></b>	<b><u>1,806,978</u></b>	<b><u>1,588,326</u></b>	<b><u>(218,652)</u></b>
Expenditures:				
Legislature	4,845	4,097	1,895	2,202
Judicial	1,200	1,200	1,081	119
Executive	45,508	48,583	34,471	14,112
Department of Administration	183,174	183,424	157,320	26,104
Bureau of Commerce	48,918	52,218	29,850	22,368
Department of Environmental Protection	71,449	72,582	68,645	3,937
Education	232,737	237,737	203,610	34,127
Health and Human Resources	442,379	525,669	470,642	55,027
Military Affairs and Public Safety	36,964	37,139	26,448	10,691
Revenue	940,402	944,832	510,745	434,087
Transportation	17,751	17,751	13,452	4,299
Veteran's Assistance	3,130	3,130	2,615	515
Bureau of Senior Services	59,717	79,527	78,709	818
Miscellaneous Boards and Commissions	144,157	144,597	70,337	74,260
<b>Total Expenditures</b>	<b><u>2,232,331</u></b>	<b><u>2,352,486</u></b>	<b><u>1,669,820</u></b>	<b><u>682,666</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	(87,758)	(545,508)	(81,494)	464,014
Expenditures from Prior Year Appropriations	<u>70,991</u>	<u>70,991</u>	<u>24,033</u>	<u>46,958</u>
<b>Total Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year</b>	<b>(158,749)</b>	<b>(616,499)</b>	<b>(105,527)</b>	<b>510,972</b>
Budgetary Fund Balance, Beginning of Year, as Adjusted	2,809,983	2,809,983	2,809,983	—
Adjustments for Accruals, etc.	<u>—</u>	<u>—</u>	<u>2,591</u>	<u>2,591</u>
<b>Budgetary Fund Balance, End of Year</b>	<b><u>\$ 2,651,234</u></b>	<b><u>\$ 2,193,484</u></b>	<b><u>\$ 2,707,047</u></b>	<b><u>\$ 513,563</u></b>

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

#### **Budgetary Reporting**

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

#### **Budgetary Process**

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

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

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

In the event of higher than estimated revenue collections throughout the year, supplemental appropriation requests may be made to the Legislature. In FY 2015, Appropriated Special Revenue and Federal Funds were increased by total supplemental appropriations of \$487 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 \$368 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 2015 General Revenue were increased by approximately \$36 million for surplus appropriations. The \$36 million surplus appropriations are also reported as “Expenditures From Prior Year Appropriations.”

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

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

### **Budgetary Control**

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

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

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

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

## **Budgetary Funds**

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

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

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

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

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

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

**2015 Budgetary Reporting**

In FY 2016, \$14.4 million was transferred to the Rainy Day Fund.

The State's budgetary General Revenue Fund balance at July 1, 2015, has been adjusted as follows (expressed in thousands):

**General Revenue Fund:**

Beginning Fund Balance	\$ 381,159
Prior Year Refunds	348
Transfer from Expired Funds	26,660
Adjustment	<u>(6,417)</u>
Adjusted Beginning Fund Balance	<u>\$ 401,750</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, 2016, 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, 2016**  
**(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	\$ 4,102,679	\$ 4,100,254	\$ 1,111,017	\$ 1,588,326
<b>Differences – Budget to GAAP:</b>				
Intrafund transactions not included in GAAP revenues:	(4,970,101)	—	—	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	97,285	—	20,083	—
Basis of Accounting Difference	410,235	—	17,869	—
<b>Reclassifications:</b>				
Nonappropriated Budgetary Fund's Revenue included as revenue/transfers in the GAAP General, Transportation, and Other Funds	5,173,052	—	50,159	—
Budgetary special revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority and Other Funds	779,666	—	10,362	(1,588,326)
Budgetary federal funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority and Other Funds	<u>3,964,278</u>	<u>(4,100,254)</u>	<u>20,079</u>	<u>—</u>
<b>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds</b>	<b><u>\$9,557,094</u></b>	<b><u>\$ —</u></b>	<b><u>\$1,229,569</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	\$ 4,192,563	\$ 4,093,886	\$ 1,183,081	\$ 1,693,853
<b>Differences – Budget to GAAP:</b>				
Intrafund transactions not included in GAAP expenditures	(4,970,101)	—	—	—
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(218,311)	—	—	—
Basis of Accounting Difference	501,651	—	40,020	—
<b>Reclassifications:</b>				
Nonappropriated Budgetary Fund's exp./transfers out included as exp. in the GAAP General, Transportation, WV Infrastructure, and Other Funds	5,236,538	—	38,563	—
Budgetary general revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	(19,314)	—	5,489	—
Budgetary special revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	887,304	—	17,042	(1,693,853)
Budgetary federal revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	<u>3,963,273</u>	<u>(4,093,886)</u>	<u>20,127</u>	<u>—</u>
<b>Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds</b>	<b><u>\$ 9,573,603</u></b>	<b><u>\$ —</u></b>	<b><u>\$ 1,304,322</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, 2016**

	<u>PERS</u>	
	<u>2016</u>	<u>2015</u>
State's proportion of the net pension liability	67.99%	68.33%
State's proportionate share of the net pension liability	\$ 379,669	\$ 252,194
State's covered payroll	\$ 923,143	\$ 915,586
State's proportionate share of the net pension's liability as a percentage of its covered payroll	41.13%	27.54%
Plan fiduciary net position as a percentage of the total pension liability	91.29%	93.98%

	<u>TRS</u>	
	<u>2016</u>	<u>2015 as revised*</u>
State's proportion of the net pension liability	1.35%	1.35%
State's proportionate share of the net pension liability	\$ 46,931	\$ 46,438
State's covered payroll	\$ 306,699	\$ 343,570
State's proportionate share of the net pension's liability as a percentage of its covered payroll	15.30%	13.52%
Plan fiduciary net position as a percentage of the total pension liability	66.25%	65.95%

\* Note: Evaluation of the TRS allocation, see Note 2.

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 Three Fiscal Years**  
**(Expressed in Thousands)**

	<b>PERS</b>		
	<u><b>2016</b></u>	<u><b>2015</b></u>	<u><b>2014</b></u>
Contractually required contribution	\$ 126,530	\$ 129,240	\$ 132,760
Contributions in relation to the Contractually required contribution	<u>126,530</u>	<u>129,240</u>	<u>132,760</u>
Contribution deficiency (excess)	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
State's Covered-employee Payroll	\$ 937,259	\$ 923,143	\$ 915,586
Contributions as a percentage of Covered-employee Payroll	13.50%	14.00%	14.50%

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

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

	<b>TRS – State</b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
		<b><u>as revised*</u></b>	<b><u>as revised*</u></b>
Contractually required contribution	\$ 6,043	\$ 6,662	\$ 6,922
Contributions in relation to the contractually required contribution	<u>6,043</u>	<u>6,662</u>	<u>6,922</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered-employee payroll	\$ 312,801	\$ 306,699	\$ 343,570
Contributions as a percentage of covered-employee payroll	1.93%	2.17%	2.01%

\* Note: Evaluation of the TRS allocation, see Note 2.

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 Three Fiscal Years**  
**(Expressed in Thousands)**

	<b>TRS – Special Funding Situation</b>		
	<b>2016</b>	<b>2015</b> <b>as revised*</b>	<b>2014</b> <b>as revised*</b>
Statutorily required contribution	\$ 392,714	\$ 458,452	\$ 484,159
Contributions in relation to the statutorily required contribution	<u>392,714</u>	<u>458,452</u>	<u>484,159</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

\* Note: Evaluation of the TRS allocation, see Note 2.

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

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

<u>Year Ended</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>					
2016	\$ 13,209	\$ 13,977	\$ (768)	\$ 3,713	376.43 %
2015	20,860	21,668	(808)	5,120	423.20 %
2014	25,146	26,218	(1,072)	5,988	437.84 %
2013	15,162	16,210	(1,048)	6,779	239.12 %
2012	22,051	23,297	(1,246)	8,001	291.18 %
2011	25,940	25,131	809	8,960	280.48 %
2010	12,416	12,169	247	10,215	119.13 %
2009	4,018	4,679	(661)	10,400	44.99 %
2008	5,693	5,352	341	10,997	48.67 %
2007	6,227	6,024	203	11,128	54.13 %
<b>SPRS</b>					
2016	\$ 3,402	\$ 3,887	\$ (485)	\$ 31,792	12.23 %
2015	3,183	4,060	(877)	29,574	13.73 %
2014	3,363	4,049	(686)	27,701	14.62 %
2013	3,802	4,193	(391)	27,670	15.15 %
2012	3,837	4,544	(707)	24,725	18.38 %
2011	4,387	4,570	(183)	23,635	19.34 %
2010	4,642	3,005	1,637	22,382	13.43 %
2009	3,446	2,340	1,106	20,285	11.54 %
2008	2,161	2,318	(157)	18,850	12.30 %
2007	1,613	2,176	(563)	15,870	13.71 %
<b>JRS</b>					
2016	\$ 739	\$ 739	\$ —	\$ 8,870	8.33 %
2015	2,845	2,845	—	9,248	30.76 %
2014	2,456	2,456	—	8,870	27.69 %
2013	2,422	2,422	—	8,860	27.34 %
2012	2,740	3,997	(1,257)	8,860	45.11 %
2011	3,454	3,954	(500)	8,256	47.89 %
2010	2,879	3,854	(975)	8,140	47.35 %
2009	2,763	6,034	(3,271)	8,261	73.04 %
2008	3,267	6,034	(2,767)	8,261	73.04 %
2007	4,204	6,034	(1,830)	8,029	75.15 %

**Notes:**

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

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

	<u>SPDDRS</u>	<u>SPDDRS</u>
	<u>2016</u>	<u>2015</u>
<b>Total pension liability: *</b>		
Service cost	\$ 1,774	\$ 2,215
Interest	50,748	49,778
Difference between actual and expected experience	4,344	—
Benefit payments	<u>(39,708)</u>	<u>(37,565)</u>
Net change in total pension liability	17,158	14,428
Total pension liability – beginning	<u>694,359</u>	<u>679,931</u>
Total pension liability – ending (a)	<u>711,517</u>	<u>694,359</u>
Plan fiduciary net position:		
Contributions – employer	21,668	26,955
Contributions – member	445	545
Net investment income	22,866	90,872
Benefit payments	(39,708)	(37,565)
Administrative expense	(51)	(52)
Other	<u>861</u>	<u>—</u>
Net change in plan fiduciary net position	6,081	80,755
Plan fiduciary net position – beginning	<u>601,077</u>	<u>520,322</u>
Plan fiduciary net position – ending (b)	<u>607,158</u>	<u>601,077</u>
State's net pension liability (asset) – ending (a) - (b)	<u>\$ 104,359</u>	<u>\$ 93,282</u>
Plan fiduciary net position as a percentage of total pension liability	85.33%	86.57%
Covered-employee payroll	\$ 5,120	\$ 5,988
State's net pension liability (asset) as a percentage of covered-employee payroll	2038.28%	1557.82%

\*The measurement date for the information presented above is 6/30/15 and 6/30/14, respectively.

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

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

	<u>SPRS</u>	<u>SPRS</u>
	<u>2016</u>	<u>2015</u>
<b>Total pension liability: *</b>		
Service cost	\$ 6,337	\$ 5,890
Interest	9,024	8,021
Difference between actual and expected experience	(201)	—
Benefit payments	<u>(1,051)</u>	<u>(913)</u>
Net change in total pension liability	14,109	12,998
Total pension liability – beginning	<u>114,501</u>	<u>101,503</u>
Total pension liability – ending (a)	<u>128,610</u>	<u>114,501</u>
Plan fiduciary net position:		
Contributions – employer	4,060	4,049
Contributions – member	3,609	3,630
Net investment income	4,972	17,756
Benefit payments	(1,051)	(913)
Administrative expense	(45)	(42)
Other	<u>—</u>	<u>—</u>
Net change in plan fiduciary net position	11,545	24,480
Plan fiduciary net position – beginning	<u>120,572</u>	<u>96,092</u>
Plan fiduciary net position – ending (b)	<u>132,117</u>	<u>120,572</u>
State's net pension liability (asset) – ending (a) - (b)	<u>\$ (3,507)</u>	<u>\$ (6,071)</u>
Plan fiduciary net position as a percentage of total pension liability	102.73%	105.30%
Covered-employee payroll	\$ 29,574	\$ 27,701
State's net pension liability (asset) as a percentage of covered-employee payroll	(11.86%)	(21.92%)

\*The measurement date for the information presented above is 6/30/15 and 6/30/14, respectively.

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

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

	<u>JRS</u>	<u>JRS</u>
	<u>2016</u>	<u>2015</u>
<b>Total pension liability: *</b>		
Service cost	\$ 2,812	\$ 2,819
Interest	8,458	7,978
Difference between actual and expected experience	(6,506)	—
Benefit payments	<u>(4,313)</u>	<u>(4,455)</u>
Net change in total pension liability	451	6,342
Total pension liability – beginning	<u>112,081</u>	<u>105,739</u>
Total pension liability – ending (a)	<u>112,532</u>	<u>112,081</u>
Plan fiduciary net position:		
Contributions – employer	2,845	2,456
Contributions – member	413	426
Net investment income	6,525	25,263
Benefit payments	(4,313)	(4,455)
Administrative expense	(6)	(7)
Other	<u>—</u>	<u>80</u>
Net change in plan fiduciary net position	5,464	23,763
Plan fiduciary net position – beginning	<u>165,239</u>	<u>141,476</u>
Plan fiduciary net position – ending (b)	<u>170,703</u>	<u>165,239</u>
State's net pension liability (asset) – ending (a) - (b)	<u>\$ (58,171)</u>	<u>\$ (53,158)</u>
Plan fiduciary net position as a percentage of total pension liability	151.69%	147.43%
Covered-employee payroll	\$ 9,248	\$ 8,870
State's net pension liability (asset) as a percentage of covered-employee payroll	(629.01%)	(599.30%)

\*The measurement date for the information presented above is 6/30/15 and 6/30/14, respectively.

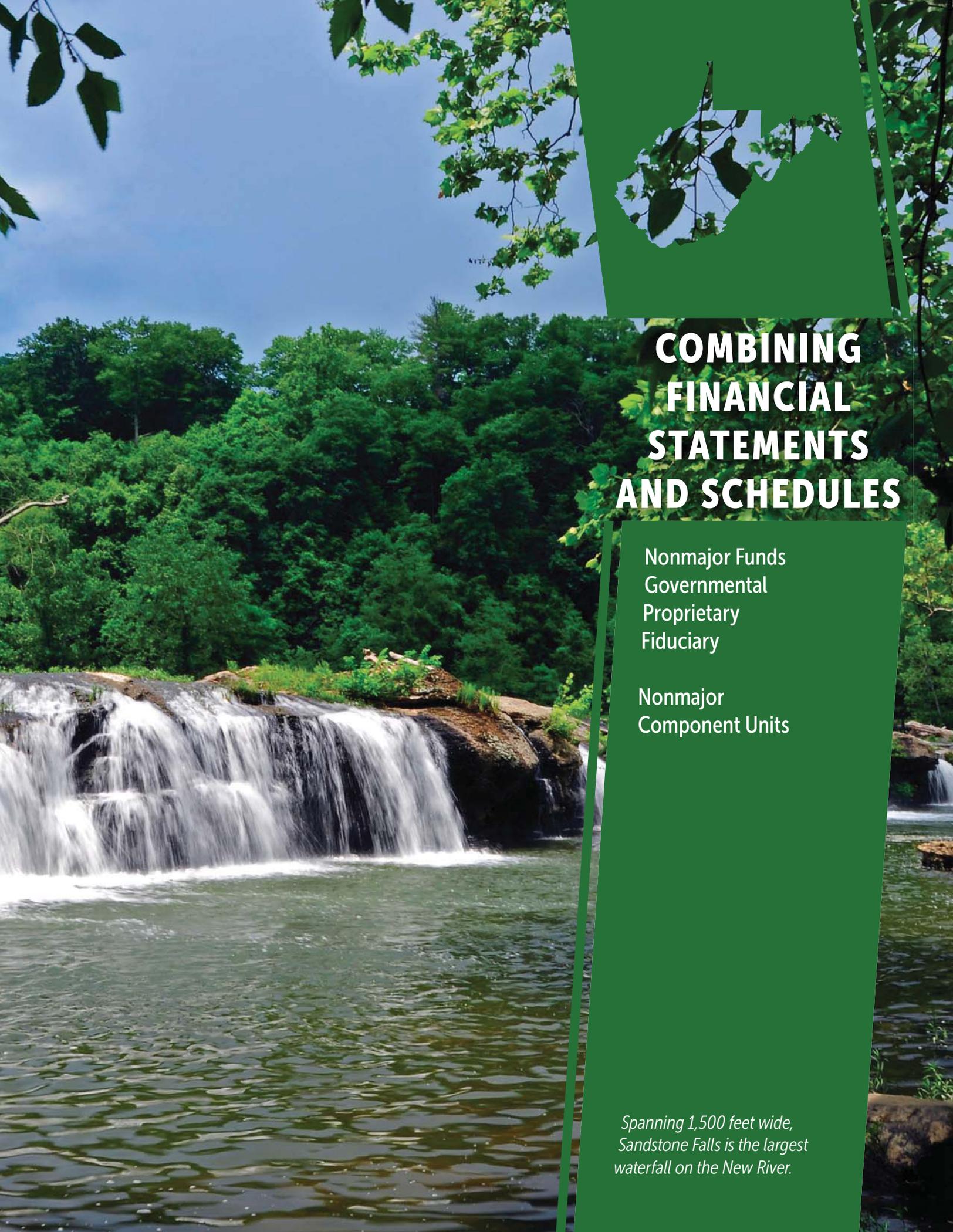
Note: This schedule is intended to show 10 years. Additional years will be added as they become available.

