



West Virginia

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2017



West Virginia

*Comprehensive Annual
Financial Report
For the Fiscal Year
Ended June 30, 2017*



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*



Governor Jim Justice



Jim Justice
Governor of West Virginia

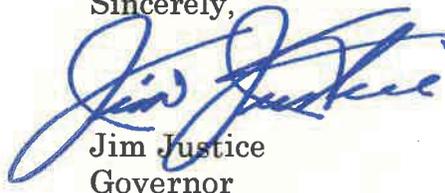
To the Honorable Members of the West Virginia Legislature
and the Citizens of West Virginia:

I am pleased to provide you with the State of West Virginia's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2017. 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.

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,


Jim Justice
Governor

ACKNOWLEDGMENTS

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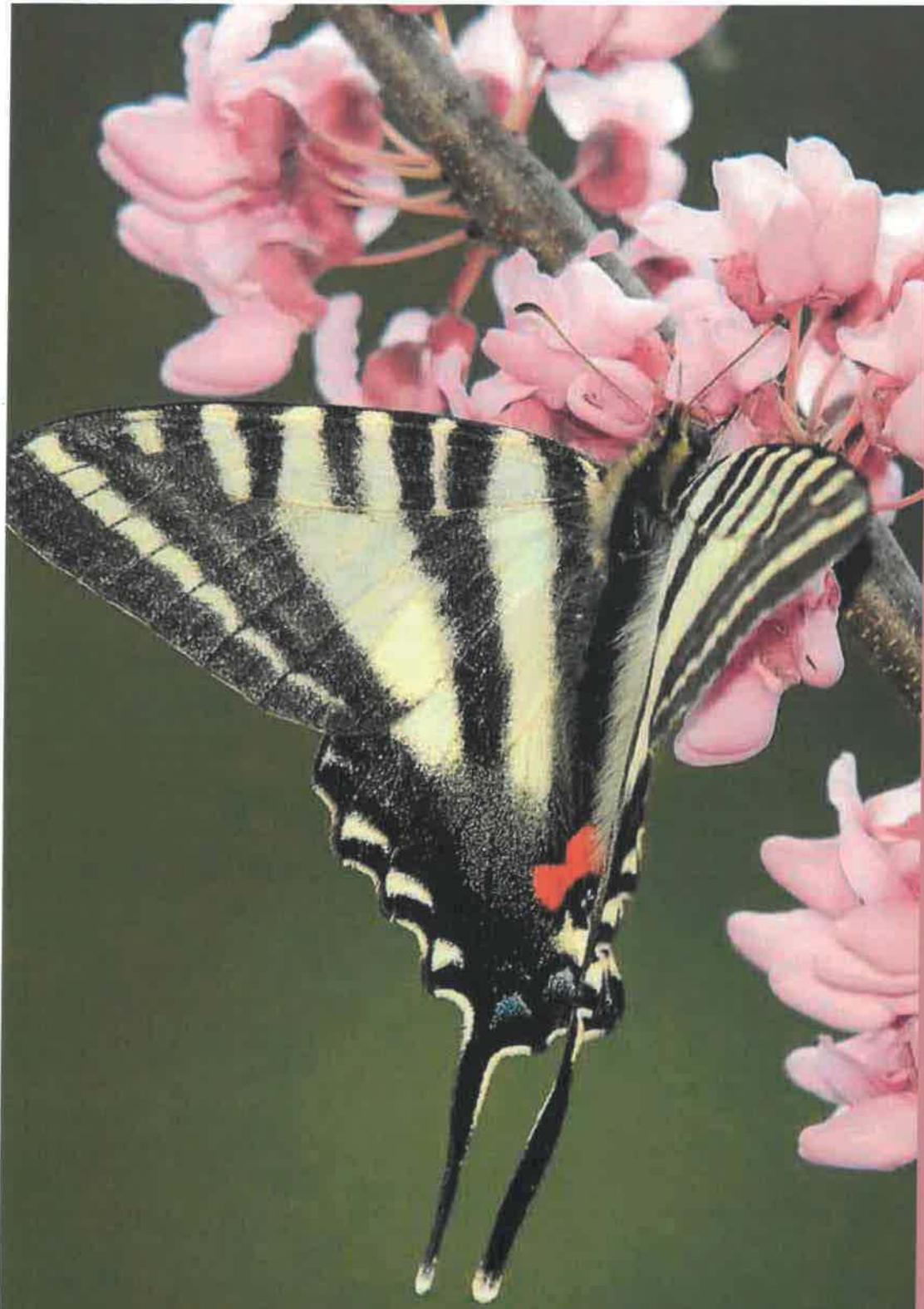
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INTRODUCTORY SECTION

Letter of Transmittal

Certificate of Achievement for Excellence in Financial Reporting

Organization Chart

Principal Officials

The zebra swallowtail is known for its distinctive wing shape and markings. This butterfly can often be found near pawpaw trees.



STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION

JIM JUSTICE
GOVERNOR

JOHN A. MYERS
CABINET SECRETARY

December 31, 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 2017 Comprehensive Annual Financial Report (2017 CAFR) of the State of West Virginia for the fiscal year ended June 30, 2017. This report was prepared by the Financial Accounting and Reporting Section (FARS) within the Finance Division of the Department of Administration (Management).

The 2017 CAFR was prepared in conformity with the reporting model outlined by the Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35, as amended, 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, 2017, 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 2017 CAFR consists of Management's representations concerning the financial information of the State of West Virginia. Consequently, Management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, Management of the State has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficiently reliable information for the preparation of the State's financial statements in conformity with GAAP. Because the cost of internal controls

The Honorable Jim Justice, Governor
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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.

Economic Review

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

The State has long been, and remains today, one of America's leading net exporters of electricity. West Virginia is a net supplier of electricity to the regional grid, and is among the five

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top states in the nation in net interstate sales of electricity. West Virginia 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 fourth best in CNBC's America's Top States for Business 2017 "cost of doing business" category. CNBC considers the competitiveness of each state's tax climate, state-sponsored incentives, utilities, wages, and rental costs for office and industrial space when determining a state's cost of doing business. West Virginia has the 19th most competitive tax code in the nation, according to the Tax Foundation's 2018 State Business Tax Climate Index.

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

Since the start of 2017, more than \$1.5 billion has been invested in the State's economy through business attraction and expansion. During this same period, more than 4771 jobs were created or retained.

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:

- China Energy has signed a Memorandum of Understanding (MOU) to invest \$83 billion in shale gas development and chemical manufacturing projects in West Virginia. The projects will focus on power generation, chemical manufacturing, and underground storage of natural gas liquids and derivatives. Planning for the projects is underway and will proceed in phases over the course of 20 years. The MOU between China Energy and the State of West Virginia was the single largest investment in a series of recently announced projects in U.S. corporations and other states totaling a reported \$250 billion of investment in the United States.
- Since opening in 1996, Toyota Motor Manufacturing West Virginia has demonstrated its confidence in West Virginia with numerous expansions and

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millions in investment. Most recently, TMMWV announced it will invest \$115.3 million to add a hybrid transaxle product line to the facility in Buffalo. These hybrid transaxles will be the first built outside of Japan. Production of the transaxles is scheduled to begin at the Buffalo, West Virginia, Toyota engine and transmission plant in 2020. This latest investment will ensure the company — and its more than 1,000 West Virginia employees — can continue to perform competitively well into the future.

- Hino Motors Manufacturing U.S.A. plans to expand its truck manufacturing and assembly operations in West Virginia. Hino Motors produces Class 6 and 7 conventional body style trucks. The company will move from its current 245,000-square-foot site in Williamstown into the significantly larger 962,000-square-foot former Coldwater Creek facility in Mineral Wells. The new facility will house several operations, including cab assembly currently handled in Japan. The plant is expected to be operational by 2019 and to create an estimated 250 new jobs by early 2020. The expansion represents a total investment of approximately \$100 million.
- US Methanol has begun construction for its new methanol production facility in Institute in Kanawha County. The Liberty One plant will convert natural gas into methanol. The plant is expected to produce approximately 200,000 metric tons of methanol a year. US Methanol plans to supply high quality, made-in-the USA methanol to industrial customers by barge, rail and truck. High-grade methanol is valuable as a feedstock for resin and as material in the production of a wide range of products such as carpeting and plastic water bottles. The plant is expected to create up to 50 jobs. The West Virginia plant is US Methanol's first in the United States.
- The West Virginia Great Barrel Company revealed plans to build a manufacturing facility in Greenbrier County. The company will produce barrels from West Virginia white oak. The goal is to produce 125,000 barrels a year to serve the bourbon, whiskey and rye distilling industry. The West Virginia Great Barrel Company will create 113 new jobs in its manufacturing plant and another 25 new jobs in a stave mill and log yard. The 90,000-square-foot plant will be situated on a 23-acre site in White Sulphur Springs. The total project funding will be more than \$30 million.
- Armacell, a world leader in engineered foams, will expand its crosslinked polyethylene block or "bun" manufacturing capabilities. The company will move from its 40,000-square-foot space to a 103,000-square-foot facility in

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the city of Spencer. The new facility is scheduled to begin production during 2018. The expansion will add 20 new jobs, increasing the Spencer facility's workforce to 90 employees. The West Virginia plant will help support Armacell's East Coast customers.

- The Armstrong Flooring Corporation will add 85,000 square feet to its facility in the city of Beverly to create a distribution center. The expansion will allow the company to streamline its distribution capabilities by storing its finished flooring products on-site. Construction is expected to be completed by summer 2019. The Armstrong facility is the largest pre-finished hardwood flooring plant in the United States, producing oak, hickory and maple flooring.
- Solvay Technology Solutions has committed to doubling the manufacturing facility capacity of its Technology Solutions global business unit's high molecular weight (HMW) hindered amine light stabilizers (HALS) production facility in Willow Island in Pleasants County. Solvay will construct a second, fully independent HMW HALS manufacturing unit to complement its existing line at Willow Island. The \$70 million investment is expected to create as many as 40 new jobs over the next two to three years. Construction is expected to be completed by mid-2019. The Solvay products provide ultraviolet light stabilization polymers that are used to extend the life and performance of plastic in outdoor conditions, outdoor construction and other uses.
- Italian-based TeMa North America plans to build its first North American manufacturing facility in the Burr Business Park in Kearneysville. The 42,000-square-foot plant is expected to create 30 jobs. The \$10 million facility will produce insulation and drainage systems for residential, commercial and industrial use. Parent company TeMa Group is a European leader in the insulation, drainage and geotechnical sector.
- ROXUL announced plans to build a \$150 million plant in Jefferson County. The 463,000 square-foot manufacturing facility will produce wool insulation for building insulation, customized solutions for industrial applications, acoustic ceilings and other applications. The plant is scheduled to be in production in 2020 and to create up to 150 new jobs. ROXUL is part of the ROCKWOOL Group, North America's largest producer of stone wool insulation. The West Virginia facility will be the second facility ROXUL has opened in the United States.

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

- A 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
- A 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 2017. Some of these initiatives are outlined below:

Pro-Growth Tax Reforms

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

Roads and Highways

During Fiscal Year 2017, the Department of Transportation ("DOT") continued work on several of its major initiatives around the State including Corridor H, Rock Creek Development Park, the New River Parkway, and the Route 11 Connector (to name a few). In conjunction with improvement of the road system through construction and upgrading, DOT has emphasized roadway and bridge preservation and renovation, with Highway construction and improvement

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projects totaling 813, statewide. Rugged mountainous terrain and numerous streams and rivers characterize the topography of the State; 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 the replacements, repairs and overlays of 34 bridges, including the Bridge Street Bridge in Grafton, the Yon-Peraldo Memorial Bridge in Bramwell, the Philippi Covered Bridge, the Phil G. McDonald Bridge along I-64 in Raleigh County, and the Birch River Bridge in Nicholas County (to name a few). Other accomplishments this year included the completion of 294 resurfacing projects of nearly 1,140 miles at a cost of approximately \$129 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 West Virginia state park system is a recognized leader in park systems in the United States, and features a multitude of full service restaurants, developed campgrounds, vacation lodges, golf courses, cabins ranging from pioneer to contemporary styles, conference centers, a tourist railroad, aerial tramways, rail trails, an island and a major ski resort.
- The system is comprised of 35 state parks, nine state forests, the Greenbrier River Trail, and the North Bend Rail Trail. The parks section manages or assists in managing more than 160,885 acres of public land and sees up to seven million visitors annually. Facility inventory includes 798 lodge rooms, 358 cabins, 1546 campsites, 144 picnic shelters and 549 playground units. More than 1,400 miles of hiking trails are provided across 46 areas.
- The park system serves as a strong foundation for the growing tourism industry as destination locations. According to the Outdoor Industry Association research, the outdoor recreation economy in West Virginia contributes 82,000 direct state jobs resulting in \$2 billion in wages and salaries. Consumers spend \$7.6 billion annually on outdoor recreation. The West Virginia State Park system helps make West Virginia a leader in outdoor recreation and the associated economic impact it provides.
- According to the Institute for Service Research, FY15 research study of the Economic Significance and Impacts of West Virginia's State Parks and Forests:

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- In FY15, West Virginia State Parks and Forests attracted 7.1 million visitors.
- The total economic impact of West Virginia State Parks and Forests during FY15 was between \$160.5 million and \$189.5 million. Economic impact is a measure of fresh money infused into the state's economy that likely would have not be generated in the absence of the park system.
- Economic activity stimulated by visitation to West Virginia State Parks and Forests was associated with approximately \$140.9 million in value-added effects, which is a measure of the park system's contribution to the gross domestic product of the state.
- Visitors to West Virginia's state parks and forests have an overwhelmingly safe and satisfying experience. The agency is constantly assuring the appropriate operations of complex facilities such as trams, excursion boats, marinas, historic structures, pools, lakes, dams, water and sewage systems, and similar facilities necessary for a pleasant visitor experience. Comment cards show a 94 percent excellent or good rating, demonstrating outstanding guest service.
- Since 1993 State Park operations have added 38 cabins; three major conference centers at Blackwater Falls, Cacapon and Pipestem; one major campground at Little Beaver; Chief Logan Lodge & Conference Center; a new 27-room lodge wing at Twin Falls; a lodge construction at Canaan with 160 guest rooms; overhaul of ski operations at Canaan Valley and major renovation of the sled run at Blackwater Falls.
- The West Virginia State Park system is continually focused on their mission of protecting natural resources, promoting outdoor recreation such as hiking, fishing, biking and canoeing, and educating visitors about the natural world through interpretative services and activities.

Workers' Compensation Reforms

West Virginia continues to reduce its workers' compensation rates. The loss costs have decreased for twelve consecutive filings since the privatization in January 2006. Employers will have saved \$373 million since July 2006. The workers' compensation market is competitive, with more than 273 carriers providing workers' compensation.

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Citizens of the State of West Virginia
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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 2017, the State allocated approximately \$8 million to reduce the unfunded liability. As of June 30, 2017, the unfunded liability for the Old Fund was \$29 million.

Environmental Protection Initiatives

In Fiscal Year 2017, the West Virginia Department of Environmental Protection's Rehabilitation Environmental Action Plan (REAP) awarded 28 Recycling Assistance grants totaling more than \$1.85 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; 14 Covered Electronic Devices Recycling grants totaling more than \$108,000 to conduct electronic collection events and programs; and 24 Litter Control grants totaling over \$65,500 to initiate, continue, or expand local litter control programs.

The Abandoned Mine Lands and Reclamation Division (AMLR) completed 27 reclamation projects totaling \$8.7 million; 4 waterline projects totaling \$8.1 million; and 33 Emergency projects totaling \$9.6 million. AMLR solicited bids for 32 AML reclamation projects at a cost of \$12.3 million and 6 waterline construction projects at a cost of \$16.8 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 \$66.8 million to communities for municipal sewer projects under construction; \$280,404 to nonpoint source pollution control projects; \$41.2 million in closing new loans on nine municipal construction projects; and issued fifteen additional preliminary binding commitment letters for future loans worth \$79.5 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 policymakers

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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 2018, the State deposited \$38 million in the State's Rainy Day Fund, which was 50% of the State's Fiscal Year 2017 General Fund surplus.

Strong Financial Performance

In 2017, 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 2017 fiscal year with a General Fund surplus of \$76 million, after successfully closing a mid-year budget gap of \$120 million with a combination of budget cuts, special revenue excess cash, and the use of reserve funds. West Virginia's Rainy Day Fund ranked fourth best in the country as a percentage of the State's General Revenue appropriations at 15.2 percent.

Conclusion

West Virginia continues to aggressively address the fiscal challenges associated with a changing economy. During Fiscal Year 2017, the State was able to manage its budgetary demands in a challenging economic environment. The collaborative work of the Governor and the members of the State Legislature ensured that financial and strategic decisions were made for the betterment of the State's citizens so that programs and services continue to operate efficiently. Meanwhile, our State's leadership also maintains a competitive atmosphere for current and future businesses to ignite job growth.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of West Virginia for its CAFR for the fiscal years ended June 30, 1997 through 2016. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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Citizens of the State of West Virginia
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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 2017 budgets.

The 2017 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

JM/cjn





Government Finance Officers Association

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

Presented to

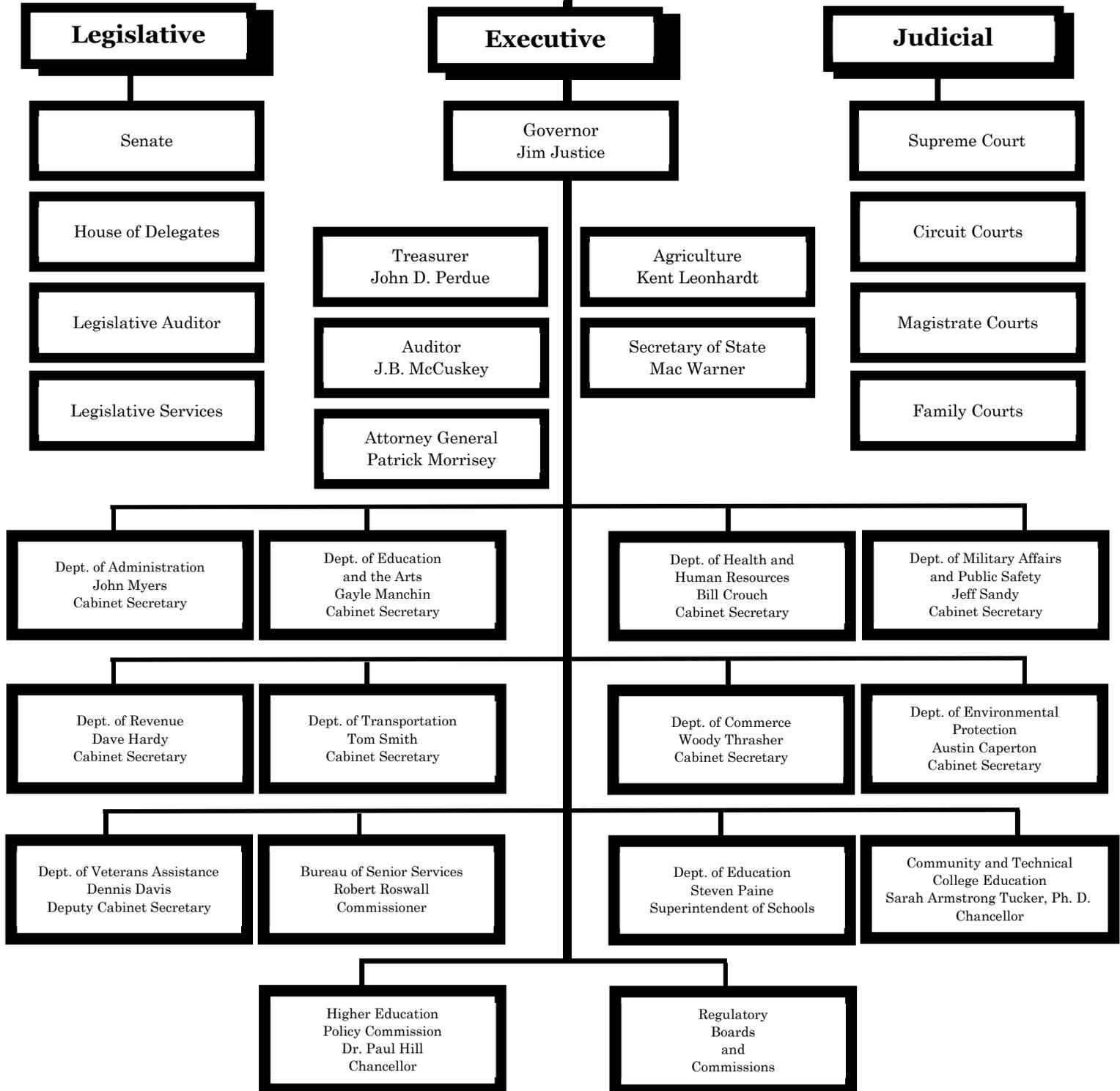
State of West Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

ORGANIZATION CHART



State of WEST VIRGINIA Principal Officials

Executive Branch

Governor
Jim Justice

Agriculture Commissioner
Kent Leonhardt

Attorney General
Patrick Morrissey

State Auditor
J.B. McCuskey

Secretary of State
Mac Warner

State Treasurer
John D. Perdue

Legislative Branch

Senate President
Mitch Carmichael

Speaker of the House
Tim Armstead

Chairman
Senate Finance
Craig Blair

Chairman
House Finance
Eric Nelson

Judicial Branch

Supreme Court Chief Justice
Allen H. Loughry, II

Supreme Court Justice
Robin Jean Davis

Supreme Court Justice
Menis E. Ketchum, II

Supreme Court Justice
Beth Walker

Supreme Court Justice
Margaret Workman



FINANCIAL SECTION

Report of
Independent
Auditors

Management's
Discussion
and Analysis

*West Virginia's state
animal, the black bear,
is the smallest and most
widely distributed bear
species in North America.*



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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, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain entities or funds within the governmental activities, the business-type activities, the aggregate discretely presented component units, certain major funds, and the aggregate remaining fund information, which represent 59 percent of total assets, 73 percent of net position, and 12 percent of total revenues for the governmental activities; 100 percent of total assets, 100 percent of net position, and 99 percent of total revenue for the business-type activities; 100 percent of total assets, net position, and revenues for the aggregate discretely presented component units; 95 percent of total assets, 90 percent of fund balance, and 98 percent of revenues of the major Transportation Special Revenue Fund; 100 percent of total assets, fund balance/net position, and revenues of each of the following major funds—Tobacco Settlement Finance Authority, Workers' Compensation, Unemployment Compensation, and West Virginia Infrastructure and Jobs Development Council; and 93 percent of total assets, 94 percent of net position/fund balance, and 59 percent of the total revenues/additions for the aggregate remaining fund information, respectively. Those financial statements were audited by other auditors whose reports 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 solely 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, 2017, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, budgetary comparison, Schedule of the State's Proportionate Share of the Net Pension Liability, Schedules of State Contributions and Schedules of Changes in the State's Net Pension Liability, and Related Ratios on pages 201 through 218 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained

during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. 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. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Ernst + Young LLP

December 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, 2017. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

The assets and deferred outflows of resources of the primary government exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$7 billion, reported as net position. Governmental activities reported \$4.9 billion in net position, a \$96.8 million increase, up 2% from last year, while the business-type activities reported net position of \$2.1 billion, a \$149 million increase.

Fund Level:

At year-end, the governmental funds reported combined fund balances of \$836 million, a decrease of \$3.4 million, or 0.41% lower than the prior year. The unrestricted fund balance, including the committed, assigned, and unassigned balances, was \$(203) million. The nonspendable balance was \$737 million, and \$302 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 \$38 million to be transferred to the Revenue Shortfall Reserve Fund (Rainy Day Fund); this transfer was up from the previous year by \$23.6 million.

Long-Term Obligations:

There was a net increase in the State's long-term obligations of \$894 million. The Governmental Activities increased by \$991 million and the Business-type Activities decreased by \$97 million. The net increase of \$894 million consisted of an increase in net pension liability in the amount of \$829 million, a reduction of payments on bonds, capital leases, and notes payable in the amount of \$13 million, an increase in accrued and other liabilities in the amount of \$166 million, and a reduction in insurance and compensation benefits in the amount of \$88 million. The increase in accrued and other liabilities is related to a \$149 million increase in Medicaid, a \$41 million increase for mine reclamation, an increase in other accrued liabilities of \$7 million, an increase in tax refunds of \$6 million, and an offset of \$37 million in claims & judgments.

The insurance and compensation benefits liability decreased approximately \$88 million. The decrease consisted of \$4 million at the Board of Risk and Insurance Management due to a decrease in estimated claims expense, \$55 million in the Workers' Compensation Fund due to the decrease in the claims liability of the closed fund, \$16 million at the Public Employee's Insurance Agency due to a decrease in the premium deficiency reserve, and

\$13 million in Unemployment Compensation due to a projected decrease 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 information as required by the Governmental Accounting Standards Board (GASB). In addition to these required elements, we have included *combining financial statements and schedules* section that provides details about our nonmajor governmental funds, nonmajor proprietary funds, fiduciary funds, and nonmajor discretely presented component units, each of which are added together and presented in single columns in the basic financial statements.

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

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

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

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

- *Governmental activities* – Most of the State’s basic services are included under these activities, such 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 pension information 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, 2017 to June 30, 2016, government-wide balances, current and other assets increased \$176 million due to an increase of \$170 million in Due From Other Governments because of new Medicaid programs which increased the Federal Match. Current and other liabilities from June 30, 2016 to June 30, 2017, increased \$136 million due to an increase in accrued and other liabilities of \$149 million mainly due to Medicaid liability and a decrease of \$10 million in Accounts Payable. 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 \$246 million over the course of this fiscal year's operations. The net position of the governmental activities increased \$97 million, and the net position of the business-type activities increased \$149 million.

Net Position as of June 30 (Expressed in Thousands)	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
		*(Restated)				*(Restated)
Current and Other Assets	\$ 4,253,582	\$ 4,106,848	\$ 4,193,111	\$ 4,164,338	\$ 8,446,693	\$ 8,271,186
Capital Assets	<u>9,570,027</u>	<u>9,520,204</u>	<u>2,863</u>	<u>2,940</u>	<u>9,572,890</u>	<u>9,523,144</u>
Total Assets	<u>13,823,609</u>	<u>13,627,052</u>	<u>4,195,974</u>	<u>4,167,278</u>	<u>18,019,583</u>	<u>17,794,330</u>
Deferred Outflows of Resources	<u>1,512,447</u>	<u>736,974</u>	<u>3,723</u>	<u>3,693</u>	<u>1,516,170</u>	<u>740,667</u>
Current and Other Liabilities	3,372,266	3,187,960	380,848	428,726	3,753,114	3,616,686
Long-term Liabilities	<u>6,728,432</u>	<u>5,888,460</u>	<u>1,723,187</u>	<u>1,791,078</u>	<u>8,451,619</u>	<u>7,679,538</u>
Total Liabilities	<u>10,100,698</u>	<u>9,076,420</u>	<u>2,104,035</u>	<u>2,219,804</u>	<u>12,204,733</u>	<u>11,296,224</u>
Deferred Inflows of Resources	<u>292,779</u>	<u>441,784</u>	<u>373</u>	<u>5,269</u>	<u>293,152</u>	<u>447,053</u>
Net Position:						
Net Investment in Capital Assets	8,996,053	8,986,789	2,863	2,940	8,998,916	8,989,729
Restricted	402,490	422,147	1,809,614	1,741,004	2,212,104	2,163,151
Unrestricted (Deficit)	<u>(4,455,964)</u>	<u>(4,563,114)</u>	<u>282,812</u>	<u>201,954</u>	<u>(4,173,152)</u>	<u>(4,361,160)</u>
Total Net Position	<u>\$ 4,942,579</u>	<u>\$ 4,845,822</u>	<u>\$ 2,095,289</u>	<u>\$ 1,945,898</u>	<u>\$ 7,037,868</u>	<u>\$ 6,791,720</u>

* See Note 2 for restatement.

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 \$188 million. This is due to an increase in grants and contributions primarily in the following agencies: Health and Human Resources, Homeland Security and Emergency Management, and Department of Agriculture.

Restricted net position comprises 31.43% of total net position and is subject to constitutional, legal, or external constraints on how they can be used. Net position that is restricted include funds for construction projects, debt service, lending activities, insurance activities, transportation, public protection, and economic development and tourism programs of the State.

Changes in Net Position

The chart below represents financial information derived from the government-wide statement of activities and reflects the State's total revenues, expenses, and changes in net position for the years ended June 30, 2017 and 2016 (expressed in thousands):

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for Services	\$ 431,105	\$ 428,877	\$ 1,008,535	\$ 1,230,111	\$ 1,439,640	\$ 1,658,988
Operating Grants and Contributions	5,151,321	4,774,274	—	—	5,151,321	4,774,274
Capital Grants and Contributions	531,826	456,222	—	—	531,826	456,222
General Revenues:						
Personal Income Tax	1,830,106	1,849,056	—	—	1,830,106	1,849,056
Consumer Sales Tax	1,312,353	1,291,813	—	—	1,312,353	1,291,813
Business Taxes	581,896	640,081	—	—	581,896	640,081
Transportation Taxes	593,158	605,403	—	—	593,158	605,403
Other Taxes	627,091	526,348	—	—	627,091	526,348
Lottery Revenue	336,294	342,702	31,500	42,735	367,794	385,437
Other Revenues	241,504	226,837	173,543	37,652	415,047	264,489
Total Revenues	<u>11,636,654</u>	<u>11,141,613</u>	<u>1,213,578</u>	<u>1,310,498</u>	<u>12,850,232</u>	<u>12,452,111</u>
Program Expenses:						
Legislative	24,189	25,766	—	—	24,189	25,766
Judicial	134,351	133,702	—	—	134,351	133,702
Executive	176,485	139,580	—	—	176,485	139,580
Administration	262,684	234,542	—	—	262,684	234,542
Commerce	166,225	166,129	—	—	166,225	166,129
Environmental Protection	173,689	84,533	—	—	173,689	84,533
Employment Programs	55,231	48,173	—	—	55,231	48,173
Education	2,777,727	2,708,236	—	—	2,777,727	2,708,236
Health and Human Resources	5,810,783	5,352,930	—	—	5,810,783	5,352,930
Military Affairs and Public Safety	502,408	417,604	—	—	502,408	417,604
Revenue	89,178	78,504	—	—	89,178	78,504
Transportation	1,153,708	1,183,397	—	—	1,153,708	1,183,397
Veterans Assistance	20,572	20,588	—	—	20,572	20,588
Regulatory Board and Commissions	41,934	47,680	—	—	41,934	47,680
Senior Services	53,909	44,037	—	—	53,909	44,037
Interest on Long-term Debt	110,722	112,273	—	—	110,722	112,273
Workers' Compensation Fund	—	—	134,443	202,406	134,443	202,406
Unemployment Compensation	—	—	169,197	509,796	169,197	509,796
West Virginia Infrastructure and Jobs Development Council	—	—	23,941	60,622	23,941	60,622
Water Pollution Control Revolving Fund	—	—	3,467	4,745	3,467	4,745
Public Employees' Insurance Agency	—	—	552,882	542,825	552,882	542,825
Board of Risk and Insurance Management	—	—	66,152	67,650	66,152	67,650
Other Nonmajor Business-type Activities	—	—	98,901	103,294	98,901	103,294
Total Expenses	<u>11,553,795</u>	<u>10,797,674</u>	<u>1,048,983</u>	<u>1,491,338</u>	<u>12,602,778</u>	<u>12,289,012</u>
Increase (Decrease) in Net Position, Before Transfers	82,859	343,939	164,595	(180,840)	247,454	163,099
Transfers	15,204	(108,778)	(15,204)	108,778	—	—
Increase (Decrease) in Net Position	<u>98,063</u>	<u>235,161</u>	<u>149,391</u>	<u>(72,062)</u>	<u>247,454</u>	<u>163,099</u>
Net Position, Beginning of Year as Originally Reported	<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>
Restatement (Note 2)	(1,306)	—	—	—	(1,306)	—
Net Position, Beginning of Year, as Restated	<u>4,844,516</u>	<u>4,610,661</u>	<u>1,945,898</u>	<u>2,017,960</u>	<u>6,790,414</u>	<u>6,628,621</u>
Net Position, End of Year	<u>\$ 4,942,579</u>	<u>\$ 4,845,822</u>	<u>\$ 2,095,289</u>	<u>\$ 1,945,898</u>	<u>\$ 7,037,868</u>	<u>\$ 6,791,720</u>

Governmental Activities

For the year ended June 30, 2017, the State's change in net position before transfers decreased by \$261 million for governmental activities. Revenues were higher by \$495 million and expenses were higher \$756 million comparing the years ending June 30, 2017 and 2016. Overall tax revenue increased \$47 million from the previous year. This is due primarily to an increase in severance tax caused by a rebound in oil and natural gas prices. This increase was offset by a decrease in business taxes due to the closing of older plants and lower profits particularly from the depressed energy sector, thus less tax was collected. There was also an increase in operating grants and contributions of \$377 million, which is related to Department of Health and Human Resources (DHHR) for Medicaid and other DHHR programs. There was an increase in capital grants and contributions of approximately \$76 million of which \$74 million was for the Department of Transportation and was related to Fixing America's Surface Transportation Act (FAST).

Program expenses increased \$756 million in total. DHHR expenses were up \$458 million due to an increase in eligibility in Medicaid, partially due to the Affordable Care Act. In addition, the Department of Environmental Protection expenses were up \$89 million in part due to mine reclamation, Military Affairs and Public Safety had an increase in expenses of \$85 million, along with the Department of Education which had an increase in expenses of \$69 million for construction and maintenance of school facilities both related to the damage incurred with the 2016 flooding.