## Notes to Required Supplementary Information

### Changes in Assumptions

An experience study, which was based on the years 2009 through 2014, was completed prior to the 2015 actuarial valuation. As a result, several assumptions were changed for the actuarial valuation for the year ending June 30, 2015 as follows:

	<u>2015</u>	<u>2014</u>
Projected salary increases		
State	3.00% – 4.6%	4.25-6.0%
Nonstate	3.35% – 6.0%	4.25-6.0%
Mortality rates	Healthy males – 110% of RP-2000 healthy annuitant table projected Scale AA; healthy females –101% of RP-2000 healthy annuitant table projected Scale AA; disabled male96% of RP-2000 disabled annuitant table projected with Scale AA disabled females – 107% of RP-2000 disabled annuitant table, projected with Scale AA	Healthy males – 1983 GAM Healthy females-1971 set back 1 yr, disabled GAM males – 1971 GAM set forward 8 yrs, Disabled females – Revenue ruling 96-7
Withdrawal rates		
State	1.75-35.1%	1-26%
Nonstate	2-35.8%	2-31.2%
Disability rates	0-.675%	0-.8%



# COMBINING FINANCIAL STATEMENTS AND SCHEDULES

Nonmajor Funds  
Governmental  
Proprietary  
Fiduciary

Nonmajor  
Component Units

*Spanning 1,500 feet wide,  
Sandstone Falls is the largest  
waterfall on the New River.*



# *GOVERNMENTAL FUND TYPES - NONMAJOR*

## **Special Revenue:**

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

## **Debt Service:**

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

## **Capital Projects:**

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

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

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

## **Permanent Funds:**

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

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

# West Virginia

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**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2016**  
**(Expressed in Thousands)**

	<b><u>Special</u></b>	<b><u>Debt</u></b>
	<b><u>Revenue</u></b>	<b><u>Service</u></b>
Assets:		
Cash and Cash Equivalents	\$ 368,503	\$ 52,524
Investments	103,943	—
Receivables, Net	8,510	11
Due from Other Governments	1,741	—
Due from Other Funds	153	—
Due from Component Units	64	1,055
Inventories	48	—
Restricted Assets:		
Cash and Cash Equivalents	<u>1,448</u>	<u>1</u>
Total Assets	<u>\$ 484,410</u>	<u>\$ 53,591</u>
Liabilities:		
Accounts Payable	\$ 24,267	\$ —
Accrued and Other Liabilities	20,526	—
Due to Other Governments	8,609	—
Due to Other Funds	<u>28,929</u>	<u>—</u>
Total Liabilities	<u>82,331</u>	<u>—</u>
Fund Balances:		
Nonspendable:		
Inventories	48	—
Permanent Fund	—	—
Restricted for:		
Capital Projects	—	—
Debt Service	—	53,591
Development, Tourism, and Recreation	54,591	—
Education	—	—
Public Protection	51,334	—
Committed to:		
General Government Operations	1,796	—
Public Protection	299,757	—
Assigned to:		
Public Protection	4,506	—
Unassigned	<u>(9,953)</u>	<u>—</u>
Total Fund Balances	<u>402,079</u>	<u>53,591</u>
Total Liabilities and Fund Balances	<u>\$ 484,410</u>	<u>\$ 53,591</u>

Capital Projects		Permanent Fund	
Education, Arts, Sciences and Tourism Fund	Lease Purchase Account	Irreducible School	Total
\$ 2,065	\$ 10,269	\$ 1,584	\$ 434,945
—	—	—	103,943
—	2	—	8,523
—	—	—	1,741
—	—	—	153
—	—	—	1,119
—	—	—	48
—	—	—	1,449
<u>\$ 2,065</u>	<u>\$ 10,271</u>	<u>\$ 1,584</u>	<u>\$ 551,921</u>
\$ 3	\$ —	\$ —	\$ 24,270
—	—	—	20,526
—	—	—	8,609
—	—	—	28,929
<u>3</u>	<u>—</u>	<u>—</u>	<u>82,334</u>
—	—	—	48
—	—	1,000	1,000
2,062	10,271	—	12,333
—	—	—	53,591
—	—	—	54,591
—	—	584	584
—	—	—	51,334
—	—	—	1,796
—	—	—	299,757
—	—	—	4,506
—	—	—	(9,953)
<u>2,062</u>	<u>10,271</u>	<u>1,584</u>	<u>469,587</u>
<u>\$ 2,065</u>	<u>\$ 10,271</u>	<u>\$ 1,584</u>	<u>\$ 551,921</u>

## West Virginia

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**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2016  
(Expressed in Thousands)**

	<b><u>Special Revenue</u></b>	<b><u>Debt Service</u></b>
Revenues:		
Intergovernmental	\$ 143,328	\$ —
Licenses, Permits, and Fees	132,091	—
Charges for Services	43	—
Lottery Revenue	—	10,654
Investment Earnings	2,015	92
Other	<u>6,101</u>	<u>—</u>
Total Revenues	<u>283,578</u>	<u>10,746</u>
Expenditures:		
Legislative	1,948	—
Administration	—	3
Environmental Protection	145,202	—
Employment Programs	48,968	—
Military Affairs and Public Safety	—	1
Revenue	25,788	—
Veterans Assistance	—	1
Regulatory Boards and Commissions	22,996	1
Capital Outlay	—	—
Debt Service:		
Principal	—	43,440
Interest	<u>—</u>	<u>31,539</u>
Total Expenditures	<u>244,902</u>	<u>74,985</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>38,676</u>	<u>(64,239)</u>
Other Financing Sources (Uses):		
Transfers In	6,080	65,322
Transfers Out	<u>(62,662)</u>	<u>(1,465)</u>
Total Other Financing Sources (Uses)	<u>(56,582)</u>	<u>63,857</u>
Net Changes in Fund Balances	(17,906)	(382)
Fund Balances, Beginning of Year	<u>419,985</u>	<u>53,973</u>
Fund Balances, End of Year	<u>\$ 402,079</u>	<u>\$ 53,591</u>

Capital Projects		Permanent Fund	
Education, Arts, Sciences and Tourism Fund	Lease Purchase Account	Irreducible School	Total
\$ —	\$ —	\$ —	\$ 143,328
—	—	—	132,091
—	—	14	57
—	—	—	10,654
1	14	1	2,123
<u>—</u>	<u>—</u>	<u>569</u>	<u>6,670</u>
<u>1</u>	<u>14</u>	<u>584</u>	<u>294,923</u>
—	—	—	1,948
—	—	—	3
—	—	—	145,202
—	—	—	48,968
—	—	—	1
—	—	—	25,788
—	—	—	1
—	—	—	22,997
952	—	—	952
—	—	—	43,440
<u>—</u>	<u>—</u>	<u>—</u>	<u>31,539</u>
<u>952</u>	<u>—</u>	<u>—</u>	<u>320,839</u>
<u>(951)</u>	<u>14</u>	<u>584</u>	<u>(25,916)</u>
—	—	—	71,402
<u>—</u>	<u>—</u>	<u>(1,174)</u>	<u>(65,301)</u>
<u>—</u>	<u>—</u>	<u>(1,174)</u>	<u>6,101</u>
(951)	14	(590)	(19,815)
<u>3,013</u>	<u>10,257</u>	<u>2,174</u>	<u>489,402</u>
<u>\$ 2,062</u>	<u>\$ 10,271</u>	<u>\$ 1,584</u>	<u>\$ 469,587</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, 2016  
(Expressed in Thousands)**

	<b><u>Environmental Protection</u></b>	<b><u>Public Service Commission</u></b>	<b><u>Crime Victims' Compensation</u></b>
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 305,412	\$ 27,923	\$ 1,894
Investments	49,600	—	—
Receivables, Net	4,049	246	6
Due from Other Governments	—	1,741	—
Due from Other Funds	—	26	—
Due from Component Units	—	—	—
Inventories	—	—	—
<b>Restricted Assets:</b>			
Cash and Cash Equivalents	<u>324</u>	<u>1,124</u>	<u>—</u>
<b>Total Assets</b>	<b><u>\$ 359,385</u></b>	<b><u>\$ 31,060</u></b>	<b><u>\$ 1,900</u></b>
<b>Liabilities:</b>			
Accounts Payable	\$ 14,909	\$ 8,844	\$ 104
Accrued and Other Liabilities	16,338	1,397	—
Due to Other Governments	1,188	7,066	—
Due to Other Funds	<u>96</u>	<u>7,964</u>	<u>—</u>
<b>Total Liabilities</b>	<b><u>32,531</u></b>	<b><u>25,271</u></b>	<b><u>104</u></b>
<b>Fund Balances (Deficits):</b>			
<b>Nonspendable:</b>			
Inventories	—	—	—
<b>Restricted for:</b>			
Development, Tourism, and Recreation	—	—	—
Public Protection	48,726	2,608	—
<b>Committed to:</b>			
General Government Operations	—	—	1,796
Public Protection	273,643	3,160	—
<b>Assigned to:</b>			
Public Protection	4,485	21	—
Unassigned	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Fund Balances (Deficits)</b>	<b><u>326,854</u></b>	<b><u>5,789</u></b>	<b><u>1,796</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 359,385</u></b>	<b><u>\$ 31,060</u></b>	<b><u>\$ 1,900</u></b>

<u>Insurance Commission</u>	<u>WORKFORCE West Virginia</u>	<u>Wildlife Resources Fund</u>	<u>Total</u>
\$ 30,304	\$ 2,950	\$ 20	\$ 368,503
—	—	54,343	103,943
3,968	13	228	8,510
—	—	—	1,741
—	127	—	153
—	64	—	64
—	48	—	48
<u>—</u>	<u>—</u>	<u>—</u>	<u>1,448</u>
<u>\$ 34,272</u>	<u>\$ 3,202</u>	<u>\$ 54,591</u>	<u>\$ 484,410</u>
\$ —	\$ 410	\$ —	\$ 24,267
1,329	1,462	—	20,526
—	355	—	8,609
<u>9,989</u>	<u>10,880</u>	<u>—</u>	<u>28,929</u>
<u>11,318</u>	<u>13,107</u>	<u>—</u>	<u>82,331</u>
—	48	—	48
—	—	54,591	54,591
—	—	—	51,334
—	—	—	1,796
22,954	—	—	299,757
—	—	—	4,506
<u>—</u>	<u>(9,953)</u>	<u>—</u>	<u>(9,953)</u>
<u>22,954</u>	<u>(9,905)</u>	<u>54,591</u>	<u>402,079</u>
<u>\$ 34,272</u>	<u>\$ 3,202</u>	<u>\$ 54,591</u>	<u>\$ 484,410</u>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Fiscal Year Ended June 30, 2016  
(Expressed in Thousands)**

	<u>Environmental Protection</u>	<u>Public Service Commission</u>	<u>Crime Victims' Compensation</u>
Revenues:			
Intergovernmental	\$ 92,927	\$ 2,325	\$ —
Licenses, Permits, and Fees	75,366	18,307	1,423
Charges for Services	—	43	—
Investment Earnings and Losses	2,000	—	23
Other	<u>6,069</u>	<u>—</u>	<u>32</u>
Total Revenues	<u>176,362</u>	<u>20,675</u>	<u>1,478</u>
Expenditures:			
Legislative	—	—	1,948
Environmental Protection	145,202	—	—
Employment Programs	—	—	—
Revenue	—	—	—
Regulatory Boards and Commissions	<u>—</u>	<u>22,996</u>	<u>—</u>
Total Expenditures	<u>145,202</u>	<u>22,996</u>	<u>1,948</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>31,160</u>	<u>(2,321)</u>	<u>(470)</u>
Other Planning Sources (Uses):			
Transfers In	1,080	—	—
Transfers Out	<u>(23,249)</u>	<u>(5,111)</u>	<u>(2)</u>
Total Other Financing Sources (Uses)	<u>(22,169)</u>	<u>(5,111)</u>	<u>(2)</u>
Net Change in Fund Balances	8,991	(7,432)	(472)
Fund Balances (Deficits), Beginning of Year	<u>317,863</u>	<u>13,221</u>	<u>2,268</u>
Fund Balances (Deficits), End of Year	<u>\$ 326,854</u>	<u>\$ 5,789</u>	<u>\$ 1,796</u>

<u>Insurance Commission</u>	<u>WORKFORCE West Virginia</u>	<u>Wildlife Resources Fund</u>	<u>Total</u>
\$ —	\$ 48,076	\$ —	\$ 143,328
36,353	—	642	132,091
—	—	—	43
11	—	(19)	2,015
<u>—</u>	<u>—</u>	<u>—</u>	<u>6,101</u>
<u>36,364</u>	<u>48,076</u>	<u>623</u>	<u>283,578</u>
—	—	—	1,948
—	—	—	145,202
—	48,968	—	48,968
25,788	—	—	25,788
<u>—</u>	<u>—</u>	<u>—</u>	<u>22,996</u>
<u>25,788</u>	<u>48,968</u>	<u>—</u>	<u>244,902</u>
<u>10,576</u>	<u>(892)</u>	<u>623</u>	<u>38,676</u>
5,000	—	—	6,080
<u>(33,600)</u>	<u>—</u>	<u>(700)</u>	<u>(62,662)</u>
<u>(28,600)</u>	<u>—</u>	<u>(700)</u>	<u>(56,582)</u>
(18,024)	(892)	(77)	(17,906)
<u>40,978</u>	<u>(9,013)</u>	<u>54,668</u>	<u>419,985</u>
<u>\$ 22,954</u>	<u>\$ (9,905)</u>	<u>\$ 54,591</u>	<u>\$ 402,079</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.

# West Virginia

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**Combining Balance Sheet**  
**Nonmajor Debt Service Funds**  
**June 30, 2016**  
(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	\$ —	\$ 4	\$ 6,823	\$ 45,697	\$ 52,524
Receivables, Net	—	—	—	11	11
Due from Component Units	—	1,000	55	—	1,055
Restricted Assets:					
Cash	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1</u>
Total Assets	<u>\$ 1</u>	<u>\$ 1,004</u>	<u>\$ 6,878</u>	<u>\$ 45,708</u>	<u>\$ 53,591</u>
Fund Balances:					
Restricted for Debt Service	<u>\$ 1</u>	<u>\$ 1,004</u>	<u>\$ 6,878</u>	<u>\$ 45,708</u>	<u>\$ 53,591</u>
Total Fund Balances	<u>\$ 1</u>	<u>\$ 1,004</u>	<u>\$ 6,878</u>	<u>\$ 45,708</u>	<u>\$ 53,591</u>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Debt Service Funds  
For the Fiscal Year Ended June 30, 2016  
(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>14</u>	<u>1</u>	<u>12</u>	<u>65</u>	<u>92</u>
Total Revenues	<u>14</u>	<u>9,996</u>	<u>671</u>	<u>65</u>	<u>10,746</u>
Expenditures:					
Administration	—	—	3	—	3
Military Affairs and Public Safety	—	—	1	—	1
Veterans Assistance	—	—	1	—	1
Regulatory Boards and Commissions	—	—	1	—	1
Debt Service:					
Principal	16,405	3,130	13,800	10,105	43,440
Interest	<u>5,663</u>	<u>6,865</u>	<u>10,401</u>	<u>8,610</u>	<u>31,539</u>
Total Expenditures	<u>22,068</u>	<u>9,995</u>	<u>24,207</u>	<u>18,715</u>	<u>74,985</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(22,054)</u>	<u>1</u>	<u>(23,536)</u>	<u>(18,650)</u>	<u>(64,239)</u>
Other Financing Sources (Uses):					
Transfers In	22,500	—	23,836	18,986	65,322
Transfers Out	<u>(1,465)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,465)</u>
Total Other Financing Sources	<u>21,035</u>	<u>—</u>	<u>23,836</u>	<u>18,986</u>	<u>63,857</u>
Net Change in Fund Balances	(1,019)	1	300	336	(382)
Fund Balances, Beginning of Year	<u>1,020</u>	<u>1,003</u>	<u>6,578</u>	<u>45,372</u>	<u>53,973</u>
Fund Balances, End of Year	<u>\$ 1</u>	<u>\$ 1,004</u>	<u>\$ 6,878</u>	<u>\$ 45,708</u>	<u>\$ 53,591</u>



# *INTERNAL SERVICE FUNDS FINANCIAL STATEMENTS*

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

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

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

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

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

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

**Combining Statement of Fund Net Position  
Internal Service Funds  
June 30, 2016  
(Expressed in Thousands)**

	State Building Fund	Information Services and Communication	Travel Management	Enterprise Readiness Planning Board	Investment Management Board	Board of Treasury Investments	Total
<b>Assets:</b>							
<b>Current Assets:</b>							
Cash and Cash Equivalents	\$ 3,835	\$ 8,516	\$ 3,452	\$ 3,886	\$ 3,853	\$ 753	\$ 24,295
Receivables, Net	105	445	2	—	8,677	570	9,799
Due from Other Funds	5	4,851	101	1,008	—	—	5,965
Due from Component Units	—	229	1	112	—	—	342
Inventories	529	455	—	—	—	—	984
Other Assets	—	—	—	—	68	—	68
<b>Restricted Assets:</b>							
Cash and Cash Equivalents	—	—	2,558	—	—	—	2,558
<b>Total Current Assets</b>	<b>4,474</b>	<b>14,496</b>	<b>6,114</b>	<b>5,006</b>	<b>12,598</b>	<b>1,323</b>	<b>44,011</b>
<b>Noncurrent Assets:</b>							
<b>Restricted Assets:</b>							
Cash and Cash Equivalents	41,902	—	—	—	—	—	41,902
Capital Assets, Net	172,967	2,486	19,125	74,603	328	4	269,513
<b>Total Noncurrent Assets</b>	<b>214,869</b>	<b>2,486</b>	<b>19,125</b>	<b>74,603</b>	<b>328</b>	<b>4</b>	<b>311,415</b>
<b>Total Assets</b>	<b>219,343</b>	<b>16,982</b>	<b>25,239</b>	<b>79,609</b>	<b>12,926</b>	<b>1,327</b>	<b>355,426</b>
<b>Deferred Outflows of Resources:</b>							
Related to Pensions	876	2,481	143	1,150	—	—	4,650
<b>Total Deferred Outflows of Resources</b>	<b>876</b>	<b>2,481</b>	<b>143</b>	<b>1,150</b>	<b>—</b>	<b>—</b>	<b>4,650</b>
<b>Liabilities:</b>							
<b>Current Liabilities:</b>							
Accounts Payable	6,768	2,219	968	3,093	8,499	503	22,050
Accrued and Other Liabilities	164	393	35	92	—	—	684
Due to Other Governments	67	205	15	11	—	—	298
Due to Other Funds	3,038	8,047	397	159	—	—	11,641
Due to Component Units	—	—	—	—	—	10	10
Capital Leases and Other Debt	125	431	6,042	—	—	—	6,598
Capital Leases Payable to Component Units	545	—	—	—	—	—	545
<b>Total Current Liabilities</b>	<b>10,707</b>	<b>11,295</b>	<b>7,457</b>	<b>3,355</b>	<b>8,499</b>	<b>513</b>	<b>41,826</b>
<b>Noncurrent Liabilities:</b>							
Capital Leases and Other Debt	2,722	1,305	9,005	—	—	—	13,032
Capital Leases Payable to Component Units	58,050	—	—	—	—	—	58,050
Net Pension Liability	1,651	4,642	283	881	—	—	7,457
Compensated Absences	341	1,077	63	523	—	—	2,004
<b>Total Noncurrent Liabilities</b>	<b>62,764</b>	<b>7,024</b>	<b>9,351</b>	<b>1,404</b>	<b>—</b>	<b>—</b>	<b>80,543</b>
<b>Total Liabilities</b>	<b>73,471</b>	<b>18,319</b>	<b>16,808</b>	<b>4,759</b>	<b>8,499</b>	<b>513</b>	<b>122,369</b>
<b>Deferred Inflows of Resources:</b>							
Related to Pensions	571	1,604	98	299	—	—	2,572
<b>Total Deferred Inflows of Resources</b>	<b>571</b>	<b>1,604</b>	<b>98</b>	<b>299</b>	<b>—</b>	<b>—</b>	<b>2,572</b>
<b>Net Position:</b>							
Net Investment in Capital Assets	128,512	883	6,636	74,603	328	4	210,966
Restricted for Capital Projects	41,902	—	—	—	—	—	41,902
Restricted for General Government Operations	—	—	2,558	—	—	—	2,558
Unrestricted (Deficit)	(24,237)	(1,343)	(718)	1,098	4,099	810	(20,291)
<b>Total Net Position (Deficit)</b>	<b>\$146,177</b>	<b>\$ (460)</b>	<b>\$ 8,476</b>	<b>\$ 75,701</b>	<b>\$ 4,427</b>	<b>\$ 814</b>	<b>\$ 235,135</b>

**Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Position**

**Internal Service Funds**

**For the Fiscal Year Ended June 30, 2016**

(Expressed in Thousands)

	<b>State Building Fund</b>	<b>Information Services and Communication</b>	<b>Travel Management</b>	<b>Enterprise Readiness Planning Board</b>	<b>Investment Management Board</b>	<b>Board of Treasury Investments</b>	<b>Total</b>
Operating Revenues:							
Charges for Services	\$ 17,155	\$ 42,594	\$ 9,545	\$ 8,369	\$ 45,542	\$ 2,782	\$ 125,987
Operating Expenses:							
Cost of Sales and Services	20,092	34,124	1,718	9,490	41,142	2,384	108,950
General and Administration	367	2,299	679	821	4,295	266	8,727
Pension Expense	351	431	106	472	—	—	1,360
Depreciation and Amortization	4,243	1,072	8,305	5,347	99	1	19,067
Total Operating Expenses	25,053	37,926	10,808	16,130	45,536	2,651	138,104
Operating Income (Loss)	(7,898)	4,668	(1,263)	(7,761)	6	131	(12,117)
Nonoperating Revenues (Expenses):							
Gain (Loss) on Sale of Equipment	(12)	—	(100)	—	—	—	(112)
Investment Income	35	—	—	—	2	—	37
Interest Expense	(2,127)	(31)	—	—	—	—	(2,158)
Lottery Revenues	5,764	—	—	—	—	—	5,764
Other Nonoperating Revenues	—	—	301	—	—	—	301
Total Nonoperating Revenues (Expenses), Net	3,660	(31)	201	—	2	—	3,832
Income (Loss) Before Capital Contributions and Transfers	(4,238)	4,637	(1,062)	(7,761)	8	131	(8,285)
Capital Contributions and Transfers:							
Capital Contribution	2,552	—	—	—	—	—	2,552
Transfers In	13,793	—	1,100	—	—	—	14,893
Transfers Out	(7,503)	—	—	—	—	—	(7,503)
Total Transfers	8,842	—	1,100	—	—	—	9,942
Change in Net Position	4,604	4,637	38	(7,761)	8	131	1,657
Net Position (Deficit), Beginning of Year	141,573	(5,097)	8,438	83,462	4,419	683	233,478
Net Position (Deficit), End of Year	\$ 146,177	\$ (460)	\$ 8,476	\$ 75,701	\$ 4,427	\$ 814	\$ 235,135

# West Virginia

## Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2016 (Expressed in Thousands)

	<u>State Building Fund</u>	<u>Information Services and Communication</u>	<u>Travel Management</u>	<u>Enterprise Readiness Planning Board</u>	<u>Investment Management Board</u>	<u>Board of Treasury Investments</u>	<u>Total</u>
Cash Flows from Operating Activities:							
Receipts from Customers	\$ 17,302	\$ 43,547	\$ 9,688	\$ 8,027	\$ 45,795	\$ 2,731	\$127,090
Payments to Suppliers	(17,255)	(24,594)	(775)	(4,589)	(42,311)	(2,977)	(92,501)
Payments to Employees	(5,552)	(14,989)	(1,025)	(3,112)	(3,430)	—	(28,108)
Net Cash Provided by (Used for) Operating Activities	<u>(5,505)</u>	<u>3,964</u>	<u>7,888</u>	<u>326</u>	<u>54</u>	<u>(246)</u>	<u>6,481</u>
Cash Flows from Noncapital Financing Activities:							
Transfers In	19,557	—	1,101	—	—	—	20,658
Transfers Out	(7,503)	—	—	—	—	—	(7,503)
Net Cash Provided by Noncapital Financing Activities	<u>12,054</u>	<u>—</u>	<u>1,101</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,155</u>
Cash Flows from Capital and Related Financing Activities:							
Proceeds from Sale of Capital Bonds and Other Debts	28,545	1,892	6,249	—	—	—	36,686
Repayment of Capital Debt	(339)	(589)	(8,690)	—	—	—	(9,618)
Interest Paid on Capital Debt	(2,127)	(31)	—	—	—	—	(2,158)
Acquisition and Construction of Capital Assets	(38,089)	(2,094)	(12,335)	(9,126)	(83)	(4)	(61,731)
Net Cash Used for Capital and Related Financing Activities	<u>(12,010)</u>	<u>(822)</u>	<u>(14,776)</u>	<u>(9,126)</u>	<u>(83)</u>	<u>(4)</u>	<u>(36,821)</u>
Cash Flows from Investing Activities:							
Purchase of Investments	(1,100)	—	—	—	—	—	(1,100)
Proceeds from Sale of Investments	1,100	—	—	—	—	—	1,100
Investment Earnings	35	—	—	—	2	—	37
Net Cash Provided by Investing Activities	<u>35</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2</u>	<u>—</u>	<u>37</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(5,426)	3,142	(5,787)	(8,800)	(27)	(250)	(17,148)
Cash and Cash Equivalents, Beginning 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>
Cash and Cash Equivalents, End of Year	<u>\$ 45,737</u>	<u>\$ 8,516</u>	<u>\$ 6,010</u>	<u>\$ 3,886</u>	<u>\$ 3,853</u>	<u>\$ 753</u>	<u>\$ 68,755</u>

**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Fiscal Year Ended June 30, 2016**  
(Expressed in Thousands)  
(Continued)

	<b>State Building Fund</b>	<b>Information Services and Communication</b>	<b>Travel Management</b>	<b>Enterprise Readiness 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)	\$ (7,898)	\$ 4,668	\$ (1,263)	\$ (7,761)	\$ 6	\$ 131	\$ (12,117)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Depreciation and Amortization	4,243	1,072	8,305	5,347	99	1	19,067
Pension Expense	351	431	106	472	—	—	1,360
Changes in Assets, Liabilities, and Deferred Outflows of Resources:							
Receivables	147	953	142	(342)	254	(53)	1,101
Inventories	(325)	(69)	—	—	—	—	(394)
Other Assets	—	—	—	—	15	—	15
Accounts Payable and Accrued Liabilities	(1,591)	(1,904)	648	3,043	(320)	(325)	(449)
Other Liabilities	106	345	35	(103)	—	—	383
Deferred Outflows of Resources	<u>(538)</u>	<u>(1,532)</u>	<u>(85)</u>	<u>(330)</u>	<u>—</u>	<u>—</u>	<u>(2,485)</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (5,505)</u>	<u>\$ 3,964</u>	<u>\$ 7,888</u>	<u>\$ 326</u>	<u>\$ 54</u>	<u>\$ (246)</u>	<u>\$ 6,481</u>
Schedule of Noncash Capital and Financing Activities:							
Contributions of Capital Assets	\$ 2,552	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,552

# *PROPRIETARY FUNDS - NONMAJOR*

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

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

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

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

**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, 2016  
(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	\$ 22,862	\$ 20,006	\$ 4,852
Receivables, Net	8,614	366	198
Due from Other Funds	—	1	—
Due from Component Units	—	—	—
Inventories	—	37	—
Other Assets	—	—	—
Total Current Assets	<u>31,476</u>	<u>20,410</u>	<u>5,050</u>
Noncurrent Assets:			
Investments	—	—	54,948
Receivables, Net	123,357	—	87
Capital Assets, Net	—	<u>2,073</u>	—
Total Noncurrent Assets	<u>123,357</u>	<u>2,073</u>	<u>55,035</u>
Total Assets	<u>154,833</u>	<u>22,483</u>	<u>60,085</u>
Deferred Outflows of Resources:			
Related to Pensions	—	<u>594</u>	<u>70</u>
Total Deferred Outflows of Resources	—	<u>594</u>	<u>70</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	5	3,590	110
Accrued Tuition Contract Benefits	—	—	16,294
Accrued and Other Liabilities	—	216	—
Due to Other Funds	—	2,169	230
Due to Component Units	20	—	—
Insurance and Compensation Benefits Obligations	—	—	—
Compensated Absences	—	—	<u>65</u>
Total Current Liabilities	<u>25</u>	<u>5,975</u>	<u>16,699</u>
Noncurrent Liabilities:			
Accrued Tuition Contract Benefits	—	—	54,781
Insurance and Compensation Benefits	—	—	—
Net Pension Liability	—	1,059	113
Compensated Absences	—	<u>247</u>	—
Total Noncurrent Liabilities	—	<u>1,306</u>	<u>54,894</u>
Total Liabilities	<u>25</u>	<u>7,281</u>	<u>71,593</u>
Deferred Inflow of Resources:			
Related to Pensions	—	<u>447</u>	<u>105</u>
Total Deferred Inflows of Resources	—	<u>447</u>	<u>105</u>
Net Position (Deficit):			
Net Investment in Capital Assets	—	2,073	—
Restricted for:			
General Government Operations	—	—	1,528
Lending Activities	154,808	—	—
Insurance Activities	—	—	—
Unrestricted (Deficit)	—	<u>13,276</u>	<u>(13,071)</u>
Total Net Position (Deficit)	<u>\$154,808</u>	<u>\$ 15,349</u>	<u>\$ (11,543)</u>

West Virginia Correctional Industries	AccessWV	State Entities Workers' Compensation	Total
\$ 2,565	\$ 30	\$ 18,967	\$ 69,282
120	—	—	9,298
1,745	—	—	1,746
98	—	—	98
2,038	—	—	2,075
—	—	<u>20,000</u>	<u>20,000</u>
<u>6,566</u>	<u>30</u>	<u>38,967</u>	<u>102,499</u>
—	—	—	54,948
—	—	—	123,444
<u>702</u>	<u>—</u>	<u>—</u>	<u>2,775</u>
<u>702</u>	<u>—</u>	<u>—</u>	<u>181,167</u>
<u>7,268</u>	<u>30</u>	<u>38,967</u>	<u>283,666</u>
—	—	—	<u>664</u>
—	—	—	<u>664</u>
247	—	—	3,952
—	—	—	16,294
—	—	—	216
—	—	—	2,399
—	—	—	20
—	—	5,600	5,600
—	—	—	<u>65</u>
<u>247</u>	<u>—</u>	<u>5,600</u>	<u>28,546</u>
—	—	—	54,781
—	—	10,300	10,300
—	—	—	1,172
<u>117</u>	<u>—</u>	<u>—</u>	<u>364</u>
<u>117</u>	<u>—</u>	<u>10,300</u>	<u>66,617</u>
<u>364</u>	<u>—</u>	<u>15,900</u>	<u>95,163</u>
—	—	—	<u>552</u>
—	—	—	<u>552</u>
702	—	—	2,775
—	—	—	1,528
—	—	—	154,808
—	30	23,067	23,097
<u>6,202</u>	<u>—</u>	<u>—</u>	<u>6,407</u>
<u>\$ 6,904</u>	<u>\$ 30</u>	<u>\$ 23,067</u>	<u>\$ 188,615</u>

**Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Position  
Nonmajor Proprietary Funds  
For the Fiscal Year Ended June 30, 2016  
(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	\$ 1,344	\$ 92,744	\$ —
Insurance Premiums	—	—	—
Tuition Contracts	—	—	103
Licenses, Permits, and Fees	—	3,679	—
Other	—	73	1,285
Total Operating Revenues	<u>1,344</u>	<u>96,496</u>	<u>1,388</u>
Operating Expenses:			
Cost of Sales and Services	—	72,212	—
Insurance Claims and Claims Adjustment Provisions	—	—	—
Tuition Contract Benefits and Expenses	—	—	1,852
General and Administration	—	5,311	1,108
Pension Expense	—	92	11
Depreciation and Amortization	—	323	—
Other	1,801	—	—
Total Operating Expenses	<u>1,801</u>	<u>77,938</u>	<u>2,971</u>
Operating Income (Loss)	(457)	18,558	(1,583)
Nonoperating Revenues (Expenses):			
Interest and Other Investment Income	76	—	1,019
Other Nonoperating Revenues	—	129	—
Total Nonoperating Revenues (Expenses)	<u>76</u>	<u>129</u>	<u>1,019</u>
Income (Loss) Before Transfers	(381)	18,687	(564)
Transfers:			
Transfers In	8,484	—	—
Transfers Out	—	(18,383)	—
Total Transfers	<u>8,484</u>	<u>(18,383)</u>	<u>—</u>
Change in Net Position	8,103	304	(564)
Net Position (Deficit), Beginning of Year	<u>146,705</u>	<u>15,045</u>	<u>(10,979)</u>
Net Position (Deficit), End of Year	<u>\$ 154,808</u>	<u>\$ 15,349</u>	<u>\$ (11,543)</u>

<b>West Virginia Correctional Industries</b>	<b>AccessWV</b>	<b>State Entities Workers' Compensation</b>	<b>Total</b>
\$ 7,539	\$ —	\$ —	\$ 101,627
—	—	13,630	13,630
—	—	—	103
—	—	—	3,679
<u>—</u>	<u>24</u>	<u>—</u>	<u>1,382</u>
<u>7,539</u>	<u>24</u>	<u>13,630</u>	<u>120,421</u>
3,936	—	—	76,148
—	—	12,317	12,317
—	—	—	1,852
2,910	—	1,455	10,784
—	—	—	103
66	—	—	389
<u>—</u>	<u>—</u>	<u>—</u>	<u>1,801</u>
<u>6,912</u>	<u>—</u>	<u>13,772</u>	<u>103,394</u>
627	24	(142)	17,027
—	6	—	1,101
<u>—</u>	<u>—</u>	<u>—</u>	<u>129</u>
<u>—</u>	<u>6</u>	<u>—</u>	<u>1,230</u>
627	30	(142)	18,257
—	—	—	8,484
<u>(200)</u>	<u>(4,800)</u>	<u>(5,000)</u>	<u>(28,383)</u>
<u>(200)</u>	<u>(4,800)</u>	<u>(5,000)</u>	<u>(19,899)</u>
427	(4,770)	(5,142)	(1,642)
<u>6,477</u>	<u>4,800</u>	<u>28,209</u>	<u>190,257</u>
<u>\$ 6,904</u>	<u>\$ 30</u>	<u>\$ 23,067</u>	<u>\$ 188,615</u>

**Combining Statement of Cash Flows  
Nonmajor Proprietary Funds  
For the Fiscal Year Ended June 30, 2016  
(Expressed in Thousands)**

	<b>Business-type Activities – Enterprise Funds</b>		
	<b>Drinking Water Treatment Revolving Fund</b>	<b>Alcohol Beverage Control Administration</b>	<b>West Virginia Prepaid College Plan</b>
Cash Flows From Operating Activities:			
Receipts from Customers	\$ 7,224	\$ 96,342	\$ 177
Payments to Suppliers	—	(73,912)	(541)
Payments to Employees	—	(3,978)	(585)
Payments to Beneficiaries	—	—	(12,624)
Payments for Loans Originated	(16,765)	—	—
Payments for Premiums	—	—	—
Payments to Claimants	—	—	—
Other Operating Cash Receipts	—	—	1,289
Other Operating Cash Payments	(66)	—	—
Net Cash Provided by (Used for) Operating Activities	<u>(9,607)</u>	<u>18,452</u>	<u>(12,284)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In	8,483	—	24
Transfers Out	—	(18,383)	—
Entitlements and Grants	—	129	—
Provided from Issuing Liquor Licenses	—	71	—
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>8,483</u>	<u>(18,183)</u>	<u>24</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	—	(60)	—
Net Cash Used for Capital and Related Financing Activities	<u>—</u>	<u>(60)</u>	<u>—</u>
Cash Flows from Investing Activities:			
Purchase of Investments	—	—	(906)
Proceeds from Sale of Investments	—	—	12,500
Investment Earnings	76	—	917
Net Cash Provided by Investing Activities	<u>76</u>	<u>—</u>	<u>12,511</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,048)	209	251
Cash and Cash Equivalents, Beginning of Year	<u>23,910</u>	<u>19,797</u>	<u>4,601</u>
Cash and Cash Equivalents, End of Year	<u>\$ 22,862</u>	<u>\$ 20,006</u>	<u>\$ 4,852</u>

West Virginia Correctional Industries	AccessWV	State Entities Workers' Compensation	Total
\$ 7,714	\$ —	\$ 18,490	\$ 129,947
(4,016)	—	(20)	(78,489)
(2,066)	—	—	(6,629)
—	—	—	(12,624)
—	—	—	(16,765)
—	—	(6,403)	(6,403)
—	—	(10,917)	(10,917)
—	—	—	1,289
<u>(813)</u>	<u>24</u>	<u>(205)</u>	<u>(1,060)</u>
<u>819</u>	<u>24</u>	<u>945</u>	<u>(1,651)</u>
—	—	—	8,507
(200)	(4,800)	(5,000)	(28,383)
—	—	—	129
<u>—</u>	<u>—</u>	<u>—</u>	<u>71</u>
<u>(200)</u>	<u>(4,800)</u>	<u>(5,000)</u>	<u>(19,676)</u>
<u>(254)</u>	<u>—</u>	<u>—</u>	<u>(314)</u>
<u>(254)</u>	<u>—</u>	<u>—</u>	<u>(314)</u>
—	—	—	(906)
—	—	—	12,500
<u>—</u>	<u>6</u>	<u>—</u>	<u>999</u>
<u>—</u>	<u>6</u>	<u>—</u>	<u>12,593</u>
365	(4,770)	(4,055)	(9,048)
<u>2,200</u>	<u>4,800</u>	<u>23,022</u>	<u>78,330</u>
<u>\$ 2,565</u>	<u>\$ 30</u>	<u>\$ 18,967</u>	<u>\$ 69,282</u>

# West Virginia

## Combining Statement of Cash Flows Nonmajor Proprietary Funds For the Fiscal Year Ended June 30, 2016 (Expressed in Thousands) (Continued)

	<u>Business-type Activities – Enterprise Funds</u>		
	<u>Drinking Water Treatment Revolving Fund</u>	<u>Alcohol Beverage Control Administration</u>	<u>West Virginia Prepaid College Plan</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	\$ (457)	\$ 18,558	\$ (1,583)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by (Used for) Operating Activities:			
Depreciation and Amortization	—	323	—
Pension Expense	—	92	11
Changes in Assets, Liabilities, and Deferred Inflows of Resources:			
Receivables	(9,150)	(154)	158
Inventories	—	8	—
Accounts Payable and Accrued Liabilities	—	(317)	5
Tuition Contracts Benefits and Expenses	—	—	(10,850)
Due to/from Other Funds	—	297	20
Other Liabilities	—	—	—
Compensated Absences	—	—	2
Deferred Outflows Related to Pensions	—	(355)	(47)
Net Cash Provided by (Used for)			
Operating Activities	<u>\$ (9,607)</u>	<u>\$ 18,452</u>	<u>\$ (12,284)</u>
Schedule of Noncash Capital and Financing Activities:			
Loans Originated with Principal Forgiveness Features	\$ 1,723	\$ —	\$ —
Unrealized Gain (Losses) on Investments	—	—	102

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<u>West Virginia Correctional Industries</u>	<u>AccessWV</u>	<u>State Entities Workers' Compensation</u>	<u>Total</u>
\$ 627	\$ 24	\$ (142)	\$ 17,027
66	—	—	389
—	—	—	103
221	—	(205)	(9,130)
(37)	—	—	(29)
(55)	—	1,400	1,033
—	—	—	(10,850)
—	—	—	317
—	—	(108)	(108)
(3)	—	—	(1)
—	—	—	(402)
<u>\$ 819</u>	<u>\$ 24</u>	<u>\$ 945</u>	<u>\$ (1,651)</u>
\$ —	\$ —	\$ —	\$ 1,723
—	—	—	102