The charts on the next page depict revenues and expenses, respectively, of the governmental activities for the fiscal year. Approximately 37.1% of the total revenues came from personal income, consumer sales, business taxes, and transportation taxes, while 48.8% was in the form of grants and contributions (see Chart A). The State's governmental activities expenses include 50.8% for health and human resources and 24.3% for education (see Chart B).

Chart A

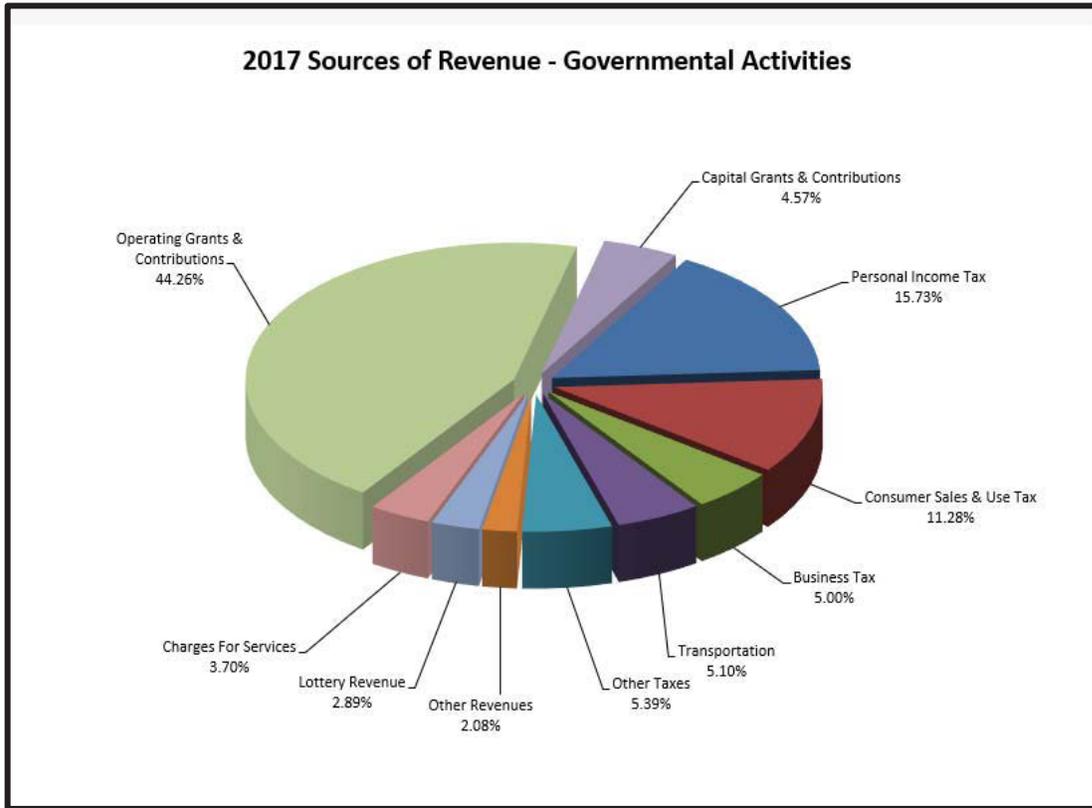
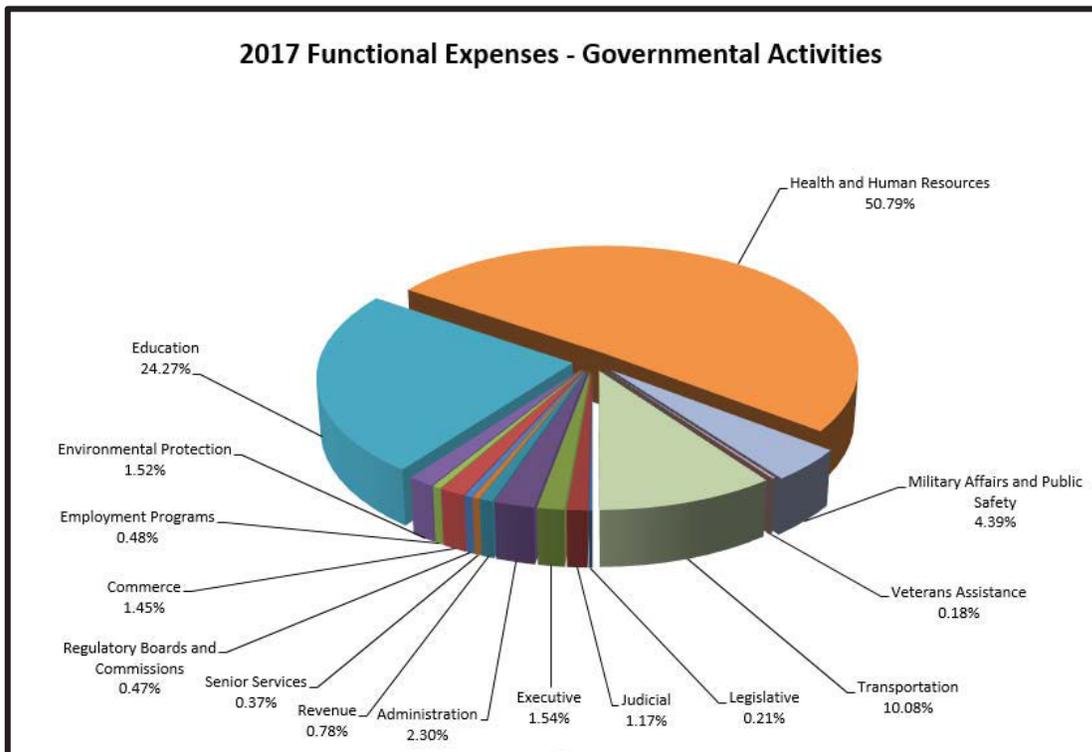


Chart B



Business-type Activities

For fiscal year 2017, business-type activities increased the State's net position by \$165 million before transfers. Significant contributors to this change were:

- The Unemployment Compensation Fund had a \$113 million increase in net position before transfers. Revenues were lower by \$227 million and expenses were lower by \$340 million comparing the years ending June 30, 2017 and 2016.
- The Workers' Compensation Fund (WCF) had a \$112 million increase in net position before transfers. Revenues were lower by \$70 million and expenses were lower by \$68 million comparing the years ending June 30, 2017 and 2016. This change is, among other factors, due to the net of increase of \$115 million in investment income from FY 2016, due to changes in fair values of investment.
- West Virginia Infrastructure and Jobs Development Council had a \$28 million increase in net position before transfers. The receipt of excess lottery revenues was \$10 million less than prior year and infrastructure & economic development expenses decreased \$40 million, and loss on uncollectible loans decreased \$1.5 million.
- West Virginia Public Employees Insurance Agency saw a \$73 million increase in net position before transfers. Revenues increased \$69 million due to insurance premium increases, and expenses increased \$10 million due to an increase in drug claims expenses. Investment Income also increased \$14 million. This is due to investment appreciation because of a favorable market experience.
- West Virginia Board of Risk and Insurance Management (BRIM) recorded an increase in net position before transfers of \$10 million. This was due to an increase in premiums of \$6 million, a decrease in expenses of \$4 million for claims and adjustments.

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 \$836 million, a decrease of \$3 million in comparison to that of the prior year.

There was a net increase in revenue of \$502 million. Total tax revenues increased by \$50 million, as previously described; federal revenues increased \$428 million, primarily from increases in the Medicaid program and Transportation revenues from FAST; other revenue decreased \$25 million; investment earnings increased \$50 million; motor vehicle registration increased \$15 million. Expenditures were up by \$472 million, primarily due to the Health and Human Resources and Military Affairs and Public Safety functions as described previously.

At year end, nonmajor governmental funds had a net decrease in fund balance of approximately \$22 million. The capital projects fund balance decreased approximately \$1.7 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 \$21 million. This decrease was primarily due to the Environmental Protection function having an increase in their revenues. Restricted fund balance is \$187 million, of which \$54 million was available for debt service, \$11 million to fund capital projects, \$64 million for development, tourism, and recreation, \$57 million for public protection, and \$1 million for education. Committed fund balance is \$268 million, \$2 million for general government operations and \$266 million for public protection.

Governmental Fund Balances at June 30, 2017
(Expressed in Thousands)

	<u>General Fund</u>	<u>Transportation</u>	<u>Tobacco Settlement Finance Authority</u>
Nonspendable	\$ 139,874	\$ 52,845	\$ 543,598
Restricted	3,289	12,737	99,498
Unrestricted			
Committed	700,944	—	—
Assigned	—	67,439	—
Unassigned	<u>(1,231,719)</u>	<u>—</u>	<u>—</u>
Total	<u>\$ (387,612)</u>	<u>\$ 133,021</u>	<u>\$ 643,096</u>

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the General Fund maintained a committed fund balance of \$701 million, nonspendable fund balance of \$140 million offset by an unassigned fund balance of \$(1.2) billion and a total fund balance of \$(388) 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 (12.2)% 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 up \$119 million, primarily due to the Investment Earnings on Investments at BTI. General fund revenues increased in fiscal year 2017 from 2016 by \$467 million. This is due primarily to a \$389 million increase in federal revenue, as discussed earlier, from the expansion of Medicaid. Revenues were \$47 million less than expenditures. Expenses for the health and human resource function were up \$439 million in 2017.

At year end, Transportation had a \$13 million restricted fund balance and a nonspendable fund balance of \$53 million in inventory. Total fund balance was higher by approximately \$65 million from 2016, primarily due to an increase in federal revenue and motor vehicle registration revenues.

The Tobacco Settlement Finance Authority's fund balance decreased by \$21 million due to the amortization of the deferred inflows of resources being recognized as an expenditure. Required bond interest in the amount of \$53 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 \$21 million due to decreases in revenue collection in several tax categories. Personal income taxes decreased by \$100 million, consumer sales taxes decreased by \$63 million, corporate income and business franchise taxes decreased \$25 million. Other revenue increased \$109 million and interest income decreased \$2 million.

The positive variance of the excess of revenues over expenditures was approximately \$134 million, which resulted primarily from the State's fiscal policies.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the State had invested \$9.6 billion, net of accumulated depreciation, in a broad range of capital assets shown below. Depreciation expense for the year totaled \$383 million.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land and Improvements	\$ 1,351,433	\$ 1,277,171	\$ 611	\$ 611	\$ 1,352,044	\$ 1,277,782
Building and Improvements	1,036,689	993,267	818	883	1,037,507	994,150
Equipment	98,090	101,183	1,136	1,240	99,226	102,423
Library Holdings	610	733	—	—	610	733
Intangibles	108,204	99,310	298	206	108,502	99,516
Construction in Progress	766,406	910,931	—	—	766,406	910,931
Infrastructure	<u>6,208,595</u>	<u>6,137,609</u>	<u>—</u>	<u>—</u>	<u>6,208,595</u>	<u>6,137,609</u>
Totals	<u>\$ 9,570,027</u>	<u>\$ 9,520,204</u>	<u>\$ 2,863</u>	<u>\$ 2,940</u>	<u>\$ 9,572,890</u>	<u>\$ 9,523,144</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 \$49.7 million. The most significant changes in capital assets during the year were in the Transportation and Administration functions. Transportation continues to expand the state road system, focusing primarily on upgrading existing roadways and completion of Appalachian Highway Corridors. Although transportation had significant construction projects, infrastructure capital asset additions of \$375 million were higher than the prior year amount, resulting in a net increase of \$71 million in infrastructure, due to depreciation of \$304 million. Transportation and the Division of Natural Resources had net increases of \$62 million and \$12 million, respectively, in land acquisition. The \$145 million decrease in construction in progress was due primarily to a \$91 million net decrease for Transportation’s completion of the Prichard Intermodal Facility and other various projects as well as a \$54 million net decrease for the Building Commission’s completion of the renovations to Building 3 and the Clarksburg Building. The net increase of \$43 million in buildings is due to the completion of renovations to Building 3 and the Clarksburg Building, the acquisition of the Surplus Building, and the addition of various building improvements for the Division of Natural Resources and the Public Service Commission, 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 \$9.9 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 increase in accrued and other liabilities of \$166 million is related to a \$149 million increase for Medicaid, a \$41 million increase for mine reclamation, an increase in tax refunds of \$6 million, and an increase of \$7 million in miscellaneous other liabilities, and an offset of \$37 million due to claims and judgments. More detailed information related to the State's overall debt position is presented in Note 10 to the financial statements.

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

Outstanding Debt at June 30 (Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 359,261	\$ 393,089	\$ —	\$ —	\$ 359,261	\$ 393,089
Revenue Bonds	1,182,921	1,142,347	185,290	191,049	1,368,211	1,333,396
Capital Leases	274,534	287,135	—	—	274,534	287,135
Notes Payable	14,589	16,783	—	—	14,589	16,783
Accrued and Other Liabilities	1,409,169	1,238,537	76,289	80,593	1,485,458	1,319,130
Insurance and Compensation Benefits	—	—	1,804,193	1,892,926	1,804,193	1,892,926
Compensated Absences	89,703	88,990	614	640	90,317	89,630
Net Pension Liability	<u>4,537,800</u>	<u>3,710,290</u>	<u>4,444</u>	<u>2,770</u>	<u>4,542,244</u>	<u>3,713,060</u>
Totals	<u>\$ 7,867,977</u>	<u>\$ 6,877,171</u>	<u>\$ 2,070,830</u>	<u>\$ 2,167,978</u>	<u>\$ 9,938,807</u>	<u>\$ 9,045,149</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The general revenue estimate for FY 2018 is predicted to be \$4.50 billion, or \$318 million above the FY 2017 official revenue estimate, and lottery revenues available for appropriation are expected to decrease by \$3 million. FY 2018 general revenue fund collections are expected to be \$192 million short of estimate by year-end. To help balance the FY 2018 budget and provide for FY 2018 supplemental appropriations, \$21.3 million of excess spending authority and cash from various

special revenue funds are proposed to be expired to the FY 2018 general revenue surplus balance. In addition, \$101.7 million of Rainy Day funds are proposed to be used.

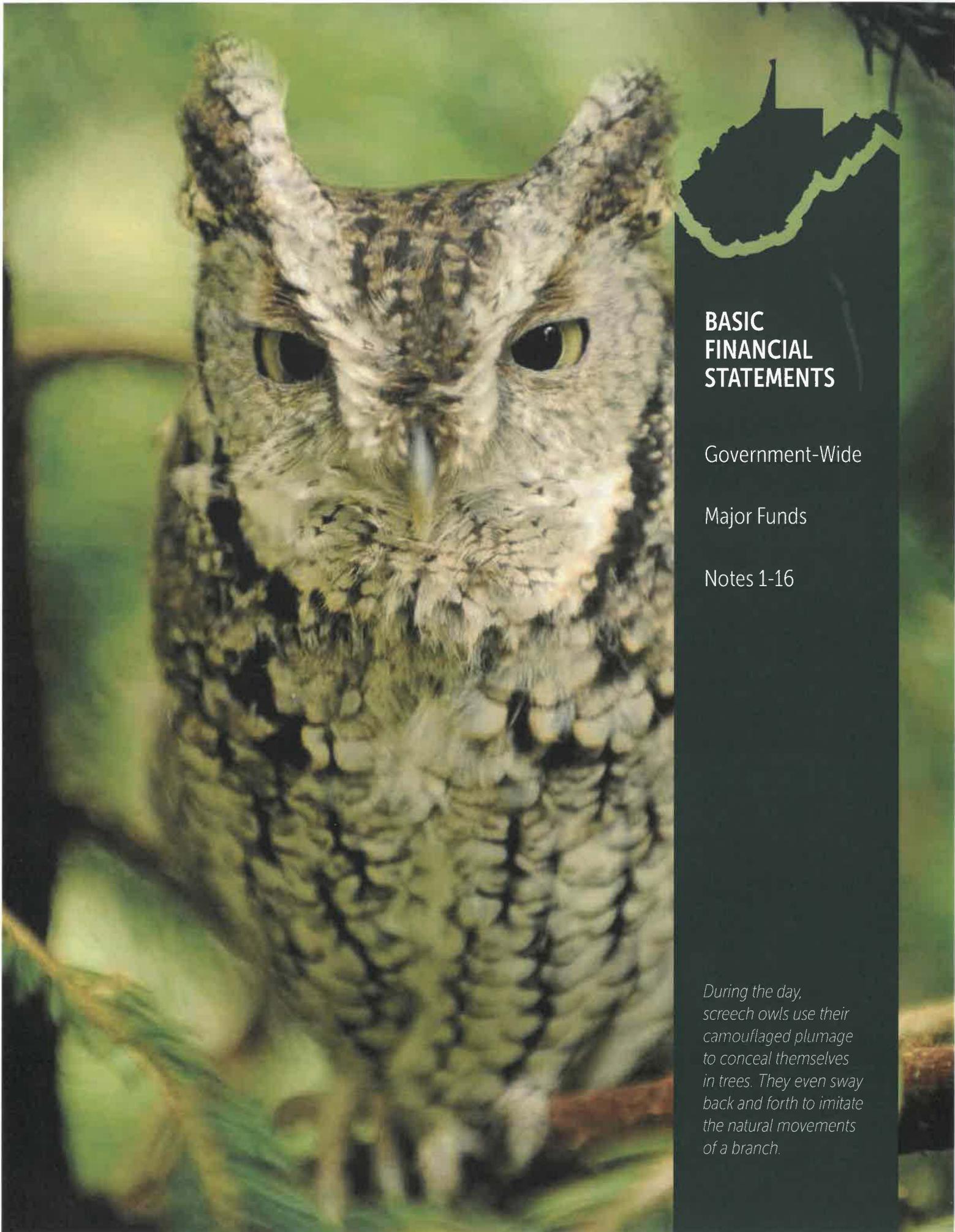
The budget for FY 2018 includes increases for the State's share of Medicaid funding, required contributions to Retirement Systems, and a pay raise for classroom teachers various social programs. The out-years beyond FY 2018 continue to show manageable budget gaps that will require additional structural adjustments.

The FY 2018 budget includes a six-year plan showing the projected revenues and expenditures through FY 2022. The goal of the six-year plan is to provide the West Virginia Legislature and citizens a clear understanding of not only the FY 2018 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.

On October 26, 2017, the Division of Highways issued the Surface Transportation Improvements Special Obligation Notes Series 2017 A bonds in the amount of \$219,985,000. The proceeds were used to fund bridge replacement and interstate rehabilitation projects.

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

During the day, screech owls use their camouflaged plumage to conceal themselves in trees. They even sway back and forth to imitate the natural movements of a branch.

Statement of Net Position
June 30, 2017
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 1,638,088	\$ 2,051,800	\$ 3,689,888	\$ 935,919
Investments	784,750	100,332	885,082	218,933
Receivables, Net	825,327	167,673	993,000	207,151
Capital Leases Receivable from Primary Government	—	—	—	16,120
Due from Other Governments	618,499	411	618,910	—
Due from Primary Government	—	—	—	9,503
Due from Fiduciary Funds	171	1,449	1,620	6
Due from Component Units	122,796	1,096	123,892	—
Internal Balances	(3,133)	3,133	—	—
Inventories	64,863	1,883	66,746	10,237
Prepaid Insurance	—	—	—	129
Other Assets	2,202	19,374	21,576	13,764
Restricted Assets:				
Cash and Cash Equivalents	1,077	10,168	11,245	108,135
Investments	—	—	—	29,038
Receivables, Net	—	643	643	3,606
Other Restricted Assets	—	<u>193,352</u>	<u>193,352</u>	<u>8</u>
Total Current Assets	<u>4,054,640</u>	<u>2,551,314</u>	<u>6,605,954</u>	<u>1,552,549</u>
Noncurrent Assets:				
Cash and Cash Equivalents	—	—	—	67,987
Investments	—	294,433	294,433	528,696
Receivables, Net	—	1,274,344	1,274,344	296,923
Capital Leases Receivable from Primary Government	—	—	—	244,835
Other Assets	223	206	429	79,573
Advance to Component Units	125,319	—	125,319	—
Net Pension Asset	53,745	—	53,745	—
Restricted Assets:				
Cash and Cash Equivalents	19,655	19,973	39,628	67,212
Investments	—	52,841	52,841	109,438
Receivables, Net	—	—	—	839,813
Other Restricted Assets	—	—	—	5,875
Land and Other Capital Assets				
Not Being Depreciated	2,092,844	611	2,093,455	448,596
Capital Assets, Being Depreciated (Net of Accumulated Depreciation)	<u>7,477,183</u>	<u>2,252</u>	<u>7,479,435</u>	<u>3,547,965</u>
Total Noncurrent Assets	<u>9,768,969</u>	<u>1,644,660</u>	<u>11,413,629</u>	<u>6,236,913</u>
Total Assets	<u>13,823,609</u>	<u>4,195,974</u>	<u>18,019,583</u>	<u>7,789,462</u>
Deferred Outflows of Resources:				
Accumulated Decrease in Fair Value of Hedging Derivative	—	—	—	1,031
Deferred Loss on Bond Refundings Related to Pensions	6,152	1,064	7,216	46,248
	<u>1,506,295</u>	<u>2,659</u>	<u>1,508,954</u>	<u>38,235</u>
Total Deferred Outflows of Resources	<u>1,512,447</u>	<u>3,723</u>	<u>1,516,170</u>	<u>85,514</u>

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

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Liabilities:				
Current Liabilities:				
Accounts Payable	320,720	10,021	330,741	95,581
Interest Payable	2,265	—	2,265	14,992
Accrued Tuition Contract Benefits	—	16,023	16,023	—
Accrued and Other Liabilities	999,270	14,585	1,013,855	257,836
Due to Other Governments	298,567	2,173	300,740	—
Due to Primary Government	—	—	—	123,892
Due to Fiduciary Funds	1,600,156	4,374	1,604,530	387,969
Due to Component Units	9,292	211	9,503	—
Unearned Revenue	1,637	16,426	18,063	79,134
Insurance and Compensation				
Benefits Obligations	—	310,014	310,014	—
General Obligation Debt	35,207	—	35,207	—
Revenue Bonds Payable	24,150	6,895	31,045	149,357
Capital Leases and Other Debt	7,589	—	7,589	8,872
Capital Leases Payable to Component Units	16,120	—	16,120	—
Compensated Absences	57,293	126	57,419	49,220
Total Current Liabilities	<u>3,372,266</u>	<u>380,848</u>	<u>3,753,114</u>	<u>1,166,853</u>
Noncurrent Liabilities:				
Accrued Tuition Contract Benefits	—	45,681	45,681	—
Accrued and Other Liabilities	409,899	—	409,899	167,518
Due to Other Governments	84	—	84	—
Unearned Revenue	—	—	—	769
Insurance and Compensation				
Benefits Obligations	—	1,494,179	1,494,179	—
Advances from Primary Government	—	—	—	125,319
Liabilities Payable from Restricted Assets	—	—	—	81,881
General Obligation Debt	324,054	—	324,054	—
Revenue Bonds Payable	1,158,771	178,395	1,337,166	2,511,225
Capital Leases and Other Debt	20,579	—	20,579	118,944
Capital Leases Payable to Component Units	244,835	—	244,835	—
Net Pension Liability	4,537,800	4,444	4,542,244	80,859
Compensated Absences	32,410	488	32,898	4,554
Total Noncurrent Liabilities	<u>6,728,432</u>	<u>1,723,187</u>	<u>8,451,619</u>	<u>3,091,069</u>
Total Liabilities	<u>10,100,698</u>	<u>2,104,035</u>	<u>12,204,733</u>	<u>4,257,922</u>
Deferred Inflows of Resources:				
Fair Value of Hedging Derivative Instrument	—	—	—	633
Related to Pensions	292,779	373	293,152	7,797
Service Concession Arrangements	—	—	—	38,538
Grants and Contributions	—	—	—	1,144
Total Deferred Inflows of Resources	<u>292,779</u>	<u>373</u>	<u>293,152</u>	<u>48,112</u>
Net Position:				
Net Investment in Capital Assets	8,996,053	2,863	8,998,916	2,783,731
Restricted for:				
Capital Projects	29,166	—	29,166	27,217
Debt Service	179,862	—	179,862	544,103
General Government Operations	1,254	1,872	3,126	—
Permanent Funds:				
Nonexpendable	1,000	—	1,000	262,405
Expendable	889	—	889	—
Lending Activities	—	1,494,822	1,494,822	98,876
Insurance Activities	—	312,920	312,920	—
Development, Tourism, and Recreation	65,656	—	65,656	—
Education	180	—	180	—
Health and Social Services	527	—	527	—
Public Protection	111,219	—	111,219	—
Transportation	12,737	—	12,737	—
Specific Fund/Component Unit Purposes	—	—	—	211,644
Unrestricted (Deficit)	<u>(4,455,964)</u>	<u>282,812</u>	<u>(4,173,152)</u>	<u>(359,034)</u>
Total Net Position	<u>\$ 4,942,579</u>	<u>\$ 2,095,289</u>	<u>\$ 7,037,868</u>	<u>\$ 3,568,942</u>

Statement of Activities
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Legislative	\$ 24,189	\$ 1,268	\$ 309	\$ —
Judicial	134,351	1,768	2,899	—
Executive	176,485	18,002	24,812	—
Administration	262,684	42,766	—	1,563
Commerce	166,225	41,017	60,378	—
Environmental Protection	173,689	53,209	87,674	—
Employment Programs	55,231	—	49,288	—
Education	2,777,727	—	440,701	—
Health and Human Resources	5,810,783	70,812	4,319,051	—
Military Affairs and Public Safety	502,408	16,018	130,128	2,128
Revenue	89,178	42,421	2,645	—
Transportation	1,153,708	101,562	—	526,571
Veterans Assistance	20,572	—	8,208	1,564
Senior Services	41,934	3	22,318	—
Regulatory Boards and Commissions	53,909	42,259	2,910	—
Interest on Long-Term Debt	110,722	—	—	—
Total Governmental Activities	<u>11,553,795</u>	<u>431,105</u>	<u>5,151,321</u>	<u>531,826</u>
Business-type Activities:				
Water Pollution Control Revolving Fund	3,467	5,995	—	—
Workers' Compensation Fund	134,443	35,738	—	—
Unemployment Compensation	169,197	204,496	—	—
West Virginia Infrastructure and Jobs Development Council	23,941	3,095	—	—
Public Employees' Insurance Agency	552,882	576,153	—	—
Board of Risk and Insurance Management	66,152	64,587	—	—
Other Activities	98,901	118,471	—	—
Total Business-type Activities	<u>1,048,983</u>	<u>1,008,535</u>	<u>—</u>	<u>—</u>
Total Primary Government	<u>12,602,778</u>	<u>1,439,640</u>	<u>5,151,321</u>	<u>531,826</u>
Component Units:				
West Virginia Lottery	1,090,428	1,079,517	—	—
Economic Development Authority	7,685	8,690	—	—
Housing Development Authority	100,552	39,427	72,124	—
Parkways Authority	87,470	100,109	—	—
Water Development Authority	11,413	12,680	—	—
Higher Education	1,961,364	948,492	449,030	52,031
Regional Jail Authority	97,586	90,478	2,788	—
School Building Authority	66,463	—	(2,069)	—
Other Component Units	59,244	11,094	2,024	—
Total Component Units	<u>\$ 3,482,205</u>	<u>\$ 2,290,487</u>	<u>\$ 523,897</u>	<u>\$ 52,031</u>
General Revenues:				
Taxes:				
Personal Income				
Consumer Sales				
Business				
Medicaid				
Transportation				
Other				
Grants and Contributions not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Tobacco Settlement Revenue				
Payments from State of West Virginia				
Lottery Revenues				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position, Beginning of Year, as Restated				
Net Position, End of Year				

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (22,612)	\$ —	\$ (22,612)	\$ —
(129,684)	—	(129,684)	—
(133,671)	—	(133,671)	—
(218,355)	—	(218,355)	—
(64,830)	—	(64,830)	—
(32,806)	—	(32,806)	—
(5,943)	—	(5,943)	—
(2,337,026)	—	(2,337,026)	—
(1,420,920)	—	(1,420,920)	—
(354,134)	—	(354,134)	—
(44,112)	—	(44,112)	—
(525,575)	—	(525,575)	—
(10,800)	—	(10,800)	—
(19,613)	—	(19,613)	—
(8,740)	—	(8,740)	—
<u>(110,722)</u>	<u>—</u>	<u>(110,722)</u>	<u>—</u>
<u>(5,439,543)</u>	<u>—</u>	<u>(5,439,543)</u>	<u>—</u>
—	2,528	2,528	—
—	(98,705)	(98,705)	—
—	35,299	35,299	—
—	(20,846)	(20,846)	—
—	23,271	23,271	—
—	(1,565)	(1,565)	—
—	<u>19,570</u>	<u>19,570</u>	<u>—</u>
—	<u>(40,448)</u>	<u>(40,448)</u>	<u>—</u>
<u>(5,439,543)</u>	<u>(40,448)</u>	<u>(5,479,991)</u>	<u>—</u>
—	—	—	(10,911)
—	—	—	1,005
—	—	—	10,999
—	—	—	12,639
—	—	—	1,267
—	—	—	(511,811)
—	—	—	(4,320)
—	—	—	(68,532)
—	—	—	<u>(46,126)</u>
—	—	—	<u>(615,790)</u>
1,830,106	—	1,830,106	—
1,312,353	—	1,312,353	—
581,896	—	581,896	—
217,665	—	217,665	—
593,158	—	593,158	—
409,426	—	409,426	—
—	—	—	1,293
73,552	167,076	240,628	65,429
61,426	—	61,426	—
—	—	—	592,668
336,294	31,500	367,794	—
106,526	6,467	112,993	66,917
<u>15,204</u>	<u>(15,204)</u>	<u>—</u>	<u>—</u>
<u>5,537,606</u>	<u>189,839</u>	<u>5,727,445</u>	<u>726,307</u>
98,063	149,391	247,454	110,517
<u>4,844,516</u>	<u>1,945,898</u>	<u>6,790,414</u>	<u>3,458,425</u>
<u>\$ 4,942,579</u>	<u>\$ 2,095,289</u>	<u>\$ 7,037,868</u>	<u>\$3,568,942</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 222.

West Virginia

Balance Sheet Governmental Funds June 30, 2017 (Expressed in Thousands)

	<u>Major Special Revenue</u>				<u>Total</u>
	<u>General</u>	<u>Transportation</u>	<u>Tobacco Settlement Finance Authority</u>	<u>Other Governmental Funds</u>	
Assets:					
Cash and Cash Equivalents	\$ 1,035,742	\$ 145,848	\$ 28,327	\$ 402,891	\$ 1,612,808
Investments	569,272	23,392	71,181	120,905	784,750
Receivables, Net	591,574	187,047	28,506	7,563	814,690
Due from Other Governments	616,066	—	—	2,433	618,499
Due from Other Funds	952	12,146	—	64	13,162
Due from Component Units	121,270	326	—	1,055	122,651
Advance to Component Units	125,319	—	—	—	125,319
Inventories	11,113	52,845	—	15	63,973
Other Assets	1,545	591	—	—	2,136
Restricted Assets:					
Cash and Cash Equivalents	—	—	—	1,470	1,470
Total Assets	<u>3,072,853</u>	<u>422,195</u>	<u>128,014</u>	<u>536,396</u>	<u>4,159,458</u>
Deferred Outflows of Resources:					
Deferred Payments to Tobacco Settlement Finance Authority	—	—	543,588	—	543,588
Total Deferred Outflows of Resources	<u>—</u>	<u>—</u>	<u>543,588</u>	<u>—</u>	<u>543,588</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,072,853</u>	<u>\$ 422,195</u>	<u>\$ 671,602</u>	<u>\$ 536,396</u>	<u>\$ 4,703,046</u>
Liabilities:					
Accounts Payable	\$ 181,680	\$ 95,630	\$ 10	\$ 26,605	\$ 303,925
Accrued and Other Liabilities	966,853	17,181	—	22,166	1,006,200
Unearned Revenue	7,764	14,438	—	—	22,202
Due to Other Governments	287,523	1,492	—	9,314	298,329
Due to Other Funds	1,420,572	160,301	—	30,421	1,611,294
Due to Component Units	9,160	132	—	—	9,292
Total Liabilities	<u>2,873,552</u>	<u>289,174</u>	<u>10</u>	<u>88,506</u>	<u>3,251,242</u>
Deferred Inflows of Resources:					
Tax Revenue	43,325	—	—	—	43,325
Tobacco Settlement Revenue	—	—	28,496	—	28,496
Advances to Tobacco Settlement Finance Authority	543,588	—	—	—	543,588
Total Deferred Inflows of Resources	<u>586,913</u>	<u>—</u>	<u>28,496</u>	<u>—</u>	<u>615,409</u>

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

	<u>Major Special Revenue</u>				<u>Total</u>
	<u>General</u>	<u>Transportation</u>	<u>Tobacco Settlement Finance Authority</u>	<u>Other Governmental Funds</u>	
Fund Balances:					
Nonspendable:					
Inventories	11,113	52,845	—	15	63,973
Permanent Fund	—	—	—	1,000	1,000
Receivables	128,761	—	543,598	—	672,359
Restricted for:					
Capital Projects	—	—	—	10,658	10,658
Debt Service	—	—	99,498	54,123	153,621
General Government Operations	500	—	—	—	500
Development, Tourism, and Recreation	1,768	—	—	63,888	65,656
Education	180	—	—	889	1,069
Health and Social Services	527	—	—	—	527
Public Protection	314	—	—	57,160	57,474
Transportation	—	12,737	—	—	12,737
Committed to:					
General Government Operations	4,771	—	—	1,642	6,413
Rainy Day	663,061	—	—	—	663,061
Development, Tourism, and Recreation	2,246	—	—	—	2,246
Education	24,126	—	—	—	24,126
Health and Social Services	5,020	—	—	—	5,020
Public Protection	1,720	—	—	265,899	267,619
Assigned to:					
Public Protection	—	—	—	6,226	6,226
Transportation	—	67,439	—	—	67,439
Unassigned	<u>(1,231,719)</u>	<u>—</u>	<u>—</u>	<u>(13,610)</u>	<u>(1,245,329)</u>
Total Fund Balances (Deficit)	<u>(387,612)</u>	<u>133,021</u>	<u>643,096</u>	<u>447,890</u>	<u>836,395</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$3,072,853</u>	<u>\$ 422,195</u>	<u>\$ 671,602</u>	<u>\$ 536,396</u>	<u>\$ 4,703,046</u>

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2017 (Expressed in Thousands)

Total Fund Balances - Governmental Funds		\$ 836,395
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	\$ 1,312,347	
Construction in Progress	758,383	
Infrastructure Assets	12,775,910	
Buildings, Equipment, and Other Depreciable Assets	1,847,924	
Intangibles	47,514	
Accumulated Depreciation	<u>(7,450,161)</u>	
Total Capital Assets		9,291,917
The Net Pension Asset is not recognized at the fund level.		53,745
Certain tax and other revenues are earned but not available and therefore are deferred inflows in the funds.		71,821
Deferred inflows for pensions (excluding internal service funds) are reported in the statement of net position, but not reported in the funds.		(286,588)
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.		229,129
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.		223
Deferred Outflows of Resources – related to pensions and loss on bond refundings.		1,499,602
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	(359,261)	
Revenue Bonds	(1,182,921)	
Capital Leases	(213,762)	
Compensated Absences	(87,961)	
Net Pension Liability	(4,525,752)	
Accrued Interest Payable and Other Liabilities	<u>(384,008)</u>	
Total Long-Term Liabilities		<u>(6,753,665)</u>
Net Position of Governmental Activities		<u>\$ 4,942,579</u>

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

**Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)**

	<u>Major Special Revenue</u>				<u>Total</u>
	<u>General</u>	<u>Transportation</u>	<u>Tobacco Settlement Finance Authority</u>	<u>Other Governmental Funds</u>	
Revenues:					
Taxes:					
Personal Income	\$1,846,638	\$ —	\$ —	\$ —	\$ 1,846,638
Consumer Sales and Use	1,317,452	—	—	—	1,317,452
Severance	360,801	—	—	—	360,801
Corporate Net Income	120,728	—	—	—	120,728
Business and Occupation	110,240	—	—	—	110,240
Medicaid	215,558	—	—	—	215,558
Gasoline and Motor Carrier	—	389,753	—	—	389,753
Automobile Privilege	—	203,405	—	—	203,405
Other	405,681	3,955	—	—	409,636
Intergovernmental	4,469,721	526,571	—	134,094	5,130,386
Licenses, Permits, and Fees	111,573	5,576	—	113,422	230,571
Motor Vehicle Registration	—	109,047	—	—	109,047
Charges for Services	123,423	—	—	89	123,512
Lottery Revenues	319,930	—	—	10,659	330,589
Food Stamp Revenue	490,483	—	—	—	490,483
Investment Earnings	53,370	996	3,970	25,581	83,917
Other	78,597	27,478	64,039	7,221	177,335
Total Revenues	<u>10,024,195</u>	<u>1,266,781</u>	<u>68,009</u>	<u>291,066</u>	<u>11,650,051</u>
Expenditures:					
Current:					
Legislative	22,657	—	—	1,804	24,461
Judicial	139,774	—	—	—	139,774
Executive	176,493	—	—	—	176,493
Administration	148,014	—	116	3	148,133
Commerce	196,448	—	—	209	196,657
Environmental Protection	1,479	—	—	146,660	148,139
Employment Programs	—	—	—	51,546	51,546
Education	2,831,189	—	—	—	2,831,189
Health and Human Resources	5,869,748	—	—	—	5,869,748
Military Affairs and Public Safety	525,009	—	—	1	525,010
Revenue	71,656	—	—	23,510	95,166
Transportation	5,775	888,634	—	—	894,409
Veterans Assistance	21,035	—	—	1	21,036
Senior Services	42,029	—	—	—	42,029
Regulatory Boards and Commissions	19,626	—	—	22,555	42,181
Capital Outlay	—	362,610	—	1,708	364,318
Debt Service:					
Principal	—	15,225	15,090	45,300	75,615
Interest	—	8,479	53,355	29,404	91,238
Total Expenditures	<u>10,070,932</u>	<u>1,274,948</u>	<u>68,561</u>	<u>322,701</u>	<u>11,737,142</u>
Excess of Revenues Over (Under) Expenditures	<u>(46,737)</u>	<u>(8,167)</u>	<u>(552)</u>	<u>(31,635)</u>	<u>(87,091)</u>
Other Financing Sources (Uses):					
Face Value of Long-Term Debt Issued	—	53,380	—	28,215	81,595
Premiums on Bonds Issued	—	4,833	—	3,807	8,640
Capital Lease Acquisition	13,568	—	—	—	13,568
Payments to Refunded Bond Escrow Agent	—	—	—	(32,022)	(32,022)
Transfers In	114,441	14,869	—	74,942	204,252
Transfers Out	(106,477)	—	(20,895)	(63,698)	(191,070)
Total Other Financing Sources (Uses)	<u>21,532</u>	<u>73,082</u>	<u>(20,895)</u>	<u>11,244</u>	<u>84,963</u>
Net Change in Fund Balance	<u>(25,205)</u>	<u>64,915</u>	<u>(21,447)</u>	<u>(20,391)</u>	<u>(2,128)</u>
Fund Balances, Beginning of Year, as Restated	<u>(362,407)</u>	<u>68,106</u>	<u>664,543</u>	<u>468,281</u>	<u>838,523</u>
Fund Balances, End of Year	<u>\$ (387,612)</u>	<u>\$ 133,021</u>	<u>\$ 643,096</u>	<u>\$ 447,890</u>	<u>\$ 836,395</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, 2017
(Expressed in Thousands)**

Net Change in Fund Balances – Total Governmental Funds		\$ (2,128)
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	\$ 387,482	
Depreciation Expense	<u>(346,256)</u>	
Excess of Capital Outlay Over Depreciation Expense		41,226
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.		(13,568)
Accretion of interest related to capital appreciation bonds is an expense of the governmental activities.		(105,848)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. For the current year, these amounts consist of:		
Bond Principal Retirement	92,690	
Capital Lease Payments	<u>25,499</u>	
Total Long-Term Debt Repayment		118,189
Internal Service Funds are used by management to charge the costs of certain activities, such as building and vehicle maintenance and leasing, data processing, and investment and management of state moneys, to individual funds. The net increase in net position of the internal service funds is reported with governmental activities.		(6,006)
Revenues in the statement of activities that do provide current financial resources are not reported as revenues in the funds.		(32,220)
Gain on issuance of new refunding bonds in the current fiscal year, but was deferred on the statement of activities.		(2,232)
Retirement contributions (excluding internal service funds) to define benefit pension plans in The current fiscal year are not included on the statement of activities.		543,677
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in Accrued Interest (Asset)	(63)	
Increase in Compensated Absences	(975)	
Decrease in Accrued and Other Liabilities	3,994	
Increase in Net Pension Liability (Asset), net of deferrals	(452,395)	
Amortization in Bond Premiums/Discounts	<u>6,412</u>	
Total Change in Expenditures		<u>(443,027)</u>
Change in Net Position of Governmental Activities		<u>\$ 98,063</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 244.

West Virginia

Statement of Net Position Proprietary Funds June 30, 2017 (Expressed in Thousands)

	Business-type Activities – Enterprise Funds			
	Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation	West Virginia Infrastructure and Jobs Development Council
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 97,757	\$ 1,619,487	\$ 68,378	\$ 140,838
Investments	—	—	—	100,332
Receivables, Net	36,111	7,679	60,261	23,759
Due from Other Governments	—	—	411	—
Due from Other Funds	—	—	383	—
Due from Component Units	—	—	150	—
Inventories	—	—	—	—
Other Assets	—	—	—	—
Restricted Assets:				
Cash and Cash Equivalents	—	—	—	—
Receivables, Net	—	—	—	—
Other Restricted Assets	—	—	—	—
Total Current Assets	<u>133,868</u>	<u>1,627,166</u>	<u>129,583</u>	<u>264,929</u>
Noncurrent Assets:				
Investments	—	—	—	—
Receivables, Net	604,842	—	—	537,348
Other Assets	—	—	—	206
Restricted Assets:				
Cash and Cash Equivalents	—	—	—	—
Investments	—	—	—	—
Capital Assets, Net	—	—	—	—
Total Noncurrent Assets	<u>604,842</u>	<u>—</u>	<u>—</u>	<u>537,554</u>
Total Assets	<u>738,710</u>	<u>1,627,166</u>	<u>129,583</u>	<u>802,483</u>
Deferred Outflows of Resources:				
Deferred Loss on Bond Refundings	—	—	—	1,064
Related to Pensions	415	—	—	98
Total Deferred Outflows of Resources	<u>415</u>	<u>—</u>	<u>—</u>	<u>1,162</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	57	—	—	35
Accrued Tuition Contract Benefits	—	—	—	—
Accrued and Other Liabilities	—	5,867	1,665	2,797
Unearned Revenue	—	—	—	—
Due to Other Governments	—	—	2,173	—
Due to Other Funds	353	—	—	—
Due to Component Units	—	—	—	168
Insurance and Compensation Benefits Obligations	—	170,100	21,952	—
Revenue Bonds Payable	—	—	—	6,895
Capital Leases and Other Debt	—	—	—	—
Capital Leases Payable to Component Units	—	—	—	—
Compensated Absences	72	—	—	—
Total Current Liabilities	<u>482</u>	<u>175,967</u>	<u>25,790</u>	<u>9,895</u>
Noncurrent Liabilities:				
Accrued Tuition Contract Benefits	—	—	—	—
Insurance and Compensation Benefits Obligations	—	1,347,900	—	—
Revenue Bonds Payable	—	—	—	178,395
Capital Leases and Other Debt	—	—	—	—
Capital Leases Payable to Component Units	—	—	—	—
Compensated Absences	24	—	—	—
Net Pension Liability	714	—	—	178
Total Noncurrent Liabilities	<u>738</u>	<u>1,347,900</u>	<u>—</u>	<u>178,573</u>
Total Liabilities	<u>1,220</u>	<u>1,523,867</u>	<u>25,790</u>	<u>188,468</u>
Deferred Inflows of Resources:				
Related to Pensions	47	—	—	19
Total Deferred Inflows of Resources	<u>47</u>	<u>—</u>	<u>—</u>	<u>19</u>
Net Position:				
Net Investment in Capital Assets	—	—	—	—
Restricted for:				
Capital Projects	—	—	—	—
General Government Operations	—	—	—	—
Lending Activities	737,858	—	—	593,751
Insurance Activities	—	132,305	103,793	—
Unrestricted (Deficit)	—	(29,006)	—	21,407
Total Net Position	<u>\$ 737,858</u>	<u>\$ 103,299</u>	<u>\$ 103,793</u>	<u>\$ 615,158</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
\$ 44,177	\$ 26,291	\$ 54,872	\$ 2,051,800	\$ 25,280
—	—	—	100,332	—
28,668	1,271	9,924	167,673	10,637
—	—	—	411	—
4,364	—	1,253	6,000	7,035
870	—	76	1,096	145
—	—	1,883	1,883	890
—	—	19,374	19,374	66
—	10,168	—	10,168	754
—	643	—	643	—
—	<u>193,352</u>	—	<u>193,352</u>	—
<u>78,079</u>	<u>231,725</u>	<u>87,382</u>	<u>2,552,732</u>	<u>44,807</u>
153,908	91,500	49,025	294,433	—
—	—	132,154	1,274,344	—
—	—	—	206	—
19,973	—	—	19,973	18,508
—	52,841	—	52,841	—
<u>247</u>	—	<u>2,616</u>	<u>2,863</u>	<u>278,110</u>
<u>174,128</u>	<u>144,341</u>	<u>183,795</u>	<u>1,644,660</u>	<u>296,618</u>
<u>252,207</u>	<u>376,066</u>	<u>271,177</u>	<u>4,197,392</u>	<u>341,425</u>
—	—	—	1,064	—
<u>575</u>	<u>458</u>	<u>1,113</u>	<u>2,659</u>	<u>12,845</u>
<u>575</u>	<u>458</u>	<u>1,113</u>	<u>3,723</u>	<u>12,845</u>
4,805	1,272	3,852	10,021	16,795
—	—	16,023	16,023	—
3,610	418	228	14,585	661
7,252	9,174	—	16,426	—
—	—	—	2,173	322
2,466	503	2,470	5,792	12,021
34	—	9	211	—
64,649	47,713	5,600	310,014	—
—	—	—	6,895	—
—	—	—	—	6,547
—	—	—	—	1,290
—	—	54	126	—
<u>82,816</u>	<u>59,080</u>	<u>28,236</u>	<u>382,266</u>	<u>37,636</u>
—	—	45,681	45,681	—
19,973	117,206	9,100	1,494,179	—
—	—	—	178,395	—
—	—	—	—	10,764
—	—	—	—	56,760
—	107	357	488	1,742
<u>903</u>	<u>766</u>	<u>1,883</u>	<u>4,444</u>	<u>12,048</u>
<u>20,876</u>	<u>118,079</u>	<u>57,021</u>	<u>1,723,187</u>	<u>81,314</u>
<u>103,692</u>	<u>177,159</u>	<u>85,257</u>	<u>2,105,453</u>	<u>118,950</u>
44	37	226	373	6,191
<u>44</u>	<u>37</u>	<u>226</u>	<u>373</u>	<u>6,191</u>
247	—	2,616	2,863	205,395
—	—	—	—	18,508
—	—	1,872	1,872	754
—	—	163,213	1,494,822	—
—	61,063	15,759	312,920	—
<u>148,799</u>	<u>138,265</u>	<u>3,347</u>	<u>282,812</u>	<u>4,472</u>
<u>\$ 149,046</u>	<u>\$ 199,328</u>	<u>\$ 186,807</u>	<u>\$ 2,095,289</u>	<u>\$ 229,129</u>

West Virginia

Statement of Revenues, Expenses, and
Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Business-type Activities – Enterprise Funds			
	Water Pollution Control Revolving Fund	Workers’ Compensation Fund	Unemployment Compensation	West Virginia Infrastructure and Jobs Development Council
Operating Revenues:				
Charges for Services and Sales	\$ —	\$ —	\$ 204,496	\$ 3,095
Insurance Premiums	—	35,735	—	—
Tuition Contracts	—	—	—	—
Investment Earnings	2,942	—	—	—
Licenses, Permits, and Fees	3,053	—	—	—
Other	—	23	—	—
Total Operating Revenues	<u>5,995</u>	<u>35,758</u>	<u>204,496</u>	<u>3,095</u>
Operating Expenses:				
Cost of Sales and Services	—	—	—	—
Insurance Claims and Claims Adjustment	—	124,169	—	—
Tuition Contract Benefits and Expenses	—	—	—	—
Infrastructure and Economic Development	—	—	—	14,255
Unemployment Insurance Benefits	—	—	169,197	—
General and Administrative	3,406	10,274	—	776
Pension Expense	91	—	—	26
Depreciation and Amortization	—	—	—	—
Provisions for Uncollectible Loans	—	—	—	544
Other	—	—	—	—
Total Operating Expenses	<u>3,497</u>	<u>134,443</u>	<u>169,197</u>	<u>15,601</u>
Operating Income (Loss)	<u>2,498</u>	<u>(98,685)</u>	<u>35,299</u>	<u>(12,506)</u>
Nonoperating Revenues (Expenses):				
Gain (Loss) on Sale of Equipment	—	—	—	—
Interest and Other Investment Income (Loss)	1,109	135,019	1,405	1,016
Interest Expense	—	—	—	(8,340)
Lottery Revenues	—	5,500	—	26,000
Other Nonoperating Revenues	—	—	—	2
Other Nonoperating Expenses	—	—	—	—
Total Nonoperating Revenues (Expenses), Net	<u>1,109</u>	<u>140,519</u>	<u>1,405</u>	<u>18,678</u>
Income (Loss) Before Transfers	<u>3,607</u>	<u>41,834</u>	<u>36,704</u>	<u>6,172</u>
Capital Contributions and Transfers:				
Capital Contributions	—	—	—	—
Transfers In	24,995	2,731	—	225
Transfers Out	—	(22,692)	—	(1,662)
Total Capital Contributions and Transfers	<u>24,995</u>	<u>(19,961)</u>	<u>—</u>	<u>(1,437)</u>
Change in Net Position	28,602	21,873	36,704	4,735
Net Position, Beginning of Year	<u>709,256</u>	<u>81,426</u>	<u>67,089</u>	<u>610,423</u>
Net Position, End of Year	<u>\$ 737,858</u>	<u>\$ 103,299</u>	<u>\$ 103,793</u>	<u>\$ 615,158</u>

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

<u>Public Employees' Insurance Agency</u>	<u>Board of Risk and Insurance Management</u>	<u>Other Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service Funds</u>
\$ —	\$ —	\$ 101,709	\$ 309,300	\$ 131,834
576,163	64,687	12,901	689,486	—
—	—	115	115	—
—	—	—	2,942	—
—	—	3,794	6,847	—
<u>4,861</u>	<u>—</u>	<u>1,426</u>	<u>6,310</u>	<u>—</u>
<u>581,024</u>	<u>64,687</u>	<u>119,945</u>	<u>1,015,000</u>	<u>131,834</u>
—	—	75,908	75,908	113,737
534,717	59,149	9,769	727,804	—
—	—	1,548	1,548	—
—	—	—	14,255	—
—	—	—	169,197	—
10,542	4,116	10,317	39,431	9,494
120	84	282	603	2,164
54	—	401	455	19,536
—	—	—	544	—
<u>7,483</u>	<u>—</u>	<u>760</u>	<u>8,243</u>	<u>—</u>
<u>552,916</u>	<u>63,349</u>	<u>98,985</u>	<u>1,037,988</u>	<u>144,931</u>
<u>28,108</u>	<u>1,338</u>	<u>20,960</u>	<u>(22,988)</u>	<u>(13,097)</u>
—	—	(7)	(7)	(130)
12,808	9,841	5,878	167,076	43
—	—	—	(8,340)	(2,411)
—	—	—	31,500	5,705
—	—	162	164	299
<u>—</u>	<u>(2,810)</u>	<u>—</u>	<u>(2,810)</u>	<u>—</u>
<u>12,808</u>	<u>7,031</u>	<u>6,033</u>	<u>187,583</u>	<u>3,506</u>
<u>40,916</u>	<u>8,369</u>	<u>26,993</u>	<u>164,595</u>	<u>(9,591)</u>
—	—	—	—	1,563
10,000	—	7,611	45,562	8,030
<u>—</u>	<u>—</u>	<u>(36,412)</u>	<u>(60,766)</u>	<u>(6,008)</u>
<u>10,000</u>	<u>—</u>	<u>(28,801)</u>	<u>(15,204)</u>	<u>3,585</u>
50,916	8,369	(1,808)	149,391	(6,006)
<u>98,130</u>	<u>190,959</u>	<u>188,615</u>	<u>1,945,898</u>	<u>235,135</u>
<u>\$ 149,046</u>	<u>\$ 199,328</u>	<u>\$ 186,807</u>	<u>\$ 2,095,289</u>	<u>\$ 229,129</u>

West Virginia

Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2017 (Expressed in Thousands)

	Business-type Activities – Enterprise Funds			
	Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation	West Virginia Infrastructure and Jobs Development Council
Cash Flows from Operating Activities:				
Receipts from Customers	\$ 39,564	\$ 35,201	\$ 188,063	\$ 28,490
Receipts from State Agencies	—	—	—	—
Payments to Suppliers	—	(10,748)	—	(1,229)
Payments to Employees	(1,279)	(20)	—	(305)
Payments to Beneficiaries	—	—	—	—
Payments for Loans Originated	(64,985)	—	—	(71,058)
Payments for Premiums	—	—	—	—
Payments to Claimants	—	(179,469)	(185,204)	—
Other Operating Cash Receipts	—	23	11,010	—
Other Operating Cash Payments	<u>(2,371)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Cash Provided by (Used For)				
Operating Activities	<u>(29,071)</u>	<u>(155,013)</u>	<u>13,869</u>	<u>(44,102)</u>
Cash Flows from Noncapital Financing Activities:				
Proceeds from Sale of Operating Bonds and Other Debts	—	—	—	79,465
Repayment of Operating Debt	—	—	—	(83,805)
Interest Paid on Operating Debt	—	—	—	(8,482)
Transfers In	20,829	13,583	—	225
Transfers Out	—	(17,103)	—	—
Entitlements and Grants	—	—	—	—
Distributions or Subsidies from (to) Other Organizations	<u>—</u>	<u>5,500</u>	<u>—</u>	<u>26,000</u>
Net Cash Provided by (Used for)				
Noncapital Financing Activities	<u>20,829</u>	<u>1,980</u>	<u>—</u>	<u>13,403</u>
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Sale of Capital Bonds and Other Debts	—	—	—	2
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>2</u>
Cash Flows from Investing Activities:				
Purchase of Investments	—	—	—	(375,201)
Proceeds from Sale of Investments	—	—	—	377,663
Investment Earnings	<u>1,109</u>	<u>135,019</u>	<u>1,405</u>	<u>953</u>
Net Cash Provided by (Used for) Investing Activities	<u>1,109</u>	<u>135,019</u>	<u>1,405</u>	<u>3,415</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(7,133)</u>	<u>(18,014)</u>	<u>15,274</u>	<u>(27,282)</u>
Cash and Cash Equivalents, Beginning of Year	<u>104,890</u>	<u>1,637,501</u>	<u>53,104</u>	<u>168,120</u>
Cash and Cash Equivalents, End of Year	<u>\$ 97,757</u>	<u>\$ 1,619,487</u>	<u>\$ 68,378</u>	<u>\$ 140,838</u>

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

Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise Funds	Total	Governmental Activities Internal Service Funds
\$ 569,323	\$ 65,668	\$ 130,692	\$ 1,057,001	\$ —
—	—	—	—	130,299
(26,491)	(2,887)	(77,674)	(119,029)	(104,970)
(1,303)	(1,413)	(6,465)	(10,785)	(25,632)
(577,899)	(62,665)	(10,825)	(651,389)	—
—	—	(16,264)	(152,307)	—
—	—	(6,376)	(6,376)	—
—	—	(8,839)	(373,512)	—
27,448	—	1,357	39,838	—
—	16,798	(2,911)	11,516	—
<u>(8,922)</u>	<u>15,501</u>	<u>2,695</u>	<u>(205,043)</u>	<u>(303)</u>
—	—	—	79,465	—
—	—	—	(83,805)	—
—	—	—	(8,482)	—
10,000	—	7,611	52,248	8,030
—	(2,810)	(36,412)	(56,325)	(6,008)
—	—	162	162	—
<u>(8,474)</u>	<u>—</u>	<u>—</u>	<u>23,026</u>	<u>5,705</u>
<u>1,526</u>	<u>(2,810)</u>	<u>(28,639)</u>	<u>6,289</u>	<u>7,727</u>
—	—	—	2	5,027
—	—	—	—	(7,891)
—	—	—	—	(2,411)
<u>(137)</u>	<u>—</u>	<u>(267)</u>	<u>(404)</u>	<u>(26,402)</u>
<u>(137)</u>	<u>—</u>	<u>(267)</u>	<u>(402)</u>	<u>(31,677)</u>
(86,362)	(20,650)	(994)	(483,207)	(864)
119,873	18,887	11,500	527,923	864
<u>2,034</u>	<u>(415)</u>	<u>1,295</u>	<u>141,400</u>	<u>40</u>
<u>35,545</u>	<u>(2,178)</u>	<u>11,801</u>	<u>186,116</u>	<u>40</u>
<u>28,012</u>	<u>10,513</u>	<u>(14,410)</u>	<u>(13,040)</u>	<u>(24,213)</u>
<u>36,138</u>	<u>25,946</u>	<u>69,282</u>	<u>2,094,981</u>	<u>68,755</u>
<u>\$ 64,150</u>	<u>\$ 36,459</u>	<u>\$ 54,872</u>	<u>\$ 2,081,941</u>	<u>\$ 44,542</u>

**Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)
(Continued)**

	Business-type Activities – Enterprise Funds			
	Water Pollution Control Revolving Fund	Workers’ Compensation Fund	Unemployment Compensation	West Virginia Infrastructure and Jobs Development Council
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	\$ 2,498	\$ (98,685)	\$ 35,299	\$ (12,506)
Adjustments to Reconcile Operating Income (Loss)				
Net Cash Provided by (Used for)				
Operating Activities:				
Depreciation and Amortization	—	—	—	—
Provisions for Uncollectible Loans	—	—	—	544
Pension Expense	91	—	—	26
Changes in Assets and Liabilities and Deferred Outflow of Resources:				
Receivables	(31,416)	(534)	(7,971)	(30,290)
Inventories	—	—	—	—
Other Assets	—	—	—	(206)
Accounts Payable and Accrued Liabilities	(50)	(55,300)	(13,474)	(1,643)
Tuition Contracts Benefits and Expenses	—	—	—	—
Unearned Revenue	—	—	—	—
Escrow Deposits	—	—	—	—
Due to/from Other Funds	(43)	—	15	(5)
Unpaid Claims Liabilities	—	—	—	—
Other Liabilities	—	(494)	—	—
Compensated Absences	(24)	—	—	—
Deferred Outflows of Resources	(127)	—	—	(22)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (29,071)</u>	<u>\$ (155,013)</u>	<u>\$ 13,869</u>	<u>\$ (44,102)</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>
\$ 28,108	\$ 1,338	\$ 20,960	\$ (22,988)	\$ (13,097)
54	—	401	455	19,536
—	—	—	544	—
120	84	282	603	2,164
(11,031)	108	(8,801)	(89,935)	(1,537)
—	—	192	192	94
—	—	—	(206)	2
(10,696)	—	(1,327)	(82,490)	(5,362)
—	—	(9,370)	(9,370)	—
(1,650)	(64)	—	(1,714)	—
—	16,800	—	16,800	—
—	—	115	82	—
—	(3,516)	—	(3,516)	—
(13,642)	874	608	(12,654)	47
—	—	(18)	(42)	—
<u>(185)</u>	<u>(123)</u>	<u>(347)</u>	<u>(804)</u>	<u>(2,150)</u>
<u>\$ (8,922)</u>	<u>\$ 15,501</u>	<u>\$ 2,695</u>	<u>\$ (205,043)</u>	<u>\$ (303)</u>
\$ —	\$ —	\$ 701	\$ 701	\$ —
10,546	12,019	—	22,565	—
—	—	—	—	1,564



FIDUCIARY FUNDS

FINANCIAL STATEMENTS

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

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

The individual Pension and Other Employee Benefit Trust Funds, Investment Trust Funds, and Agency Funds descriptions and financial statements begin on page 254.

West Virginia

Statement of Fiduciary Net Position Fiduciary Funds June 30, 2017 (Expressed in Thousands)

	Pension and Other Benefit Trust Funds	Investment Trust Funds	SMART 529	Agency Funds
Assets:				
Cash and Cash Equivalents	\$ 97,098	\$ 313,519	\$ —	\$ 106,254
Investments:				
Equity Pooled Investment	15,580,775	—	—	9,007
Mutual Funds	470,828	—	2,461,913	—
Receivables, Net:				
Contributions	41,861	—	1,463	—
Participant Loans	2,977	—	—	—
Accrued Interest	—	—	—	109
Accounts	19,549	—	—	—
Due from Other Funds	66,669	—	—	—
Due from Component Units	<u>345</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Assets	<u>16,280,102</u>	<u>313,519</u>	<u>2,463,376</u>	<u>\$ 115,370</u>
Deferred Outflows of Resources:				
Related to Pensions	<u>339</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deferred Outflows of Resources	<u>339</u>	<u>—</u>	<u>—</u>	<u>—</u>
Liabilities:				
Accounts Payable	—	—	1,005	\$ 32
Accrued and Other Liabilities	10,953	—	831	—
Due to Other Governments	—	—	—	6,397
Due to Other Funds	1,620	—	—	—
Due to Component Units	6	—	—	—
Insurance Claims Payable	21,057	—	—	—
Agency Liabilities	—	—	—	108,941
Net Pension Liability	<u>512</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities	<u>34,148</u>	<u>—</u>	<u>1,836</u>	<u>\$ 115,370</u>
Deferred Inflows of Resources:				
Related to Pensions	<u>25</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deferred Inflows of Resources	<u>25</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Position:				
Restricted for:				
Pension Benefits	15,422,357	—	—	—
Other Postemployment Benefits	823,911	—	—	—
Held in Trust for:				
External Investment Pool Participants	—	313,519	—	—
Individuals and Organizations	<u>—</u>	<u>—</u>	<u>2,461,540</u>	<u>—</u>
Total Net Position	<u>\$ 16,246,268</u>	<u>\$ 313,519</u>	<u>\$ 2,461,540</u>	<u>—</u>

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

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)**

	Pension and Other Benefit Trust Funds	Investment Trust Funds	SMART 529
Additions:			
Contributions:			
Members	\$ 262,228	\$ —	\$ —
Employer	467,091	—	—
Account Holder Contributions	—	—	194,260
Deposits, Pool Participants	—	556,298	—
Other	<u>372,033</u>	<u>—</u>	<u>—</u>
Total Contributions	<u>1,101,352</u>	<u>556,298</u>	<u>194,260</u>
Investment Income:			
Net Appreciation in Fair Value of Investments	2,046,910	1,710	129,956
Interest	146,096	—	135,088
Investment Expense	<u>—</u>	<u>—</u>	<u>(5,695)</u>
Net Investment Income	<u>2,193,006</u>	<u>1,710</u>	<u>259,349</u>
Transfers to Plans	259	—	—
Other	<u>6,670</u>	<u>—</u>	<u>—</u>
Total Additions	<u>3,301,287</u>	<u>558,008</u>	<u>453,609</u>
Deductions:			
Benefits Expense	1,469,289	—	—
Forfeitures	1,603	—	—
Payments in Accordance with Trust Agreements	—	—	218,642
Refunds of Contributions	38,859	—	—
Withdrawals	—	501,254	—
Pension Expense	25	—	—
Administrative Expense	14,412	—	5,968
Transfers from Plans	<u>259</u>	<u>—</u>	<u>—</u>
Total Deductions	<u>1,524,447</u>	<u>501,254</u>	<u>224,610</u>
Change in Net Position Held in Trust For:			
Pension Benefits	1,638,597	—	—
Other Postemployment Benefits	138,243	—	—
External Investment Pool Participants	—	56,754	—
Individuals and Organizations	—	—	228,999
Net Position, Beginning of Year	<u>14,469,428</u>	<u>256,765</u>	<u>2,232,541</u>
Net Position, End of Year	<u>\$ 16,246,268</u>	<u>\$ 313,519</u>	<u>\$ 2,461,540</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 268.