# *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, 2016  
(Expressed in Thousands)**

	<b>Public Employees' Retirement System</b>	<b>Teachers' Retirement System</b>	<b>Public Safety Death, Disability, and Retirement Fund</b>	<b>State Police Retirement System</b>	<b>Judges' Retirement System</b>
<b>Assets:</b>					
Cash and Cash Equivalents	\$ 2,646	\$ 116	\$ 168	\$ 155	\$ 16
Investments:					
Equity in Pooled Investments	5,597,559	6,513,312	578,762	138,127	167,178
Mutual Funds	—	—	—	—	—
Receivables, Net:					
Contributions	11,495	24,539	—	—	—
Participant Loans	12	3,445	—	287	—
Accounts	—	—	—	—	—
Due from Other Funds	85,167	1,529	—	—	—
Due from Component Units	<u>501</u>	<u>145</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Assets</b>	<b><u>5,697,380</u></b>	<b><u>6,543,086</u></b>	<b><u>578,930</u></b>	<b><u>138,569</u></b>	<b><u>167,194</u></b>
<b>Deferred Outflows of Resources:</b>					
Related to Pensions	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>Liabilities:</b>					
Accounts Payable	—	—	—	—	—
Accrued and Other Liabilities	—	—	132	—	—
Due to Other Funds	—	—	—	—	—
Due to Component Units	—	—	—	—	—
Insurance Claims Payable	—	—	—	—	—
Net Pension Liability	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Liabilities</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>132</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>Deferred Inflows of Resources:</b>					
Related to Pensions	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>—</u></b>
<b>Net Position Held in Trust for:</b>					
Restricted for:					
Pensions	5,697,380	6,543,086	578,798	138,569	167,194
Other Postemployment Benefits	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Net Position</b>	<b><u>\$ 5,697,380</u></b>	<b><u>\$ 6,543,086</u></b>	<b><u>\$ 578,798</u></b>	<b><u>\$ 138,569</u></b>	<b><u>\$ 167,194</u></b>

Teachers' Defined Contribution Retirement System	Deputy Sheriff Retirement System	Emergency Medical Services Retirement System	Municipal Police Officers and Fire Fighters Retirement System	Total Pension Trust Funds	Other Employee Benefit Trust Fund	Total Pension and Other Employee Benefit Trust Fund
\$ 5,501	\$ 38	\$ 24	\$ 2	\$ 8,666	\$ 88,228	\$ 96,894
—	171,949	58,844	3,080	13,228,811	607,091	13,835,902
423,002	—	—	—	423,002	—	423,002
1,471	684	446	235	38,870	1,447	40,317
71	475	1	—	4,291	—	4,291
—	—	—	—	—	3,948	3,948
—	121	—	—	86,817	7,358	94,175
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>646</u>	<u>33</u>	<u>679</u>
<u>430,045</u>	<u>173,267</u>	<u>59,315</u>	<u>3,317</u>	<u>13,791,103</u>	<u>708,105</u>	<u>14,499,208</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>149</u>	<u>149</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>149</u>	<u>149</u>
—	—	—	—	—	3,716	3,716
7,211	—	—	—	7,343	4,009	11,352
—	—	—	—	—	2,327	2,327
—	—	—	—	—	179	179
—	—	—	—	—	11,950	11,950
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>301</u>	<u>301</u>
<u>7,211</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,343</u>	<u>22,482</u>	<u>29,825</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>104</u>	<u>104</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>104</u>	<u>104</u>
422,834	173,267	59,315	3,317	13,783,760	—	13,783,760
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>685,668</u>	<u>685,668</u>
<u>\$ 422,834</u>	<u>\$ 173,267</u>	<u>\$ 59,315</u>	<u>\$ 3,317</u>	<u>\$ 13,783,760</u>	<u>\$ 685,668</u>	<u>\$ 14,469,428</u>

**Combining Statement of Changes in Plan Net Position  
Pension Trust and Other Employee  
Benefit Trust Funds  
For the Fiscal Year Ended June 30, 2016  
(Expressed in Thousands)**

	<b>Public Employees' Retirement System</b>	<b>Teachers' Retirement System</b>	<b>Public Safety Death, Disability, and Retirement Fund</b>	<b>State Police Retirement System</b>	<b>Judges' Retirement System</b>
Additions:					
Contributions:					
Members	\$ 62,801	\$ 95,177	\$ 320	\$ 3,755	\$ 383
Employers	186,770	133,681	768	3,724	739
Other	<u>—</u>	<u>289,514</u>	<u>13,209</u>	<u>—</u>	<u>—</u>
Total Contributions	<u>249,571</u>	<u>518,372</u>	<u>14,297</u>	<u>7,479</u>	<u>1,122</u>
Investment Income (Loss):					
Net Appreciation (Depreciation) in Fair Value of Investments	(15,524)	(28,598)	(2,125)	(125)	(444)
Interest	25,645	29,712	2,627	630	772
Investment Expense	<u>(16,948)</u>	<u>(19,517)</u>	<u>(1,731)</u>	<u>(414)</u>	<u>(503)</u>
Net Investment Income (Loss)	<u>(6,827)</u>	<u>(18,403)</u>	<u>(1,229)</u>	<u>91</u>	<u>(175)</u>
Transfers to Plan	123	—	—	—	—
Other Income	<u>297</u>	<u>3,918</u>	<u>594</u>	<u>—</u>	<u>—</u>
Total Additions	<u>243,164</u>	<u>503,887</u>	<u>13,662</u>	<u>7,570</u>	<u>947</u>
Deductions:					
Benefits Expense	382,577	749,139	41,969	811	4,382
Forfeitures	—	—	—	—	—
Refunds of Contributions	11,877	10,364	—	260	47
Administrative Expenses	4,886	4,507	53	47	27
Pension Expense	—	—	—	—	—
Transfer from Plan	<u>—</u>	<u>133</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deductions	<u>399,340</u>	<u>764,143</u>	<u>42,022</u>	<u>1,118</u>	<u>4,456</u>
Change in Net Position:					
Restricted for Pension Benefits	(156,176)	(260,256)	(28,360)	6,452	(3,509)
Held in Trust for Other	—	—	—	—	—
Postemployment Benefits	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Position, Beginning of Year	<u>5,853,556</u>	<u>6,803,342</u>	<u>607,158</u>	<u>132,117</u>	<u>170,703</u>
Net Position, End of Year	<u>\$ 5,697,380</u>	<u>\$ 6,543,086</u>	<u>\$ 578,798</u>	<u>\$ 138,569</u>	<u>\$ 167,194</u>

<u>Teachers' Defined Contribution Retirement System</u>	<u>Deputy Sheriff Retirement System</u>	<u>Emergency Medical Services Retirement System</u>	<u>Municipal Police Officers and Fire Fighters Retirement System</u>	<u>Total Pension Trust Funds</u>	<u>Other Employee Benefit Trust Fund</u>	<u>Total Pension and Other Employee Benefit Trust Fund</u>
\$ 6,438	\$ 4,306	\$ 2,222	\$ 644	\$ 176,046	\$ 84,675	\$ 260,721
11,401	6,071	2,744	644	346,542	145,461	492,003
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>302,723</u>	<u>—</u>	<u>302,723</u>
<u>17,839</u>	<u>10,377</u>	<u>4,966</u>	<u>1,288</u>	<u>825,311</u>	<u>230,136</u>	<u>1,055,447</u>
(14,772)	(340)	(72)	26	(61,974)	(3,002)	(64,976)
18,314	792	266	11	78,769	3,159	81,928
<u>—</u>	<u>(516)</u>	<u>(176)</u>	<u>(9)</u>	<u>(39,814)</u>	<u>—</u>	<u>(39,814)</u>
<u>3,542</u>	<u>(64)</u>	<u>18</u>	<u>28</u>	<u>(23,019)</u>	<u>157</u>	<u>(22,862)</u>
10	—	—	—	133	—	133
<u>87</u>	<u>494</u>	<u>1</u>	<u>—</u>	<u>5,391</u>	<u>804</u>	<u>6,195</u>
<u>21,478</u>	<u>10,807</u>	<u>4,985</u>	<u>1,316</u>	<u>807,816</u>	<u>231,097</u>	<u>1,038,913</u>
—	8,187	1,953	—	1,189,018	245,400	1,434,418
1,371	—	—	—	1,371	—	1,371
14,675	611	605	34	38,473	—	38,473
1,417	101	49	11	11,098	4,606	15,704
—	—	—	—	—	15	15
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>133</u>	<u>—</u>	<u>133</u>
<u>17,463</u>	<u>8,899</u>	<u>2,607</u>	<u>45</u>	<u>1,240,093</u>	<u>250,021</u>	<u>1,490,114</u>
4,015	1,908	2,378	1,271	(432,277)	—	(432,277)
—	—	—	—	—	(18,924)	(18,924)
<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>
<u>\$ 422,834</u>	<u>\$ 173,267</u>	<u>\$ 59,315</u>	<u>\$ 3,317</u>	<u>\$ 13,783,760</u>	<u>\$ 685,668</u>	<u>\$ 14,469,428</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, 2016 (Expressed in Thousands)

	West Virginia Money Market	West Virginia Government Money Market	Total
Assets:			
Cash and Cash Equivalents	<u>\$ 98,141</u>	<u>\$ 158,624</u>	<u>\$ 256,765</u>
Total Assets	<u>\$ 98,141</u>	<u>\$ 158,624</u>	<u>\$ 256,765</u>
Net Position:			
Held in Trust for External Investment Pool Participants	<u>\$ 98,141</u>	<u>\$ 158,624</u>	<u>\$ 256,765</u>
Total Net Position	<u>\$ 98,141</u>	<u>\$ 158,624</u>	<u>\$ 256,765</u>

### Combining Statement of Changes in Fiduciary Net Position Investment Trust Funds For the Year Ended June 30, 2016 (Expressed in Thousands)

	West Virginia Money Market	West Virginia Government Money Market	Total
Additions:			
Deposits, Pool Participants	\$ 278,124	\$ 321,339	\$ 599,463
Investment Income:			
Net Appreciation, in Fair Value of Investments	<u>316</u>	<u>321</u>	<u>637</u>
Total Additions	<u>278,440</u>	<u>321,660</u>	<u>600,100</u>
Deductions:			
Withdrawals	<u>270,601</u>	<u>380,474</u>	<u>651,075</u>
Change in Net Position Held in Trust for External Investment Pool Participants	7,839	(58,814)	(50,975)
Net Position, Beginning of Year	<u>90,302</u>	<u>217,438</u>	<u>307,740</u>
Net Position, End of Year	<u>\$ 98,141</u>	<u>\$ 158,624</u>	<u>\$ 256,765</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, 2016  
 (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	\$ 1,854	\$ 17,078	\$ 46,649	\$ 937	\$ 18,653	\$ 85,171
Investments	—	—	7,823	—	—	7,823
Receivables, Net	—	—	—	—	7	7
Due from Other Funds	<u>135</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>135</u>
Total Assets	<u>\$ 1,989</u>	<u>\$ 17,078</u>	<u>\$ 54,472</u>	<u>\$ 937</u>	<u>\$ 18,660</u>	<u>\$ 93,136</u>
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ —	\$ —	\$ —	\$ 1,023	\$ —	\$ 1,023
Due to Other Governments	1,989	17,078	—	—	910	19,977
Agency Liabilities	<u>—</u>	<u>—</u>	<u>54,472</u>	<u>(86)</u>	<u>17,750</u>	<u>72,136</u>
Total Liabilities	<u>\$ 1,989</u>	<u>\$ 17,078</u>	<u>\$ 54,472</u>	<u>\$ 937</u>	<u>\$ 18,660</u>	<u>\$ 93,136</u>

**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Fiscal Year Ended June 30, 2016**  
**(Expressed in Thousands)**

	<b>Balance</b> <b>July 1, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance</b> <b>June 30, 2016</b>
<b>Local Government</b>				
Assets:				
Cash	\$ 10	\$ 724,269	\$ 722,425	\$ 1,854
Due from Other Funds	104	135	104	135
Total Assets	<u>\$ 114</u>	<u>\$ 724,404</u>	<u>\$ 722,529</u>	<u>\$ 1,989</u>
Liabilities:				
Accounts Payable	\$ —	\$ 282,228	\$ 282,228	\$ —
Due to Other Governments	114	442,176	440,301	1,989
Total Liabilities	<u>\$ 114</u>	<u>\$ 724,404</u>	<u>\$ 722,529</u>	<u>\$ 1,989</u>
<b>Municipal Bond Commission</b>				
Assets:				
Cash	\$ 2,939	\$ 713,356	\$ 699,217	\$ 17,078
Total Assets	<u>\$ 2,939</u>	<u>\$ 713,356</u>	<u>\$ 699,217</u>	<u>\$ 17,078</u>
Liabilities:				
Accounts Payable	\$ —	\$ 7,404	\$ 7,404	\$ —
Due to Other Governments	2,939	705,952	691,813	17,078
Total Liabilities	<u>\$ 2,939</u>	<u>\$ 713,356</u>	<u>\$ 699,217</u>	<u>\$ 17,078</u>
<b>Consolidated Investment Pool</b>				
Assets:				
Cash	\$ 5,196	\$ 35,039	\$ 35,451	\$ 4,784
Equity in Pooled Cash Equivalents	39,493	12,884	10,512	41,865
Investments	8,399	890	1,466	7,823
Total Assets	<u>\$ 53,088</u>	<u>\$ 48,813</u>	<u>\$ 47,429</u>	<u>\$ 54,472</u>
Liabilities:				
Accounts Payable	\$ —	\$ 7,437	\$ 7,437	\$ —
Agency Liabilities	53,088	41,376	39,992	54,472
Total Liabilities	<u>\$ 53,088</u>	<u>\$ 48,813</u>	<u>\$ 47,429</u>	<u>\$ 54,472</u>

	<b>Balance July 1, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2016</b>
<b>Patient Injury Compensation Fund</b>				
Assets:				
Cash and Cash Equivalents	\$ 75	\$ 178	\$ 220	\$ 33
Equity in Pooled Cash	<u>1,071</u>	<u>903</u>	<u>1,070</u>	<u>904</u>
Total Assets	<u>\$ 1,146</u>	<u>\$ 1,081</u>	<u>\$ 1,290</u>	<u>\$ 937</u>
Liabilities:				
Accounts Payable	\$ 3	\$ 1,251	\$ 231	\$ 1,023
Agency Liabilities	<u>1,143</u>	<u>(170)</u>	<u>1,059</u>	<u>(86)</u>
Total Liabilities	<u>\$ 1,146</u>	<u>\$ 1,081</u>	<u>\$ 1,290</u>	<u>\$ 937</u>
<b>Other Agency Funds</b>				
Assets:				
Cash and Cash Equivalents	\$ 16,264	\$ 244,041	\$ 245,391	\$ 14,914
Equity in Pooled Cash	3,284	1,236	781	3,739
Accounts Receivable	<u>—</u>	<u>7</u>	<u>—</u>	<u>7</u>
Total Assets	<u>\$ 19,548</u>	<u>\$ 245,284</u>	<u>\$ 246,172</u>	<u>\$ 18,660</u>
Liabilities:				
Due to Other Governments	\$ 368	\$ 3,658	\$ 3,116	\$ 910
Agency Liabilities	<u>19,180</u>	<u>241,626</u>	<u>243,056</u>	<u>17,750</u>
Total Liabilities	<u>\$ 19,548</u>	<u>\$ 245,284</u>	<u>\$ 246,172</u>	<u>\$ 18,660</u>
<b>Total All Agency Funds</b>				
Assets:				
Cash and Cash Equivalents	\$ 24,484	\$ 1,716,883	\$ 1,702,704	\$ 38,663
Equity in Pooled Cash Equivalents	43,848	15,023	12,363	46,508
Investments	8,399	890	1,466	7,823
Accounts Receivable	—	7	—	7
Due from Other Funds	<u>104</u>	<u>135</u>	<u>104</u>	<u>135</u>
Total Assets	<u>\$ 76,835</u>	<u>\$ 1,732,938</u>	<u>\$ 1,716,637</u>	<u>\$ 93,136</u>
Liabilities:				
Accounts Payable	\$ 3	\$ 298,320	\$ 297,300	\$ 1,023
Due to Other Governments	3,421	1,151,786	1,135,230	19,977
Agency Liability	<u>73,411</u>	<u>282,832</u>	<u>284,107</u>	<u>72,136</u>
Total Liabilities	<u>\$ 76,835</u>	<u>\$ 1,732,938</u>	<u>\$ 1,716,637</u>	<u>\$ 93,136</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, 2016  
(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	\$ 966	\$ 8,039	\$ 6,386
Investments	2,222	—	—
Receivables, Net	169	—	40
Due from Primary Government	3	—	584
Inventories	—	—	26
Other Assets	—	—	—
Restricted Assets:			
Cash and Cash Equivalents	—	—	—
Receivables, Net	—	—	—
Total Current Assets	<u>3,360</u>	<u>8,039</u>	<u>7,036</u>
Noncurrent Assets:			
Investments	—	4,816	—
Receivables, Net	—	3,731	—
Other Assets	—	550	—
Restricted Assets:			
Receivables, Net	—	—	—
Other Restricted Assets	234	—	—
Capital Assets, Net	<u>4,094</u>	<u>123</u>	<u>38,174</u>
Total Noncurrent Assets	<u>4,328</u>	<u>9,220</u>	<u>38,174</u>
Total Assets	<u>7,688</u>	<u>17,259</u>	<u>45,210</u>
Deferred Outflows of Resources:			
Related to Pensions	<u>688</u>	<u>63</u>	<u>104</u>
Total Deferred Outflows of Resources	<u>688</u>	<u>63</u>	<u>104</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	396	10	391
Accrued and Other Liabilities	—	43	40
Due to Primary Government	2,505	—	1,165
Unearned Revenue	—	—	3
Compensated Absences	<u>318</u>	<u>—</u>	<u>60</u>
Total Current Liabilities	<u>3,219</u>	<u>53</u>	<u>1,659</u>
Noncurrent Liabilities:			
Accrued and Other Liabilities	—	—	—
Unearned Revenue	—	—	56
Liabilities Payable from Restricted Assets	—	—	—
Net Pension Liability	1,256	115	177
Compensated Absences	<u>—</u>	<u>—</u>	<u>—</u>
Total Noncurrent Liabilities	<u>1,256</u>	<u>115</u>	<u>233</u>
Total Liabilities	<u>4,475</u>	<u>168</u>	<u>1,892</u>
Deferred Inflows of Resources:			
Related to Pensions	<u>464</u>	<u>47</u>	<u>82</u>
Total Deferred Inflows of Resources	<u>464</u>	<u>47</u>	<u>82</u>
Net Position (Deficit):			
Net Investment in Capital Assets	4,094	123	38,174
Restricted for:			
Nonexpendable	234	—	—
Specific Component Unit Purposes	—	—	—
Unrestricted (Deficit)	<u>(891)</u>	<u>16,984</u>	<u>5,166</u>
Total Net Position (Deficit)	<u>\$ 3,437</u>	<u>\$ 17,107</u>	<u>\$ 43,340</u>