West Virginia

Combining Statement of Net Position Discretely Presented Component Units June 30, 2017 (Expressed in Thousands)

	West Virginia <u>Lottery</u>	Economic Development <u>Authority</u>	Housing Development <u>Fund</u>	Parkways <u>Authority</u>
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$ 156,550	\$ 59,749	\$ 21,038	\$ 7,994
Investments	—	—	—	—
Receivables, Net	26,125	17,791	1,349	3,601
Capital Leases Receivable from Primary Government	—	16,120	—	—
Due from Primary Government	8	—	1	19
Due from Component Units	1,400	—	—	—
Inventories	553	—	—	3,780
Prepaid Insurance	—	—	—	—
Other Assets	1,482	—	—	539
Restricted Assets:				
Cash and Cash Equivalents	—	1,689	39,822	27,126
Investments	—	—	—	25,542
Receivables, Net	—	—	2,980	—
Other Restricted Assets	—	—	—	—
Total Current Assets	<u>186,118</u>	<u>95,349</u>	<u>65,190</u>	<u>68,601</u>
Noncurrent Assets:				
Cash and Cash Equivalents	—	—	—	—
Investments	—	2,430	—	—
Receivables, Net	—	182,254	56,505	—
Capital Leases Receivable from Primary Government	—	244,835	—	—
Other Assets	—	—	174	—
Restricted Assets:				
Cash and Cash Equivalents	—	5,857	48,708	—
Investments	—	—	81,632	27,806
Receivables, Net	—	—	657,174	—
Other Restricted Assets	—	—	5,427	—
Capital Assets, Net	<u>43,779</u>	<u>30,541</u>	<u>9,632</u>	<u>451,041</u>
Total Noncurrent Assets	<u>43,779</u>	<u>465,917</u>	<u>859,252</u>	<u>478,847</u>
Total Assets	<u>229,897</u>	<u>561,266</u>	<u>924,442</u>	<u>547,448</u>
Deferred Outflows of Resources:				
Accumulated Decrease in Fair Value of Hedging Derivatives	—	—	—	633
Deferred Loss on Bond Refundings Related to Pensions	<u>2,795</u>	<u>247</u>	<u>2,070</u>	<u>1,441</u>
Total Deferred Outflows of Resources	<u>2,795</u>	<u>247</u>	<u>2,070</u>	<u>8,126</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>
\$ 22,058	\$ 412,721	\$ 19,658	\$ 180,124	\$ 56,027	\$ 935,919
—	142,667	—	73,756	2,510	218,933
11,177	132,225	13,262	370	1,251	207,151
—	—	—	—	—	16,120
195	8,932	—	—	354	9,509
—	4,614	—	—	—	6,014
—	4,342	1,543	—	19	10,237
—	—	—	129	—	129
—	11,726	—	—	17	13,764
—	—	21,402	—	18,096	108,135
3,496	—	—	—	—	29,038
—	—	—	—	626	3,606
8	—	—	—	—	8
<u>36,934</u>	<u>717,227</u>	<u>55,865</u>	<u>254,379</u>	<u>78,900</u>	<u>1,558,563</u>
—	67,987	—	—	—	67,987
1,200	521,135	—	—	3,931	528,696
9,414	45,743	—	—	3,007	296,923
—	—	—	—	—	244,835
206	79,105	—	—	88	79,573
12,647	—	—	—	—	67,212
—	—	—	—	—	109,438
182,030	—	—	—	609	839,813
219	—	—	—	229	5,875
<u>5,411</u>	<u>3,295,539</u>	<u>116,514</u>	<u>702</u>	<u>43,402</u>	<u>3,996,561</u>
<u>211,127</u>	<u>4,009,509</u>	<u>116,514</u>	<u>702</u>	<u>51,266</u>	<u>6,236,913</u>
<u>248,061</u>	<u>4,726,736</u>	<u>172,379</u>	<u>255,081</u>	<u>130,166</u>	<u>7,795,476</u>
—	398	—	—	—	1,031
8,618	28,301	—	7,888	—	46,248
<u>219</u>	<u>7,042</u>	<u>12,509</u>	<u>216</u>	<u>7,085</u>	<u>38,235</u>
<u>8,837</u>	<u>35,741</u>	<u>12,509</u>	<u>8,104</u>	<u>7,085</u>	<u>85,514</u>

West Virginia

Combining Statement of Net Position Discretely Presented Component Units June 30, 2017 (Expressed in Thousands) (Continued)

	West Virginia Lottery	Economic Development Authority	Housing Development Fund	Parkways Authority
Liabilities:				
Current Liabilities:				
Accounts Payable	23,075	20	—	5,015
Interest Payable	—	—	1,795	115
Accrued and Other Liabilities	19,007	2,698	15,558	5,651
Unearned Revenue	—	—	—	—
Due to Primary Government	127,236	168	72	11,242
Due to Component Units	4,614	1,400	—	—
Revenue Bonds Payable	—	16,120	35,715	9,805
Capital Leases and Other Debt	—	1,085	—	—
Compensated Absences	574	31	414	773
Total Current Liabilities	<u>174,506</u>	<u>21,522</u>	<u>53,554</u>	<u>32,601</u>
Noncurrent Liabilities:				
Unearned Revenue	—	716	—	—
Advances from Primary Government	—	125,319	—	—
Liabilities Payable from Restricted Assets	—	—	67,606	—
Accrued and Other Liabilities	—	—	—	—
Revenue Bonds Payable	—	244,835	301,305	10,523
Capital Leases and Other Debt	—	8,332	751	—
Net Pension Liability	4,800	406	3,526	10,007
Compensated Absences	—	32	—	224
Total Noncurrent Liabilities	<u>4,800</u>	<u>379,640</u>	<u>373,188</u>	<u>20,754</u>
Total Liabilities	<u>179,306</u>	<u>401,162</u>	<u>426,742</u>	<u>53,355</u>
Deferred Inflows of Resources:				
Accumulated Increase in Fair Value of Hedging Derivative Instruments	—	—	—	633
Related to Pensions	367	21	316	568
Service Concession Arrangements	—	—	—	—
Grants and Contributions	—	—	—	—
Total Deferred Inflows of Resources	<u>367</u>	<u>21</u>	<u>316</u>	<u>1,201</u>
Net Position:				
Net Investment in Capital Assets	43,779	27,620	8,663	432,154
Restricted for:				
Capital Projects	—	—	—	—
Debt Service	—	—	346,325	65,834
Nonexpendable	—	—	—	—
Lending Activities	—	5,557	67,020	—
Specific Component Unit Purposes	—	—	—	—
Unrestricted (Deficit)	<u>9,240</u>	<u>127,153</u>	<u>77,446</u>	<u>3,030</u>
Total Net Position (Deficit)	<u>\$ 53,019</u>	<u>\$ 160,330</u>	<u>\$ 499,454</u>	<u>\$ 501,018</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>
\$ 65	\$ 62,802	\$ 3,362	\$ 2	\$ 1,240	\$ 95,581
1,519	11,563	—	—	—	14,992
—	202,980	2,410	8,874	658	257,836
—	79,131	—	—	3	79,134
235	337,676	25,427	282	9,523	511,861
—	—	—	—	—	6,014
9,082	41,820	7,195	29,620	—	149,357
—	7,688	99	—	—	8,872
—	<u>44,066</u>	<u>2,048</u>	<u>52</u>	<u>1,262</u>	<u>49,220</u>
<u>10,901</u>	<u>787,726</u>	<u>40,541</u>	<u>38,830</u>	<u>12,686</u>	<u>1,172,867</u>
—	—	—	—	53	769
—	—	—	—	—	125,319
—	—	—	—	14,275	81,881
206	167,112	—	—	200	167,518
180,275	1,313,326	23,995	436,966	—	2,511,225
—	109,625	236	—	—	118,944
365	28,100	21,421	623	11,611	80,859
<u>34</u>	<u>4,031</u>	<u>—</u>	<u>—</u>	<u>233</u>	<u>4,554</u>
<u>180,880</u>	<u>1,622,194</u>	<u>45,652</u>	<u>437,589</u>	<u>26,372</u>	<u>3,091,069</u>
<u>191,781</u>	<u>2,409,920</u>	<u>86,193</u>	<u>476,419</u>	<u>39,058</u>	<u>4,263,936</u>
—	—	—	—	—	633
38	4,126	1,296	46	1,019	7,797
—	38,538	—	—	—	38,538
—	<u>1,144</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,144</u>
<u>38</u>	<u>43,808</u>	<u>1,296</u>	<u>46</u>	<u>1,019</u>	<u>48,112</u>
5,411	2,137,011	84,989	702	43,402	2,783,731
—	27,217	—	—	—	27,217
—	11,965	8,973	111,006	—	544,103
—	262,176	—	—	229	262,405
26,299	—	—	—	—	98,876
—	174,798	3,437	—	33,409	211,644
<u>33,369</u>	<u>(304,418)</u>	<u>—</u>	<u>(324,988)</u>	<u>20,134</u>	<u>(359,034)</u>
<u>\$ 65,079</u>	<u>\$ 2,308,749</u>	<u>\$ 97,399</u>	<u>\$ (213,280)</u>	<u>\$ 97,174</u>	<u>\$ 3,568,942</u>

West Virginia

Combining Statement of Activities Discretely Presented Component Units For the Fiscal Year Ended June 30, 2017 (Expressed in Thousands)

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Component Units:					
West Virginia Lottery	\$ 1,090,481	\$ 1,079,517	\$ —	\$ —	\$ (10,964)
Economic Development Authority	7,685	8,690	—	—	1,005
Housing Development Fund	100,552	39,427	72,124	—	10,999
Parkways Authority	87,470	100,109	—	—	12,639
Water Development Authority	11,413	12,680	—	—	1,267
Higher Education	1,961,364	948,545	449,030	52,031	(511,758)
Regional Jail Authority	97,586	90,478	2,788	—	(4,320)
School Building Authority	66,463	—	(2,069)	—	(68,532)
Other Component Units	<u>59,244</u>	<u>11,094</u>	<u>2,024</u>	<u>—</u>	<u>(46,126)</u>
Total Component Units	<u>\$ 3,482,258</u>	<u>\$ 2,290,540</u>	<u>\$ 523,897</u>	<u>\$ 52,031</u>	<u>\$ (615,790)</u>

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

General Revenue

Unrestricted Investment Earnings	Grants and Contributions Not Restricted for Specific Programs	Miscellaneous	Payments from the State of West Virginia	Total General Revenues and Special Item	Change in Net Position	Net Position (Deficit) Beginning of Year, as Restated	Net Position (Deficit) End of Year
\$ 934	\$ —	\$ 10,677	\$ —	\$ 11,611	\$ 647	\$ 52,372	\$ 53,019
491	—	1,663	—	2,154	3,159	157,171	160,330
(82)	—	—	—	(82)	10,917	488,537	499,454
280	—	—	—	280	12,919	488,099	501,018
272	—	—	—	272	1,539	63,540	65,079
60,775	—	53,239	453,381	567,395	55,637	2,253,112	2,308,749
227	—	—	—	227	(4,093)	101,492	97,399
2,179	—	—	96,404	98,583	30,051	(243,331)	(213,280)
<u>353</u>	<u>1,293</u>	<u>1,338</u>	<u>42,883</u>	<u>45,867</u>	<u>(259)</u>	<u>97,433</u>	<u>97,174</u>
<u>\$ 65,429</u>	<u>\$ 1,293</u>	<u>\$ 66,917</u>	<u>\$ 592,668</u>	<u>\$ 726,307</u>	<u>\$ 110,517</u>	<u>\$ 3,458,425</u>	<u>\$ 3,568,942</u>



**STATE OF WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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.

West Virginia

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. As the State is able to impose its will over the Water Development, it is included as a discretely presented component unit.

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 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.

West Virginia

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. As the State is able to impose its will over the SBA, it is included as a discretely presented component unit.

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

Educational Broadcasting Authority

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

Jobs Investment Trust

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

West Virginia State Rail Authority

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

Solid Waste Management Board

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

Racing Commission

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

Public Defender Corporation

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

Municipal 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, which is the governing body, ensures legal compliance of the funds and distribution of tax revenues to the relief funds as well as any reasonable actions necessary to provide for the security and fiscal integrity of pension funds. The board consists of nine members including the executive directors of the State's IMB and Consolidated Public Retirement Board, an active or retired member from both the Municipal Policeman's Pension and Relief Fund, and the Municipal Fireman's Pension and Retirement Fund, an attorney experienced in finance and investment matters related to pensions management, two persons experienced in pension management, a Certified Public Accountant experienced in auditing and one person chosen from a list of three persons submitted to the Governor. It would be misleading to exclude the Municipal Pensions Oversight Board, so it is presented a discretely presented component unit.

Discretely Presented Component Unit Financial Statements

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

Administrative Offices:

West Virginia Lottery
900 Pennsylvania Avenue
Charleston, WV 25302

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

Water Development Authority
1009 Bullitt Street
Charleston, WV 25301

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

Educational Broadcasting Authority
600 Capitol Street
Charleston, WV 25301

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

Racing Commission
900 Pennsylvania Avenue
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
5th Floor
Charleston, WV 25301-2877

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

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

Joint Venture

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

Based upon the latest information available, the Project incurred net losses of \$5,786,406 for the year ended December 31, 2016. At December 31, 2016, the Project's current liabilities exceeded its current assets by \$101,024,045, and its total liabilities exceeded its total assets by \$67,093,223. 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 2016, 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 2016.

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, 2016, 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 (USACE), 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, USACE, 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 restated. See Note 2 for further explanation.

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

Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Governmental Fund Types

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

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

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

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

The State reports the following major governmental funds:

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

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. As of June 30, 2017, the fund contained \$229 million, which amounted to five percent of FY 2017 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, 2017, the balance in the Rainy Day Fund—Part B was \$423.7 million.

The Income Tax Refund Reserve Fund was established during FY 1990 by West Virginia Code §11-21-93 to pay personal income tax refunds, interest, and penalties to taxpayers in a timely manner. It may also be used by the Legislature to make appropriations from the fund to address other items as the Legislature so desires. Personal income taxes received by the State can be added to this fund, if the state tax commissioner determines the balance in the fund is not enough to ensure the timely payment of income tax refunds. On June 30, 2017, 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. IMB's investments in the Short-Term Fixed Income Pool are carried at amortized cost. Futures and option contracts are valued at the last settlement price established each day by the exchange on which they are traded. Investments in commingled investment pools are valued at the net asset value of the individual funds. The State also participates in three external investment pools managed by the BTI. Two are reported at amortized cost, which approximates fair value. The third is a longer-term investment pool that carries investments at fair value. The fair value of investments is derived from quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date and by inputs that are observable for an asset or liability, either directly or indirectly. Because fair value of the investments of the State Building Fund approximates amortized cost, no noncash change in fair value is reported.

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

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the time of the donation. In accordance with the capitalization policy adopted by the State for financial reporting, equipment with a purchase price in excess of \$25,000 is capitalized. Certain small blended component units follow other capitalization policies which range from \$5,000 to \$25,000 for equipment. The Fund component unit uses \$1,000 and \$5,000 thresholds. Buildings and

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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, 2017, of approximately \$260.9 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, 2017, is approximately \$125.3 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 (\$124.9 million outstanding) to be reloaned for economic development purposes, with interest equal to the twelve-month average of BTI's yield on its cash liquidity pool, adjusted annually. Monthly payments must be sufficient to repay outstanding principal over ten years, secured by a security interest in the investments derived from the loan. There is also a note payable to the BTI, nonrecourse with right of offset against a note receivable, amount not to exceed \$25 million (\$618 thousand outstanding) interest at 3%, principal due in annual installments through June 2022, unsecured. Note repayments are dependent upon the proceeds received from the investments in venture capital funds. The nonrecourse note has been written down based upon the borrowing agreement with BTI.

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

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

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

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

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. 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. 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.

The GASB issued Statement No. 86, “Certain Debt Extinguishment Issues,” this statement is to improve the consistency in accounting and financial reporting for in-substance defeasance of debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements that is defeased in substance. 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. 87, “Leases,” to improve the accounting and financial reporting for leases by governments and to increase the usefulness of the governments financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. This statement is effective for fiscal year 2021, and management has not yet determined the financial statement impact of the pronouncement.

NOTE 2

RESTATEMENTS AND RESTRICTED BALANCES

Restatement of Beginning Balances

Workforce's net position decreased \$1,252,000 for cash balances being incorrectly stated as of July 1, 2016. Additionally, Money Due to Other Governments was incorrectly stated by \$54,000 which makes up the restatement of \$1,306,000.

The Educational Broadcasting Authority, which is separately audited, had an immaterial decrease in their July 1, 2016 beginning net position.

Racing Commission's net position at July 1, 2016 has been adjusted to correct an error relating to previously reported transfers made in 2016 and 2015.

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

<u>Entity /Reporting Level</u>	<u>Fund Balances or Net Position</u>		
	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
Governmental Funds:			
Workforce	\$ (9,905)	\$ (1,306)	\$ (11,211)
Component Units:			
Educational Broadcasting Authority	3,437	(19)	3,418
Racing Commission	(1,112)	1,780	668
Total Component Units	3,456,664	1,761	3,458,425
Government-wide:			
Governmental Activities	4,845,822	(1,306)	4,844,516
Primary Government	6,791,720	(1,306)	6,790,414
Component Units	3,456,664	1,761	3,458,425

Restricted Net Position

The following table summarizes the restricted net position of funds included in “other” columns at June 30, 2017 (expressed in thousands):

Fund Type/Fund	Total Reporting Entity	Restricted for:					Non-Expendable	Other Specific Fund Purposes
		Capital Projects	Lending Activities	Insurance Activities	General Government Activities			
Enterprise Funds:								
Drinking Water Treatment Revolving Fund	\$ 163,213	\$ —	\$ 163,213	\$ —	\$ —	\$ —	\$ —	
West Virginia Prepaid College Plan	1,872	—	—	—	1,872	—	—	
State Entities Workers' Compensation	<u>15,759</u>	<u>—</u>	<u>—</u>	<u>15,759</u>	<u>—</u>	<u>—</u>	<u>—</u>	
	<u>180,844</u>	<u>—</u>	<u>163,213</u>	<u>15,759</u>	<u>1,872</u>	<u>—</u>	<u>—</u>	
Internal Service Funds:								
State Building Fund	18,508	18,508	—	—	—	—	—	
Travel Management	<u>754</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>754</u>	<u>—</u>	<u>—</u>	
	<u>19,262</u>	<u>18,508</u>	<u>—</u>	<u>—</u>	<u>754</u>	<u>—</u>	<u>—</u>	
Discretely Presented Component Units:								
Educational Broadcasting Authority	229	—	—	—	—	229	—	
Solid Waste Management Board	4,477	—	—	—	—	—	4,477	
Municipal Pensions Oversight Board	<u>28,932</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>28,932</u>	
	<u>33,638</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>229</u>	<u>33,409</u>	
Total	<u>\$ 233,744</u>	<u>\$ 18,508</u>	<u>\$163,213</u>	<u>\$ 15,759</u>	<u>\$ 2,626</u>	<u>\$ 229</u>	<u>\$ 33,409</u>	

The government-wide statement of net position reports \$2,212,104 of restricted net position for the primary government of which \$821,241 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, 2017 (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	\$ 54,901	\$ —	\$ —	\$ —	\$ —	\$ 54,901
Public Service Commission	2,259	—	—	—	—	2,259
Wildlife Resources	<u>63,888</u>	<u>—</u>	<u>—</u>	<u>63,888</u>	<u>—</u>	<u>—</u>
	<u>121,048</u>	<u>—</u>	<u>—</u>	<u>63,888</u>	<u>—</u>	<u>57,160</u>
Capital Projects Funds:						
Education, Arts, Sciences, and Tourism Fund	359	359	—	—	—	—
Lease Purchase Accounts	<u>10,299</u>	<u>10,299</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>10,658</u>	<u>10,658</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Debt Service:						
Education, Arts, Sciences, and Tourism Fund	1,015	—	1,015	—	—	—
Lease Purchase Accounts	6,988	—	6,988	—	—	—
Economic Development Project Fund	<u>46,120</u>	<u>—</u>	<u>46,120</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>54,123</u>	<u>—</u>	<u>54,123</u>	<u>—</u>	<u>—</u>	<u>—</u>
Permanent Funds:						
Irreducible School	<u>889</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>889</u>	<u>—</u>
Total	<u>\$ 186,718</u>	<u>\$ 10,658</u>	<u>\$ 54,123</u>	<u>\$ 63,888</u>	<u>\$ 889</u>	<u>\$ 57,160</u>



NOTE 3**NET POSITION/FUND DEFICITS**

Individual funds with net position/fund balance deficits at June 30, 2017, were as follows (expressed in thousands):

	Net Position/ Fund Balance Deficit
General Fund	\$ 387,612
Special Revenue Funds:	
WORKFORCE West Virginia	13,595
Enterprise Funds:	
West Virginia Prepaid College Plan	7,138
Internal Service Funds:	
Information Services and Communications	1,276
Discretely Presented Component Units:	
School Building Authority	213,280
Public Defender Corporation	<u>2,580</u>
Total Deficits	<u>\$ 625,481</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 2016 to fund the Retiree Health Benefit Trust Fund (RHBT) unfunded liability in its entirety or by July 1, 2037.

Special Revenue Funds

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

Enterprise Funds

West Virginia Prepaid College Plan (the Plan) has a net position deficiency of approximately \$7 million as of June 30, 2017. This deficiency was created over time by investment performance, tuition rate growth, various actuarial assumption adjustments, and certain economic events. The West Virginia College Prepaid Tuition and Savings Program's ability to pay obligations of the Prepaid Tuition Plan is dependent on long-term investment programs and adequate levels of future cash flows. In March 2003, the West Virginia Legislature closed the Plan to new enrollment until the Legislature authorizes it to reopen. Contract holders are supposed to continue to pay any amounts due, and the Plan will continue to pay all benefits due.

The Plan sought and received support from the State Legislature to support payment of plan benefits. In March 2003, the Legislature created the Prepaid Tuition Trust Escrow Account (the Escrow Account) to guarantee payment of plan contracts. Under the legislative action, the Escrow Account may receive transfers of up to \$1 million each year there is an actuarially determined unfunded liability of the Plan. All earnings on the transferred funds will remain in the Escrow Account. In the event the Plan is unable to cover the amount of money needed to meet its current obligations, funds may be withdrawn from the Escrow Account to meet those obligations. The funds were invested and have had a net investment gain of \$1.8 million for the fourteen years ended June 30, 2017, leaving the account with a balance of \$21 million at June 30, 2017. Because there was an actuarially determined unfunded liability of approximately \$9 million in the Plan as of June 30, 2017, an additional \$1 million was transferred from the Fund to the Escrow Account on October 2, 2017, 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, 2018. The financial statements do not reflect any adjustments that might result should the plan to eliminate the net position deficiency fail to be successful.

During FY 2015, the board voted to close the Plan on June 30, 2022. Any funds not distributed to account holders or beneficiaries who cannot be located will be transferred to the West Virginia Unclaimed Property Division. If at any time before June 30, 2022, funds are exhausted benefits and terminations will be drawn from the Escrow Account. Once the Plan is terminated and all rightful unclaimed funds are transferred out of the Plan, the Escrow Account will be dissolved and all remaining funds will be transferred to the State of West Virginia.

Internal Service Funds

The Information Services and Communication's (the IS&C) net position deficiency at June 30, 2017, is approximately \$1.3 million. The deficiency is due to the increase of the net pension liability and related deferred inflows and deferred outflows.

Discretely Presented Component Units

The School Building Authority of West Virginia's (the SBA) combined net position deficiency at June 30, 2017, is \$213.3 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 the Step 7 of the Department of Education's funding formula will be allocated to the SBA's pay-as-you-go construction program. The West Virginia Supreme Court has ruled that any future allocations for debt service from Step 7 of the funding formula are unconstitutional.

At year-end, the SBA had \$466.6 million in bonds outstanding, compared to \$470.5 million at June 30, 2016, a decrease of 0.83%. This decrease of \$3.9 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 Public Defender Corporation's net position deficiency at June 30, 2017, is \$2.6 million. The deficiency is due to the increase of the net pension liability and related deferred inflows net of 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, 2017, the reported amount of the primary government's deposits was \$81,625,000 and the bank balance was \$268,110,000. Of that bank balance, \$17,807,000 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, 2017, the reported amount of the component units' deposits was \$297,202,000 and the bank balance was \$160,216,000. Of that bank balance, \$16,716,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State, and \$513,000 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

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

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

- Equity securities and money market mutual funds are valued at the last sale price or official closing price reported in the market in which they are primarily traded.
- Equity securities that trade in non-U.S. markets are valued in U.S. dollars using period-end spot market exchange rates as supplied by the pool's custodian.
- Fixed income securities are valued according to prices furnished by independent pricing services to the pool's custodian. These services determine the security prices by a number of methods including, but not limited to, dealer quotes, live market trading levels when available, live feeds of trade execution data, spreads over U.S. Treasury securities, and other models and formulae appropriate to the specific security type.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Futures and option contracts are valued at the last settlement price established each day by the exchange on which they are traded.
- Repurchase agreements and time deposits are valued at amortized cost, provided such amount approximates fair value.
- 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, 2017.

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

The BTI is an investment vehicle of the State and its component units, all of which are government entities. The investments of the WV Money Market, WV Government Money Market, WV Bank, Loan, and Reserve pools and accounts are carried at amortized cost 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 70th 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, 2017, 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.

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, 2017, 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, 2017</u>	<u>Change in Fair Value</u>
Long:				
Large Cap Domestic Equity	Sept 2017	\$ 28,390	\$ 28,325	\$ (65)
Total Return Fixed Income	Dec 2018	88,591	88,871	280
Total Return Fixed Income	Sept 2017	360,837	361,240	403
Short:				
Total Return Fixed Income	Sept 2017	(312,782)	(311,733)	1,049
Total Return Fixed Income	Dec 2017	(207,264)	(207,149)	115
Total Return Fixed Income	Dec 2019	(88,309)	(88,649)	(340)
Total Return Fixed Income	Jun 2019	(124,856)	(125,304)	(448)

As of June 30, 2017, 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, 2017</u>	<u>June 30, 2017 Exchange Rate</u>	<u>Change in Fair Value</u>
Long:					
Total Return Fixed Income	Sept 2017	\$ 14,945	\$ 14,736	.7671	\$ (161)
Total Return Fixed Income	Sept 2017	18,323	18,514	1.1406	218
Short:					
Total Return Fixed Income	Sept 2017	\$ (291,541)	\$ (287,614)	1.1406	\$ 4,479
Total Return Fixed Income	Sept 2017	(12,961,060)	(12,909,460)	.0089	459

At June 30, 2017, the Large Cap Domestic Equity had pledged cash of \$1,105,000 and the Total Return Fixed Income Pool had pledged cash of \$16,441,000 to cover initial margin requirements on open futures 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, 2017, the IMB was party to outstanding foreign exchange forward contracts to purchase foreign currencies with contract amounts of \$140.7 million, collectively. The fair values of these outstanding contracts were \$140.8 million resulting in a change in fair value of approximately \$58,000. 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.

Securities Lending

The IMB is authorized by statute and policy to participate in a securities lending program. The Bank of New York Mellon, IMB's custodial agent, loans securities to various brokers on a temporary basis. Each transaction for U.S. securities is secured by initial collateral of at least 102% of the market value of the securities loan plus accrued income. For international securities, the collateral is at least 105% of the market value of the securities on loan. The IMB receives compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. The income earned by the IMB is reported in the statement of operations as net securities lending income. The agent fees and broker rebates are reported as expenses. Unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the change in unrealized appreciation or depreciation of investments. The IMB continues to receive interest and dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the financial statements of the various investment pools.

At June 30, 2017, 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, \$837.7 million was received as cash. The collateral received as cash is invested in the Mellon GSL DBT II Funds.

	<u>Fair Value of</u> <u>Securities on Loan</u>	<u>Collateral</u> <u>Held</u>
Large Cap Domestic Equity	\$ 380,349	\$ 395,643
Non-Large Cap Domestic Equity	281,559	293,083
International Equity	273,441	349,053
Total Return Fixed Income	352,918	361,457
Core Fixed Income Pool	119,775	122,637
TIPS Pool	118,440	121,240
Real Estate Pool	<u>28,809</u>	<u>30,304</u>
Total	<u>\$ 1,555,291</u>	<u>\$ 1,673,417</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 \$8.1 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, 2017 (expressed in thousands):

	Large Cap	Non-Large Cap	International			Short-Term
	Domestic Equity	Domestic Equity	Qualified	Nonqualified	Equity	Fixed Income
Primary Government:						
Revenue Shortfall Reserve Fund	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Revenue Shortfall Reserve Fund B	51,555	10,307	—	20,353	48,759	—
Workers' Compensation Old Fund	153,984	31,555	—	63,909	144,587	46,300
Workers' Compensation Self-Insured Employer Guaranty Risk Pool	4,089	834	—	1,536	3,992	822
Workers' Compensation Self-Insured Employer Security Risk Pool	6,589	1,352	—	2,244	6,715	1,771
Workers' Compensation Uninsured	1,465	288	—	625	1,296	1,172
Pneumoconiosis	30,559	6,222	—	13,303	27,462	9,532
Wildlife Endowment Fund	13,447	2,701	—	5,757	12,265	57
Prepaid Tuition Trust Fund	10,732	2,692	—	3,799	7,581	1,002
Board of Risk & Insurance Management	17,678	3,514	—	7,180	16,347	7,160
Public Employees' Insurance Agency	15,750	3,226	—	6,876	14,195	—
WV Department of Environmental Protection Trust	2,398	470	—	1,000	2,136	—
WV Department of Environmental Protection Agency	24,271	4,720	—	8,640	23,717	2,443
Total Primary Government	332,517	67,881	—	135,222	309,052	70,259
Percentage of Ownership	9.38%	9.42%	0.00%	67.01%	9.81%	32.22%
Fiduciary Funds:						
Judges' Retirement System	40,196	8,075	18,525	—	35,068	439
Emergency Medical Services Retirement System	14,838	2,971	6,708	—	13,092	297
Public Employees' Retirement System	1,314,918	265,878	619,041	—	1,161,510	12,781
Teachers' Retirement System	1,478,485	301,980	710,479	—	1,304,818	114,834
Municipal Police Officers and Firefighters' Retirement System	1,085	210	463	—	958	306
Municipal Policemen's or Firefighter's Pension and Relief Fund	319	65	146	—	282	3
State Police Retirement System	34,932	6,994	15,853	—	30,915	891
State Police Death, Disability and Retirement Fund	130,580	26,793	62,649	—	113,961	17,560
Retiree Health Benefit Trust	154,777	31,038	—	65,925	141,899	—
Deputy Sheriff's Retirement System	42,054	8,450	19,537	—	36,601	661
Total Fiduciary Funds	3,212,184	652,454	1,453,401	65,925	2,839,104	147,772
Percentage of Ownership	90.58%	90.54%	100%	32.67%	90.14%	67.78%
Other Participates:						
Berkeley County Development Authority	1,486	297	—	652	1,337	—
Total Amount	\$ 3,546,187	\$ 720,632	\$ 1,453,401	\$ 201,799	\$ 3,149,493	\$ 218,031
State Percentage of Ownership	99.96%	99.96%	100%	99.68%	99.96%	100%

Return Fixed Income	Opportunistic Debt	Core Fixed Income	TIPS	Teachers' Annuity	Private Equity	Real Estate	Hedge Fund	Total (Memorandum Only)
\$ 51,592	\$ —	\$ 21,904	\$ 71,474	\$ —	\$ —	\$ —	\$ —	\$ 144,970
163,528	—	69,439	60,602	—	—	—	—	424,543
355,984	—	151,331	125,405	—	—	—	186,618	1,259,673
8,367	—	3,551	3,325	—	—	—	6,666	33,182
13,431	—	5,707	5,353	—	—	—	10,700	53,862
2,486	—	1,055	1,127	—	—	—	2,274	11,788
62,286	—	26,435	24,710	—	—	—	49,905	250,414
6,613	1,248	2,806	—	—	6,662	6,422	5,881	63,859
11,634	—	11,528	—	—	—	—	—	48,968
35,644	—	15,140	13,776	—	—	—	27,778	144,217
43,273	—	18,361	22,411	—	—	—	29,665	153,757
943	—	400	—	—	—	—	1,694	9,041
<u>41,578</u>	<u>—</u>	<u>17,644</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>28,070</u>	<u>151,083</u>
<u>797,359</u>	<u>1,248</u>	<u>345,301</u>	<u>328,183</u>	<u>—</u>	<u>6,662</u>	<u>6,422</u>	<u>349,251</u>	<u>2,749,357</u>
34.33%	0.41%	34.67%	100%	—%	0.41%	0.39%	19.13%	15.00%
19,000	3,719	8,136	—	—	19,859	19,130	17,742	189,889
7,224	1,374	3,066	—	—	7,335	7,068	6,457	70,430
624,639	123,626	267,291	—	—	660,702	657,834	601,483	6,309,703
700,116	140,488	297,484	—	(135)	750,422	769,812	688,374	7,257,157
539	100	229	—	—	528	510	445	5,373
134	—	60	—	—	153	148	141	1,451
17,289	3,241	7,338	—	—	17,288	16,668	15,016	166,425
58,839	12,288	25,836	—	—	65,707	67,657	59,671	641,541
76,202	14,394	32,356	—	—	76,825	74,041	68,094	735,551
<u>20,261</u>	<u>3,894</u>	<u>8,664</u>	<u>—</u>	<u>—</u>	<u>20,805</u>	<u>20,039</u>	<u>18,431</u>	<u>199,397</u>
<u>1,524,243</u>	<u>303,124</u>	<u>650,460</u>	<u>—</u>	<u>(135)</u>	<u>1,619,624</u>	<u>1,632,907</u>	<u>1,475,854</u>	<u>15,576,917</u>
65.63%	99.54%	65.30%	—%	100%	99.55%	99.57%	80.84%	84.97%
<u>732</u>	<u>138</u>	<u>311</u>	<u>—</u>	<u>—</u>	<u>737</u>	<u>710</u>	<u>653</u>	<u>7,053</u>
<u>\$ 2,322,334</u>	<u>\$ 304,510</u>	<u>\$ 996,072</u>	<u>\$ 328,183</u>	<u>\$ (135)</u>	<u>\$ 1,627,023</u>	<u>\$ 1,640,039</u>	<u>\$ 1,825,758</u>	<u>\$ 18,333,327</u>
99.97%	99.95%	99.97%	100%	100%	99.95%	99.96%	99.96%	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 and Interest Rate 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 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 following table provides information on the weighted-average credit ratings and weighted-average maturities (WAM) as of June 30, 2017 (expressed in thousands):

Security Type	Credit Rating		WAM Days	Carrying Value Prior to Repurchase Collateral Included	Reclassified Repurchase Agreement to Actual Investment Types	Carrying Value	Percent of Assets
	Moody's	S&P					
Investments:							
Common Stock	N/A	N/A	N/A	\$ 3,490,823	\$ 56,609	\$ 3,547,432	94.0%
Money Market Mutual Funds	Aaa	AA	N/A	34,740	—	34,740	0.9%
Negotiable Time Deposits	A-1	P-1	3	76,236	—	76,236	2.1%
U.S. Government Agency Bonds	Aaa	AA	3	—	4,647	4,647	0.0%
U.S. Government Agency MBS	Aaa	AA	3	—	38,484	38,484	0.0%
U.S. Treasury Inflation-Protected Securities	Aaa	AA	3	—	1,148	1,148	0.0%
U.S. Treasury Issues	Aaa	AA	3	—	15,527	15,527	0.0%
Repurchase Agreements				110,335	(110,335)	—	3.0%
Total Investments				<u>\$ 3,712,134</u>	<u>\$ 6,080</u>	<u>\$ 3,718,214</u>	<u>100.0%</u>

Fair Value Measurements

The table below summarizes the valuation of the investment securities in accordance with the fair value hierarchy levels as of June 30, 2017 (expressed in thousands):

Assets	Level 1	Level 2	Level 3	Total
Common Stock	\$ 3,490,823	\$ —	\$ —	\$ 3,490,823
Investments Made with Cash Collateral for Securities Loaned	—	186,571	—	186,571
Money Market Mutual Funds	34,740	—	—	34,740
Total	<u>\$ 3,525,563</u>	<u>\$ 186,571</u>	<u>\$ —</u>	<u>\$ 3,712,134</u>

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

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 and Interest Rate 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 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 following table provides information on the weighted-average credit ratings and weighted-average maturities (WAM) as of June 30, 2017 (expressed in thousands):

Security Type	Credit Rating		WAM Days	Carrying Value Prior to Repurchase Collateral Included	Reclassified Repurchase Agreement to Actual Investment Types	Carrying Value	Percent of Assets
	Moody's	S&P					
Investments:							
Common Stock	N/A	N/A	N/A	\$ 717,579	\$ 64,472	\$ 782,051	76.1%
Money Market Mutual Fund	Aaa	AAA	N/A	13,317	—	13,317	1.4%
Negotiable Time Deposits	A-1	P-1	3	86,826	—	86,826	9.2%
U.S. Government Agency Bonds	Aaa	AA	3	—	5,293	5,293	0.0%
U.S. Government Agency MBS	Aaa	AA	3	—	43,830	43,830	0.0%
U.S. Treasury Inflation-Protected Securities	Aaa	AA	3	—	1,308	1,308	0.0%
U.S. Treasury Issues	Aaa	AA	3	—	17,684	17,684	0.0%
Repurchase Agreements				125,660	(125,660)	—	13.3%
Total Investments				<u>\$ 943,382</u>	<u>\$ 6,927</u>	<u>\$ 950,309</u>	<u>100.0%</u>

Fair Value Measurements

The table below summarizes the valuation of the investment securities in accordance with the fair value hierarchy levels as of June 30, 2017 (expressed in thousands):

Assets	Level 1	Level 2	Level 3	Total
Common Stock	\$ 717,579	\$ —	\$ —	\$ 717,579
Investments Made with Cash				
Collateral for Securities Loaned	—	212,486	—	212,486
Money Market Mutual Funds	13,317	—	—	13,317
Total	<u>\$ 730,896</u>	<u>\$ 212,486</u>	<u>\$ —</u>	<u>\$ 943,382</u>

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

International Qualified

Funds of this pool are invested in Silchester International Investors' International Value Equity Group Trust which is a collective trust fund that invests in equities denominated in foreign currencies. This pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East (EAFE) Index by 200 basis points on an annualized basis over three- 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, 2017, was \$1,453,466,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

Fair Value Measurements

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

International Nonqualified

Funds of this pool are invested in Silchester International Investors' International Value Equity Group Trust which is a collective trust fund that invests in equities denominated in foreign currencies. This pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's EAFE Index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. This pool exists for participants who are not "qualified" (as defined by the Internal Revenue Code). The value of this investment at June 30, 2017, was \$201,808,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

Fair Value Measurements

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

International Equity

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

Credit Risk and Interest Rate Risk

The pool is exposed to credit risk from investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase. The pool is exposed to interest rate risk from certain investments made with cash collateral for securities loaned. The weighted-average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days.