Solid Waste Management Board	Racing Commission	Public Defender Corporation	Municipal Pensions Oversight Board	Total
\$ 3,599	\$ 2,941	\$ 3,311	\$ 28,581	\$ 53,823
—	—	—	—	2,222
192	35	1,495	—	1,931
—	—	123	—	710
—	—	—	—	26
—	—	131	—	131
3,545	14,910	—	—	18,455
257	551	—	—	808
<u>7,593</u>	<u>18,437</u>	<u>5,060</u>	<u>28,581</u>	<u>78,106</u>
—	—	—	—	4,816
—	—	—	—	3,731
—	—	—	—	550
855	—	—	—	855
—	—	—	—	234
15	—	1,020	4	43,430
<u>870</u>	<u>—</u>	<u>1,020</u>	<u>4</u>	<u>53,616</u>
8,463	18,437	6,080	28,585	131,722
110	413	2,458	47	3,883
<u>110</u>	<u>413</u>	<u>2,458</u>	<u>47</u>	<u>3,883</u>
105	2,324	28	6	3,260
—	108	406	34	631
347	1,243	4,270	2	9,532
—	—	—	—	3
—	—	946	—	1,324
<u>452</u>	<u>3,675</u>	<u>5,650</u>	<u>42</u>	<u>14,750</u>
200	—	—	—	200
—	—	—	—	56
—	14,910	—	—	14,910
209	829	4,324	86	6,996
45	170	—	—	215
<u>454</u>	<u>15,909</u>	<u>4,324</u>	<u>86</u>	<u>22,377</u>
906	19,584	9,974	128	37,127
79	378	1,727	29	2,806
<u>79</u>	<u>378</u>	<u>1,727</u>	<u>29</u>	<u>2,806</u>
15	—	1,020	4	43,430
—	—	—	—	234
4,457	—	—	28,471	32,928
<u>3,116</u>	<u>(1,112)</u>	<u>(4,183)</u>	<u>—</u>	<u>19,080</u>
<u>\$ 7,588</u>	<u>\$ (1,112)</u>	<u>\$ (3,163)</u>	<u>\$ 28,475</u>	<u>\$ 95,672</u>

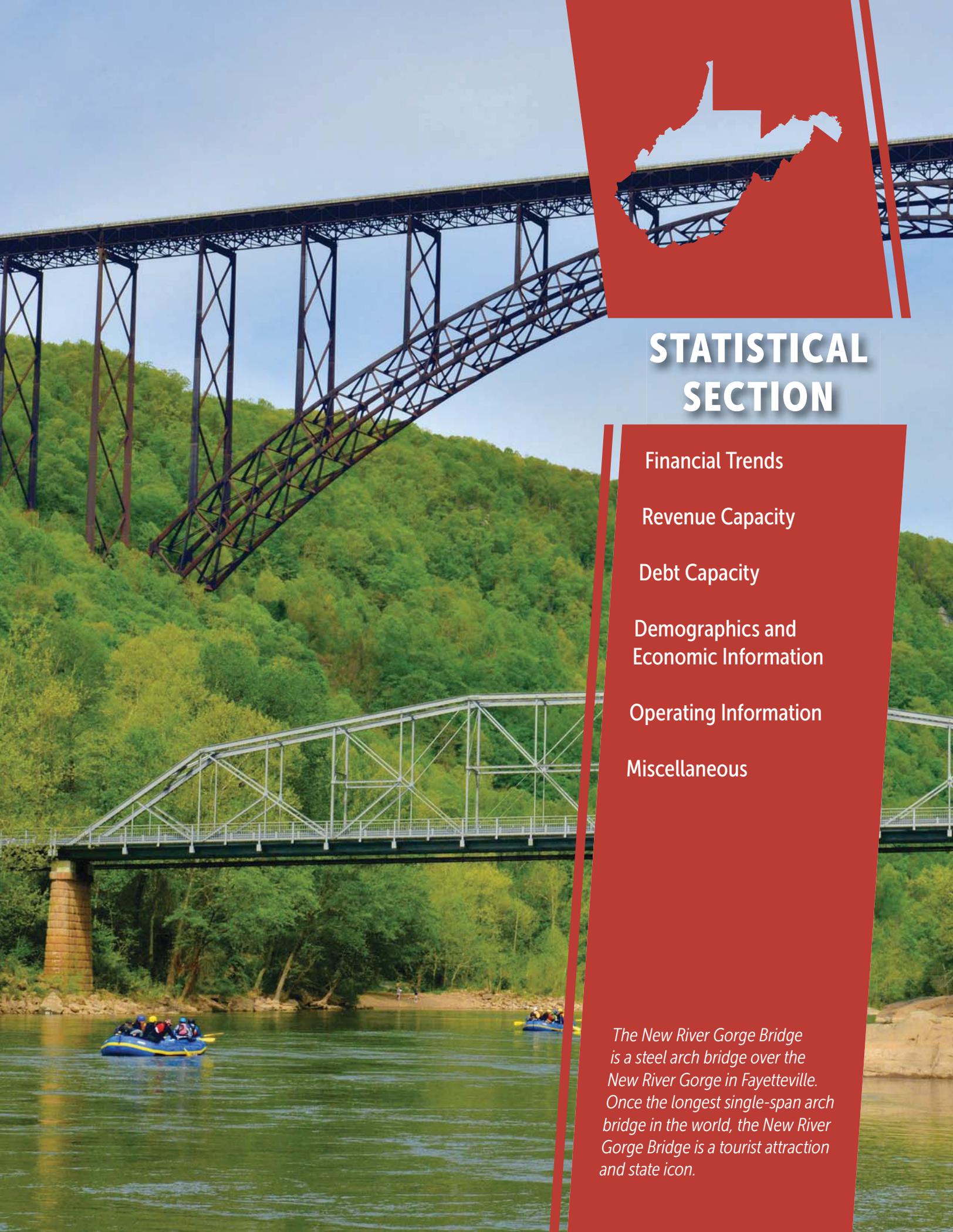
**Combining Statement of Activities  
Nonmajor Discretely Presented Component Units  
For the Fiscal Year Ended June 30, 2016  
(Expressed in Thousands)**

		<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Component Units:				
Educational Broadcasting Authority	\$ 10,257	\$ 2,067	\$ 1,357	\$ (6,833)
Jobs Investment Trust	1,442	482	610	(350)
WV State Rail Authority	4,448	2,170	95	(2,183)
Solid Waste Management Board	2,477	2,622	—	145
Racing Commission	4,106	3,697	—	(409)
Public Defender Corporation	16,762	—	—	(16,762)
Municipal Pensions Oversight Board	<u>17,687</u>	<u>—</u>	<u>—</u>	<u>(17,687)</u>
Total Component Units	<u>\$ 57,179</u>	<u>\$ 11,038</u>	<u>\$ 2,062</u>	<u>\$ (44,079)</u>

**General Revenue**

Unrestricted Investment Earnings	Grants and Contributions Not Restricted for Specific Programs	Miscellaneous	Payments from the State of West Virginia	Total General Revenue and Special Item	Change in Net Position	Net Position, Beginning of Year	Net Position, End of Year
\$ —	\$ 834	\$ 2,433	\$ 4,344	\$ 7,611	\$ 778	\$ 2,659	\$ 3,437
24	—	—	—	24	(326)	17,433	17,107
45	—	(168)	2,483	2,360	177	43,163	43,340
—	—	5	—	5	150	7,438	7,588
—	—	—	—	—	(409)	(703)	(1,112)
3	—	13	18,878	18,894	2,132	(5,295)	(3,163)
<u>79</u>	<u>—</u>	<u>—</u>	<u>18,012</u>	<u>18,091</u>	<u>404</u>	<u>28,071</u>	<u>28,475</u>
<u>\$ 151</u>	<u>\$ 834</u>	<u>\$ 2,283</u>	<u>\$ 43,717</u>	<u>\$ 46,985</u>	<u>\$ 2,906</u>	<u>\$ 92,766</u>	<u>\$ 95,672</u>





## STATISTICAL SECTION

Financial Trends

Revenue Capacity

Debt Capacity

Demographics and  
Economic Information

Operating Information

Miscellaneous

*The New River Gorge Bridge is a steel arch bridge over the New River Gorge in Fayetteville. Once the longest single-span arch bridge in the world, the New River Gorge Bridge is a tourist attraction and state icon.*



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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>2016</u>	<u>2015</u> <u>Revised*</u>	<u>2014</u>	<u>2013</u>
<b>Governmental Activities</b>				
Net Investment in Capital Assets	\$ 8,986,789	\$ 8,890,142	\$ 8,791,243	\$ 8,620,814
Restricted	422,147	439,118	367,636	407,011
Unrestricted Net Position (Deficit)	<u>(4,563,114)</u>	<u>(4,718,599)</u>	<u>(17,631)</u>	<u>78,335</u>
<b>Total Governmental Activities</b>				
<b>Net Position</b>	<u>\$ 4,845,822</u>	<u>\$ 4,610,661</u>	<u>\$ 9,141,248</u>	<u>\$ 9,106,160</u>
<b>Business-type Activities</b>				
Net Investment in Capital Assets	\$ 2,940	\$ 2,963	\$ 3,175	\$ 3,392
Restricted	1,741,004	1,813,975	1,812,958	1,792,845
Unrestricted Net Position (Deficit)	<u>201,954</u>	<u>201,022</u>	<u>41,180</u>	<u>(222,728)</u>
<b>Total Business-type Activities</b>				
<b>Net Position (Deficit)</b>	<u>\$ 1,945,898</u>	<u>\$ 2,017,960</u>	<u>\$ 1,857,313</u>	<u>\$ 1,573,509</u>
<b>Primary Government</b>				
Net Investment in Capital Assets	\$ 8,989,729	\$ 8,893,105	\$ 8,794,418	\$ 8,624,206
Restricted	2,163,151	2,253,093	2,180,594	2,199,856
Unrestricted Net Position (Deficit)	<u>(4,361,160)</u>	<u>(4,517,577)</u>	<u>23,549</u>	<u>(144,393)</u>
<b>Total Primary Government</b>				
<b>Net Position</b>	<u>\$ 6,791,720</u>	<u>\$ 6,628,621</u>	<u>\$ 10,998,561</u>	<u>\$ 10,679,669</u>

Notes: 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.

\*As of June 30, 2015, Governmental Activities Unrestricted Assets (Deficit) was revised due to a subsequent revision in the July 1, 2014 schedule of employer allocations for the Teachers' Retirement Systems and the related adjustment to the cumulative effect of the adoption of GASB 68.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 8,404,751	\$ 8,288,909	\$ 7,909,484	\$ 7,532,883	\$ 7,230,626	\$ 6,934,539
504,680	551,892	435,296	817,524	926,541	861,508
<u>298,279</u>	<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>\$ 9,207,710</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>
\$ 4,555	\$ 6,200	\$ 31,428	\$ 11,732	\$ 12,330	\$ 4,049
1,721,727	1,551,461	1,432,449	1,000,274	1,074,139	1,026,973
<u>(450,488)</u>	<u>(568,660)</u>	<u>(744,459)</u>	<u>(1,095,509)</u>	<u>(1,329,576)</u>	<u>(1,704,657)</u>
<u>\$ 1,275,794</u>	<u>\$ 989,001</u>	<u>\$ 719,418</u>	<u>\$ (83,503)</u>	<u>\$ (243,107)</u>	<u>\$ (673,635)</u>
\$ 8,409,306	\$ 8,295,109	\$ 7,940,912	\$ 7,544,615	\$ 7,242,956	\$ 6,938,588
2,226,407	2,103,353	1,867,745	1,817,798	2,000,680	1,888,481
<u>(152,209)</u>	<u>778,464</u>	<u>663,022</u>	<u>630,163</u>	<u>73,094</u>	<u>(857,670)</u>
<u>\$ 10,483,504</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>

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>Governmental Activities</b>				
Expenses:				
Legislative	\$ 25,766	\$ 26,762	\$ 30,147	\$ 34,693
Judicial	133,702	126,904	143,929	129,667
Executive	139,580	124,455	154,212	117,706
Administration	234,542	280,007	308,685	309,009
Commerce	166,129	141,566	182,198	233,474
Environmental Protection	84,533	109,036	150,859	168,322
Employment Programs	48,173	43,876	50,406	47,369
Education	2,708,236	2,762,735	2,924,767	3,059,791
Health and Human Resources	5,352,930	5,241,337	4,759,982	4,660,450
Military Affairs and Public Safety	417,604	412,894	424,232	446,954
Revenue	78,504	86,654	131,627	62,615
Transportation	1,183,397	1,121,182	1,148,566	1,028,742
Veterans Assistance	20,588	19,264	23,551	19,212
Senior Services	44,037	49,205	45,846	47,608
Regulatory Boards and Commissions	47,680	74,255	44,847	62,883
Interest on Long-Term Debt	<u>112,273</u>	<u>123,064</u>	<u>119,268</u>	<u>125,559</u>
Total Expenses	10,797,674	10,743,196	10,643,122	10,554,054
Program Revenues:				
Charges for Services:				
Legislative	1,431	1,436	1,440	1,550
Judicial	1,730	944	972	969
Executive	14,407	22,440	24,539	21,110
Administration	45,767	51,167	15,608	31,569
Commerce	43,541	46,972	48,312	43,882
Environmental Protection	74,621	71,302	85,487	84,358
Employment Programs	—	—	—	—
Education	2,580	3,970	3,982	3,563
Health and Human Resources	72,849	84,731	83,974	90,383
Military Affairs and Public Safety	10,868	8,751	9,847	10,308
Revenue	42,754	50,547	33,231	30,888
Transportation	92,171	97,716	92,772	100,966
Senior Services	—	—	—	—
Regulatory Boards and Commissions	<u>26,158</u>	<u>31,317</u>	<u>31,403</u>	<u>25,090</u>
Total Charges for Services	428,877	471,293	431,567	444,636
Operating Grants and Contributions:				
Legislative	136	784	1,523	984
Judicial	1,978	2,296	1,453	491
Executive	33,725	14,076	64,345	62,496
Administration	3,006	50,731	43,532	48,938
Commerce	41,846	39,802	54,672	70,260
Environmental Protection	98,312	102,018	103,557	104,386
Employment Programs	48,050	45,306	49,686	50,537
Education	451,719	443,295	405,576	420,116
Health and Human Resources	3,940,757	3,811,046	3,385,470	3,222,601
Military Affairs and Public Safety	118,282	65,630	59,304	76,807
Revenue	1,917	144	35	23
Veterans Assistance	8,008	9,604	7,814	2,298
Senior Services	23,489	22,728	22,588	22,025
Regulatory Boards and Commissions	<u>3,049</u>	<u>3,058</u>	<u>2,782</u>	<u>3,033</u>
Total Operating Grants and Contributions	4,774,274	4,610,518	4,202,337	4,084,995
Capital Grants & Contributions:				
Executive	—	—	—	—
Administration	2,552	—	3,180	—
Education	—	—	—	—
Military Affairs and Public Safety	1,235	17,241	24,395	46,326
Transportation	452,435	373,708	—	493,949
Veterans Assistance	—	—	476,631	3,005
Total Capital Grants and Contributions	<u>456,222</u>	<u>390,949</u>	<u>504,206</u>	<u>543,280</u>
Total Program Revenues	<u>5,659,373</u>	<u>5,472,760</u>	<u>5,138,110</u>	<u>5,072,911</u>
Total Governmental Activities Net Program Expenses	<u>(5,138,301)</u>	<u>(5,270,436)</u>	<u>(5,505,012)</u>	<u>(5,481,143)</u>

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 36,722	\$ 31,721	\$ 28,896	\$ 29,552	\$ 28,027	\$ 26,154
140,515	130,104	124,627	106,933	102,738	88,209
216,356	325,389	261,764	143,872	128,261	114,547
320,377	260,298	163,662	201,469	213,546	153,677
231,178	217,334	204,178	201,901	204,448	218,610
204,158	174,211	141,279	110,652	74,827	225,458
51,595	58,312	57,286	45,000	56,122	53,617
3,757,725	2,839,216	2,850,805	2,821,883	2,646,434	2,454,835
4,402,259	4,317,911	4,088,254	3,737,102	3,451,206	3,254,172
491,717	441,523	441,068	427,575	381,104	360,443
91,344	82,820	270,870	83,458	51,242	70,148
1,299,400	1,035,601	1,064,417	977,616	876,073	778,817
27,019	—	—	—	—	—
47,561	47,186	46,671	43,729	43,701	32,195
92,662	33,328	36,917	35,079	35,168	34,212
<u>125,105</u>	<u>135,443</u>	<u>135,534</u>	<u>141,756</u>	<u>140,208</u>	<u>94,475</u>
11,535,693	10,130,397	9,916,228	9,107,577	8,433,105	7,959,569
1,591	1,571	1,598	1,644	1,654	1,757
1,024	1,116	929	907	1,014	869
22,093	22,868	19,787	17,365	15,248	12,024
33,180	6,289	29,086	28,337	29,115	24,812
48,928	44,747	46,009	48,685	45,684	44,114
61,188	52,683	49,450	56,016	44,720	56,621
—	—	—	—	—	—
4,362	4,195	3,352	3,096	1,698	3,008
90,604	88,737	84,680	81,230	74,960	83,230
11,146	10,019	10,352	12,957	11,097	10,165
31,729	73,947	69,800	45,944	62,352	65,364
100,700	101,000	100,533	91,669	102,561	96,068
1	—	1	—	4	—
<u>31,254</u>	<u>30,815</u>	<u>30,407</u>	<u>26,121</u>	<u>27,897</u>	<u>21,638</u>
437,800	437,987	445,984	413,971	418,004	419,670
1,977	634	2,135	1,212	255	1,269
640	1,049	986	850	813	380
136,752	214,224	164,062	40,551	35,615	38,249
45,498	41,426	38,498	37,716	36,670	37,945
70,004	73,424	59,632	34,220	38,138	47,463
142,590	116,378	121,366	67,529	50,090	53,301
51,845	58,008	54,460	46,804	55,839	54,690
446,297	444,269	452,315	377,749	380,708	388,305
3,045,355	3,252,622	3,077,246	2,783,872	2,365,068	2,235,552
82,240	52,057	74,472	67,269	95,331	52,708
9	28	12	156	—	66,214
—	—	—	—	—	—
23,351	22,671	20,614	14,310	21,244	11,637
<u>2,747</u>	<u>2,105</u>	<u>2,014</u>	<u>2,598</u>	<u>2,937</u>	<u>2,267</u>
4,049,305	4,278,895	4,067,812	3,474,836	3,082,708	2,989,980
—	3	—	—	41	—
2,005	—	57,442	—	28	4,001
—	—	—	—	1,027	31
49,854	74,581	—	11,518	4,743	5,423
519,768	554,394	18,758	476,779	419,810	410,669
<u>5,321</u>	<u>—</u>	<u>558,947</u>	<u>—</u>	<u>—</u>	<u>—</u>
576,948	628,978	635,147	488,297	425,649	420,124
<u>5,064,053</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>(6,471,640)</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>

(Continued)