The following table provides information on the weighted-average credit ratings and weighted-average maturities as of June 30, 2017 (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>WAM Days</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&P</u>					
Investments:							
Common Stock	N/A	N/A	N/A	\$ 2,958,970	\$ 32,821	\$ 2,991,791	93.2%
Money Market Mutual Fund	Aaa	AAA	N/A	38,306	—	38,306	1.2%
Preferred Stock	N/A	N/A	N/A	67,086	—	67,086	2.1%
Rights	N/A	N/A	N/A	2,562	—	2,562	0.1%
Negotiable Time Deposits	A-1	P-1	3	44,201	—	44,201	1.4%
U.S. Government Agency Bonds	Aaa	AA	3	—	2,694	2,694	0.0%
U.S. Government Agency MBS	Aaa	AA	3	—	22,313	22,313	0.0%
U.S. Treasury Inflation-Protected Securities	Aaa	AA	3	—	666	666	0.0%
U.S. Treasury Issues	Aaa	AA	3	—	9,003	9,003	0.0%
Repurchase Agreements	Aaa	AA		<u>63,972</u>	<u>(63,972)</u>	<u>—</u>	<u>2.0%</u>
Total Investments				<u>\$ 3,175,097</u>	<u>\$ 3,525</u>	<u>\$3,178,622</u>	<u>100%</u>

West Virginia

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, 2017, consisted of the following (expressed in thousands):

<u>Currency</u>	<u>Equity Securities</u>	<u>Cash</u>	<u>Total</u>	<u>Percent of Total Investments and Cash</u>
Australian Dollar	\$ 86,903	\$ 3,905	\$ 90,808	2.8%
Brazil Real	107,336	1,305	108,641	3.4%
British Pound	268,603	8,426	277,029	8.6%
Canadian Dollar	114,239	77	114,316	3.6%
Chilean Peso	14,919	—	14,919	0.5%
Czech Koruna	7,352	108	7,460	0.2%
Danish Krone	11,750	(1)	11,749	0.4%
Egyptian Pound	1,605	—	1,605	0.0%
Emirati Dirham	6,060	10	6,070	0.2%
Euro Currency Unit	463,410	6,309	469,719	14.6%
Hong Kong Dollar	332,332	9,785	342,117	10.6%
Hungarian Forint	6,749	58	6,807	0.2%
Indian Rupee	93,581	1,604	95,185	3.0%
Indonesian Rupiah	33,767	59	33,826	1.1%
Israeli Shekel	13,482	35	13,517	0.4%
Japanese Yen	371,110	2,302	373,412	11.6%
Malaysian Ringgit	26,081	508	26,589	0.8%
Mexican Peso	47,583	263	47,846	1.5%
New Taiwan Dollar	75,661	2,418	78,079	2.4%
New Zealand Dollar	6,060	7	6,067	0.2%
Norwegian Krone	19,812	598	20,410	0.6%
Pakistan Rupee	3,848	—	3,848	0.1%
Philippine Peso	10,603	2	10,605	0.3%
Polish Zloty	13,957	—	13,957	0.4%
Qatar Riyal	99	32	131	0.0%
Singapore Dollar	18,722	445	19,167	0.6%
South African Rand	56,807	30	56,837	1.8%
South Korean Won	218,894	1,856	220,750	6.9%
Swedish Krona	37,428	(1)	37,427	1.2%
Swiss Franc	109,989	1,566	111,555	3.5%
Thailand Baht	54,069	(6)	54,063	1.7%
Turkish Lira	<u>55,190</u>	<u>96</u>	<u>55,286</u>	<u>1.7%</u>
Subtotal	<u>2,688,001</u>	<u>41,796</u>	<u>2,729,797</u>	<u>84.9%</u>
United States Currency	<u>487,096</u>	<u>224</u>	<u>487,320</u>	<u>15.1%</u>
Total Assets	<u>\$ 3,175,097</u>	<u>\$ 42,020</u>	<u>\$ 3,217,117</u>	<u>100%</u>

Fair Value Measurements

The table below summarizes the valuation of the investment securities in accordance with the fair value hierarchy levels as of June 30, 2017 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 2,958,970	\$ —	\$ —	\$ 2,958,970
Foreign Currency Contracts	—	32	—	32
Investments Made with Cash				
Collateral for Securities Loaned	—	108,173	—	108,173
Money Market Mutual Funds	38,306	—	—	38,306
Preferred Stock	67,086	—	—	67,086
Rights	<u>2,562</u>	<u>—</u>	<u>—</u>	<u>2,562</u>
Total	<u>\$ 3,066,924</u>	<u>\$ 108,205</u>	<u>\$ —</u>	<u>\$ 3,175,129</u>

<u>Liabilities</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Foreign Currency Contracts	\$ —	\$ (90)	\$ —	\$ (90)

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

Short-Term Fixed Income

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

Credit Risk and Interest Rate Risk

The IMB limits the exposure to credit risk in the Short-Term Fixed Income Pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A-1 by Standard & Poor's and P-1 by Moody's. Additionally, the pool must have at least 15% of its assets in United States Treasury issues. The weighted-average maturity of the investments of the Short-Term Fixed Income Pool cannot exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date.

The following table provides information on the weighted-average credit ratings and the weighted-average maturities as of June 30, 2017, of the Short-Term Fixed Income pool's investments (expressed in thousands):

Security Type	Credit Rating		WAM Days	Carrying Value Prior to Repurchase	Reclassified Repurchase Agreement to Actual	Carrying Value	Percent of Assets
	Moody's	S&P		Collateral Included	Investment Types		
Investments:							
Commercial Paper	P-1	A-1	23	\$ 36,775	\$ —	\$ 36,775	16.8%
U.S. Government Agency Bonds	P-1	A-1	9	88,415	—	88,415	40.6%
U.S. Treasury Bonds	P-1	A-1	60	42,873	—	42,873	19.7%
U.S. Treasury Issues	Aaa	A	3	—	50,000	50,000	0.0%
Repurchase Agreements				<u>50,000</u>	<u>(50,000)</u>	<u>—</u>	<u>22.9%</u>
Total Investments			20	<u>\$ 218,063</u>	<u>\$ —</u>	<u>\$ 218,063</u>	<u>100%</u>

Fair Value Measurements

The table below summarizes the valuation of the investment securities in accordance with the fair value hierarchy levels as of June 30, 2017 (expressed in thousands):

Assets	Level 1	Level 2	Level 3	Total
Commercial Paper	\$ —	\$ 36,775	\$ —	\$ 36,775
Repurchase Agreement	—	50,000	—	50,000
U.S. Government Agency Bonds	—	88,415	—	88,415
U.S. Treasury Bonds	—	<u>42,873</u>	—	<u>42,873</u>
Total	<u>\$ —</u>	<u>\$ 218,063</u>	<u>\$ —</u>	<u>\$ 218,063</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 generate investment income, provide stability and diversification, but not at the expense of total return. Dodge & Cox (DAC), Franklin Templeton Investments (FTI), and Western Asset Management Company, LLP (Western) manage this pool. The pool's investment objective, net of external investment management fees, is to meet or exceed the Bloomberg Barclays U.S. Universal bond index.

Credit Risk and Interest Rate Risk

The IMB limits the exposure to credit risk in the Total Return Fixed Income Pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. 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 credit ratings and the weighted-average effective duration of the investments in the Total Return Fixed Income Pool as of June 30, 2017 (expressed in thousands):

Security Type	Credit Rating		Effective Duration (Years)	Carrying Value Prior to Repurchase Collateral Included	Reclassified Repurchase Agreement to Actual Investment Type	Carrying Value	Percent of Assets
	Moody's	S&P					
Investments:							
Common Stock	A	N/A	N/A	\$ 14	\$ 61,487	\$ 61,501	0.0%
Corporate Asset-Backed Issues	Ba	AA	2.0	32,078	—	32,078	1.3%
Corporate ABS Residual	N/A	N/A	N/A	5,034	—	5,034	0.2%
Corporate CMO	Baa	BB	0.9	46,766	—	46,766	1.9%
Corporate Preferred Security	Ba	BB	0.1	10,436	—	10,436	0.4%
Foreign Asset-Backed Issues	Baa	BBB	0.5	17,436	—	17,436	0.7%
Foreign Corporate Bonds	Baa	BBB	6.6	285,298	—	285,298	11.3%
Foreign Government Bonds	Baa	BBB	5.3	244,812	—	244,812	9.7%
Investments in Other Funds	N/A	N/A	2.4	319,061	—	319,061	12.7%
Money Market Mutual Fund	Aaa	AAA	N/A	63,965	—	63,965	2.5%
Municipal Bonds	A	A	9.0	47,351	—	47,351	1.9%
Options Contracts Purchased	N/A	N/A	N/A	2,098	—	2,098	0.1%
Negotiable Time Deposits	P-1	A-1	—	82,806	—	82,806	3.3%
U.S. Corporate Bonds	Baa	BBB	7.0	460,676	—	460,676	18.1%
U.S. Government Agency Bonds	Aaa	AA	0.7	11,630	5,048	16,678	0.5%
U.S. Government Agency CMO	Aaa	AA	1.4	51,865	—	51,865	2.1%
U.S. Government Agency CMO Interest-Only	Aaa	AA	1.8	3,796	—	3,796	0.2%
U.S. Government Agency MBS	Aaa	AA	3.0	289,155	41,801	330,956	11.5%
U.S. Government Agency TBA	Aaa	AA	5.4	17,294	—	17,294	0.7%
U.S. Treasury Bonds	Aaa	AA	7.8	361,886	—	361,886	14.4%
U.S. Treasury Inflation-Protected Securities	Aaa	AA	13.9	42,269	1,247	43,516	1.7%
U.S. Treasury Issues	Aaa	AA	N/A	—	16,865	16,865	0.0%
Repurchase Agreements	Aaa	AA	—	119,844	(119,844)	—	4.8%
Total Investments			5.0	\$2,515,570	\$ 6,604	\$2,522,174	100%

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, 2017, the Total Return Fixed Income Pool held \$463,424,000 of these securities. This represents approximately 18% of the value of the pool's securities.

At June 30, 2017, 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 (f)	5/08/2017	8/10/2017	1,600	\$ 1,829	—	\$ 1,761	\$ 68
Long	Euro Currency Unit (f)	5/12/2017	8/10/2017	950	1,086	—	1,037	49
Long	Euro Currency Unit (f)	5/25/2017	8/10/2017	1,100	1,257	—	1,239	18
Long	Euro Currency Unit (f)	6/22/2017	8/10/2017	1,200	1,372	—	1,343	29
Long	Mexican Peso (e)	5/18/2017	7/20/2017	119,450	6,577	—	6,280	297
Long	Mexican Peso (a)	6/19/2017	7/20/2017	6,520	359	—	362	(3)
Short	Euro Currency Unit (b)	4/11/2017	7/20/2017	—	830	778	889	(59)
Short	Euro Currency Unit (f)	5/02/2017	8/10/2017	—	559	510	583	(24)
Short	Euro Currency Unit (f)	5/04/2017	8/10/2017	—	3,260	2,970	3,395	(135)
Short	Euro Currency Unit (f)	5/22/2017	8/10/2017	—	1,682	1,500	1,715	(33)
Short	Euro Currency Unit (f)	5/31/2017	8/10/2017	—	2,580	2,300	2,629	(49)
Short	Euro Currency Unit (f)	6/09/2017	8/10/2017	—	2,019	1,800	2,057	(38)
Short	Euro Currency Unit (d,g)	6/15/2017	9/19/2017	—	2,023	1,800	2,062	(39)
Short	Japanese Yen (b)	4/12/2017	7/20/2017	—	10,117	1,104,611	9,840	277
Short	Japanese Yen (d)	5/04/2017	8/10/2017	—	33,774	3,802,143	33,901	(127)
Short	Japanese Yen (d, g)	6/15/2017	9/19/2017	—	6,926	756,000	6,753	173
Short	Mexican Peso (a)	4/12/2017	7/20/2017	—	1,202	22,815	1,256	(54)
Short	Mexican Peso (b)	5/17/2017	7/20/2017	—	5,184	98,350	5,415	(231)
Short	Mexican Peso (e)	6/21/2017	7/20/2017	—	263	4,805	265	(2)
					<u>\$82,899</u>		<u>\$82,782</u>	<u>\$ 117</u>

Counterparty, Moody's Rating, S&P Rating

(a) – Bank of America, Baa, BBB

(b) – Barclays PLC, Baa, BBB

(c) – BNY Mellon, A, A

(d) – Citigroup Inc, Baa, BBB

(e) – JPMorgan Chase Bank, A, A

(f) – UBS AG, A, 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 page 90, 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, 2017.

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, 2017 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 14	\$ —	\$ —	\$ 14
Corporate Asset-Backed Issues	—	32,078	—	32,078
Corporate ABS Residual	—	5,034	—	5,034
Corporate Collateralized Mortgage Obligations	—	46,766	—	46,766
Corporate Preferred Security	10,436	—	—	10,436
Foreign Asset-Backed Issues	—	17,436	—	17,436
Foreign Corporate Bonds	—	285,298	—	285,298
Foreign Currency Forward Contracts	—	911	—	911
Foreign Government Bonds	—	244,812	—	244,812
Futures Contracts	7,290	—	—	7,290
Investments Made with Cash Collateral for Securities Loaned	—	202,650	—	202,650
Money Market Mutual Fund	63,965	—	—	63,965
Municipal Bonds	—	47,351	—	47,351
Options Contracts Purchased	2,098	—	—	2,098
Swaps	—	6,482	—	6,482
U.S. Corporate Bonds	—	460,676	—	460,676
U.S. Government Agency Bond	—	11,630	—	11,630
U.S. Government Agency CMO	—	51,865	—	51,865
U.S. Government Agency CMO Interest-Only	—	3,796	—	3,796
U.S. Government Agency MBS	—	289,155	—	289,155
U.S. Government Agency TBAs	—	17,294	—	17,294
U.S. Treasury Bonds	—	361,886	—	361,886
U.S. Treasury Inflation-Protected Securities	—	42,269	—	42,269
Total	<u>\$ 83,803</u>	<u>\$ 2,127,389</u>	<u>\$ —</u>	2,211,192
Investments in Other Funds				<u>319,061</u>
Total				<u>\$2,530,253</u>
<u>Liabilities</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Foreign Currency Forward Contracts	\$ —	\$ (794)	\$ —	\$ (794)
Futures Contracts	(1,236)	—	—	(1,236)
Options Contracts Written	(538)	—	—	(538)
Swaps	—	(1,483)	—	(1,483)
Total	<u>\$ (1,774)</u>	<u>\$ (2,277)</u>	<u>\$ —</u>	<u>\$ (4,051)</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 lower rated debt and other fixed income securities of non-U.S. issuers.
- 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 primarily investment grade asset backed fixed income securities.
- To maximize total return by investing in fixed income securities that are rated below investment grade at time of purchase.
- 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%-8% 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 page 90, 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, 2017. 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, 2017 (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	\$ 58,592	\$ —	\$ —	\$ 58,592
Direct Lending Funds				<u>245,902</u>
Total				<u>\$ 304,494</u>

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 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 Bloomberg Barclays U.S. Aggregate bond index.

Credit Risk and Interest Rate Risk

The IMB limits the exposure to credit risk in the pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The IMB 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 credit ratings and weighted-average real modified duration of the rated assets in the Core Fixed Income Pool as of June 30, 2017 (expressed in thousands):

Security Type	Credit Rating		Effective Duration (Years)	Carrying Value Prior to Repurchase Collateral Included	Reclassified Repurchase to Actual Investment Types	Carrying Value	Percent of Assets
	Moody's	S&P					
Investments:							
Common Stock	N/A	N/A	N/A	\$ —	\$ 30,993	\$ 30,993	0.0%
Corporate Asset-Backed Issues	Aa	A	2.5	102,422	—	102,422	9.3%
Corporate Collateralized Mortgage Obligations	A	A	2.6	41,600	—	41,600	3.8%
Corporate CMO Interest-Only	B	N/A	(11.6)	599	—	599	0.1%
Corporate CMO Principal-Only	N/A	AA	6.8	129	—	129	0.0%
Foreign Asset-Backed Issues	Aaa	AAA	2.5	3,446	—	3,446	0.3%
Foreign Corporate Bonds	A	A	5.3	52,706	—	52,706	4.8%
Foreign Government Bonds	Aa	A	8.5	7,218	—	7,218	0.7%
Money Market Mutual Fund	Aaa	AAA	N/A	18,950	—	18,950	1.7%
Municipal Bonds	Aa	AA	13.6	9,013	—	9,013	0.8%
Negotiable Time Deposits	P-1	A-1	0.0	41,738	—	41,738	3.8%
U.S. Corporate Bonds	A	A	6.1	226,894	—	226,894	20.7%
U.S. Government Agency Bonds	Aaa	AA	2.8	22,596	2,544	25,140	2.1%
U.S. Government Agency CMO	Aaa	AA	3.8	114,552	—	114,552	10.5%
U.S. Government Agency CMO Interest-Only	Aaa	AA	11.2	3,635	—	3,635	0.3%
U.S. Government Agency CMO Principal-Only	Aaa	AA	6.8	7,159	—	7,159	0.7%
U.S. Government Agency MBS	Aaa	AA	4.2	166,711	21,070	187,781	15.2%
U.S. Treasury Bonds	Aaa	AA	9.0	215,469	—	215,469	19.7%
U.S. Treasury Inflation Protected Security	Aaa	AA	3.3	432	628	1,060	0.0%
U.S. Treasury Issues	Aaa	AA	0.0	—	8,501	8,501	0.0%
Repurchase Agreements			0.0	60,406	(60,406)	—	5.5%
Total Investments			<u>5.0</u>	<u>\$ 1,095,675</u>	<u>\$ 3,330</u>	<u>\$1,099,005</u>	<u>100%</u>

The Core Fixed Income Pool does not invest more than 5 percent of the value of the Pool in any one corporate name. At June 30, 2017, the Pool was in compliance with the restriction and is not exposed to concentration of credit risk.

Fair Value Measurements

The table below summarizes the valuation of the investment securities in accordance with the fair value hierarchy levels as of June 30, 2017 (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	\$ —	\$ 102,422	\$ —	\$ 102,422
Corporate CMO	—	41,600	—	41,600
Corporate CMO Interest-Only	—	599	—	599
Corporate CMO Principal-Only	—	129	—	129
Foreign Asset-Backed Issues	—	3,446	—	3,446
Foreign Corporate Bonds	—	52,706	—	52,706
Foreign Government Bonds	—	7,218	—	7,218
Investments Made with Cash Collateral for Securities Loaned	—	102,144	—	102,144
Money Market Mutual Fund	18,950	—	—	18,950
Municipal Bonds	—	9,013	—	9,013
U.S. Corporate Bonds	—	226,894	—	226,894
U.S. Government Agency Bonds	—	22,596	—	22,596
U.S. Government Agency CMO	—	114,552	—	114,552
U.S. Government Agency CMO Interest-Only	—	3,635	—	3,635
U.S. Government Agency CMO Principal-Only	—	7,159	—	7,159
U.S. Government Agency MBS	—	166,711	—	166,711
U.S. Treasury Bonds	—	215,469	—	215,469
U.S. Treasury Inflation-Protected Security	—	432	—	432
Total	<u>\$ 18,950</u>	<u>\$ 1,076,725</u>	<u>\$ —</u>	<u>\$ 1,095,675</u>

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

TIPS Pool

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

Credit Risk and Interest Rate Risk

The IMB limits the exposure to credit risk in the pool by primarily investing in U.S. Treasury inflation protected securities. 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 credit ratings and weighted-average real modified duration of the rated assets in the pool as of June 30, 2017 (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Real Modified Duration (Years)</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&P</u>					
Investments:							
Common Stock	N/A	N/A		\$ —	\$ 3,239	\$ 3,239	0.0%
Negotiable Time Deposits	A-1	P-1	0.0	4,363	—	4,363	1.3%
U.S. Treasury Inflation-Protected Securities	Aaa	AA	7.9	326,866	66	326,932	96.8%
U.S. Government Agency Bonds	Aaa	AA		—	266	266	0.0%
U.S. Government Agency MBS	Aaa	AA		—	2,202	2,202	0.0%
U.S. Treasury Issues	Aaa	AA		—	889	889	0.0%
Money Market Mutual Fund	Aaa	AAA	0.0	128	—	128	0.0%
Repurchase Agreements			<u>0.0</u>	<u>6,314</u>	<u>(6,314)</u>	<u>—</u>	<u>1.9%</u>
Total Investments			<u>7.9</u>	<u>\$ 337,671</u>	<u>\$ 348</u>	<u>\$ 338,019</u>	<u>100%</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, 2017 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments made with cash collateral	\$ —	\$ 10,677	\$ —	\$ 10,677
Money Market Mutual Fund	128	—	—	128
U.S. Treasury Inflation-Protected Securities	—	326,866	—	326,866
Total	<u>\$ 128</u>	<u>\$ 337,543</u>	<u>\$ —</u>	<u>\$ 337,671</u>

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

Private Equity

This pool was established to hold the IMB's investments in various private equity funds 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 commingled investment fund is managed by State Street Global Advisors. This pool holds limited partnerships, 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, 2017, 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 page 90, 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, 2017. All the investments valued using the net asset value per share practical

expedient are not required to be categorized in the fair value hierarchy below as of June 30, 2017 (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	\$ 312,661	\$ —	\$ —	\$ 312,661
Money Market Mutual Fund	<u>35,764</u>	<u>—</u>	<u>—</u>	<u>35,764</u>
Total	<u>\$ 348,425</u>	<u>\$ —</u>	<u>\$ —</u>	<u>348,425</u>
Private Equity Partnerships				<u>1,275,205</u>
Total				<u>\$ 1,623,630</u>

The following table presents information on investments measured at the NAV as of June 30, 2017 (expressed in thousands):

<u>Strategies</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Contractual Termination Date Range (a)</u>
Corporate Finance – Buyout (b)	\$ 663,406	\$ 677,544	2017 to 2031
Corporate Finance – Distressed Debt (c)	221,540	32,317	2017 to 2025
Corporate Finance – Growth Equity (d)	58,223	44,186	2018 to 2020
Corporate Finance – Mezzanine (e)	52,254	79,739	2019 to 2024
Corporate Finance – Turnaround (f)	78,256	88,487	2017 to 2026
Venture Capital (g)	<u>201,526</u>	<u>99,556</u>	2023 to 2031
Total	<u>\$ 1,275,205</u>	<u>\$ 1,021,829</u>	

(a) Investments cannot be redeemed until termination of the partnership.

(b) Corporate Finance – Buyout funds acquire controlling or influential interests in companies.

(c) Corporate Finance – Distressed Debt funds acquire the debt of companies experiencing operational or financial distress usually converting the debt to equity and exercising control of the business.

(d) Corporate Finance – Growth Equity funds invest in companies to expand or restructure operations, enter new markets, or finance an acquisition.

(e) Corporate Finance – Mezzanine funds acquire or issue subordinated debentures frequently in businesses controlled by the General Partner, but in another Fund.

(f) Corporate Finance – Turnaround funds acquire the debt and or equity of companies experiencing operational or financial distress in order to radically reorganize and improve the business.

(g) Venture Capital funds make investments in early stage through late stage companies, frequently start-ups in technology or healthcare.

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 and Interest Rate 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 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 credit ratings and the weighted-average effective duration of the rated assets in the Real Estate Pool as of June 30, 2017 (expressed in thousands):

Security Type	Credit Rating		Effective Duration (Years)	Carrying Value Prior to Repurchase Collateral Included	Reclassified Repurchase Agreement to Actual Investment Types	Carrying Value	Percent of Assets
	Moody's	S&P					
Investments:							
Common Stock	N/A	N/A	N/A	\$ 113,172	\$ 4,553	\$ 117,725	6.9%
Money Market Mutual Fund	Aaa	AAA	N/A	40,335	—	40,335	2.5%
Preferred Stock	N/A	N/A	2.5	12,059	—	12,059	0.7%
Real Estate Limited Partnerships and Funds	N/A	N/A	N/A	1,456,645	—	1,456,645	88.7%
Negotiable Time Deposits	A-1	P-1	0.0	6,131	—	6,131	0.4%
U.S. Corporate Bonds	Baa	BBB	3.3	5,256	—	5,256	0.3%
U.S. Government Agency Bonds	Aaa	AA	0.0	—	374	374	0.0%
U.S. Government Agency MBS	Aaa	AA	0.0	—	3,095	3,095	0.0%
U.S. Treasury Inflation-Protected Securities	Aaa	AA	0.0	—	92	92	0.0%
U.S. Treasury Issues	Aaa	AA	0.0	—	1,249	1,249	0.0%
Repurchase Agreements	Aaa	A	0.0	8,873	(8,873)	—	0.5%
Total Investments			1.5	<u>\$ 1,642,471</u>	<u>\$ 490</u>	<u>\$ 1,642,961</u>	<u>100.0%</u>

Foreign Currency Risk

The pool has real estate investment trusts and real estate limited partnerships and funds, and cash 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, 2017 (expressed in thousands):

Currency	Investments	Cash	Total	Percent
Australian Dollar	\$ 3,879	\$ —	\$ 3,879	0.2%
British Pound	4,029	—	4,029	0.2%
Canadian Dollar	6,741	2	6,743	0.4%
Euro Currency Unit	77,805	—	77,805	4.8%
Hong Kong Dollar	5,699	—	5,699	0.3%
Japanese Yen	8,241	25	8,266	0.5%
Singapore Dollar	1,664	—	1,664	0.1%
Swedish Krona	<u>732</u>	<u>—</u>	<u>732</u>	<u>0.0%</u>
Subtotal	<u>108,790</u>	<u>27</u>	<u>108,817</u>	<u>6.5%</u>
United States Currency	<u>1,539,444</u>	<u>—</u>	<u>1,539,444</u>	<u>93.5%</u>
Total Assets	<u>\$ 1,648,234</u>	<u>\$ 27</u>	<u>\$ 1,648,261</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 page 90, 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, 2017.

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, 2017 (expressed in thousands):

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock	\$ 113,172	\$ —	\$ —	\$ 113,172
Investments Made with Cash Collateral for Securities Loaned	—	15,004	—	15,004
Money Market Mutual Fund	40,335	—	—	40,335
U.S. Corporate Bonds	—	5,256	—	5,256
U.S. Preferred Stock	<u>12,059</u>	<u>—</u>	<u>—</u>	<u>12,059</u>
Total	<u>\$ 165,566</u>	<u>\$ 20,260</u>	<u>\$ —</u>	185,826
Real Estate Limited Partnerships and Funds				<u>1,456,645</u>
Total				<u>\$ 1,642,471</u>

The following table presents information on investments measured at the NAV as of June 30, 2017 (expressed in thousands):

<u>Strategies</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Contractual Termination Date Range (a)</u>	<u>Redemption Frequency/ Notice Period</u>
Core Funds (b)	\$ 811,815	\$ 78,870	2020 to 2022	Quarterly/45-60 days
Opportunistic Funds (c)	256,375	238,268	2018 to 2027	N/A
Value Funds (d)	<u>388,455</u>	<u>394,813</u>	2017 to 2027	N/A
Total	<u>\$1,456,645</u>	<u>\$ 711,951</u>		

(a) Investments cannot be redeemed until termination of the partnership.

(b) Core Funds are more conservative real estate investments that use a very modest level of financing to acquire and hold high-quality, stable properties typically located in major markets. These assets tend to have high occupancy rates, higher credit tenants, and staggered lease terms, with the number of long-term leases expiring in 5-to-10 years.

(c) Opportunistic Funds have higher risk/return profiles and have broad strategies to achieve these types of returns. Common strategies are properties that need significant rehabilitation or a total redevelopment to transition to a different type of property (for example: converting an office building to condominiums). It may also include new development, distressed debt strategies, and more complex transactions, as well as more traditional value-add strategy that is financed with a higher amount of leverage.

(d) Value Funds typically use more leverage than core funds and target higher return opportunities by acquiring properties that the manager believes they can add value through capital renovations to the physical facility or enhanced leasing and management activities. Most of these properties have in-place cash flow, which is expected to increase as the business plans are implemented. This could include making physical improvements to the asset that will allow it to command higher rents, increasing efforts to lease vacant space at the property to quality tenants, or improving the management of the property and thereby increasing customer satisfaction or lowering operating expenses where possible.

Hedge Fund

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

<u>Assets</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Mutual Fund	\$ <u>22</u>	\$ <u>—</u>	\$ <u>—</u>	\$ 22
Hedge Funds				<u>1,809,889</u>
Total				<u>\$ 1,809,911</u>

The following table presents information on investments measured at the NAV as of June 30, 2017 (expressed in thousands):

<u>Hedge Fund Strategies</u>	<u>Fair Value</u>	<u>Number of Funds</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Directional (a)	\$ 173,459	3	Monthly, Quarterly	3-60 days
Equity Long/Short (b)	235,206	3	Monthly, Quarterly, Every 3 years	30-60 days
Event-Driven (c)	44,907	1	Quarterly	65 days
Long-Biased (d)	49,427	1	Monthly	90 days
Multi-Strategy (e)	1,165,427	16	Monthly, Quarterly, Annually	3-95 days
Relative-Value (f)	<u>141,463</u>	2	Monthly	45-60 days
Total Investment Measured at NAV	<u>\$ 1,809,889</u>			

(a) Directional strategies employ various techniques to forecast the direction of segments of the market and then invest in either short or long positions to take advantage of that. The segments may be geographic economies, industry sectors, currency, or asset class. The investments may be in physical securities or derivatives. The strategies may be trend-following or mean-reverting and may be specific to that segment or universally applied across them.

(b) An equity long/short strategy is an investing strategy, used primarily by hedge funds, that involves taking long positions in stocks that are expected to increase in value and short positions in stocks that are expected to decrease in value. Investments representing approximately 64% of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.

(c) Event-driven managers maintain positions in companies currently or prospectively involved in various corporate transactions including, but not limited to, mergers, restructurings, financial distress, tender offers, shareholder buybacks, debt exchanges, security issuance or other capital structure adjustments. Security types can range from most senior in the capital structure to most junior or subordinated, and frequently involve additional derivative securities. Event-driven exposure includes a combination of sensitivities to equity markets, credit markets and company-specific developments. The sole fund in this investment strategy is subject to maximum withdrawal restrictions.

(d) Long-biased strategies employ analytical techniques in which the investment thesis is predicated on assessment of the valuation characteristics on the underlying companies with the goal of identifying undervalued companies. Long-biased strategies may vary the investment level or the level of long exposure over market cycles, but the primary distinguishing characteristic is that the manager maintains consistent long exposure.

(e) Multi-strategy managers combine several strategies within the same fund in order to provide diversification benefits to reduce return volatility and decrease asset-class and single-strategy risks. These funds typically add incremental returns through active allocation adjustments based on market opportunities. Risk is managed through a combination of quantitative and qualitative constraints including, but not limited to, active risk, liquidity risk, currency risk, manager risk, derivative risk, and leverage risk. Investments representing approximately 62% of the fair value of the investments in this strategy are subject to maximum withdrawal restrictions.

(f) Relative-value managers maintain positions in which the investment thesis is predicated on the realization of a valuation discrepancy in the relationship between multiple securities. Managers employ a variety of fundamental and quantitative techniques to establish investment insights, and security types range broadly across equity, fixed income, derivative or other security types. Fixed Income strategies are typically quantitatively driven to measure the existing relationship between investments and, in some cases, identify attractive positions in which the risk-adjusted spread between these instruments represent an attractive opportunity.

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

Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the IMB were to sell these investments in the secondary market a buyer may require a discount to the reported net asset value, and the discount could be significant. The IMB believes that the net asset value of such investments is a reasonable estimate of fair value at June 30, 2017.