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
General Revenue and Other Changes in Net Position				
Taxes:				
Personal Income	\$ 1,849,056	1,921,597	1,771,473	1,771,481
Consumer Sales	1,291,813	1,265,957	1,216,812	1,198,983
Business	640,081	907,362	937,751	923,575
Medicaid	222,578	197,692	189,111	203,421
Transportation	605,403	640,135	628,989	605,768
Other	303,770	249,102	303,889	304,693
Entitlements and Grants	—	—	31,078	15,896
Unrestricted Investment Earnings	34,380	12,259	71,178	23,287
Tobacco Settlement Revenues	62,697	62,105	61,337	88,327
Federal Appropriations – Jobs Growth Tax Relief	—	—	—	—
Lottery Revenue	342,702	356,401	343,220	388,888
Miscellaneous	129,760	131,023	125,770	94,150
Special Item	—	—	—	—
Transfers	(108,778)	(230,208)	(217,282)	(220,028)
Excess Reserve Transfer to RHBT	—	—	—	—
Total General Revenue, Special Item and Transfers	<u>5,373,462</u>	<u>5,513,425</u>	<u>5,463,326</u>	<u>5,398,441</u>
<b>Total Governmental Activities Changes in Net Position</b>	<b><u>\$ 235,161</u></b>	<b><u>\$ 242,989</u></b>	<b><u>\$ (41,686)</u></b>	<b><u>\$ (82,702)</u></b>
<b>Business-type Activities</b>				
Expenses:				
West Virginia Lottery	\$ —	\$ —	\$ —	\$ —
Water Pollution Control Revolving Fund	4,745	6,358	9,991	10,645
Workers' Compensation Fund	202,406	44,488	129,087	105,430
Unemployment Compensation	509,796	225,940	274,215	380,239
WV Infrastructure & Jobs Development Council	60,622	71,587	29,752	17,669
Public Employees' Insurance Agency	542,825	577,433	573,008	490,841
Board of Risk and Insurance Management	67,650	72,436	67,524	57,293
Other Business-type Activities	<u>103,294</u>	<u>108,868</u>	<u>110,133</u>	<u>114,918</u>
Total Expenses	<u>1,491,338</u>	<u>1,107,110</u>	<u>1,193,710</u>	<u>1,177,035</u>
Program Revenues:				
Charges for Services:				
West Virginia Lottery	—	—	—	—
Water Pollution Control Revolving Fund	5,850	5,725	5,611	5,011
Workers' Compensation Fund	105,897	46,272	45,099	54,817
Unemployment Compensation	431,717	223,836	270,784	356,531
WV Infrastructure & Jobs Development Council	1,940	2,591	3,076	2,771
Public Employees' Insurance Agency	507,419	516,689	515,987	513,982
Board of Risk and Insurance Management	58,303	51,940	45,959	41,243
Other Business-type Activities	<u>118,985</u>	<u>120,634</u>	<u>123,772</u>	<u>123,710</u>
Total Charges for Services	<u>1,230,111</u>	<u>967,687</u>	<u>1,010,288</u>	<u>1,098,065</u>
Capital Grants & Contributions:				
Water Pollution Control Revolving Fund	—	—	—	—
West Virginia Lottery	—	—	—	—
Total Capital Grants & Contributions	—	—	—	—
Total Revenues	<u>1,230,111</u>	<u>967,687</u>	<u>1,010,288</u>	<u>1,098,065</u>
Total Business-type Activities Net Program Expenses	<u>(261,227)</u>	<u>(139,423)</u>	<u>(183,422)</u>	<u>(78,970)</u>
General Revenue & Other Changes in Net Assets:				
Unrestricted Investment Earnings	31,098	29,282	175,662	94,612
Tobacco Settlement Revenue	—	—	—	—
Lottery Revenue	42,735	37,000	57,000	57,000
Miscellaneous	6,554	7,271	17,282	6,473
Transfers	<u>108,778</u>	<u>230,208</u>	<u>217,282</u>	<u>220,028</u>
Total General Revenue and Other Changes in Net Position	<u>189,165</u>	<u>303,761</u>	<u>467,226</u>	<u>378,113</u>
<b>Total Business-type Activities Changes in Net Position</b>	<b><u>\$ (72,062)</u></b>	<b><u>\$ 164,338</u></b>	<b><u>\$ 283,804</u></b>	<b><u>\$ 299,143</u></b>
<b>Total Primary Government Change in Net Position</b>	<b><u>\$ 163,099</u></b>	<b><u>\$ 407,327</u></b>	<b><u>\$ 242,118</u></b>	<b><u>\$ 216,441</u></b>

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
1,790,146	1,657,258	1,534,970	1,630,492	1,557,957	1,372,646
1,216,561	1,150,887	1,131,075	1,088,901	990,051	1,020,128
905,515	977,252	844,405	912,252	1,040,604	906,022
190,419	173,103	157,693	165,759	161,896	162,692
594,871	574,949	541,023	533,833	564,736	535,979
318,938	264,260	277,811	297,644	394,798	393,400
5,056	29,995	—	—	—	—
54,699	63,821	89,635	(33,983)	89,581	105,317
63,270	61,233	66,199	81,703	73,079	48,294
—	—	—	—	—	—
497,874	408,974	—	—	—	—
112,324	103,228	97,791	96,098	128,940	111,277
—	—	—	—	—	—
(258,248)	(244,759)	279,309	206,287	214,864	539,205
—	—	—	—	(108,168)	—
<u>5,491,425</u>	<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>\$ (980,215)</u>	<u>\$ 435,664</u>	<u>\$ 252,626</u>	<u>\$ 248,513</u>	<u>\$ 601,594</u>	<u>\$ 1,065,165</u>
\$ —	\$ —	\$ 899,247	\$ 1,022,747	\$ 1,087,321	\$ 1,081,336
5,740	26,723	34,796	1,905	1,651	1,630
147,230	179,803	173,967	36,252	(161,079)	81,459
365,323	444,036	605,272	356,715	175,107	153,663
18,503	16,024	22,882	—	—	—
524,789	527,830	437,496	394,616	444,380	379,742
57,288	37,624	35,614	40,498	47,229	39,441
<u>108,221</u>	<u>101,937</u>	<u>97,089</u>	<u>69,184</u>	<u>77,329</u>	<u>76,785</u>
<u>1,227,094</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>
—	—	1,358,092	1,493,036	1,523,457	1,562,259
4,631	4,548	4,509	4,154	3,819	3,744
54,361	51,015	50,460	49,921	44,073	235,664
400,238	467,910	510,048	249,996	141,921	147,091
4,381	3,162	2,756	—	—	—
499,236	499,726	481,060	402,377	360,564	406,311
45,587	46,376	51,613	56,337	66,592	74,097
<u>117,206</u>	<u>103,143</u>	<u>97,846</u>	<u>90,438</u>	<u>83,542</u>	<u>77,553</u>
<u>1,125,640</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>
—	—	—	11,384	20,788	12,627
—	—	—	—	—	—
—	—	—	11,384	20,788	12,627
<u>1,125,640</u>	<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>(101,454)</u>	<u>(158,097)</u>	<u>250,021</u>	<u>435,726</u>	<u>572,818</u>	<u>705,290</u>
66,690	160,942	190,159	(86,937)	38,441	189,761
—	—	—	—	—	15,000
57,000	51,000	—	—	—	—
6,309	7,362	54,718	17,102	32,022	26,090
<u>258,248</u>	<u>244,759</u>	<u>(279,309)</u>	<u>(206,287)</u>	<u>(214,864)</u>	<u>(539,205)</u>
<u>388,247</u>	<u>464,063</u>	<u>(34,432)</u>	<u>(276,122)</u>	<u>(144,401)</u>	<u>(308,354)</u>
<u>\$ 286,793</u>	<u>\$ 305,966</u>	<u>\$ 215,589</u>	<u>\$ 159,604</u>	<u>\$ 428,417</u>	<u>\$ 396,936</u>
<u>\$ (693,422)</u>	<u>\$ 741,630</u>	<u>\$ 468,215</u>	<u>\$ 408,117</u>	<u>\$ 1,030,011</u>	<u>\$ 1,462,101</u>

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<b>General Fund</b>				
Reserved	\$ —	\$ —	\$ —	\$ —
Unreserved	—	—	—	—
Nonspendable:				
Inventories	9,936	10,288	11,485	13,268
Receivables	128,116	129,150	132,830	122,135
Restricted for:				
Government Operations	132	846	5,600	9,821
Development, Tourism, and Recreation	511	2,376	9,318	14,748
Education	65	268	1,508	2,625
Health & Social Services	160	780	3,644	7,300
Public Protection	81	402	3,411	6,682
Committed for:				
General Government Operations	1,213	5,430	960,077	1,044,948
Rainy Day Funds	789,352	879,749	-	-
Development, Tourism, and Recreation	695	3,160	16,972	33,168
Education	24,031	17,590	18,189	23,804
Health & Social Services	871	5,268	25,700	81,720
Public Protection	479	2,308	10,801	20,940
Assigned for:				
General Government Operations	6,183	—	26,692	32,261
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>(1,324,232)</u>	<u>(1,284,506)</u>	<u>(1,284,401)</u>	<u>(1,102,111)</u>
<b>Total General Fund</b>	<u>\$ (362,407)</u>	<u>\$ (226,891)</u>	<u>\$ (49,132)</u>	<u>\$ 326,068</u>
<b>All Other Governmental Funds</b>				
Reserved				
Special Revenue Funds	\$ —	\$ —	\$ —	\$ —
Permanent Funds	—	—	—	—
Capital Projects	—	—	—	—
Debt Service	—	—	—	—
Unreserved, Reported in:				
Special Revenue Funds	—	—	—	—
Capital Projects	—	—	—	—
Debt Service	—	—	—	—
Nonspendable:				
Inventories	49,814	48,686	37,980	44,798
Permanent Fund	1,000	1,000	1,000	1,000
Receivables	564,488	585,811	606,938	627,800
Restricted for:				
Capital Projects	12,333	13,270	13,750	32,953
Debt Services	153,646	154,491	153,707	152,824
Development, Tourism, and Recreation	54,591	54,668	52,493	45,840
Education	584	1,174	357	327
Public Protection	51,334	53,233	44,940	41,908
Transportation	12,031	12,968	14,224	11,077
Committed for:				
General Government Operations	1,796	2,268	2,345	3,772
Public Protection	299,757	311,564	290,746	245,947
Assigned for:				
Health and Social Services	—	—	—	28
Public Protection	4,506	7,265	9,596	5,741
Transportation	6,309	61,181	92,946	29,666
Unassigned	<u>(9,953)</u>	<u>(9,072)</u>	<u>(8,797)</u>	<u>(6,430)</u>
<b>Total All Other Governmental Funds</b>	<u>1,202,236</u>	<u>1,298,507</u>	<u>1,312,225</u>	<u>1,237,251</u>
<b>Total Fund Balances, Governmental Funds</b>	<u>\$ 839,829</u>	<u>\$ 1,071,616</u>	<u>\$ 1,263,093</u>	<u>\$ 1,563,319</u>

Note: GASB 34 (FY 2007) and GASB 54 (FY 2010) required reclassification of certain funds.

Beginning in FY 2008, the School Building Authority is no longer included in the Governmental Funds and is now accounted for as a discretely presented component unit. In FY 2010, the WV Infrastructure and Jobs Development Council was also removed and is now accounted for as an Enterprise Fund. The previous amounts above have not been restated to reflect these changes in presentation because the necessary information is not readily available.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ —	\$ —	\$ —	\$ 400,816	\$ 346,377	\$ 343,380
—	—	—	767,100	822,579	697,704
11,143	9,928	11,426	—	—	—
111,340	153,307	152,911	—	—	—
17,065	5,936	16,012	—	—	—
16,162	12,881	12,598	—	—	—
2,207	3,582	3,203	—	—	—
17,399	14,195	9,962	—	—	—
7,217	8,435	17,371	—	—	—
946,290	421,296	413,657	—	—	—
—	—	—	—	—	—
8,745	36,811	46,104	—	—	—
14,123	18,376	21,417	—	—	—
27,501	220,216	227,265	—	—	—
—	20,174	20,691	—	—	—
14,117	22,408	21,227	—	—	—
—	3,412	3,368	—	—	—
—	2,711	2,543	—	—	—
—	15,926	28,296	—	—	—
—	3,395	4,227	—	—	—
<u>(640,981)</u>	<u>427,107</u>	<u>270,221</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$ 552,328</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>
\$ —	\$ —	\$ —	\$ 508,529	\$ 457,501	\$ 457,109
—	—	—	1,309	1,671	1,762
—	—	—	67,240	40,681	264,836
—	—	—	185,540	183,548	228,699
—	—	—	1,415,461	1,610,996	1,488,498
—	—	—	—	—	—
—	—	—	—	—	—
47,371	40,434	38,676	—	—	—
1,000	1,000	1,000	—	—	—
645,301	666,824	—	—	—	—
96,637	147,798	28,283	—	—	—
151,727	173,097	181,415	—	—	—
40,050	40,391	34,877	—	—	—
555	386	393	—	—	—
43,114	31,147	23,363	—	—	—
17,350	14,584	—	—	—	—
5,504	5,843	6,764	—	—	—
233,177	220,245	191,383	—	—	—
—	—	649	—	—	—
1,357	1,739	2,568	—	—	—
—	113,544	23,121	—	—	—
<u>(8,425)</u>	<u>(6,398)</u>	<u>862,381</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>1,274,718</u>	<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>\$ 1,827,046</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>

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues:				
Taxes:				
Personal Income	\$ 1,853,422	\$ 1,915,382	\$ 1,768,069	\$ 1,767,626
Consumer Sales and Use	1,293,535	1,264,716	1,211,057	1,197,317
Severance	373,801	589,883	612,283	547,453
Corporate Net Income	152,873	189,473	202,444	230,131
Business and Occupation	119,594	120,426	121,401	125,692
Medicaid	221,717	200,408	184,666	219,568
Gasoline and Motor Carrier	404,321	435,142	433,252	417,571
Automobile Privilege	201,082	204,993	195,737	188,197
Wholesale Motor Fuel	—	—	—	—
Other	303,544	249,071	303,923	304,687
Intergovernmental	4,702,423	4,452,997	4,160,993	4,073,257
Licenses, Permits, and Fees	239,007	242,406	262,481	245,631
Motor Vehicle Registration	94,277	103,092	99,430	93,363
Charges for Services	118,233	124,305	123,767	128,257
Lottery Revenue	336,938	349,853	335,075	380,052
Investment Earnings	34,300	14,298	78,537	28,696
Food Stamp Revenue	496,107	494,131	479,215	513,960
Other	<u>202,768</u>	<u>224,883</u>	<u>224,015</u>	<u>199,087</u>
Total Revenues	<u>11,147,942</u>	<u>11,175,459</u>	<u>10,796,345</u>	<u>10,660,545</u>
Expenditures				
Current:				
Legislative	26,907	28,840	30,224	34,742
Judicial	144,091	140,847	142,859	127,804
Executive	142,313	126,313	182,887	149,602
Administration	126,668	155,998	159,680	155,163
Commerce	180,018	163,777	185,011	214,172
Environmental Protection	151,537	131,371	151,742	133,541
Employment Programs	48,968	45,743	53,540	50,210
Education	2,869,977	2,997,533	2,968,967	3,024,480
Health and Human Resources	5,430,561	5,285,201	4,895,617	4,684,841
Military Affairs and Public Safety	495,656	461,599	466,444	490,711
Revenue	91,050	92,758	150,556	67,760
Transportation	914,909	801,658	845,679	743,613
Veterans Assistance	21,546	20,261	23,464	19,114
Senior Services	44,253	49,439	45,919	47,669
Regulatory Boards and Commissions	36,877	54,965	68,545	64,130
Capital Outlay	359,889	335,493	302,040	465,399
Debt Service:				
Principal	85,180	105,800	101,350	122,855
Interest	<u>95,180</u>	<u>100,348</u>	<u>106,307</u>	<u>113,136</u>
Total Expenditures	<u>11,265,580</u>	<u>11,097,944</u>	<u>10,880,831</u>	<u>10,708,942</u>
Excess of Revenues Over (Under) Expenditures	(117,638)	77,515	(84,486)	(48,397)
Other Financing Sources (Uses):				
Fair Value of Long-Term Debt Issued	—	205,365	—	—
Premiums on Bonds Issued	—	39,273	—	—
Capital Lease Acquisition	2,019	580	955	495
Other Nonoperating Revenues	—	—	—	—
Payments to Refunded Bonds Escrow Agents	—	(244,030)	—	—
Transfers In	188,770	149,515	134,350	154,945
Transfers Out	(304,938)	(388,051)	(351,045)	(370,770)
Excess Reserve Transfer to RHBT	—	—	—	—
Total Other Financing Sources (Uses)	<u>(114,149)</u>	<u>(237,348)</u>	<u>(215,740)</u>	<u>(215,330)</u>
Net Changes in Fund Balances	<u>\$ (231,787)</u>	<u>\$ (159,833)</u>	<u>\$ (300,226)</u>	<u>\$ (263,727)</u>
Debt service as a percentage of noncapital expenditures	1.66%	1.92%	2.01%	2.31%

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 2007 amounts above have not been restated to reflect this change in presentation because the necessary information is not readily available.