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, 2017, 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&P</u>		
Commercial Paper	P-1	A-1+	\$ 358,377	20.10%
	P-1	A-1	706,150	39.60%
Corporate Bonds and Notes	Aa3	AA-	6,285	0.35%
	A1	A	3,200	0.18%
U.S. Treasury Notes *	Aaa	AA+	97,823	5.49%
U.S. Treasury Bills *	P-1	A-1+	69,837	3.92%
Negotiable Certificates of Deposit	P-1	A-1+	174,000	9.76%
	P-1	A-1	156,476	8.78%
Money Market Funds	Aaa	AAAm	100,005	5.61%
Repurchase Agreements (Underlying Securities):				
U.S. Treasury Notes*	P-1	A-1	50,000	2.80%
U.S. Treasury Notes*	NR	A-1	<u>60,800</u>	<u>3.41%</u>
Total			<u>\$ 1,782,953</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, 2017 (expressed in thousands):

<u>Security Type</u>	<u>Total Carrying Value</u>	<u>Primary Government</u>	<u>Investment Trust Funds</u>	<u>Agency Funds</u>	<u>Component Units</u>	<u>WAM (Days)</u>
Commercial Paper	\$ 1,064,527	\$ 641,484	\$ 75,901	\$ 45,562	\$ 301,580	36
U.S. Treasury Bills	69,837	42,084	4,979	2,989	19,785	88
Corporate Bonds and Notes	9,485	5,716	676	406	2,687	79
Negotiable Certificates of Deposit	330,476	199,145	23,563	14,144	93,624	41
Money Market Funds	100,005	60,264	7,130	4,280	28,331	3
U.S. Treasury Notes	97,823	58,947	6,976	4,187	27,713	44
Repurchase Agreements (Underlying Securities):						
U.S. Treasury Notes	<u>110,800</u>	<u>66,768</u>	<u>7,900</u>	<u>4,742</u>	<u>31,390</u>	3
Total	<u>\$ 1,782,953</u>	<u>\$ 1,074,408</u>	<u>\$ 127,125</u>	<u>\$ 76,310</u>	<u>\$ 505,110</u>	36
Percentage of Ownership	100%	60.26%	7.13%	4.28%	28.33%	

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, 2017 (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&P</u>		
U.S. Agency Bonds and Notes	Aaa	AA+	\$ 8,000	3.96%
U.S. Treasury Notes *	Aaa	AA+	35,972	17.81%
U.S. Treasury Bills *	P-1	A-1+	6,992	3.46%
U.S. Agency Discount Notes	P-1	A-1+	99,921	49.47%
Money Market Funds	Aaa	AAAm	2,109	1.04%
Repurchase Agreements (Underlying Securities):				
U.S. Treasury Notes	Aaa	AA+	<u>49,000</u>	<u>24.26%</u>
Total			<u>\$ 201,994</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

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, 2017 (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	\$ 99,921	\$ 979	\$ 92,667	\$ 6,275	41
U.S. Treasury Bills	6,992	69	6,484	439	45
Money Market Funds	2,109	21	1,956	132	3
U.S. Agency Bonds and Notes	8,000	78	7,420	502	27
U.S. Treasury Notes	35,972	353	33,360	2,259	65
Repurchase Agreements (Underlying Securities):					
U.S. Agency Notes	<u>49,000</u>	<u>480</u>	<u>45,443</u>	<u>3,077</u>	3
Total	<u>\$ 201,994</u>	<u>\$ 1,980</u>	<u>\$ 187,330</u>	<u>\$ 12,684</u>	35
Percentage of Ownership	100%	0.98%	92.74%	6.28%	

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, 2017 (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&P</u>		
Commercial Paper	P-1	A-1+	\$ 9,963	1.32%
	P-1	A-1	13,940	1.85%
Corporate Asset-Backed Securities	Aaa	AAA	68,441	9.06%
	Aaa	NR	79,853	10.58%
	NR	AAA	67,375	8.92%
	NR	AA	2,003	0.26%
	Aaa	AA+	2,935	0.39%
Corporate Bonds and Notes	Aaa	AA+	4,019	0.53%
	Aa1	AA+	5,027	0.67%
	Aa2	AA+	4,036	0.53%
	Aa2	AA	6,989	0.93%
	Aa2	AA-	17,124	2.27%
	Aa3	AA-	15,106	2.00%
	Aa2	A	4,011	0.53%
	Aa3	A+	1,104	0.15%
	A1	AA-	16,588	2.20%
	A1	A+	19,078	2.53%
	A1	A	6,355	0.84%
	A1	A-	7,276	0.96%
	A2	A+	2,616	0.35%
	A2	A	25,032	3.32%
	A2	A-	10,079	1.33%
	A3	A	10,747	1.42%
	A3	A-	30,242	4.01%
	A3	BBB+	20,183	2.67%
	Baa1	A	1,501	0.20%
	Baa1	A-	11,991	1.59%
	Baa1	BBB+	47,392	6.28%
	Baa1	BBB	8,495	1.12%
	Baa2	A-	1,018	0.13%
	Baa2	BBB	28,770	3.81%
	Baa2	BBB-	3,000	0.40%
	Baa2	NR	2,000	0.26%
	Baa2	BBB+	10,268	1.36%
	Baa3	BBB	15,627	2.07%
	Baa3	BBB-	7,166	0.95%
	Ba1	BBB	2,005	0.27%
	Ba1	BBB-	2,304	0.31%
	Ba2	BBB-	824	0.11%
	NR	BBB+	2,637	0.35%
NR	BBB-	1,990	0.26%	
U.S. Agency Mortgage-Backed Securities *	Aaa	AA+	37,287	4.94%
Corporate Mortgage-Backed Securities *	Aaa	AAA	4,217	0.56%
	Aaa	NR	17,281	2.29%
U.S. Treasury Notes *	Aaa	AA+	87,588	11.60%
Money Market Funds	Aaa	AAAm	11,479	1.52%
Total			<u>\$ 754,962</u>	<u>100%</u>

NR = Not Rated

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

Interest Rate Risk

The overall effective duration of the investments of the WV Short-Term Bond Pool cannot exceed 731 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short-Term Bond Pool as of June 30, 2017 (expressed in thousands):

Security Type	Total Carrying Value	Primary Government	Investment Trust Funds	Component Units	Effective Duration (Days)
Corporate Bonds and Notes	\$ 355,535	\$ 325,101	\$ 2,382	\$ 28,052	412
U.S. Treasury Bonds and Notes	87,588	80,090	587	6,911	766
Commercial Paper	23,903	21,857	160	1,886	113
Corporate Asset-Backed Securities	217,672	199,040	1,458	17,174	423
U.S. Agency Mortgage-Backed Securities	37,287	34,095	250	2,942	148
Corporate Mortgage-Backed Securities	21,498	19,658	144	1,696	347
Money Market Funds	<u>11,479</u>	<u>10,496</u>	<u>77</u>	<u>906</u>	1
Total	<u>\$ 754,962</u>	<u>\$ 690,337</u>	<u>\$ 5,058</u>	<u>\$ 59,567</u>	426
Percentage of Ownership	100%	91.44%	0.67%	7.89%	

Fair Value Measurements

The table below summarizes the valuation for the WV Short Term Bond Pool in accordance with the fair value hierarchy levels as of June 30, 2017 (expressed in thousands):

Investment Type	Level 1	Level 2	Level 3	Total
Corporate Bonds and Notes	\$ —	\$ 355,535	\$ —	\$ 355,535
Corporate Asset-Backed Securities	—	217,672	—	217,672
Commercial Paper	—	23,903	—	23,903
U.S. Treasury Notes	87,588	—	—	87,588
U.S. Agency Mortgage-Backed Securities	—	37,287	—	37,287
Corporate Mortgage-Backed Securities	—	21,498	—	21,498
Money Market Funds	<u>11,479</u>	<u>—</u>	<u>—</u>	<u>11,479</u>
Total	<u>\$ 99,067</u>	<u>\$ 655,895</u>	<u>\$ —</u>	<u>\$ 754,962</u>

The fair value measurement valuation techniques used for the WV Short Term Bond Pool can be found on page 89.

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 \$79.5 million, with maturities ranging from July 2017 to December 2017, and an interest in a money market mutual fund valued at approximately \$48,000.

Loan Pool

This pool is comprised of loans made by the State. The \$1 unit price is utilized for accounting purposes only. The State is the sole participant in this pool. This pool primarily holds intergovernmental loans and an investment in a money market mutual fund in the amount of approximately \$47,000 with a weighted-average maturity of one day which is rated AAAM by Standard & Poor's and Aaa by Moody's. The loans are not rated by any nationally recognized statistical rating organization; however, as there is the potential for defaults, they are exposed to credit risk. For financial statement purposes, the intergovernmental loans are reflected in the Advances to Component Units line on the Statement of Net Position. The BTI addresses the credit risk by evaluating the need for and establishing a reserve for uncollectible loans.

Reserve Pool

This pool is composed of an interest-bearing depository account with funds totaling approximately \$18,845,000 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 \$0.9985. The State is the sole participant in this pool.

Participant-Directed Accounts

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

Municipal Bond Commission

This account only holds 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, 2017 (expressed in thousands):

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (Days)</u>
U.S. Treasury Bonds and Notes	\$ 13,083	302
State and Local Government Securities	<u>22,744</u>	610
Total Assets	<u>\$ 35,827</u>	498

Fair Value Measurements

The MBC account holds U.S. Treasury Notes and Bonds reported at a fair value of \$13,083,000 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 \$22,744,000. 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 \$1,417,000 using Level 1 inputs with a weighted-average maturity of one day. The mutual fund is rated AAAM by Standard & Poor’s and Aaa by Moody’s as of June 30, 2017 (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>
Governmental Activities:					
Money Market	\$ 1,417	\$ 1,417	\$ —	\$ —	\$ —

EDA-AW

This account holds a U.S. Treasury bond valued at \$1,798,000 using Level 1 inputs that matures on August 15, 2023. The EDA’s investment policy limits this account to holding only U.S. Treasury securities with twenty-year maturities at time of purchase as of June 30, 2017 (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>
Component Unit Activities:					
U.S. Treasury Bond	\$ 1,798	\$ —	\$ —	\$ 1,798	\$ —

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, 2017 (expressed in thousands):

	Disclosed Value	Pool Receivables/ (Payables)	Net Asset Values
<u>IMB Pools</u>			
Large Cap Domestic Equity	\$ 3,712,134	\$ (165,947)	\$ 3,546,187
Non-Large Cap Domestic Equity	943,382	(222,750)	720,632
International Qualified	1,453,466	(65)	1,453,401
International Nonqualified	201,808	(9)	201,799
International Equity**	3,175,097	(25,604)	3,149,493
Short-Term Fixed Income	218,063	(28)	218,035
Total Return Fixed Income**	2,515,570	(193,236)	2,322,334
Opportunistic Debt Pool	304,494	16	304,510
Core Fixed Income	1,095,675	(99,603)	996,072
TIPS Pool	337,671	(9,488)	328,183
TRS Annuity Pool	—	(135)	(135)
Private Equity	1,623,630	3,393	1,627,023
Private Real Estate	1,642,471	(2,432)	1,640,039
Hedge Fund	1,809,911	15,847	1,825,758
<u>BTI Pools</u>			
WV Money Market Pool	1,782,953	(1,986)	1,780,967
WV Government Money Market Pool	201,994	76	202,070
WV Short-Term Bond Pool	754,962	(1,231)	753,731
WV Bank Pool	79,548	226	79,774
Loan Pool	125,366	34	125,400
Reserve Pool	18,845	9	18,854
Municipal Bond Commission Account	35,827	54	35,881
School Fund Account	1,417	1	1,418
EDA-AW	<u>1,798</u>	<u>34</u>	<u>1,832</u>
Total Pooled Investments	<u>22,036,082</u>	<u>(702,824)</u>	<u>21,333,258</u>
Less EDA	125,318	—	125,318
Less MBC	35,827	54	35,881
Less Nonnegotiable Certificates of Deposits	79,500	226	79,726
Less Reserve Pool in Depository	<u>18,845</u>	<u>9</u>	<u>18,854</u>
Total for Disclosure	<u>\$ 21,776,592</u>	<u>\$ (703,113)</u>	<u>\$ 21,073,479</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, 2017 (expressed in thousands):

Security Type	Carrying Value	Credit Rating	
		S&P	Moody's
Primary Government:			
Money Market/Mutual Funds	\$ 422	Unrated	Unrated
	240,127	AAAm	Aaa-mf
	5,184	AAA	Aaa
Repurchase Agreement*	71,181	AA+	Aaa
State and Local Government Securities	23,392	Unrated	Unrated
U.S. Government and Agency Obligations	100,332	A-1+	P-1
Total Primary Government	\$ 440,638		
Pension & Private Purpose Trust Funds:			
Money Market/Mutual Funds	\$ 2,545,801	Unrated	Unrated
Guaranteed Investment Contract	386,940	Unrated	Unrated
Total Pension & Private Purpose Trust Funds	\$ 2,932,741		
Component Units:			
Common and Preferred Stocks	\$ 154,120	Unrated	Unrated
Corporate Bonds	2,196	Unrated	Baa2 to AA+
Corporate Bonds	29,214	Unrated	Unrated
Corporate Stock	1,900	Unrated	Unrated
Fixed Income Fund	4,586	Unrated	Unrated
	88	AAA	Aaa
	9,966	Aa3	Aa3
Money Market/Mutual Funds	482	A1	A1
	202,728	AAAm	Aaa-mf
	1,012	Unrated	A2
	2,125	Aa2	Aa2
	10,061	A	A
	20,083	Aaa	AAA/AA+
	23	AAA	Unrated
	8,459	Aaa	Aaa
	266,943	Unrated	Unrated
	8,973	AAAm	Aaa
Mortgages Held for Investment	16,712	Unrated	Unrated
Other Investments	210	AAA	Unrated
Other Investments	171,570	Unrated	Unrated
Repurchase Agreements **	5,550	Unrated	Unrated
State and Local Government Securities	1,446	AA+	Aaa
U.S. Government and Agency Obligations	228,608	AA+	Aaa
	3,797	Unrated	AAA/AA+
	1,525	Unrated	AAA-mf
	90	Unrated	Aaa
	53,069	Unrated	Unrated
Total Component Units	\$ 1,205,536		

Underlying Securities:

* Primary Government:

US Treasury Notes \$77,675

** Component Units:

The \$5,550 is invested in US Government National Mortgage Association Securities.

Concentration of Credit Risk

As of June 30, 2017, 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>
Primary Government:			
Repurchase Agreement	\$ 71,181	DEPFA Bank, PLC	16.2%
State & Local Government Securities	23,372	The County Commission of Monongalia	5.3%
Component Units:			
Other Investments	159,116	The \$84,930,000 of the \$159,116,000 is invested by the Foundations at the Higher Education institutions which are reported under FASB and the information is not available.	13.2%
Common & Preferred Stock	150,189	The \$150,189,000 is invested by the Foundations at the Higher Education institutions which are reported under FASB and the information is not available.	12.5%

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, 2017 (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>
Primary Government:						
Money Market/Mutual Funds	\$ 245,733	\$ 245,733	\$ —	\$ —	\$ —	\$ —
Repurchase Agreements*	71,181	—	—	—	71,181	—
U.S. Government & Agency Obligations	23,392	—	—	—	—	23,392
State and Local Government Securities	<u>100,332</u>	<u>100,332</u>	—	—	—	—
Total Primary Government	<u>440,638</u>	<u>346,065</u>	—	—	<u>71,181</u>	<u>23,392</u>
Pension & Private Purpose Trust Funds:						
Money Market/Mutual Funds	2,545,801	2,545,801	—	—	—	—
Guaranteed Investment Contract	<u>386,940</u>	<u>386,940</u>	—	—	—	—
Total Pension & Private Purpose Trust Funds	<u>2,932,741</u>	<u>2,932,741</u>	—	—	—	—
Component Units:						
Common and Preferred Stocks	154,120	—	—	—	3,931	150,189
Corporate Bonds	31,410	1,346	7,557	2,327	1,291	18,889
Corporate Stock	1,900	—	—	—	—	1,900
Fixed Income Fund	14,640	566	10,504	1,707	1,863	—
Money Market/Mutual Funds	520,889	267,868	24,548	7,857	8,414	212,202
Mortgages Held for Investment	16,712	—	149	1,346	15,217	—
Other Investments	171,780	10,921	1,245	—	160	159,454
Repurchase Agreements**	5,550	5,550	—	—	—	—
U.S. Government & Agency Obligations	287,089	36,468	106,253	98,505	23,531	22,332
State and Local Government Securities	<u>1,446</u>	—	—	30	<u>1,416</u>	—
Total Component Units	<u>1,205,536</u>	<u>322,719</u>	<u>150,256</u>	<u>111,772</u>	<u>55,823</u>	<u>564,966</u>
Total Outside Investments	<u>\$ 4,578,915</u>	<u>\$ 3,601,525</u>	<u>\$ 150,256</u>	<u>\$ 111,772</u>	<u>\$ 127,004</u>	<u>\$ 588,358</u>

Underlying Securities:

* Primary Government:
U.S. Treasury Notes \$77,675

**Component Units:
The \$5,550 is invested in US Government National Mortgage Association Securities.

Fair Value Measurements

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

U.S. GAAP does not require the 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 the fair value hierarchy levels as of June 30, 2017 (expressed in thousands):

Security Type	Investment Amount	Level Amounts		
		1	2	3
Primary Government:				
Repurchase Agreements*	\$ 71,181	\$ —	\$ 71,181	\$ —
U.S. Government & Agency Obligations	100,332	—	100,332	—
State and Local Government Securities	<u>23,392</u>	<u>—</u>	<u>—</u>	<u>23,392</u>
Total Primary Government	<u>194,905</u>	<u>—</u>	<u>171,513</u>	<u>23,392</u>
Pension & Private Purpose Trust Funds:				
Money Market/Mutual Funds	<u>2,074,973</u>	<u>2,074,973</u>	<u>—</u>	<u>—</u>
Total Pension & Private Purpose Trust Funds	<u>2,074,973</u>	<u>2,074,973</u>	<u>—</u>	<u>—</u>
Component Units:				
Common and Preferred Stocks	66,150	62,051	168	3,931
Corporate Bonds	31,410	15,441	15,969	—
Corporate Stock	1,900	—	—	1,900
Fixed Income Fund	14,640	4,674	9,966	—
Money Market/Mutual Funds	220,077	178,097	40,898	1,082
Other Investments	88,255	8,695	78,172	1,388
U.S. Government & Agency Obligations	287,089	202,284	84,805	—
State and Local Government Securities	<u>1,446</u>	<u>—</u>	<u>1,446</u>	<u>—</u>
Total Component Units	<u>710,967</u>	<u>471,242</u>	<u>231,424</u>	<u>8,301</u>
FV Investments @ Net Asset Value	<u>202,582</u>			
Total Outside Investments	<u>\$ 3,183,427</u>	<u>\$ 2,546,215</u>	<u>\$ 402,937</u>	<u>\$ 31,693</u>

Underlying Securities:

* Primary Government

U.S. Treasury Notes \$77,675

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

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

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

Reconciliation to Financial Statements

The following schedule reconciles the amount disclosed as deposits and investments included in this footnote to cash and cash equivalents, investments, and restricted cash and investments in the Statement of Net Position at June 30, 2017 (expressed in thousands):

Deposits:

Cash and Cash Equivalents as Reported on the Statement of Net Position	\$ 4,693,794
Cash and Cash Equivalents as Reported on the Statement of Fiduciary Net Position	516,871
Add:	
Restricted Cash and Cash Equivalents as Reported on the Statement of Net Position	226,220
Certificates of Deposit Disclosed as Deposits	10,800
Less:	
Cash Equivalents and Restricted Cash Disclosed as Investments	(5,000,977)
Cash with U.S. Treasury for Unemployment Programs	<u>(67,881)</u>
Reported Value of Deposits as Disclosed in this Footnote	<u>\$ 378,827</u>

Investments:

Investments as Reported on the Statement of Net Position	\$ 1,927,144
Investments as Reported on the Statement of Fiduciary Net Position	18,522,523
Add:	
Restricted Investments as Reported on the Statement of Net Position	191,317
Cash Equivalents and Restricted Cash Disclosed as Investments	5,000,977
Mortgages Held for Investment Disclosed as Investments	16,712
Accrued Interest Disclosed as Investments	4,521
Less:	
Non-Negotiable Certificates of Deposit Disclosed as Deposits	<u>(10,800)</u>
Reported Value of Investments as Disclosed in this Footnote	<u>\$ 25,652,394</u>



NOTE 5

RECEIVABLES
(Expressed in Thousands)

Receivables at June 30, 2017, consisted of the following:

Governmental Funds					
	General	Transportation	Tobacco Settlement Finance Authority	Other Governmental	Total Governmental Receivables
Taxes	\$ 406,943	\$ 73,433	\$ —	\$ —	\$ 480,376
Accounts	288,325	113,614	28,496	10,693	441,128
Loans	4,245	—	—	—	4,245
Accrued Interest	<u>2,356</u>	<u>—</u>	<u>10</u>	<u>1,319</u>	<u>3,685</u>
Total Receivables	701,869	187,047	28,506	12,012	929,434
Allowance for Doubtful Accounts	<u>(110,295)</u>	<u>—</u>	<u>—</u>	<u>(4,449)</u>	<u>(114,744)</u>
Receivables, Net	<u>\$ 591,574</u>	<u>\$ 187,047</u>	<u>\$ 28,506</u>	<u>\$ 7,563</u>	<u>\$ 814,690</u>
As Reported on the Fund Financial Statements:					
Current Receivables	\$ 591,574	\$ 187,047	\$ 28,506	\$ 7,563	\$ 814,690
Noncurrent Receivables	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Receivables, Net	<u>\$ 591,574</u>	<u>\$ 187,047</u>	<u>\$ 28,506</u>	<u>\$ 7,563</u>	<u>\$ 814,690</u>

Fiduciary Funds			
	Pension and Other Employee Benefit Trust Funds	SMART 529	Agency Funds
Accounts	\$ 19,549	\$ —	\$ —
Loans	2,977	—	—
Leases	—	—	—
Contributions	41,965	1,463	—
Accrued Interest	<u>—</u>	<u>—</u>	<u>109</u>
Total Receivables	64,491	1,463	109
Allowance for Doubtful Accounts	<u>(104)</u>	<u>—</u>	<u>—</u>
Receivables, Net	<u>\$ 64,387</u>	<u>\$ 1,463</u>	<u>\$ 109</u>
As Reported on the Fund/Component Units Financial Statements:			
Current Receivables, Net	\$ 64,387	\$ 1,463	\$ 109
Noncurrent Receivables, Net	<u>—</u>	<u>—</u>	<u>—</u>
Total Receivables, Net	<u>\$ 64,387</u>	<u>\$ 1,463</u>	<u>\$ 109</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
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
499	7,679	60,261	17	30,509	1,914	783	101,662	10,634
640,454	—	—	559,072	—	—	141,233	1,340,759	—
—	—	—	2,018	—	—	62	2,080	3
640,953	7,679	60,261	561,107	30,509	1,914	142,078	1,444,501	10,637
—	—	—	—	(1,841)	—	—	(1,841)	—
<u>\$ 640,953</u>	<u>\$ 7,679</u>	<u>\$ 60,261</u>	<u>\$ 561,107</u>	<u>\$ 28,668</u>	<u>\$ 1,914</u>	<u>\$ 142,078</u>	<u>\$ 1,442,660</u>	<u>\$ 10,637</u>
\$ 36,111	\$ 7,679	\$ 60,261	\$ 23,759	\$ 28,668	\$ 1,914	\$ 9,924	\$ 168,316	\$ 10,637
604,842	—	—	537,348	—	—	132,154	1,274,344	—
<u>\$ 640,953</u>	<u>\$ 7,679</u>	<u>\$ 60,261</u>	<u>\$ 561,107</u>	<u>\$ 28,668</u>	<u>\$ 1,914</u>	<u>\$ 142,078</u>	<u>\$ 1,442,660</u>	<u>\$ 10,637</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
\$ 26,125	\$ —	\$ 757,027	\$ 3,499	\$ —	\$ 151,774	\$ 13,262	\$ —	\$ 1,625	\$ 953,312
—	148,831	72,199	—	199,478	64,418	—	—	3,863	488,789
—	55,542	—	—	—	—	—	—	—	55,542
—	—	—	—	—	—	—	—	—	—
—	2,272	266	102	3,143	—	—	370	5	6,158
26,125	206,645	829,492	3,601	202,621	216,192	13,262	370	5,493	1,503,801
—	(6,600)	(111,484)	—	—	(38,224)	—	—	—	(156,308)
<u>\$ 26,125</u>	<u>\$ 200,045</u>	<u>\$ 718,008</u>	<u>\$ 3,601</u>	<u>\$ 202,621</u>	<u>\$ 177,968</u>	<u>\$ 13,262</u>	<u>\$ 370</u>	<u>\$ 5,493</u>	<u>\$ 1,347,493</u>
\$ 26,125	\$ 17,791	\$ 4,329	\$ 3,601	\$ 11,177	\$ 132,225	\$ 13,262	\$ 370	\$ 1,877	\$ 210,757
—	182,254	713,679	—	191,444	45,743	—	—	3,616	1,136,736
<u>\$ 26,125</u>	<u>\$ 200,045</u>	<u>\$ 718,008</u>	<u>\$ 3,601</u>	<u>\$ 202,621</u>	<u>\$ 177,968</u>	<u>\$ 13,262</u>	<u>\$ 370</u>	<u>\$ 5,493</u>	<u>\$ 1,347,493</u>

Taxes Receivable

Taxes receivable at June 30, 2017, consisted of the following:

Governmental Funds			
	General	Transportation	Total
Taxes Receivable:			
Consumer Sales & Use Tax	\$ 111,178	\$ —	\$ 111,178
Personal Income	157,039	—	157,039
Severance	42,818	—	42,818
Business & Occupation	8,969	—	8,969
Automobile Privilege Taxes	—	15,466	15,466
Gasoline Excise	—	54,422	54,422
Registration Fees	—	3,545	3,545
Insurance	37,825	—	37,825
Corporate Net Income	7,073	—	7,073
Medicaid	29,098	—	29,098
Other	<u>12,943</u>	<u>—</u>	<u>12,943</u>
Subtotal for Taxes Receivable	<u>406,943</u>	<u>73,433</u>	<u>480,376</u>
Refunds Allowance	<u>(20,389)</u>	<u>—</u>	<u>(20,389)</u>
Total	<u>\$ 386,554</u>	<u>\$ 73,433</u>	<u>\$ 459,987</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:

Year Ending June 30	Direct Financing Leases Amount Due
2018	\$ 7,167
2019	7,149
2020	6,645
2021	6,616
2022	6,617
2023-2038	<u>32,268</u>
Total Minimum Amount Due	66,462
Less Amount Representing Interest	<u>(10,920)</u>
Present Value of Minimum Lease Amount Due	<u>\$ 55,542</u>



NOTE 6

INTERFUND BALANCES

The following table details the interfund balances and activity as of and for the year ended June 30, 2017 (expressed in thousands):

	Due From			
	Governmental			Proprietary
Due To	General	Transportation	Other Nonmajor	Water Pollution Control Revolving Fund
Governmental Funds:				
General	\$ —	\$ 115	\$ 141	\$ —
Transportation	11,674	—	—	—
Other Nonmajor Governmental	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Governmental Funds	<u>11,675</u>	<u>115</u>	<u>141</u>	<u>—</u>
Proprietary Funds:				
Unemployment Compensation	344	31	8	—
Public Employees' Insurance Agency	207	2,266	—	—
Other Nonmajor Enterprise	865	331	56	—
Internal Service Funds	<u>4,984</u>	<u>1,446</u>	<u>189</u>	<u>—</u>
Total Proprietary Funds	<u>6,400</u>	<u>4,074</u>	<u>253</u>	<u>—</u>
Fiduciary Funds:				
Pension and Other Employee Benefit Trust Fund *	<u>1,402,497</u>	<u>156,112</u>	<u>30,027</u>	<u>353</u>
Discretely Presented Component Units				
Major:				
West Virginia Lottery	—	—	—	—
Housing Development Fund	1	—	—	—
Parkways Authority	11	—	—	—
Water Development Authority	14	—	—	—
Higher Education	8,800	132	—	—
Nonmajor:				
Educational Broadcasting Authority	—	—	—	—
State Rail Authority	334	—	—	—
Racing Commission	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Discretely Presented Component Units	<u>9,160</u>	<u>132</u>	<u>—</u>	<u>—</u>
Total	<u>\$ 1,429,732</u>	<u>\$ 160,433</u>	<u>\$ 30,421</u>	<u>\$ 353</u>

Due From

Proprietary							
West Virginia Infrastructure and Jobs Development Council	Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Nonmajor Enterprise	Internal Service Funds	Pension and Other Benefit Trust Funds	Discretely Presented Component Units	Total
\$ —	\$ 578	\$ —	\$ —	\$ 6	\$ 112	\$ 121,270	\$ 122,222
—	472	—	—	—	—	326	12,472
<u>—</u>	<u>63</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,055</u>	<u>1,119</u>
<u>—</u>	<u>1,113</u>	<u>—</u>	<u>—</u>	<u>6</u>	<u>112</u>	<u>122,651</u>	<u>135,813</u>
—	—	—	—	—	—	150	533
—	—	—	4	438	1,449	870	5,234
—	—	—	—	1	—	76	1,329
<u>—</u>	<u>287</u>	<u>7</u>	<u>7</u>	<u>56</u>	<u>59</u>	<u>145</u>	<u>7,180</u>
<u>—</u>	<u>287</u>	<u>7</u>	<u>11</u>	<u>495</u>	<u>1,508</u>	<u>1,241</u>	<u>14,276</u>
<u>—</u>	<u>1,066</u>	<u>496</u>	<u>2,459</u>	<u>11,520</u>	<u>—</u>	<u>387,969</u>	<u>1,992,499</u>
—	8	—	—	—	—	1,400	1,408
—	—	—	—	—	—	—	1
—	3	—	—	—	5	—	19
168	4	—	9	—	—	—	195
—	—	—	—	—	—	4,614	13,546
—	15	—	—	—	—	—	15
—	2	—	—	—	—	—	336
<u>—</u>	<u>2</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>—</u>	<u>3</u>
<u>168</u>	<u>34</u>	<u>—</u>	<u>9</u>	<u>—</u>	<u>6</u>	<u>6,014</u>	<u>15,523</u>
<u>\$ 168</u>	<u>\$ 2,500</u>	<u>\$ 503</u>	<u>\$ 2,479</u>	<u>\$ 12,021</u>	<u>\$ 1,626</u>	<u>\$ 517,875</u>	<u>\$ 2,158,111</u>

Due from discretely presented component units includes \$132 million from the Lottery. The General Fund received \$86.7 million to be appropriated at a later date. The Legislature also approved the following distributions from the Lottery to the Senior Services (\$17.7 million), Library Commission (\$4.3 million), Department of Education – Public Education (\$6.7 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, 2017, 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	\$ —	\$ 20,895	\$ 42,644
Transportation	14,869	—	—
Other Nonmajor Governmental	<u>60,732</u>	<u>—</u>	<u>—</u>
Total Governmental Funds	<u>75,601</u>	<u>20,895</u>	<u>42,644</u>
Proprietary Funds:			
Water Pollution Control Revolving Fund	4,166	—	20,829
Workers' Compensation Fund	2,731	—	—
West Virginia Infrastructure and Jobs Development Council	—	—	225
Public Employees' Insurance Agency	10,000	—	—
Other Nonmajor Proprietary	5,949	—	—
Internal Service Funds	<u>8,030</u>	<u>—</u>	<u>—</u>
Total Proprietary Funds	<u>30,876</u>	<u>—</u>	<u>21,054</u>
Total	<u>\$ 106,477</u>	<u>\$ 20,895</u>	<u>\$ 63,698</u>

The deferred charge of the amortization of the future tobacco settlement revenue of the Tobacco Settlement Finance Authority resulted in a transfer of \$20.9 million to the General Fund. The General Fund transferred \$22 million to the West Virginia Infrastructure and Jobs Development Council and \$19 million to the Economic Development Project Fund for bond debt service.

Transfers From Proprietary				
Workers' Compensation Fund	West Virginia Infrastructure and Jobs Development Council	Other Nonmajor Enterprise	Internal Service Funds	Total
\$ 22,692	\$ —	\$ 27,412	\$ 798	\$ 114,441
—	—	—	—	14,869
—	—	9,000	5,210	74,942
<u>22,692</u>	<u>—</u>	<u>36,412</u>	<u>6,008</u>	<u>204,252</u>
—	—	—	—	24,995
—	—	—	—	2,731
—	—	—	—	225
—	—	—	—	10,000
—	1,662	—	—	7,611
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,030</u>
<u>—</u>	<u>1,662</u>	<u>—</u>	<u>—</u>	<u>53,592</u>
<u>\$ 22,692</u>	<u>\$ 1,662</u>	<u>\$ 36,412</u>	<u>\$ 6,008</u>	<u>\$ 257,844</u>

Of the \$15 million transferred from the General Fund to Transportation, \$11.2 million is allocated sales tax, and the balance is miscellaneous legislative appropriations. Legislation passed during fiscal year 2015 required a reappropriation of funds from the Office of the Insurance Commissioner, resulting in a \$24.3 million transfer to the General Fund. The Water Pollution Revolving Fund received \$20.8 million in grants from the West Virginia Department of Environment Protection. All other transfers are made to finance various programs to the Legislation.



NOTE 8

RESTRICTED ASSETS

Restricted assets are held by special revenue funds, enterprise funds, internal service funds, and discretely presented component units, primarily for the repayment of future long-term obligations and benefits payments. The restricted assets, composed of cash, investments, and other similar assets at June 30, 2017, are as follows (expressed in thousands):

	<u>Cash</u>	<u>Investments</u>	<u>Other</u>	<u>Totals</u>
Special Revenue:				
Environmental Programs	\$ 323	\$ —	\$ —	\$ 323
Public Service Commission	<u>1,147</u>	<u>—</u>	<u>—</u>	<u>1,147</u>
Total Special Revenue	<u>1,470</u>	<u>—</u>	<u>—</u>	<u>1,470</u>
Enterprise:				
Public Employees' Insurance Agency	19,973	—	—	19,973
Board of Risk and Insurance Management	<u>10,168</u>	<u>52,841</u>	<u>193,995</u>	<u>257,004</u>
Total Enterprise	<u>30,141</u>	<u>52,841</u>	<u>193,995</u>	<u>276,977</u>
Internal Service:				
State Building Fund	18,508	—	—	18,508
Travel Management	<u>754</u>	<u>—</u>	<u>—</u>	<u>754</u>
Total Internal Services	<u>19,262</u>	<u>—</u>	<u>—</u>	<u>19,262</u>
Discretely Presented Component Units:				
Economic Development Authority	7,546	—	—	7,546
Housing Development Authority	88,530	81,632	665,581	835,743
Parkways Authority	27,126	53,348	—	80,474
Water Development Authority	12,647	3,496	182,257	198,400
Regional Jail Authority	21,402	—	—	21,402
Solid Waste Management Board	3,821	—	856	4,677
Educational Broadcasting Authority	—	—	229	229
Racing Commission	<u>14,275</u>	<u>—</u>	<u>379</u>	<u>14,654</u>
Total Discretely Presented Component Units	<u>175,347</u>	<u>138,476</u>	<u>849,302</u>	<u>1,163,125</u>
Total Restricted Assets	<u>\$ 226,220</u>	<u>\$ 191,317</u>	<u>\$ 1,043,297</u>	<u>\$ 1,460,834</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.

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 \$193 million and \$643 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 \$665 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 \$182 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	\$ 1,251,117	\$ 75,336	\$ (15)	\$ 1,326,438
Construction in Progress	<u>910,931</u>	<u>313,655</u>	<u>(458,180)</u>	<u>766,406</u>
Total Capital Assets, Not Being Depreciated	<u>2,162,048</u>	<u>388,991</u>	<u>(458,195)</u>	<u>2,092,844</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,573,922	81,625	(1,088)	1,654,459
Equipment	476,656	35,895	(25,400)	487,151
Infrastructure	12,401,295	374,700	—	12,775,995
Library Holdings	16,815	273	—	17,088
Land Improvements	42,987	1,188	—	44,175
Intangibles	<u>149,482</u>	<u>15,608</u>	<u>(1,892)</u>	<u>163,198</u>
Total Capital Assets, Being Depreciated	<u>14,661,157</u>	<u>509,289</u>	<u>(28,380)</u>	<u>15,142,066</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(580,655)	(38,171)	1,056	(617,770)
Equipment	(375,473)	(32,890)	19,302	(389,061)
Infrastructure	(6,263,686)	(303,714)	—	(6,567,400)
Library Holdings	(16,082)	(396)	—	(16,478)
Land Improvements	(16,933)	(2,247)	—	(19,180)
Intangibles	<u>(50,172)</u>	<u>(5,157)</u>	<u>335</u>	<u>(54,994)</u>
Total Accumulated Depreciation	<u>(7,303,001)</u>	<u>(382,575)</u>	<u>20,693</u>	<u>(7,664,883)</u>
Total Capital Assets, Being Depreciated, Net	<u>7,358,156</u>	<u>126,714</u>	<u>(7,687)</u>	<u>7,477,183</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,520,204</u>	<u>\$ 515,705</u>	<u>\$ (465,882)</u>	<u>\$ 9,570,027</u>

Depreciation expense was charged to function as follows:

Legislative	\$ 95
Judicial	54
Executive	1,677
Administration	22,869
Commerce	7,826
Environmental Protection	140
Employment Programs	147
Education	2,418
Health and Human Resources	3,840
Military Affairs and Public Safety	15,081
Revenue	2,196
Transportation	321,347
Veterans Assistance	64
Regulatory Boards and Commissions	<u>4,821</u>
Total Governmental Activities Depreciation Expense	<u>\$ 382,575</u>

Business-type Activities

(Expressed in Thousands)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 611	\$ —	\$ —	\$ 611
Total Capital Assets, Not Being Depreciated	<u>611</u>	<u>—</u>	<u>—</u>	<u>611</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,029	12	—	2,041
Equipment	6,822	248	(67)	7,003
Intangibles	<u>8,895</u>	<u>126</u>	<u>—</u>	<u>9,021</u>
Total Capital Assets, Being Depreciated	<u>17,746</u>	<u>386</u>	<u>(67)</u>	<u>18,065</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,146)	(77)	—	(1,223)
Equipment	(5,582)	(344)	59	(5,867)
Intangibles	<u>(8,689)</u>	<u>(34)</u>	<u>—</u>	<u>(8,723)</u>
Total Accumulated Depreciation	<u>(15,417)</u>	<u>(455)</u>	<u>59</u>	<u>(15,813)</u>
Total Capital Assets, Being Depreciated, Net	<u>2,329</u>	<u>(69)</u>	<u>(8)</u>	<u>2,252</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,940</u>	<u>\$ (69)</u>	<u>\$ (8)</u>	<u>\$ 2,863</u>

Depreciation expense was charged to function as follows:

Public Employees' Insurance Agency	\$ 55
Alcohol Beverage Control Administration	292
Correctional Industries	<u>108</u>
Total Business-type Activities Depreciation Expense	<u>\$ 455</u>

Discretely Presented Component Units
(Expressed in Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
Discretely Presented Component Units:				
Capital Assets, Not Being Depreciated:				
Land	\$ 256,012	\$ 2,420	\$ (484)	\$ 257,948
Construction in Progress	<u>307,692</u>	<u>156,504</u>	<u>(273,548)</u>	<u>190,648</u>
Total Capital Assets, Not Being Depreciated	<u>563,704</u>	<u>158,924</u>	<u>(274,032)</u>	<u>448,596</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,731,730	265,467	(12,204)	3,984,993
Equipment	501,261	35,495	(17,032)	519,724
Infrastructure	1,445,344	45,416	(183)	1,490,577
Library Holdings	190,743	6,224	(2,096)	194,871
Land Improvements	92,043	6,307	(14)	98,336
Intangibles	<u>184,565</u>	<u>7,742</u>	<u>(140)</u>	<u>192,167</u>
Total Capital Assets, Being Depreciated	<u>6,145,686</u>	<u>366,651</u>	<u>(31,669)</u>	<u>6,480,668</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,076,532)	(85,921)	7,049	(1,155,404)
Equipment	(359,577)	(33,496)	14,552	(378,521)
Infrastructure	(947,935)	(45,681)	168	(993,448)
Library Holdings	(164,691)	(7,240)	2,069	(169,862)
Land Improvements	(47,599)	(5,635)	5	(53,229)
Intangibles	<u>(167,761)</u>	<u>(14,618)</u>	<u>140</u>	<u>(182,239)</u>
Total Accumulated Depreciation	<u>(2,764,095)</u>	<u>(192,591)</u>	<u>23,983</u>	<u>(2,932,703)</u>
Total Capital Assets, Being Depreciated, Net	<u>3,381,591</u>	<u>174,060</u>	<u>(7,686)</u>	<u>3,547,965</u>
Discrete Component Unit Activities Capital Assets, Net	<u>\$ 3,945,295</u>	<u>\$ 332,984</u>	<u>\$ (281,718)</u>	<u>\$ 3,996,561</u>
Depreciation expense charged to functions as follows:				
Economic Development Authority	\$ 1,219			
Housing Development Fund	369			
Parkways Authority	37,318			
Water Development Authority	1,087			
Higher Education	141,978			
Regional Jail Authority	6,538			
Lottery	1,281			
School Building Authority	58			
Other Nonmajor Component Units	<u>2,743</u>			
Total Discrete Component Unit Depreciation Expense	<u>\$ 192,591</u>			



NOTE 10

LONG-TERM OBLIGATIONS

Primary Government:

Long-term obligations at June 30, 2017, and changes for the fiscal year then ended are as follows (expressed in thousands):

Governmental Activities:

	Balance June 30, 2016	Additions	Accretions	Reductions	Balance June 30, 2017	Amount Due Within One Year
General Obligation Bonds:						
Transportation	\$ 166,385	\$ —	\$ —	\$ (15,225)	\$ 151,160	\$ 15,985
Premium/(Discount)	<u>24,737</u>	<u>—</u>	<u>—</u>	<u>(2,825)</u>	<u>21,912</u>	<u>2,825</u>
Total Transportation	<u>191,122</u>	<u>—</u>	<u>—</u>	<u>(18,050)</u>	<u>173,072</u>	<u>18,810</u>
WV Infrastructure and Jobs						
Development Council	188,346	28,215	3,618	(48,435)	171,744	14,779
Premium/(Discount)	<u>13,621</u>	<u>3,807</u>	<u>—</u>	<u>(2,983)</u>	<u>14,445</u>	<u>1,618</u>
Total WV Infrastructure and Jobs Development Council	<u>201,967</u>	<u>32,022</u>	<u>3,618</u>	<u>(51,418)</u>	<u>186,189</u>	<u>16,397</u>
Total General Obligation Bonds	<u>393,089</u>	<u>32,022</u>	<u>3,618</u>	<u>(69,468)</u>	<u>359,261</u>	<u>35,207</u>
Revenue Bonds:						
Transportation	—	53,380	—	—	53,380	8,515
Premium/(Discount)	<u>—</u>	<u>4,833</u>	<u>—</u>	<u>(427)</u>	<u>4,406</u>	<u>853</u>
Total Transportation	<u>—</u>	<u>58,213</u>	<u>—</u>	<u>(427)</u>	<u>57,786</u>	<u>9,368</u>
Tobacco Settlement Finance Authority	<u>853,707</u>	<u>—</u>	<u>11,995</u>	<u>(15,090)</u>	<u>850,612</u>	<u>—</u>
Economic Development Project Fund	144,065	—	—	(10,650)	133,415	11,220
Premium/(Discount)	<u>(558)</u>	<u>—</u>	<u>—</u>	<u>69</u>	<u>(489)</u>	<u>(69)</u>
Total Economic Development Project Fund	<u>143,507</u>	<u>—</u>	<u>—</u>	<u>(10,581)</u>	<u>132,926</u>	<u>11,151</u>
Education, Arts, Sciences, & Tourism Fund	139,230	—	—	(3,290)	135,940	3,385
Premium/(Discount)	<u>5,903</u>	<u>—</u>	<u>—</u>	<u>(246)</u>	<u>5,657</u>	<u>246</u>
Total Education, Arts, Sciences, & Tourism Fund	<u>145,133</u>	<u>—</u>	<u>—</u>	<u>(3,536)</u>	<u>141,597</u>	<u>3,631</u>
Total Revenue Bonds	<u>1,142,347</u>	<u>58,213</u>	<u>11,995</u>	<u>(29,634)</u>	<u>1,182,921</u>	<u>24,150</u>
Capital Leases - Governmental	8,523	13,568	—	(11,234)	10,857	1,042
Capital Leases - Internal Service Funds	2,847	—	—	(125)	2,722	132
Capital Leases Payable to Component Units	<u>275,765</u>	<u>—</u>	<u>—</u>	<u>(14,810)</u>	<u>260,955</u>	<u>16,120</u>
Total Capital Leases (see Note 11)	<u>287,135</u>	<u>13,568</u>	<u>—</u>	<u>(26,169)</u>	<u>274,534</u>	<u>17,294</u>
Notes Payable	<u>16,783</u>	<u>5,028</u>	<u>—</u>	<u>(7,222)</u>	<u>14,589</u>	<u>6,415</u>
Other Obligations:						
Medicaid	447,756	236,430	—	(87,654)	596,532	596,532
Tax Refunds	275,323	281,437	—	(275,323)	281,437	254,526
Claims and Judgments (see Note 15)	407,574	43,699	—	(47,469)	403,804	59,773
Other	<u>107,884</u>	<u>135,087</u>	<u>—</u>	<u>(115,575)</u>	<u>127,396</u>	<u>88,439</u>
Total Accrued and Other Liabilities	1,238,537	696,653	—	(526,021)	1,409,169	999,270
Compensated Absences	88,990	4,445	—	(3,732)	89,703	57,293
Net Pension Liability including Internal Service Funds (see Note 12)	<u>3,710,290</u>	<u>827,510</u>	<u>—</u>	<u>—</u>	<u>4,537,800</u>	<u>—</u>
Total Other Obligations	<u>5,037,817</u>	<u>1,528,608</u>	<u>—</u>	<u>(529,753)</u>	<u>6,036,672</u>	<u>1,056,563</u>
Total Governmental Activities						
Long-Term Obligations	<u>\$ 6,877,171</u>	<u>\$ 1,637,439</u>	<u>\$ 15,613</u>	<u>\$ (662,246)</u>	<u>\$ 7,867,977</u>	<u>\$ 1,139,629</u>

Business-type Activities	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amount Due Within One Year
WV Infrastructure and Jobs					
Development Council Revenue Bonds	\$ 178,340	\$ 74,320	\$ (83,805)	\$ 168,855	\$ 6,060
Premium/(Discount)	<u>12,709</u>	<u>5,479</u>	<u>(1,753)</u>	<u>16,435</u>	<u>835</u>
Total WV Infrastructure and Jobs					
Development Council Revenue Bonds	191,049	79,799	(85,558)	185,290	6,895
Accrued Tuition Contract Benefits	71,075	—	(9,371)	61,704	16,023
Insurance and Compensation Benefits	1,892,926	730,687	(819,420)	1,804,193	310,014
Compensated Absences	640	52	(78)	614	126
Net Pension Liability (see Note 12)	2,770	1,674	—	4,444	—
Accrued and Other	<u>9,518</u>	<u>5,572</u>	<u>(505)</u>	<u>14,585</u>	<u>14,585</u>
Total Business-type Activities Long Term	<u>\$ 2,167,978</u>	<u>\$ 817,784</u>	<u>\$ (914,932)</u>	<u>\$ 2,070,830</u>	<u>\$ 347,643</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, \$1.7 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, 2017, 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, 2017, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rate(s)%	Balance
Transportation Bonds:			
Payable from State Road Fund to build roads, issued under: 1996 SAFE Roads Amendment	2025	4.00%-5.00%	\$ 173,072
Infrastructure Bonds:			
Payable from dedicated severance tax revenues to fund water, wastewater, and economic development projects	2027	2.00%-7.625%	<u>186,189</u>
Total			<u>\$ 359,261</u>

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2017, were as follows (expressed in thousands):

Year Ending June 30	Principal	Interest	Total
2018	\$ 23,815	\$ 11,679	\$ 35,494
2019	26,240	10,484	36,724
2020	27,245	9,320	36,565
2021	28,390	8,113	36,503
2022	29,640	6,784	36,424
2023-2027	<u>121,370</u>	<u>12,769</u>	<u>134,139</u>
	<u>256,700</u>	<u>59,149</u>	<u>315,849</u>
Premium	<u>36,357</u>	—	<u>36,357</u>
Total	<u>293,057</u>	<u>\$ 59,149</u>	<u>\$ 352,206</u>
Capital Appreciation Bonds			
Year Ending June 30	Principal Net of Accreted Amounts	Future Accreted Amounts	Total
2018	6,949	\$ 126	\$ 7,075
2019	6,534	491	7,025
2020	7,555	1,020	8,575
2021	7,197	1,427	8,624
2022	6,896	1,829	8,725
2023-2027	<u>31,073</u>	<u>15,127</u>	<u>46,200</u>
Total	<u>66,204</u>	<u>\$ 20,020</u>	<u>\$ 86,224</u>
Total General Obligation Bonds	<u>\$ 359,261</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 \$500 million by constitutional amendment. The Division has issued \$53 million, leaving \$447 million in bonds authorized but not issued.

The following describes the purpose and dedicated revenue source of revenue bonds outstanding at June 30, 2017:

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

The Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007 are comprised of two series of turbo term bonds, the Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007A, which are current interest bonds issued in the amount of \$845,810,000, and the Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007B, which are capital appreciation bonds in the amount of \$65,331,503. The Series 2007 Bonds are secured by and are payable solely from the right, title, and interest of the TSFA of 100% of the Tobacco Receipts, and investment earnings on the accounts with the trustee under the Indenture. The tobacco receipts through 2039 have been estimated to be approximately \$2.4 billion, using 85% (the percentage actually received 2005-2007) of the amount calculated by the National Governor’s Association. Assuming a 5.2% interest rate, the net present value of the receipts is \$897 million. During FY 2017, \$68.3 million was paid for interest and principal. Actual tobacco receipts of \$68.0 million and interest earnings were used for the payments.

Economic Development Project Fund

The Economic Development Project Fund bonds, issued by EDA in FY 2004 in the amount of \$249.9 million to provide financing for various economic development project grants, are payable through 2029. The State has committed to appropriate each year, from the West Virginia Lottery net profits, amounts sufficient to cover the principal and interest requirements on the EDA debt. EDA has pledged these revenues as the sole

security for the bonds. Total principal and interest remaining on the debt is \$177.94 million with annual requirements ranging from \$19.0 million in FY 2018 to \$7.1 million in the final year. For the current year, principal and interest paid were \$18.7 million and the net profits of the Lottery committed to the debt were \$19 million.

EAST Fund

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 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, 2017, were as follows (expressed in thousands):

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Transportation	2016	2022	5.00	\$ 57,786
Tobacco Settlement Finance Authority	2007	2047	7.47-8.50	850,612
Economic Development Project Fund	2004	2027	1.20-6.07	132,926
Education, Arts, Sciences, and Tourism Fund	2010	2040	2.00-5.00	<u>141,597</u>
Subtotal Governmental				1,182,921
WV Infrastructure and Jobs Development Council	2006-2016	2046	2.00-5.00	<u>185,290</u>
Total				<u>\$1,368,211</u>

Future amounts required to pay principal and interest on revenue bonds at June 30, 2017, were as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 50,770	\$ 75,907	\$ 126,677
2019	53,090	72,805	125,895
2020	57,185	69,466	126,651
2021	61,585	65,845	127,430
2022	66,350	61,858	128,208
2023-2027	360,340	240,019	600,359
2028-2032	417,050	106,652	523,702
2033-2037	77,405	21,023	98,428
2038-2042	42,810	5,328	48,138
2043-2047	<u>5,435</u>	<u>456</u>	<u>5,891</u>
	<u>1,192,020</u>	<u>719,359</u>	<u>1,911,379</u>
Premium	<u>26,009</u>	<u>—</u>	<u>26,009</u>
Total	<u>1,218,029</u>	<u>\$ 719,359</u>	<u>\$ 1,937,388</u>

Capital Appreciation Bonds

<u>Year Ending June 30</u>	<u>Principal Net of Accreted Amounts</u>	<u>Future Accreted Amounts</u>	<u>Total</u>
2018	—	\$ 13,036	\$ 13,036
2019	—	14,167	14,167
2020	—	15,397	15,397
2021	—	16,734	16,734
2022	—	18,186	18,186
2023-2027	—	117,533	117,533
2028-2032	—	173,907	173,907
2033-2037	—	128,594	128,594
2038-2042	<u>150,182</u>	<u>15,326</u>	<u>165,508</u>
Total	<u>150,182</u>	<u>\$ 512,880</u>	<u>\$ 663,062</u>
Total Revenue Bonds	<u>\$1,368,211</u>		

Certain revenue bonds have call provisions providing for redemption at the option of the State, beginning ten years following the date of issuance, in whole or in part, in inverse order of maturity, and pay a redemption price not exceeding 103% of par value. Notes payable are issued by Information Services and Communications and Travel Management internal service funds for the purpose of financing various equipment and vehicles. Notes payable outstanding at June 30, 2017, were as follows (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	\$ 1,305
Travel Management	2017-2020	0.94-1.64	<u>13,284</u>
Total Notes Payable			<u>\$ 14,589</u>

Future amounts required to pay principal and interest on notes payable at June 30, 2017, were as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 6,415	\$ 142	\$ 6,557
2019	4,826	72	4,898
2020	2,620	26	2,646
2021	<u>728</u>	<u>4</u>	<u>732</u>
Total Notes Payable	<u>\$14,589</u>	<u>\$ 244</u>	<u>\$14,833</u>

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

	<u>Balance June 30, 2016</u>	<u>Additions /Debt Issued</u>	<u>Reductions /Debt Paid</u>	<u>Other Changes</u>	<u>Balance June 30, 2017</u>	<u>Amount Due Within One Year</u>
Revenue Bonds:						
Economic Development Authority	\$ 275,765	\$ —	\$ (14,810)	\$ —	\$ 260,955	\$ 16,120
Housing Development Fund	363,258	39,626	(65,691)	(173)	337,020	35,715
Parkways Authority	29,789	—	(9,310)	(151)	20,328	9,805
Water Development Authority	198,501	51,105	(63,040)	2,791	189,357	9,082
Higher Education	1,377,517	55,045	(77,422)	6	1,355,146	41,820
Regional Jail Authority	38,020	—	(6,830)	—	31,190	7,195
School Building Authority	<u>470,477</u>	<u>21,255</u>	<u>(27,235)</u>	<u>2,089</u>	<u>466,586</u>	<u>29,620</u>
Total Discretely Presented Component Unit Revenue Bonds	<u>\$ 2,753,327</u>	<u>\$167,031</u>	<u>\$(264,338)</u>	<u>\$ 4,562</u>	<u>\$ 2,660,582</u>	<u>\$ 149,357</u>
Capital Leases:						
Higher Education	<u>\$ 52,147</u>	<u>\$ 6,343</u>	<u>\$ (7,415)</u>	<u>\$ —</u>	<u>\$ 51,075</u>	<u>\$ 4,588</u>
Notes Payable:						
Housing Development Fund	\$ 622	\$ —	\$ —	\$ 129	\$ 751	\$ —
Economic Development Authority	9,409	8	—	—	9,417	1,085
Regional Jail Authority	441	—	(106)	—	335	99
Higher Education	<u>52,000</u>	<u>28,734</u>	<u>(14,392)</u>	<u>(104)</u>	<u>66,238</u>	<u>3,100</u>
Total Discretely Presented Component Unit Notes Payable	<u>\$ 62,472</u>	<u>\$ 28,742</u>	<u>\$(14,498)</u>	<u>\$ 25</u>	<u>\$ 76,741</u>	<u>\$ 4,284</u>
Other Debt Related Items:						
Accrued and Other	\$ 432,130	\$ 6,192	\$ (12,968)	\$ —	\$ 425,354	\$ 257,836
Compensated Absences	53,833	801	(860)	—	53,774	49,220
Net Pension Liability (see Note 12)	<u>55,518</u>	<u>25,698</u>	<u>(357)</u>	<u>—</u>	<u>80,859</u>	<u>—</u>
Total Discretely Presented Component Other Items	<u>\$ 541,481</u>	<u>\$ 32,691</u>	<u>\$(14,185)</u>	<u>\$ —</u>	<u>\$ 559,987</u>	<u>\$ 307,056</u>

West Virginia

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	\$ 260,955
Housing Development Fund	2007-2017	2047	1.05-4.25	337,020
Parkways Authority	2002-2008	2019	3.50-5.25	20,328
Water Development Authority	2005-2016	2044	2.00-5.125	189,357
Higher Education	1998-2016	2045	0.58-7.65	1,355,146
Regional Jail Authority	1998	2021	5.12-5.35	31,190
School Building Authority	2007-2016	2032	2.00-6.92	<u>466,586</u>
Total Revenue Bonds				<u>\$ 2,660,582</u>

Future amounts required to pay principal and interest on revenue bonds of the discretely presented component units at June 30, 2017, were as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 149,335	\$ 103,441	\$ 252,776
2019	146,865	98,607	245,472
2020	215,066	89,977	305,043
2021	138,491	84,869	223,360
2022	122,470	82,751	205,221
2023-2027	739,132	334,580	1,073,712
2028-2032	446,984	209,092	656,076
2033-2037	303,642	102,423	406,065
2038-2042	215,201	43,984	259,185
2043-2047	100,261	7,667	107,928
2048-2051	<u>300</u>	<u>6</u>	<u>306</u>
	<u>2,577,747</u>	<u>1,157,397</u>	<u>3,735,144</u>
Discount	(1,265)	—	(1,265)
Premium	<u>84,100</u>	<u>—</u>	<u>84,100</u>
Total	<u>\$ 2,660,582</u>	<u>\$ 1,157,397</u>	<u>\$ 3,817,979</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, 2017 (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	\$ 751
Economic Development Authority	2007 & 2017	2029	3.00	9,417
Regional Jail Authority	2015	2020	1.23	335
Higher Education	2008-2014	2033	1.90-6.65	<u>66,238</u>
Total Notes Payable				<u>\$ 76,741</u>

Future amounts required to pay principal and interest on notes payable of the discretely presented component units at June 30, 2017, were as follows (expressed in thousands):

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 4,368	\$ 1,743	\$ 6,111
2019	4,866	1,664	6,530
2020	3,855	1,599	5,454
2021	6,011	1,526	7,537
2022	5,268	1,816	7,084
2023-2027	21,758	5,853	27,611
2028-2032	9,438	3,601	13,039
2033-2037	9,786	2,396	12,182
2038-2042	5,854	1,312	7,166
2043-2047	<u>5,537</u>	<u>410</u>	<u>5,947</u>
Total	<u>\$ 76,741</u>	<u>\$ 21,920</u>	<u>\$ 98,661</u>

Parkways Authority

In July 2008, the Parkways Authority (Parkways) issued \$59,100,000 of Variable Rate Demand Revenue Refunding Bonds for the express purpose of refunding \$59,100,000 of the Parkways Series 2003 Bonds. This refunding resulted in a \$5,972,000 deferred loss arising from the difference between the reacquisition price and the net carrying amount of the refunded debt. Amortization of this deferral, charged annually to interest expense through 2019, approximated \$569,000 in 2017 and 2016, respectively. Parkways completed the refunding to remove the requirement for bond insurance that was included in the Series 2003 Bonds. In July 2011, Parkways converted the Series 2008 Variable Rate Demand Revenue Refunding Bonds to a LIBOR Index rate and placed the bonds with a direct purchaser. The supplemental indenture established eight distinct registered bonds in principal amounts identical to the principal maturity schedule prior to the conversion. The Indenture establishes an applicable factor ranging

from 67% to 82% of the one-month LIBOR Index with an additional spread ranging from 70 to 110 basis points on each bond. The Interest Rate Swap associated with the Series 2008 Variable Rate Bonds was amended to relate to the new index rate bonds under substantially similar terms.

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

Type	Pay-fixed interest rate swap
Objective	Hedge changes in cash flows on the Series 2008 Refunding Variable Rate Bonds
Notional Amount	\$13,100,000
Effective Date	July 2, 2008
Maturity Date	April 15, 2019
Terms	Pay 4.387%, receive 67% of One-Month LIBOR

The fair value of this interest rate swap is estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rate implied by the yield curve correctly anticipates future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for hypothetical zero-coupon bonds due on the date of the future net settlement on the swap. At June 30, 2017 and 2016, 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, 2017, and the change in fair value of the instrument for the year ended June 30, 2017, 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, 2017, 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, 2017, 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>	
2018	\$ 6,400	\$ 246	\$ 472	\$ 7,118
2019	<u>6,700</u>	<u>128</u>	<u>241</u>	<u>7,069</u>
	<u>\$ 13,100</u>	<u>\$ 374</u>	<u>\$ 713</u>	<u>\$ 14,187</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, 2017, 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, 2017, is approximately \$2.1 billion and \$1.7 billion for HFA and EDA, respectively.

Current Year Extinguishment of Debt

During 2017, the Housing Development Fund redeemed or refunded bonds in the amount of \$14,505,000. The 2017 refundings reduced total debt service payments over the next 17 years by approximately \$4,645,000 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 \$1,861,000. Also during the year, the Fund redeemed \$38,495,000 of bonds at redemption prices that approximated their carrying value.

In December 2016, the Water Development Authority refunded three series of previously outstanding bonds which affected loan program II. Series 2016A-II, issued for \$51,105,000, with interest rates ranging from 2% to 5%, were used to refund \$13,345,000 of the remaining balance of the Authority's outstanding Series 2005 A-II revenue bonds, with interest rates ranging from 4.375% to 5%, and \$9,100,00 of the remaining balance of the Authority's outstanding Series 2005 B-II revenue bonds with interest rates ranging from 4.375% to 5%. Series 2016 A-II was also used to refund \$32,290,000 of the remaining balance of the Authority's outstanding Series 2006 A-II revenue bonds with interest rates ranging from 4% to 5%. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refunded debt of \$(406,641). The Authority completed the refunding to reduce its total debt service payments over the next 23 years by \$7,419,424 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$5,812,520.

In December 2016, the West Virginia Infrastructure and Jobs Development Council issued 2016 Series A Revenue and Refunding Bonds in the amount of \$74,320,00, with interest rates ranging from 2% and 5%, to refund \$37,185,000 of the remaining balance of the Council's outstanding 2006 Series A revenue bonds and \$7,855,000 of the remaining balance of the Council's outstanding 2006 Series B revenue bonds with interest rates ranging from 4% to 5%. 2016 Series A was also used to refund \$33,560,000 of the remaining balance of the Council's outstanding 2007 Series A with interest rates originally ranging from 4.25% to 5%. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the refund of \$(991,613). The Water Development Authority, on the behalf of the Council, completed the refunding to reduce its total debt service payments over the next 29 years by \$8,640,215 and to obtain an economic gain of \$5,826,728.

In January 2017, the Council issued Infrastructure General Obligation Refunding Bonds, Series 2017A, in the amount of \$28,215,000 with interest rates ranging from 2% and 5%, to currently refund \$31,600,000 of the Council's outstanding Series 2006 general obligation bonds, with interest rates ranging from 4.25% to 5%. Council completed the refunding to reduce its total debt service payments over the next nine years by \$3,873,486 and to obtain an economic gain (difference between the present values of the old and new debt service requirements, discounted to an effective interest rate of the new debt and adjusted for addition cash paid) of \$3,784,204.

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, 2017, the following outstanding bonds are considered defeased (expressed in thousands):

<u>Outstanding Amount</u>	
Primary Government	\$ 26,100
Discretely Presented Component Units	<u>251,160</u>
Total	<u>\$ 277,260</u>



NOTE 11

LEASES

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

The State has also entered into lease/purchase agreements with the Economic Development Authority (EDA) which issued bonds to finance construction and acquisition of various capital assets as well as an energy savings project. The State becomes the tenant of the facility under a lease/purchase agreement which provides for the payment of rentals sufficient to cover the related bond debt service and for the passage of title to the State after the bonds have been repaid. These capital leases, totaling \$261 million, are shown separately on the government-wide Statement of Net Position as capital leases payable to component units. More information on the related debt of EDA is included in Note 10.

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

The following table is an analysis of the capital leases, including capital leases between the primary government and the EDA described above, by asset category at June 30, 2017 (expressed in thousands):

	Primary Government Governmental Activities	
<u>Asset Type</u>	<u>Assets Acquired By Capital Lease</u>	<u>Accumulated Depreciation</u>
Land	\$ 2,362	\$ —
Building and Improvements	425,809	123,006
Construction in Process	—	—
Infrastructure	1,175	1,141
Total	\$ 429,346	\$ 124,147

Future minimum commitments under capital leases as of June 30, 2017, were as follows (expressed in thousands):

Year Ending June 30	Capital Leases		Total
	Governmental Activities, Including Payable to EDA	Discretely Presented Component Units	
2018	\$ 28,985	\$ 7,006	\$ 35,991
2019	29,147	6,926	36,073
2020	29,113	7,005	36,118
2021	29,072	6,841	35,913
2022	27,299	16,237	43,536
2023-2027	126,311	16,047	142,358
2028-2032	67,607	10,110	77,717
2033-2037	24,769	10,045	34,814
2038-2042	<u>11,805</u>	<u>5,815</u>	<u>17,620</u>
Total Minimum Lease Payments	374,108	86,032	460,140
Less: Interest	<u>(99,574)</u>	<u>(34,957)</u>	<u>(134,531)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 274,534</u>	<u>\$ 51,075</u>	<u>\$ 325,609</u>

Other leases, principally for equipment, are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease. Operating lease expenditure/expense for the year ended June 30, 2017, was \$37 million. Future minimum commitments under operating leases as of June 30, 2017, were as follows (expressed in thousands):

Year Ending June 30	Operating Leases		
	Governmental Activities	Discretely Presented Component Units	Total
2018	\$ 21,813	\$ 8,160	\$ 29,973
2019	18,741	6,669	25,410
2020	15,932	4,867	20,799
2021	13,061	4,363	17,424
2022	9,671	3,500	13,171
2023-2027	21,800	14,883	36,683
2028-2032	5,430	9,307	14,737
2033-2037	3,054	526	3,580
2038-2042	—	5	5
2043-2047	—	5	5
2048-2052	—	5	5
2053-2057	<u>—</u>	<u>6</u>	<u>6</u>
Total Minimum Lease Payments	<u>\$ 109,502</u>	<u>\$ 52,296</u>	<u>\$ 161,798</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, 2017, was 655, including 138 West Virginia state agencies, 118 cities and towns, 344 special districts, and 55 counties.

Benefits Provided

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

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

- The Deputy Sheriff Retirement System (DSRS) is a multiple-employer, cost-sharing, public employee retirement system which was established for all deputy sheriffs hired on or after July 1, 1998. Current employees were eligible to transfer from PERS. The State makes no employer contributions to DSRS.
- The Emergency Medical Services Retirement System (EMSRS) is a multiple-employer, cost-sharing public employee retirement system which was established for eligible emergency medical service officers. Participation is voluntary. The State makes no employer contributions to EMSRS.
- The Municipal Police Officers and Firefighters Retirement System (MPFRS) is a multiple-employer, cost-sharing public employee retirement system which was established for any municipality or municipal subdivision employing municipal police officers or firefighters. Participation is voluntary. The MPFRS had 275 participating members as of June 30, 2017. 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, 2017.