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,790,299	\$ 1,654,563	\$ 1,531,867	\$ 1,612,897	\$ 1,557,352	\$ 1,370,566
1,216,286	1,151,363	1,132,951	1,087,130	989,517	1,019,631
564,327	571,539	530,940	470,266	518,724	340,544
232,266	263,963	227,693	256,389	373,180	384,440
123,137	127,103	133,245	148,247	147,989	180,527
176,661	170,079	157,693	165,759	161,896	162,692
408,571	406,347	393,557	391,903	395,641	364,550
186,300	168,602	147,466	141,930	169,095	171,429
—	—	—	—	—	—
318,999	266,723	279,444	293,654	396,772	393,210
4,077,933	4,372,908	4,115,677	3,552,545	3,183,463	3,033,765
234,984	218,431	214,293	211,932	214,655	216,504
92,951	96,504	91,902	91,667	96,592	92,422
127,806	147,142	135,914	126,317	117,360	117,970
487,122	398,974	—	—	—	—
55,931	495,777	100,111	(38,440)	91,030	184,957
491,416	75,594	478,622	372,270	293,439	273,227
<u>209,490</u>	<u>175,821</u>	<u>184,935</u>	<u>197,669</u>	<u>205,820</u>	<u>136,117</u>
<u>10,794,479</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>
36,731	31,916	29,022	29,622	28,163	26,389
139,941	130,574	125,184	110,410	108,075	90,829
216,268	354,357	256,364	146,181	131,404	118,550
190,164	120,881	114,972	127,517	111,866	106,020
226,194	226,931	223,569	214,767	214,102	228,570
152,634	134,515	148,982	117,402	69,882	114,482
55,969	61,536	60,483	47,974	58,563	58,488
3,760,480	2,878,686	2,773,160	2,789,173	2,688,399	3,616,732
4,425,591	4,334,459	4,056,573	3,767,274	3,472,108	3,251,403
526,654	523,868	462,163	425,488	382,372	353,445
91,349	90,370	263,427	89,042	86,496	76,257
1,009,032	741,384	754,486	695,354	579,982	520,281
26,600	—	—	—	—	—
47,656	47,292	46,727	43,841	43,719	32,315
93,643	34,540	37,161	35,917	36,469	34,691
334,046	571,034	521,480	579,722	535,538	502,232
341,673	101,978	103,735	103,276	92,338	134,464
<u>113,204</u>	<u>123,841</u>	<u>123,670</u>	<u>129,795</u>	<u>129,705</u>	<u>86,237</u>
<u>11,787,829</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>
(993,350)	253,271	(244,848)	(370,620)	143,344	(908,834)
18,615	190,755	—	76,835	—	1,349,893
1,025	10,292	—	4,129	—	5,126
234,765	805	—	1,115	3,235	190
—	—	12,505	—	—	—
(20,935)	(37,730)	—	—	—	(242,616)
170,321	134,473	654,340	653,249	497,811	749,215
(434,125)	(378,508)	(383,264)	(475,798)	(347,579)	(222,642)
—	—	—	—	(108,168)	—
<u>(30,334)</u>	<u>(79,913)</u>	<u>283,581</u>	<u>259,530</u>	<u>45,299</u>	<u>1,639,166</u>
<u>\$ (1,023,684)</u>	<u>\$ 173,358</u>	<u>\$ 38,733</u>	<u>\$ (111,090)</u>	<u>\$ 188,643</u>	<u>\$ 730,332</u>
3.98%	2.30%	2.40%	2.64%	2.70%	2.50%

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

<b>Personal Income by Industry - (Calendar Year)</b>	<b><u>2015</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Farm Earnings	\$ (30,770)	\$ 19,745	\$ (15,408)	\$ 19,745
Agricultural/Forestry, Fishing, and Other	160,316	102,143	97,594	90,077
Mining	2,725,768	3,423,411	3,749,493	3,947,662
Construction	2,896,798	2,857,279	2,894,652	2,857,741
Manufacturing	3,421,537	3,601,454	3,753,280	3,666,492
Transportation, Warehousing, and Public Utilities	2,159,353	2,127,148	2,134,739	2,097,404
Wholesale Trade	1,557,478	1,539,380	1,519,306	1,537,622
Retail Trade	2,935,939	2,941,483	3,039,500	2,948,321
Finance, Insurance, and Real Estate	1,885,393	1,956,188	2,043,981	1,894,862
Service Industries	15,611,983	15,033,408	14,871,664	14,559,593
Federal, Civilian	2,424,565	2,349,128	2,296,812	2,281,687
Military	272,963	299,618	327,312	344,553
State and Local Government	6,221,514	6,210,344	6,203,760	6,055,436
<b>Tax Revenue – (Fiscal Year)</b>				
Consumer Sales	1,228,100	1,173,100	1,193,300	1,216,000
Personal Income	1,840,100	1,664,100	1,700,500	1,689,000
Severance	414,000	488,700	409,700	467,900
Corporate Income and Business Franchise	186,000	203,500	238,100	188,100
Motor Fuel	435,000	441,100	408,900	387,000
Automobile Privilege	204,993	195,737	188,197	186,300

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 2015.

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

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ (40,920)	\$ (51,659)	\$ (46,725)	\$ (134,000)	\$ (78,000)	\$ (61,000)
97,810	74,187	104,000	111,000	118,000	123,000
3,440,574	2,753,612	2,958,000	3,410,000	2,871,000	2,682,000
2,513,975	2,408,107	2,301,000	2,453,000	2,362,000	2,393,000
3,565,688	3,376,006	3,334,000	3,919,000	3,925,000	3,951,000
2,034,076	1,943,157	1,990,000	1,989,000	1,856,000	1,813,000
1,477,230	1,413,039	1,442,000	1,513,000	1,478,000	1,453,000
2,867,136	2,754,166	2,832,000	2,720,000	2,658,000	2,611,000
1,769,826	1,649,776	1,591,000	1,619,000	1,551,000	1,492,000
13,908,974	13,261,227	12,808,000	11,998,000	11,272,000	11,041,000
2,469,552	2,431,677	2,496,000	2,181,000	2,100,000	1,956,000
466,154	522,277	535,000	436,000	405,000	419,000
6,376,291	6,104,522	7,252,000	6,082,000	5,763,000	5,368,000
1,148,200	1,095,700	1,110,000	1,109,800	1,129,500	1,125,800
1,593,200	1,446,900	1,557,400	1,518,700	1,360,500	1,297,700
440,900	400,600	359,600	338,200	312,200	314,700
303,000	232,900	270,200	388,000	358,400	347,600
397,700	390,900	384,500	404,200	349,200	320,700
168,602	147,466	141,930	169,095	171,429	170,484

**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>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Corporate Net Income (applies to C corporations)	6.50%	6.50%	7.00%	8.50%
Severance Tax				
Timber	0%	0%	Temporarily Discontinued	1.22%
Oil/Gas	5%	5%	5%	5%
Coal	Various	Various	Various	Various
Consumer Sales Tax	6%	6%	6%	6%
Food Tax *	0%	0%	0%	1%
Motor Fuel Excise and Sales Tax** (cents per gallon)	34.6	34.6	34.7	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

<b>2012</b>	<b><u>2011</u></b>	<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>2008</u></b>	<b><u>2007</u></b>
8.50%	8.50%	8.50%	8.50	8.75%	8.75%
1.22%	Temporarily Discontinued	Temporarily Discontinued	1.22	1.22%	1.22%
5%	5%	5%	5%	5%	5%
Various	Various	Various	Various	Various	Various
6%	6%	6%	6%	6%	6%
3% / 2%	3%	3%	3%	4%	5%
32.2 / 33.4	32.2	32.2	32.2	32.2	31.5
5%	5%	5%	5%	5%	5%

**Schedule 7****Revenue Payers by Industry/Category****Most Current Available Year and****Historical Comparison**

(Dollars Expressed in Thousands)

**Consumers Sales and Service Tax & 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 2014**

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<u>Income Level</u>	<u>Tax Liability</u>	<u>Percent of Total</u>	<u>Returns</u>	<u>Percent of Total</u>
\$0 - \$10,000	\$ 5,438,874	0.30%	237,120	28.28%
\$10,000 - \$20,000	47,199,231	2.63%	121,115	14.44%
\$20,000 - \$40,000	166,996,478	9.31%	158,360	18.89%
\$40,000 - \$60,000	211,427,719	11.79%	103,314	12.32%
Over \$60,000	<u>1,362,276,427</u>	<u>75.97%</u>	<u>218,555</u>	<u>26.07%</u>
Total	<u>\$1,793,338,729</u>	<u>100.00%</u>	<u>838,464</u>	<u>100.00%</u>

**Tax Year 2005**

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<u>Income Level</u>	<u>Tax Liability</u>	<u>Percent of Total</u>	<u>Returns</u>	<u>Percent of Total</u>
\$0 - \$10,000	\$ 18,878,394	1.52%	255,141	34.11%
\$10,000 - \$20,000	61,304,645	4.93%	123,231	16.48%
\$20,000 - \$40,000	172,004,500	13.83%	155,785	20.83%
\$40,000 - \$60,000	206,287,463	16.59%	96,361	12.88%
Over \$60,000	<u>785,039,512</u>	<u>63.13%</u>	<u>117,425</u>	<u>15.70%</u>
Total	<u>\$1,243,514,514</u>	<u>100.00%</u>	<u>747,943</u>	<u>100.00%</u>

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

	<b>Primary Government – Debt</b>			
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Governmental Activities:				
General Obligation Bonds	\$ 393,089	\$ 412,368	\$ 460,428	\$ 498,776
Revenue Bonds	1,142,347	1,185,022	1,226,587	1,266,848
Capital Leases and Notes Payable	28,153	28,813	27,405	34,104
Capital Leases Payable to Component Units	<u>275,765</u>	<u>260,995</u>	<u>243,790</u>	<u>256,155</u>
Total Governmental Activities	<u>1,839,354</u>	<u>1,887,198</u>	<u>1,958,210</u>	<u>2,055,883</u>
Enterprise Activities:				
Revenue Bonds	<u>191,049</u>	<u>197,762</u>	<u>112,735</u>	<u>115,497</u>
Total Primary Government Debt	<u>\$ 2,030,403</u>	<u>\$ 2,084,960</u>	<u>\$2,070,945</u>	<u>\$2,171,380</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**

<b>Year</b>	<b>Personal Income</b>	<b>Consumer Sales and Use</b>	<b>Business</b>	<b>Transportation</b>	<b>Other</b>	<b>Total</b>
2016	\$ 1,849,056	\$ 1,291,813	\$ 640,081	\$ 605,403	\$ 526,348	\$ 4,912,701
2015	1,921,597	1,265,957	907,362	640,135	446,794	5,181,845
2014	1,771,473	1,216,812	937,751	628,989	493,000	5,048,025
2013	1,771,481	1,198,983	923,575	605,768	508,114	5,007,921
2012	1,790,146	1,216,561	905,515	594,871	509,357	5,016,450
2011	1,657,258	1,150,887	977,252	574,949	437,363	4,797,709
2010	1,534,970	1,131,075	844,405	541,023	435,504	4,486,977
2009	1,630,492	1,088,901	912,252	533,833	297,644	4,463,122
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

**General Obligation Bond Debt Ratios**

<b>Year</b>	<b>General Obligation Bond Debt</b>	<b>Percent of Tax Income</b>	<b>Percent of Personal Income</b>	<b>Amount of Debt Per Capita*</b>
2016	\$ 393,089	8.00%	0.58%	\$0.21
2015	412,368	7.96%	0.62%	0.22
2014	460,428	9.12%	0.70%	0.25
2013	498,776	9.96%	0.78%	0.27
2012	533,304	10.63%	0.86%	0.29
2011	580,357	12.10%	0.98%	0.31
2010	622,928	13.88%	1.08%	0.34
2009	665,294	14.91%	1.16%	0.37
2008	705,955	15.52%	1.30%	0.39
2007	744,790	17.61%	1.44%	0.41

**Primary Government – Debt**

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 533,304	\$ 580,357	\$ 622,928	\$ 665,294	\$ 705,955	\$ 744,790
1,330,795	1,366,199	1,243,106	1,405,645	1,362,022	1,742,647
34,025	330,722	336,143	322,776	338,603	343,813
<u>275,530</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>2,173,654</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>113,950</u>	<u>116,319</u>	<u>118,612</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>\$2,287,604</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>

**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>
2016	\$ 2,030,403	41.33%	3.00%	1.10
2015	2,084,960	40.24%	3.12%	1.13
2014	2,070,745	41.35%	3.24%	1.12
2013	2,171,380	43.36%	3.39%	1.17
2012	2,287,604	45.60%	3.68%	1.23
2011	2,393,597	49.89%	4.03%	1.29
2010	2,320,789	51.72%	4.03%	1.28
2009	2,393,715	53.63%	4.16%	1.32
2008	2,406,580	52.91%	4.45%	1.33
2007	2,831,250	66.96%	5.46%	1.57

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 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
2016	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	1.00
2015	27,504	—	27,504	25,650	1,854	27,504	1.00
2014	27,519	—	27,519	24,475	3,044	27,519	1.00
2013	27,547	—	27,547	23,370	4,177	27,547	1.00
2012	27,588	—	27,588	22,425	5,163	27,588	1.00
2011	27,575	—	27,575	21,520	6,055	27,575	1.00
2010	27,591	—	27,591	20,845	6,746	27,591	1.00
2009	14,692	—	14,692	10,550	4,200	14,750	1.00
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.

2016	\$ 38,048	\$ 58,856	\$ (20,808)	\$ 2,720	\$ 4,640	\$ 7,360	(2.83)
2015	28,840	70,089	(41,249)	2,620	4,746	7,366	(5.60)
2014	49,441	30,909	18,532	2,710	4,845	7,555	2.45
2013	49,211	18,762	30,449	29,230	4,410	33,640	0.91
2012	50,861	26,532	24,329	2,465	5,476	7,941	3.06
2011	48,900	18,101	30,799	2,390	5,563	7,953	3.87
2010	43,671	20,913	22,758	2,310	5,644	7,954	2.86
2009	79,414	16,309	63,105	15,035	19,987	35,022	1.80
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

**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 <u>Year</u>	Operating <u>Revenue</u>	Direct Operating <u>Expense</u>	Net Revenue Available for <u>Debt Service</u>	Current Year Debt Service Requirements			
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
2016	\$ 66,356	\$ 130	\$ 66,226	\$ 12,405	\$ 54,281	\$ 66,686	0.99
2015	67,029	17	67,012	12,205	55,192	67,397	0.99
2014	67,499	149	67,350	11,815	56,068	67,883	0.99
2013	93,889	24	93,865	36,360	58,790	95,150	0.99
2012	67,599	34	67,565	8,515	59,425	67,940	0.99
2011	66,382	27	66,355	6,690	59,925	66,615	1.00
2010	70,404	21	70,383	10,070	60,677	70,747	0.99
2009	83,205	58	83,147	19,910	62,237	82,147	1.01
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.

2016	\$ 19,051	\$ —	\$ 19,051	\$ 10,105	\$ 8,610	\$ 18,715	1.02
2015	19,206	—	19,206	9,660	9,104	18,764	1.02
2014	19,852	—	19,852	9,240	9,538	18,778	1.06
2013	20,210	—	20,210	8,850	9,944	18,794	1.08
2012	19,290	—	19,290	8,495	10,317	18,812	1.03
2011	19,569	—	19,569	8,175	10,655	18,830	1.04
2010	19,411	—	19,411	7,890	10,955	18,845	1.03
2009	19,698	—	19,698	7,645	11,220	18,865	1.04
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

(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
2016	\$ 9,996	\$ —	\$ 9,996	\$ 3,130	\$ 6,865	\$ 9,995	1.00
2015	9,996	—	9,996	3,010	6,985	9,995	1.00
2014	9,999	—	9,999	2,880	7,119	9,999	1.00
2013	10,000	—	10,000	2,770	7,230	10,000	1.00
2012	10,012	3	10,009	2,685	7,310	9,995	1.00
2011	8,001	315	7,686	9,605	6,285	15,890	0.48
2010	8,242	3	8,239	9,115	643	9,758	0.84
2009	10,046	3	10,043	8,660	1,109	9,769	1.03
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

**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.

2016	\$ —	\$ —	\$ 25,780	\$ 13,775	\$ 12,005	\$ 25,780	1.00
2015	—	—	23,478	13,065	10,413	23,478	1.00
2014	—	—	23,290	12,365	10,925	23,290	1.00
2013	—	—	22,681	10,885	11,796	22,681	1.00
2012	—	—	259,285	251,468	7,817	259,285	1.00

**Housing Development Fund**

Operating revenue includes revenues and principal loan repayments. Both are used for bond repayment. The Fund is authorized by West Virginia State Code to issue bonds and notes for its various programs in an aggregate principal amount not to exceed \$1.25 billion outstanding at any one time, exclusive of refunded obligations. Bonds and notes issued by the Fund are considered obligations of the Fund and are not deemed to constitute a debt or liability of the State. All bonds are secured by a pledge of all mortgage loan repayments, all proceeds of federal or private mortgage insurance, interest received on any monies or securities held pursuant to the resolution, and the rights and interest of the Fund in and to the mortgage loans.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2016	\$ 97,344	\$ 6,980	\$ 90,364	\$ 24,240	\$ 12,690	\$ 36,930	2.44
2015	94,554	7,435	87,119	23,345	14,769	38,114	2.28
2014	102,230	7,334	94,896	22,970	16,139	39,109	2.42
2013	130,658	7,393	123,265	25,065	20,168	45,233	2.73
2012	144,583	9,462	135,121	20,651	25,694	46,345	2.92
2011	125,325	9,325	116,000	16,594	30,479	47,073	2.46
2010	130,282	6,009	124,273	19,198	33,963	53,161	2.34
2009	136,802	7,367	129,435	21,816	37,681	59,497	2.18
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

### 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.

2016	\$ 13,294	\$ 1,685	\$ 11,609	\$ 8,034	\$ 8,251	\$ 16,285	0.71
2015	14,060	1,624	12,436	7,875	8,494	16,369	0.76
2014	14,134	2,347	11,787	50,610	9,537	60,147	0.20
2013	14,538	2,723	11,815	75,830	6,886	82,716	0.14
2012	14,715	2,166	12,549	6,930	11,334	18,264	0.69
2011	15,274	2,283	12,991	7,160	11,616	18,776	0.69
2010	15,355	1,091	14,264	6,930	11,874	18,804	0.76
2009	15,731	809	14,922	6,685	12,110	18,795	0.79
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

(Continued)

**Schedule 9**

**Pledged Revenue Coverage**

**Last Ten Fiscal Years**

(Dollars Expressed in Thousands)

(Continued)

**Higher Education Fund**

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

<u>Fiscal Year</u>	<u>Operating Revenue</u>	<u>Direct Operating Expense</u>	<u>Net Revenue Available for Debt Service</u>	<u>Current Year Debt Service Requirements</u>			
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
2016	\$ 1,660,924	\$ 1,712,074	\$ (51,150)	\$ 40,620	\$ 58,309	\$ 98,929	(0.52)
2015	1,632,186	1,669,579	(37,393)	89,575	54,237	143,812	(0.26)
2014	1,625,089	1,620,246	4,843	45,900	53,211	99,111	0.05
2013	1,640,124	1,613,438	26,686	229,125	20,349	249,474	0.11
2012	1,596,324	1,664,940	(68,616)	226,945	57,079	284,024	(0.24)
2011	1,554,057	1,620,575	(66,518)	71,574	32,361	103,935	(0.64)
2010	1,467,996	1,547,741	(79,745)	25,184	30,716	55,900	(1.43)
2009	1,447,422	1,409,047	38,375	24,169	31,745	55,914	0.69
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

**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.

2016	\$ 89,639	\$ 76,579	\$ 13,060	\$ 6,537	\$ 1,653	\$ 8,190	1.60
2015	86,862	72,677	14,185	6,150	2,716	8,866	1.60
2014	89,254	72,944	16,310	5,840	3,030	8,870	1.83
2013	98,547	74,860	23,687	5,550	3,321	8,871	2.67
2012	102,043	77,064	24,979	5,270	3,592	8,862	2.82
2011	88,773	77,797	10,976	5,015	3,975	8,990	1.22
2010	75,434	79,054	(3,620)	4,770	4,097	8,867	(0.41)
2009	97,048	79,508	17,540	4,550	4,320	8,870	1.98
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

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

### School Building Authority

The Authority provides funds for modern efficient public school facilities throughout the State by promoting the consolidation of elementary and secondary public schools. The bonds are paid by certain net profits of the West Virginia Lottery.

<u>Fiscal Year</u>	<u>Operating Revenue</u>	<u>Direct Operating Expense</u>	<u>Net Revenue Available for Debt Service</u>	<u>Current Year Debt Service Requirements</u>			
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
2016	\$ 64,044	\$ 10,180	\$ 53,864	\$ 25,900	\$ 12,457	\$ 38,357	1.40
2015	62,533	10,525	52,008	29,555	14,812	44,367	1.17
2014	64,779	—	64,779	36,930	15,564	52,494	1.23
2013	58,758	—	58,758	35,275	16,047	51,322	1.14
2012	62,068	—	62,068	33,980	17,077	51,057	1.22
2011	59,003	—	59,003	31,620	17,972	49,592	1.19
2010	52,931	—	52,931	29,850	18,877	48,727	1.09
2009	47,636	—	47,636	14,940	16,743	31,683	1.50
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

### Parkways Authority

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

<u>Fiscal Year</u>	<u>Operating Revenue</u>	<u>Direct Operating Expense</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service</u>	<u>Coverage</u>
2016	\$ 93,223	\$ 39,123	\$ 54,100	\$ 10,755	5.03
2015	88,625	40,904	47,721	10,577	4.51
2014	84,730	39,070	45,660	10,529	4.34
2013	83,438	35,772	47,666	11,186	4.26
2012	83,574	35,043	48,531	10,541	4.60
2011	82,440	35,891	46,549	10,515	4.43
2010	79,188	33,134	46,054	10,670	4.32
2009	53,541	30,908	22,633	12,218	1.85
2008	56,690	31,183	25,507	11,852	2.15
2007	58,219	32,606	25,613	10,876	2.36

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>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Population</b>				
West Virginia (in millions)	1,844,128	1,850,326	1,854,304	1,855,413
Change	-0.33%	-0.21%	-0.06%	0.00%
National (in millions)	321,418,820	318,857,056	316,128,839	313,914,040
Change	0.80%	0.86%	0.70%	0.75%
<b>Total Personal Income (Dollars in Millions)</b>				
West Virginia	\$ 67,787	\$ 66,857	\$ 65,889	\$ 63,968
Change	1.39%	1.45%	3.00%	2.88%
National	\$ 15,463,981	\$ 14,683,147	\$ 14,151,427	\$ 13,401,869
Change	5.32%	3.62%	5.59%	3.24%
<b>Per Capita Personal Income* (In Dollars)</b>				
West Virginia	\$ 36,578	\$ 36,132	\$ 35,533	\$ 34,477
Change	1.23%	1.66%	3.06%	2.88%
National	\$ 48,112	\$ 46,049	\$ 44,765	\$ 42,693
Change	4.48%	2.79%	4.85%	2.47%
<b>Median Age</b>	41.8	41.3	41.3	41.3
<b>Educational Attainment</b>				
9th Grade or Less	5.2%	5%	5.4%	5.6%
Some High School, No Diploma	9.8%	9.9%	10.0%	9.9%
High School Diploma	40.7%	41.1%	40.2%	40.6%
Some College, No Degree	18.5%	18.4%	18.6%	19.0%
Associate, Bachelor's or Graduate Degree	25.7%	25.7%	25.7%	25.0%
<b>Labor Force and Employment (People in Thousands)</b>				
Civilian Labor Force	776	787.8	797.4	805.0
Employed	730.1	733.5	744.6	746.0
Unemployed	45.9	54.3	52.8	59.0
Unemployment Rate	5.9%	6.9%	6.6%	7.3%
Nonfarm Wage and Salary Workers Employed in West Virginia Goods Producing Industries:				
Mining	23.7	25.5	33.3	33.7
Construction	31.2	27.7	31.9	35.6
Manufacturing - Durable Goods	28.0	28.9	30.1	29.6
Manufacturing - Nondurable Goods	<u>18.9</u>	<u>18.8</u>	<u>18.9</u>	<u>19.6</u>
Total Goods Producing Industries	101.8	100.9	114.2	118.5
Non-Goods Producing Industries:				
Trade	112.4	107.9	108.8	111.0
Service	397.9	389.6	398.4	381.7
State and Local Government	132.2	130.0	132.8	130.7
Federal Government	<u>23.4</u>	<u>22.2</u>	<u>23.2</u>	<u>23.3</u>
Total Non-Goods Producing Industries	665.9	649.7	663.2	646.7
<b>Total Nonfarm Wage and Salary Employment</b>	<b>767.7</b>	<b>750.6</b>	<b>777.4</b>	<b>765.2</b>

The most current period available is 2015.

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

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

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

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1,855,364	1,852,994	1,819,777	1,814,873	1,811,198	1,807,237
0.13%	1.83%	0.27%	0.20%	0.22%	0.18%
311,591,917	308,745,538	307,006,550	304,374,846	301,579,895	298,593,212
0.92%	0.57%	0.86%	0.93%	1.00%	0.96%
\$ 62,178	\$ 59,417	\$ 57,535	\$ 57,576	\$ 54,100	\$ 51,862
4.65%	3.27%	(0.07)%	6.43%	4.32%	7.73%
\$ 12,981,741	\$ 12,353,577	\$ 11,916,773	\$ 12,451,660	\$ 11,900,562	\$ 11,256,516
5.08%	3.67%	(4.30)%	4.63%	5.72%	7.44%
\$ 33,513	\$ 32,042	\$ 31,137	\$ 31,286	\$ 29,497	\$ 28,372
4.59%	2.91%	(0.48)%	6.07%	3.97%	7.29%
\$ 41,663	\$ 39,937	\$ 38,846	\$ 40,947	\$ 39,506	\$ 37,725
4.32%	2.81%	(5.13)%	3.65%	4.72%	6.41%
41.1	41.3	40.5	40.6	40.4	40.7
6.8%	6.1%	6.5%	6.6%	7.0%	7.1%
11.3%	10.7%	10.7%	11.1%	11.8%	11.9%
41.3%	41.6%	41.0%	40.9%	41.1%	42.7%
17.6%	18.3%	18.5%	18.5%	16.7%	16.1%
23.0%	23.3%	23.2%	22.9%	23.4%	22.2%
799.9	782.3	797.9	806.0	813.0	810.0
736.1	711.1	734.6	772.0	778.0	773.0
63.8	71.2	63.3	34.0	35.0	37.0
8.0%	9.1%	7.9%	4.3%	4.3%	4.6%
33.6	29.9	29.6	30.7	27.5	28.1
33.0	32.6	34.1	38.4	38.7	39.2
30.0	29.6	30.9	35.2	37.2	38.4
<u>19.5</u>	<u>19.5</u>	<u>19.8</u>	<u>21.1</u>	<u>21.8</u>	<u>22.6</u>
116.1	111.6	114.4	125.4	125.2	128.3
109.9	109.2	110.0	114.4	116.2	115.5
376.2	372.5	369.9	374.0	369.5	367.8
128.3	128.3	126.3	123.7	122.6	122.4
<u>23.5</u>	<u>24.3</u>	<u>23.6</u>	<u>22.9</u>	<u>22.5</u>	<u>22.1</u>
637.9	634.3	629.8	635.0	630.8	627.8
754.0	745.9	744.2	760.4	756.0	756.1

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

**Estimated as of June 30, 2016**

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<b><u>Major West Virginia Employers</u></b>	<b><u>Number of Employees</u></b>	<b><u>Percentage of Total Employed</u></b>
Local Government	75,000 - 79,999	10.36%
State Government	40,000 - 44,999	5.77%
Federal Government	20,000 - 24,999	3.19%
West Virginia United Health System	13,000 - 14,999	1.92%
Wal-Mart Associates, Inc.	10,000 - 13,000	1.58%
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%
Lowe's Home Centers, Inc.	1,000 - 2,999	0.27%
St. Mary's Medical Center, Inc.	1,000 - 2,999	0.27%
Cabell-Huntington Hospital, Inc.	1,000 - 2,999	0.27%
Wheeling Hospital, Inc.	1,000 - 2,999	0.27%
Res-Care Inc.	1,000 - 2,999	0.27%

**Estimated as of June 30, 2007**

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<b><u>Major West Virginia Employers</u></b>	<b><u>Number of Employees</u></b>	<b><u>Percentage of Total Employed</u></b>
Local Government	70,000 - 74,999	9.50%
State Government	40,000 - 44,999	5.05%
Federal Government	20,000 - 24,999	2.87%
Wal-Mart Associates, Inc.	10,000 - 13,000	1.48%
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%
American Electric Power	3,000 - 5,999	0.58%
Eldercare Resources Corporation	1,000 - 2,999	0.26%
Lowe's Home Centers, Inc.	1,000 - 2,999	0.26%
CSX / CSX Hotels Inc.	1,000 - 2,999	0.26%
Pilgrim's Pride Corporation of WV	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>
2015-16	157,003	120,134	277,137
2014-15	158,815	121,084	279,899
2013-14	160,112	120,901	281,013
2012-13	160,721	121,589	282,310
2011-12	160,571	121,517	282,088
2010-11	160,015	122,115	282,130
2009-10	159,205	122,623	281,828
2008-09	157,520	124,388	281,908
2007-08	155,832	125,903	281,735
2006-07	154,479	126,818	281,297

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>
2015-16	86,427	18,521	8,654	1,862
2014-15	87,082	18,410	8,637	1,794
2013-14	90,028	18,012	8,496	1,772
2012-13	92,140	16,938	8,758	2,425
2011-12	96,573	16,512	8,758	2,991
2010-11	96,555	15,733	11,496	2,879
2009-10	94,952	15,185	12,168	2,678
2008-09	89,280	14,917	11,279	2,560
2007-08	88,276	15,040	11,131	2,686
2006-07	86,972	14,733	10,639	2,682

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Executive *	899	931	920	932
Legislative	182	189	210	213
Judicial	1,072	1,109	1,079	1,055
Administration	927	914	908	889
Commerce				
Division of Natural Resources (Parks)	701	703	741	748
Tourism and Development	144	141	146	163
WORKFORCE West Virginia	332	365	390	391
Other	379	408	428	441
Environmental Protection	811	850	883	855
Education and the Arts				
Department of Education	511	507	528	550
School for the Deaf and the Blind	158	161	178	174
Rehabilitation Services	532	539	558	531
Higher Education	10,501	11,633	11,676	11,717
Other	267	259	268	280
Revenue	953	987	1,028	1,062
Health and Human Services	5,437	5,463	5,514	5,630
Military Affairs and Public Safety (MAPS)				
Corrections	1,987	1,688	1,839	1,760
Juvenile Services	549	516	511	676
State Police	1,025	1,050	1,037	1,024
Regional Jail Authority	935	948	971	911
Other	610	591	569	620
Veterans Assistance	210	207	226	246
Transportation	5,646	5,629	5,723	5,876
Miscellaneous	<u>511</u>	<u>519</u>	<u>535</u>	<u>533</u>
Total	<u>35,279</u>	<u>36,307</u>	<u>36,866</u>	<u>37,277</u>

Notes:

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

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

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
958	946	921	927	916	896
221	216	218	216	213	208
1,069	1,042	1,010	961	912	936
683	693	679	696	659	663
756	752	798	836	844	844
162	160	155	162	164	166
396	409	440	399	397	372
439	400	400	391	379	364
842	832	823	804	821	820
584	601	576	579	560	519
193	182	195	202	192	192
564	555	563	542	518	544
11,575	11,431	10,965	10,762	10,383	10,165
279	285	274	286	272	261
1,094	1,080	1,067	1,057	1,087	1,042
5,621	5,535	5,562	5,495	5,556	5,596
1,758	1,725	1,700	1,692	1,684	1,648
712	718	681	640	610	615
1,067	1,043	1,033	1,026	1,011	1,011
912	883	886	896	903	938
556	530	511	486	525	450
240	227	213	181	161	134
5,834	5,776	5,346	5,658	5,499	5,490
<u>506</u>	<u>509</u>	<u>497</u>	<u>488</u>	<u>490</u>	<u>496</u>
<u>37,021</u>	<u>36,530</u>	<u>35,513</u>	<u>35,382</u>	<u>34,756</u>	<u>34,370</u>

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Department of Transportation			
Division of Highways			
Total highway construction projects authorized	1,042	891	757
Number of roadway resurfacing projects	519	483	325
Highway mileage resurfaced (in miles)	1,729	1,481	975
WORKFORCE West Virginia (Employment Programs)			
Applications processed for job seekers (in thousands)	96	102	114
Filled job openings	2,969	3,235	3,725
Department of Education			
Schools receiving exemplary accreditation status	N/A	N/A	N/A
Schools receiving full accreditation status	N/A	N/A	N/A
School districts receiving full approval status	N/A	N/A	N/A
Department of Health and Human Resources			
Number of food stamp recipients	333,938	360,266	351,392
Number of food stamps issued	40,796,612	40,995,643	39,975,707
Medicaid enrollees	649,111	632,808	551,682
Counties enrolled in managed care	100%	100%	100%
Child support collections (in millions)	\$214	\$212	\$208
Students served by school-based health clinics	29,045	61,265	24,391
Division of Natural Resources			
Attendance at State Parks (in millions)	7.1	7.0	7.0
Hunting and Fishing License Sales (Calendar year)	868,658	913,578	927,069
Individuals whitewater rafting on rivers (Calendar year)	131,022	134,170	130,192
Department of Environmental Protection			
Division of Air Quality			
Number of air quality inspections	583	546	700
Average days open per complaint	6.80	8.24	17.00
Division of Land Restoration Programs			
Organizations that adopted highways	1,835	1,301	1,256
Division of Mining and Reclamation			
Surface mine blasting examinations and certifications	147	134	111
Surface mine mineral extractions inspections	19,739	20,205	21,086
Number of acres reclaimed through reclamation/restoration of land	527	398	700
Office of Miners Health and Safety (Calendar Year)			
Total Safety Inspections	5,002	5,750	6,751
Violations issued by mine inspectors	7,527	8,767	11,415
Lost time injuries of mining personnel	355	584	639
Department of Military Affairs and Public Safety			
Division of Corrections			
Adult inmate housing capacity	5,989	5,987	5,923
Inmate employment (Prison Industries)	245	240	244
Youth successfully completed programs/returned to community (calendar year)	188	166	179
Veterans' Home			
Average daily number of residents	74	81	87
Average daily cost per resident	\$107.02	\$97.62	\$97.15
Bureau of Senior Services			
Persons served under Medicaid Aged and Disabled Waiver	6,385	6,455	6,208

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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
806	1,305	1,070	1,231	702	1,169	874
348	775	508	584	208	527	324
1,067	1,716	995	1,328	479	1,557	944
141	145	141	175	150	141	128
4,673	4,943	4,673	4,673	7,003	8,380	9,517
8%	7.98%	9.06%	8.36%	8.17%	10.00%	10.00%
63.72%	72.08%	71.57%	69.73%	71.80%	80.00%	80.00%
89.09%	87.27%	89.09%	89.09%	89.09%	96.00%	93.00%
342,831	339,258	338,665	326,730	288,500	245,931	235,772
41,335,676	40,951,366	41,314,740	39,885,163	31,098,046	24,555,462	22,869,066
410,770	415,030	414,935	405,178	393,187	307,686	305,054
100%	100%	100%	100%	95%	93%	89%
\$209	\$213	\$222	\$201	\$204	\$201	\$192
20,708	28,436	27,076	24,992	20,380	20,224	26,800
7.0	6.8	6.5	6.3	5.9	6.7	6.3
911,219	881,062	879,678	914,474	1,005,953	983,544	955,737
140,027	142,036	156,962	155,712	164,325	181,105	170,266
550	2457	2,236	1,503	1,795	2,096	1,584
9.75	10.80	11.06	12.87	15.30	32.41	37.34
1,227	1,186	1,867	1,536	1,879	1,834	1,882
114	125	109	118	149	123	159
21,790	20,530	21,243	20,812	13,391	21,183	22,092
1,202	7,842	5,887	2,784	2,298	2,483	7,261
6,690	6,432	5,413	5 873	5,980	5 709	5 508
13,267	15,705	18,708	15,306	14,804	16,130	12,488
570	648	784	801	809	973	929
5,778	5,242	5,185	5,114	5,113	5,017	4,931
250	253	243	242	247	245	238
		148	159	159	156	115
180	163					
86	98	100	97	97	95	89
\$107.14	\$87.05	\$77.32	\$76.53	\$70.78	\$71.19	\$68.74
7,107	8,530	8,029	5,950	6,449	5,300	4,737

**Schedule 15**

**Capital Assets Statistics by Function**

**Last Ten Fiscal Years**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Vehicles				
Executive	218	227	219	195
Judicial	18	20	20	19
Administration				
Agency-Owned	9	8	6	6
Leased to other agencies	<u>2,502</u>	<u>2,664</u>	<u>2,114</u>	<u>2,021</u>
Totals	2,511	2,672	2,120	2,027
Revenue	—	—	—	1
Commerce				
Division of Natural Resources (Parks)	581	710	606	549
Division of Forestry	119	135	139	135
Others	<u>14</u>	<u>18</u>	<u>15</u>	<u>17</u>
Total Commerce	714	863	760	701
Environmental Protection	8	8	17	8
Education	30	42	53	48
Health and Human Services	35	38	29	29
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	867	1,014	895	902
Division of Corrections	26	25	47	45
Regional Jail	—	51	28	27
Others	<u>23</u>	<u>25</u>	<u>37</u>	<u>33</u>
Total MAPS	916	1,115	1,007	1,007
Veterans Affairs	77	80	68	67
Regulatory Boards and Commissions	2	2	2	2
Boats				
Commerce	196	103	97	100
Environmental Protection	15	8	8	7
Buildings				
Executive	72	28	27	26
Administration	71	70	69	71
Revenue	2	2	2	3
Commerce				
Division of Natural Resources (Parks)	903	907	909	907
Division of Forestry	5	5	5	5
Others	<u>11</u>	<u>11</u>	<u>11</u>	<u>11</u>
Total Commerce	919	923	925	923
Environmental Protection	6	7	7	7
Education	28	79	69	69
Health and Human Services	106	106	105	107
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	97	92	91	90
Division of Corrections	66	63	59	55
Regional Jail	149	149	112	109
Others	<u>66</u>	<u>66</u>	<u>64</u>	<u>59</u>
Total MAPS	378	370	326	313
Veterans Affairs	10	10	10	10
Regulatory Boards and Commissions	4	4	4	4

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

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
192	178	185	171	169	171
15	14	14	12	10	10
7	6	6	6	4	4
<u>2,035</u>	<u>1,743</u>	<u>1,731</u>	<u>1,685</u>	<u>1,648</u>	<u>1,857</u>
2,042	1,749	1,737	1,691	1,652	1,861
1	1	0	0	1	1
571	510	582	584	570	581
96	132	136	133	130	135
<u>17</u>	<u>8</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>5</u>
684	650	725	724	707	721
11	10	11	11	11	13
42	44	51	58	42	41
25	28	68	72	68	69
852	947	992	999	1,110	916
42	36	40	40	38	28
27	40	94	99	104	90
<u>32</u>	<u>34</u>	<u>34</u>	<u>31</u>	<u>30</u>	<u>28</u>
953	1,057	1,160	1,169	1,282	1,062
75	70	72	59	56	51
2	2	2	2	2	2
92	93	90	95	94	93
7	7	7	6	5	5
29	28	28	28	28	28
78	78	72	70	68	66
3	2	2	2	2	2
905	889	889	889	884	885
5	5	5	5	5	4
<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>7</u>
918	902	902	902	897	896
7	8	7	7	7	7
82	81	91	91	90	90
108	108	108	109	109	157
90	85	85	85	83	82
55	53	55	55	54	53
154	157	158	167	165	167
<u>55</u>	<u>51</u>	<u>50</u>	<u>46</u>	<u>43</u>	<u>40</u>
354	346	348	353	345	342
10	9	9	9	9	9
3	3	3	3	3	3

**Schedule 16**

**Miscellaneous Statistics**

**June 30, 2016**

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 648

Higher Education (State Supported):  
Number of Campuses 21  
Number of Students 84,447

Recreation:  
Number of State Parks 34  
Area of State Parks 76,961 acres

Number of State Forests 8  
Area of State Forests 71,237 acres

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

Wildlife Fish and Game Management Areas 105  
Acreage of Wildlife Management Areas 380,143 acres  
(Owned and Leased)

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