Benefits Provided

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

credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 60. For all employees hired after July 1, 2015, this age increases to 64 with 10 years of service, or age 63 with 20 years of service. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the five highest fiscal years of earnings during the last 15 fiscal years of earnings.

- The State Police Death, Disability, and Retirement System (SPDDRS), the State Police Retirement System (SPRS), and the Judges' Retirement System (JRS) are single-employer, public employee retirement systems.

Benefits Provided

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

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

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

completes 16 years of service of which 14 years of service was as a sitting judge or justice.

Plan membership consisted of the following as of the plan valuation date June 30, 2017:

	<u>SPDDRS</u>	<u>SPRS</u>	<u>JRS</u>
Retirees and beneficiaries currently receiving benefits	715	26	57
Terminated members entitled to benefits but not yet receiving them	3	9	2
Terminated nonvested members	6	121	1
Active members	<u>39</u>	<u>595</u>	<u>42</u>
Total	<u>763</u>	<u>751</u>	<u>102</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, 2017:

Statutory Contribution Rates as a Percent of Covered Payroll

<u>System</u>	<u>Member</u>	<u>Employer</u>
PERS	4.5% - 6.0%	12.0% 11.0% effective July 1, 2017
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, 2017 were (expressed in thousands):

<u>System</u>	<u>Actual Contribution</u>
PERS	\$110,591
TRS	426,385
SPDDRS	17,319
SPRS	3,657
JRS	747

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 \$254,218,000 for FY 2016, which is exclusive of the SAF appropriation.

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

The State's net pension asset (liability), deferred outflows of resources, deferred inflows of resources and pension expense relating to the governmental, business-type, fiduciary, and component units' activities for the PERS plan, governmental and component units' activities for the TRS plan, and governmental activities for the single employer plans are as follows for June 30, 2017 (expressed in thousands):

<u>Description</u>	<u>PERS</u>	<u>TRS</u>	<u>Single Employer Plans</u>	<u>Total</u>
Net Pension Liability	\$ (621,010)	\$(3,844,927)	\$ (103,933)	\$ (4,569,870)
Deferred Outflows of Resources	265,258	678,853	44,718	988,829
Deferred Outflows of Resources – Contributions after measurement date	110,591	426,385	21,723	558,699
Deferred Inflows of Resources	(54,198)	(238,957)	(7,819)	(300,974)
Pension Expense	99,430	353,080	17,092	469,602

At June 30, 2017, the State reported a net pension liability of \$4,465,937,000, for its proportionate share of the multiple-employer, cost-sharing plans which were measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to the measurement date of June 30, 2016. 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, 2016.

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, 2015, was \$379,669,000 (67.99%) and \$3,284,851,000 including a special funding situation (94.79%), respectively. At June 30, 2016, the State's proportionate share of the net pension liability for the PERS and TRS plans were \$621,010,000 (67.57%) and \$3,844,927,000 including a special funding situation (93.55%), respectively. The State's proportionate share for FY 2017 has decreased by 0.42% for the PERS and decreased by 1.24% for the TRS plan, which results in a change in net pension liability of \$241,341,000 and \$560,076,000 related to PERS and TRS, respectively.



West Virginia

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	90.81%	0.11%	0.03%
Net pension liability	\$ (563,918)	\$ (714)	\$ (178)
Pension expense	90,477	91	26
Deferred outflow of resources representing contributions subsequent to the measurement date	100,143	127	22
Deferred outflows of resources representing the changes in employer proportion	17,502	4	5
Deferred outflows of resources representing difference between expected and actual experience	47,307	60	56
Net deferred outflows of resources representing the difference between projected and actual earnings	176,922	224	15
Deferred inflows of resources representing the changes in employer proportion	(22,609)	(12)	(10)
Deferred inflows of resources representing change in assumptions	(27,566)	(35)	(9)
Amortization of applicable deferred amounts in current period	191,556	241	57
Amortization of applicable deferred amounts in future periods:			
2018	26,977	38	9
2019	29,286	36	8
2020	80,414	99	23
2021	54,879	68	17
Sensitivity Analysis:			
Net pension liability at 6.5% discount rate	(1,020,782)	(1,292)	(333)
Net pension liability at 7.5% discount rate	(563,918)	(714)	(178)
Net pension asset (liability) at 8.5% discount rate	(175,922)	(223)	(56)

<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>
0.15%	0.12%	0.30%	0.71%	0.08%	8.40%	100%
\$(903)	\$(766)	\$(1,883)	\$(4,444)	\$ (512)	\$ (52,136)	\$ (621,010)
120	84	282	603	25	8,325	99,430
159	123	347	778	103	9,567	110,591
57	30	19	115	—	675	18,292
75	64	156	411	161	4,442	52,321
284	241	591	1,355	75	16,293	194,645
—	—	(134)	(156)	—	(1,083)	(23,848)
(44)	(37)	(92)	(217)	(25)	(2,542)	(30,350)
372	298	540	1,508	211	17,785	211,060
130	103	43	323	73	2,505	29,878
128	103	71	346	73	2,719	32,424
112	89	245	568	63	7,466	88,511
2	3	181	271	2	5,095	60,247
(1,635)	(1,386)	(3,407)	(8,053)	(927)	(94,375)	(1,124,137)
(903)	(766)	(1,883)	(4,444)	(512)	(52,136)	(621,010)
(282)	(239)	(587)	(1,387)	(160)	(16,265)	(193,734)

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	\$ 194,645	\$ —
Changes in proportion and difference between employer contributions and proportionate share of contributions	18,292	(23,848)
Difference between expected and actual experience	52,321	—
Change in assumptions	—	(30,350)
Contributions made subsequent to the measurement date	<u>110,591</u>	<u>—</u>
Total	<u>\$ 375,849</u>	<u>\$ (54,198)</u>

Deferred outflows of resources of \$110,591,000 related to pensions are the result of contributions made subsequent to the measurement date of June 30, 2016 and will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 29,878
2019	32,424
2020	88,511
2021	60,247

TRS including special funding situation (expressed in thousands):

	Governmental	Component	
	<u>Activities</u>	<u>Units</u>	<u>Total</u>
Proportionate share of statewide amount	99.25%	0.75%	100%
Net pension liability	\$ (3,816,204)	\$ (28,723)	\$ (3,844,927)
Pension expense, net of interfund special funding situation	347,069	6,011	353,080
Deferred outflows of resources representing contributions subsequent to the measurement date	423,961	2,424	426,385
Deferred outflows of resources representing the changes in employer proportion	174,073	1,140	175,213
Deferred outflows of resources representing the net difference between expected and actual experience	34,940	255	35,195
Deferred outflows of resources representing the net difference between projected and actual earnings on pension plan investments	314,054	2,318	316,372
Deferred outflows of resources representing difference in assumptions	150,952	1,121	152,073
Deferred inflows of resources representing the changes in employer proportion	(212,493)	(4,009)	(216,502)
Deferred inflows of resources representing the net difference between expected and actual experience	(22,292)	(163)	(22,455)
Amortization of applicable deferred amounts in current period	439,234	662	439,896
Amortization of applicable deferred amounts in future periods:			
2018	93,853	141	93,994
2019	93,853	141	93,994
2020	93,553	141	93,694
2021	129,237	195	129,432
2022	28,738	44	28,782
Sensitivity Analysis:			
Net pension liability at 6.50% discount rate	(4,827,819)	(36,337)	(4,864,156)
Net pension liability at 7.50% discount rate	(3,816,204)	(28,723)	(3,844,927)
Net pension liability at 8.50% discount rate	(2,951,517)	(22,215)	(2,973,732)

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	\$ 316,372	\$ —
Changes in proportion and difference between employer and proportionate share of contributions	175,213	(216,502)
Difference in expected and actual experience	35,195	(22,455)
Difference in assumptions	152,073	
Contributions made subsequent to the measurement date	<u>426,385</u>	<u>—</u>
Total	<u>\$ 1,105,238</u>	<u>\$ (238,957)</u>

Deferred outflows of resources of \$426,385,000 related to pensions are the result of contributions made subsequent to the measurement date of June 30, 2016 and will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 93,994
2019	93,994
2020	93,694
2021	129,432
2022	28,782

As of June 30, 2017, the State reported a net pension asset and a net pension liability of \$53,745,000 and \$157,678,000, respectively, for the single employer plans, which were measured as of June 30, 2016. The total pension liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to the measurement date of June 30, 2016. 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)	\$ (7,469)	\$ (150,209)	\$ 53,745	\$ (103,933)
Pension expense	4,121	17,081	(4,110)	17,092
Deferred outflow of resources representing contributions subsequent to the measurement date	3,657	17,319	747	21,723
Deferred outflows of resources representing the net difference between projected and actual earnings on pension plan investments	6,602	28,753	7,906	43,261
Deferred outflows of resources representing the difference between expected and actual experience	1,457	—	—	1,457
Deferred inflows of resources representing the difference between expected and actual experience	(155)	—	(7,664)	(7,819)
Amortization of applicable deferred amounts in current period	7,904	28,753	242	36,899
Amortization of applicable deferred amounts in future periods:				
2018	999	3,053	(2,229)	1,823
2019	1,001	3,055	(2,228)	1,828
2020	3,049	13,486	2,337	18,872
2021	2,177	9,159	2,362	13,698
2022-2025	678	—	—	678
Sensitivity Analysis:				
Net pension asset/(liability) 6.5%	(34,483)	(245,100)	41,066	(238,517)
Net pension asset/(liability) 7.5%	(7,469)	(150,209)	53,745	(103,933)
Net pension asset/(liability) 8.5%	14,165	(72,654)	64,498	6,009

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

SPDDRS	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 6/30/2015	\$ 711,517	\$ 607,158	\$ 104,359
Changes for the year:			
Service cost	1,263	—	1,263
Interest	51,913	—	51,913
Difference between expected and actual experience	6,283	—	6,283
Contributions – employer	—	13,977	(13,977)
Contributions – employee	—	320	(320)
Net investment income	—	(1,230)	1,230
Benefit payments	(41,969)	(41,969)	—
Administrative expense	—	(48)	48
Other changes	—	590	(590)
Net changes	<u>17,490</u>	<u>(28,360)</u>	<u>45,850</u>
Balances at 6/30/2016	<u>\$ 729,007</u>	<u>\$ 578,798</u>	<u>\$ 150,209</u>

SPRS	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at 6/30/2015	\$ 128,610	\$ 132,117	\$ (3,507)
Changes for the year:			
Service cost	6,750	—	6,750
Interest	10,113	—	10,113
Difference between expected and actual experience	1,636	—	1,636
Contributions – employer	—	3,887	(3,887)
Contributions – employee	—	3,755	(3,755)
Net investment income	—	91	(91)
Benefit payments	(1,071)	(1,071)	—
Administrative expense	—	(47)	47
Other	—	(163)	163
Net changes	<u>17,428</u>	<u>6,452</u>	<u>10,976</u>
Balances at 6/30/2016	<u>\$ 146,038</u>	<u>\$ 138,569</u>	<u>\$ 7,469</u>

JRS	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at 6/30/2015	\$ 112,532	\$ 170,703	\$ (58,171)
Changes for the year:			
Service cost	2,681	—	2,681
Interest	8,478	—	8,478
Difference between expected and actual experience	(5,813)	—	(5,813)
Contributions – employer	—	739	(739)
Contributions – employee	—	401	(401)
Net investment income	—	(175)	175
Benefit payments	(4,429)	(4,429)	—
Administrative expense	—	(6)	6
Other changes	—	(39)	39
Net changes	<u>917</u>	<u>(3,509)</u>	<u>4,426</u>
Balances at 6/30/2016	<u>\$ 113,449</u>	<u>\$ 167,194</u>	<u>\$ (53,745)</u>

Actuarial Methods and Assumptions

The total pension liabilities for financial reporting purposes were determined by an actuarial valuation as of July 1, 2015 rolled forward to June 30, 2016, using the actuarial assumptions and methods.

Significant assumptions used in the actuarial valuations are as follows:

	<u>PERS</u>	<u>TRS</u>	<u>SPDDRS</u>
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Asset valuation method	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	—	3.00% – 6.00%	—
Non Teachers	—	3.00% – 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	Active males – RP-2000 non-annuitant mortality table, projected with Scale AA on a fully generational basis; Active females – RP-2000 non-annuitant mortality table, projected with Scale AA on a fully generational basis; Retired healthy males – 110% of RP-2000 healthy annuitant mortality table, projected with Scale AA on a fully generational basis; Retired healthy females – 101% of RP-2000 healthy annuitant mortality table, projected with Scale AA on a fully generational basis; Disabled males – 96% of RP-2000 disabled annuitant table, projected with Scale AA on a fully generational basis; Disabled females – 107% of RP-2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	Active–RP-2000, non-annuitant mortality table, projected with AA on a fully generational basis; retired healthy males – 97% of RP-2000 healthy annuitant table, projected with Scale AA on a fully generational basis; retired healthy females – 94% of RP-2000 healthy annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96% of RP-2000 disabled annuitant table, projected with Scale AA on a fully generational basis; disabled females – 101% of RP-2000 disabled annuitant table, projected with Scale AA on a fully generational basis.	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	2010 - 2015	2006 - 2011

	<u>SPRS</u>	<u>JRS</u>
Actuarial cost method	Entry age normal	Entry age normal
Actuarial valuation method	Market value	Market value
Amortization method	Level dollar, fixed period	Level dollar, fixed period
Amortization period	Through FY 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 with Scale BB; 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, projected to 2025 Scale BB; disabled – RP-2000 healthy annuitant tables, projected to 2025 with Scale BB, set forward one year.
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, 2016:

<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%
TIPS	2.7%	0%
Real Estate	7.0%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	<u>10.0%</u>
Total		<u>100.0%</u>

Discount Rate

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

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

Defined Contribution Plans

The Teachers' Defined Contribution Retirement System (TDCRS)

TDCRS, administered by the Consolidated Public Retirement Board, is a multiple-employer defined contribution retirement system primarily covering the full-time employees of the State's 55-county public school systems, the State Department of Education, and the School for the Deaf and the Blind, who were hired between July 1, 1991, and June 30, 2005. TDCRS members also include former TRS plan members, including higher education employees, who have elected to participate in the TDCRS plan. There are approximately 4,363 and 4,513 members in the TDCRS plan at June 30, 2017 and 2016, respectively. TDCRS retirement benefits depend solely on amounts contributed to the plan plus investment earnings. TDCRS closed participation to new members effective June 30, 2005.

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

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

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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 \$259,000 at June 30, 2017. These deposits, which had a bank balance of approximately \$259,000, 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, 2017, 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	\$470,828	\$470,828	\$ —	\$ —

For the year ended June 30, 2017, the approximate payroll of state employees covered by TDCRS was \$133 million, and total covered payroll for both the TDCRS and TRS was approximately \$1.6 billion. Both the employees and employers made the required contributions amounting to \$7.0 million and \$10.5 million, respectively, or approximately 5.2% 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, 2017, contributions were approximately \$45.2 million from the covered employees and approximately \$45.1 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, 2017, contributions were approximately \$671 thousand from the covered employees and \$671 thousand from the 13 participating institutions from the State of West Virginia.



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

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

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

In addition to the pension benefits allowing certain retirees to convert sick leave to health care premiums, state statutes provide that employees who retire may continue participation in the State's health insurance plan subject to certain length of service and participation requirements. Such employees are eligible to participate in the public employees' insurance program by making the premium contribution specified by the Public Employee's Insurance Agency (PEIA) Finance Board. Approximately 42,501 retirees, 12,242 inactive plan members, and 45,928 active plan members met those eligibility requirements at June 30, 2017.

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

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 557 respective employers who are required by law to remit at least the minimum annual premium component of the CRC.

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

Basis of Accounting

The RHBT is included in the fiduciary funds financial statements. Accordingly, the basic financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for governmental entities as prescribed or permitted by the GASB. Revenues are derived mainly from contributions from plan members and employers. Members' contributions are recognized in the period in which the contributions are due. Employers' contributions to the RHBT are recognized pursuant to a legal requirement, when there is a reasonable expectation of collection. Benefits and refunds are recognized when due and payable. RHBT cash and cash equivalents principally consist of the deposits in the Board of Treasury Investments (BTI) pooled funds recorded at fair value as more fully described in Note 4. For year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 15.9%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

The State's OPEB liability, including the county school boards, to RHBT at June 30, 2017, 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, 2017, June 30, 2016, and June 30, 2015, were approximately \$225 million, \$236 million, and \$262 million, respectively. The percentages contributed were 72%, 54%, and 58%, 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 2017, 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. The aforementioned \$30 million transfers commenced 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, 2017, June 30, 2016, and June 30, 2015, were approximately \$128 million, \$128 million, and \$130 million, respectively; 69%, 54%, and 57%, of the required amount, respectively. These contributions were approximately \$57 million, \$109 million, and \$97 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 57th St., SE, Suite 2, Charleston, WV 25304.

NOTE 14**RISK MANAGEMENT**

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

On March 12, 2011, the West Virginia Legislature created the State Entities Workers' Compensation Program Fund (SEWC) to provide a means of managing workers' compensation coverage for persons directly employed by the State of West Virginia. The SEWC functions as an insurance purchasing risk pool and is administered by the Office of the Insurance Commissioner (OIC). On October 1, 2011, the OIC entered into a high-deductible insurance coverage policy with Zurich. Pursuant to the policy provisions, the SEWC retains the loss exposure up to \$250,000 per occurrence. The SEWC has provided for these losses by establishing a Loss Reserve Fund with Zurich. The SEWC had a total of \$14.7 million in unpaid claims and claim adjustment expenses at June 30, 2017.

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

The Patient Injury Compensation Fund (PICF) is an agency fund of the State, administered by BRIM. The balance of the PICF does not reflect claims until an award becomes final and all reasonable means of recovery have been exhausted. The PICF works on a "claims filed" basis and \$2.3 million was paid on four claims filed in fiscal year 2017. There are 15 claims pending totaling \$10.5 million as of June 30, 2017. Since the inception of the PICF, there have been approximately \$8.5 million in payments through June 30, 2017. The assets and liabilities as of June 30, 2017, are approximately \$3.1 million. The amount of settlements in the major insurance enterprise funds have not exceeded insurance coverage in the past three years.

Description of the Funds

Board of Risk and Insurance Management

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

Underwriting and rate-setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be paid by the participants. The BRIM risk pool retains a \$1 million per occurrence coverage maximum on all third-party liability claims. In the normal course of business, BRIM seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable operating results by reinsuring levels of risk in various areas of exposure with other insurance enterprises or reinsurers. Excess coverage under this program is limited to \$400 million per event, subject to limits on certain property. Reinsurance permits recovery of a portion of losses from reinsurers; however, it does not discharge the primary liability of BRIM as direct insurer of the risks insured. BRIM had reinsurance recovery at June 30, 2017, of \$1.7 million. BRIM does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. There have been no significant reductions in insurance coverage from the prior year.

Public Employees' Insurance Agency

PEIA provides a program of health, life, and prescription insurance for its member agencies. PEIA provides coverage for all participating state employees, including those of the institutions of higher education and the discretely presented component units. In addition, the political subdivisions in the State and certain other charitable and public service organizations may request coverage by PEIA. PEIA's general objectives are to provide a basic employee benefit insurance program which includes hospital, surgical, major medical, prescription drug, basic life, and accidental death for all participating employers and employees. Underwriting and rate-setting policies are established by PEIA. The cost of all coverage, as determined by PEIA, shall be paid by the participants. Life insurance coverage is limited to \$500,000. Premiums are established by PEIA at varying rates dependent upon, among other things, coverage required, number of dependents, state vs. nonstate employees, and active employee vs. retired employee. PEIA retains all risks for the health and prescription features of its indemnity plan. PEIA has transferred the risks for health and prescription coverage for those individuals covered by the Managed Care Organization (MCO) Plan to the plan providers. PEIA has reinsured 100% of the basic life benefits; however, PEIA remains contingently liable in the event the insurer does not honor its obligation. PEIA presently charges equivalent premiums for participants in either the indemnity plan or the MCO Plan. Altogether, PEIA insures approximately 169,000 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	
	2017	2016	2017	2016	2017	2016
Unpaid claims and claims adjustments expense at beginning 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>
Incurred claims and claims adjustments expense:						
Provision for insured events of the current fiscal year	70,705	66,740	542,457	556,952	463	1,297
Increase (decrease) in provision for insured events of prior fiscal years	(11,556)	(2,987)	(880)	(2,180)	58,509	123,795
Amortization of discount	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>65,197</u>	<u>66,268</u>
Total incurred claims and claims adjustment expense	<u>59,149</u>	<u>63,753</u>	<u>541,577</u>	<u>554,772</u>	<u>124,169</u>	<u>191,360</u>
Payments:						
Claims and claims adjustment expense attributable to insured events of the current fiscal year	11,922	12,863	480,228	500,897	30	381
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	<u>50,743</u>	<u>43,415</u>	<u>70,223</u>	<u>58,429</u>	<u>179,439</u>	<u>186,279</u>
Total payments	<u>62,665</u>	<u>56,278</u>	<u>550,451</u>	<u>559,326</u>	<u>179,469</u>	<u>186,660</u>
Total unpaid claims and claims adjustment expense liability, end of year	<u>\$164,919</u>	<u>\$168,435</u>	<u>\$ 64,649</u>	<u>\$ 73,523</u>	<u>\$1,518,000</u>	<u>\$1,573,300</u>

The above PEIA payments are net of pharmacy rebates of \$37,275 and \$24,184 for the years ended June 30, 2017 and June 30, 2016, 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 2017 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 \$14.4 million for fiscal year 2017. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense. At June 30, 2017, the total undiscounted claims liability for WCF approximated \$2.27 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 4%. If discounting of the WCF claims liability was limited to anticipated investment income, the claims liability would have increased by approximately \$418 million to a claims liability of approximately \$1.94 billion, and the total deficit would have increased to approximately \$315 million at June 30, 2017.

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.

On April 8, 2017, Senate Bill 362 was passed which authorized redirection by Executive Order of 75% of the amounts collected from employer surcharges and assessments on worker's compensation insurance policies for periods prior to June 30, 2018 and authorized redirection of 75% of the amounts collected from certain deposits of revenues derived from net terminal income for periods prior to June 30, 2018. The Governor may, by Executive Order, redirect seventy-five percent of the deposits of the amount collected from premium surcharges, self-insured assessments and net terminal income deposits for any period

commencing after fiscal year 2018, the employer surcharges and lottery revenues, estimated to yield approximately \$4 million annually, will remain statutorily dedicated to the Old Fund until the deficit is eliminated. On August 7, 2017, the Governor issued Executive Order 6-17, thereby redirecting 75% of Old Fund fiscal year 2018 deficit reduction revenues to the State's General Revenue Fund.

Required Supplementary Information

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

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

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

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

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



NOTE 15

COMMITMENTS AND CONTINGENCIES

Environmental Protection Claims

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

Management has estimated the total cost at current dollars of remediation efforts to approximate \$373 million at June 30, 2017. 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, 2017 (expressed in thousands):

	Balance			Balance	Amount
	June 30, 2016	Additions	Reductions	June 30, 2017	Due
					Within
					One Year
Mine Reclamation Program	\$ 217,551	\$ 41,389	\$ —	\$ 258,940	\$ 51,323
Landfill Closure Assistance Program	118,764	—	8,056	110,708	6,950
Underground Storage Tanks	3,018	—	99	2,919	107
Oil and Gas Well Program	<u>477</u>	<u>—</u>	<u>110</u>	<u>367</u>	<u>367</u>
Total Environmental Liability	<u>\$ 339,810</u>	<u>\$ 41,389</u>	<u>\$ 8,265</u>	<u>\$ 372,934</u>	<u>\$ 58,747</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 six landfills left to be closed. As of June 30, 2017, the liability is estimated at \$111 million and is projected to be paid through fiscal year 2053. In addition, the State, through the Solid Waste Management Board (the Board), operated one landfill that was closed in 1993. The Board made an application through the DEP for closure assistance from the LCAP. The Board's application was accepted by the LCAP and since then the LCAP has paid the landfill costs.

Underground Storage Tank (UST) Program

The insurance fund for the operators of the underground storage tanks has discontinued accepting new operators into the fund. In response to a lawsuit filed against the fund, the fund's assets have largely been paid out on a pro rata share to those insured. DEP continues to pursue additional sources of money from the Governor and the Legislature that will allow the insured sites to be remediated in an approved voluntary remediation plan or other cost-effective manner. DEP's plan also requires the claimants to submit a schedule for the completion of the work, and it is DEP's objective to have a clearly determined date by which remediation will be accomplished at all sites and no further reimbursements required. In this regard, it should be noted that 10 of 58 sites insured have been issued "no further action" letters, meaning they have been cleaned up to the required standards and will no longer incur additional cost. DEP believes requiring these sites to participate in an approved plan that requires the most cost-effective method of cleanup will result in an overall cost savings to the State and still protect the public health and environment. 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, 2017, was \$3.3 million and there were claims paid from the fund in fiscal year 2017 of approximately \$102 thousand. As of June 30, 2017, \$3 million has been recorded as a liability in the accompanying financial statements.

Other Contingencies

In addition to the environmental protection claims explained above, the State has recorded an obligation in the amount of \$83 million, of which \$14.7 million is a current obligation, for the payment of other contingencies. Such other contingencies include, but are not limited to, unclaimed property and Division of Highway claims. These claims are based on management's evaluation of the nature of such claims and consideration of historical loss experience for the respective types of action. Certain other claims may be covered by the State's insurance carrier under its general liability or medical malpractice coverage.

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

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

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

Federal Grants

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

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

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

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	\$ 849,296	Construction
Enterprise Funds:		
Water Pollution Control Revolving Fund	53,014	Committed for loans
West Virginia Infrastructure and Jobs Development Council	33,978	Funding of water and economic Development projects
Discretely Presented Component Units:		
West Virginia Lottery	9,460	Capital assets and construction
Economic Development Authority	62,745	Committed for loans
Housing Development Fund	29,654	Committed for loans
Parkways Authority	33,853	Turnpike improvements
Higher Education	30,211	Construction
School Building Authority	117,397	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 13 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 \$1.5 million was accrued at June 30, 2017, to record the WVU's liability to meet the minimum steam purchase requirement for the contract year ended September 30, 2017. Payments in future years will be dependent on actual operating costs and other cost indices in those years.

The West Virginia Providing Real Opportunities for Maximizing In-State Student Excellence (PROMISE) scholarship program provides scholarships to students within the West Virginia secondary education system who meet the scholarship requirements. The basic scholarship requirements include maintaining a 3.0 grade average, receiving an ACT composite score of 22 with a minimum sub-score of 20 in each of the four subject areas, and enrolling in a college or university in West Virginia. The program will pay for tuition and fees, and had \$2.2 million at June 30, 2017, to fund the program obligations. Subsequent to year-end, the program received \$6.6 million from the Lottery and \$18.5 million in general revenue.

NOTE 16**SUBSEQUENT EVENTS**

On August 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 \$7,970,000.

On September 26, 2017, the Glenville State College (Glenville) Board of Governors issued \$36,285,000 in Improvement and Refunding Revenue Bonds, Series 2017. The proceeds were used for refunding and redeeming Series 2016 Campus Community Center Bonds, Series 2007 Science Center Bonds, Series 2009 Goodwin Hall Bonds, Series 2011A Student Housing Bonds, and the 2011 Notes Payable.

On October 7, 2017, the citizens of West Virginia voted to allow the Division of Highways to issue up to \$1,600,000 in general obligation bonds over the next four years. The bonds would be used for major interstate and highways repairs and expansions projects, along with new bridge construction. As of the date of these financial statements no bonds have not been issued.

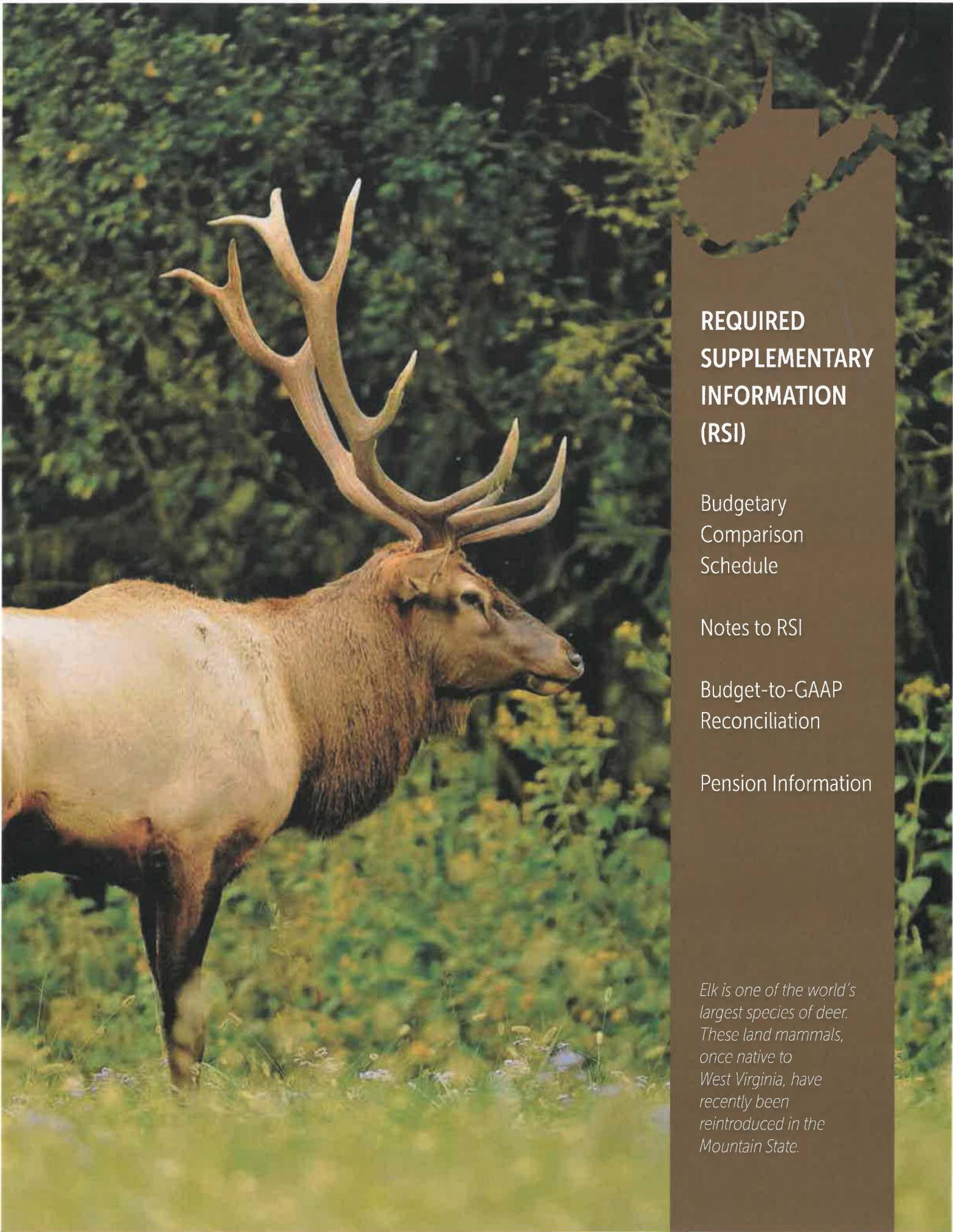
On October 26, 2017, the Division of Highways issued the Surface Transportation Improvements Special Obligation Notes Series 2017 A bonds in the amount of \$219,985,000. The proceeds were used to fund bridge replacement and interstate rehabilitation projects.

On November 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 \$11,460,000.

On December 21, 2017, the Higher Education Policy Commission issued \$26,455,000 in Refunding Revenue Bonds Series 2017. The proceeds of the 2017 bonds provided funds to refund the outstanding principal amount of the 2007 Series A bonds, advance refund certain maturities of outstanding principal amount the 2010 Series A Tax-Exempt bonds, and pay costs of issuing the 2017 Series bonds.

On December 21, 2017, the West Virginia University Research Corporation entered into a loan agreement of \$42,000,000. The majority of the loan, \$36,118,000, was used to payoff two existing loans. The remaining balance was for various other fees.





**REQUIRED
SUPPLEMENTARY
INFORMATION
(RSI)**

Budgetary
Comparison
Schedule

Notes to RSI

Budget-to-GAAP
Reconciliation

Pension Information

Elk is one of the world's largest species of deer. These land mammals, once native to West Virginia, have recently been reintroduced in the Mountain State.

**Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)**

	General Revenue Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes:				
Personal Income	\$ 1,914,225	\$ 1,914,225	\$ 1,813,866	\$ (100,359)
Consumer Sales	1,285,000	1,285,000	1,222,283	(62,717)
Severance	262,544	262,544	321,031	58,487
Corporate Income/Business Franchise	137,400	137,400	116,306	(21,094)
Business and Occupation	115,500	115,500	111,885	(3,615)
Gasoline and Motor Carrier	—	—	—	—
Wholesale Motor Fuel	—	—	—	—
Automobile Privilege	—	—	—	—
Other	343,000	343,000	344,062	1,062
Excess Lottery Transfer	65,000	65,000	65,464	464
Intergovernmental	—	—	—	—
Licenses, Permits, and Fees	8,950	8,950	8,666	(284)
Departmental Collections	19,100	19,100	19,134	34
Interest Income	8,000	8,000	6,045	(1,955)
Other	28,700	28,700	137,768	109,068
Industrial Access Road Transfer	—	—	—	—
Total Revenues	<u>4,187,419</u>	<u>4,187,419</u>	<u>4,166,510</u>	<u>(20,909)</u>
Expenditures:				
Legislature	15,727	15,727	12,409	3,318
Judicial	141,760	141,760	133,193	8,567
Executive	36,348	121,348	30,402	90,946
Department of Administration	61,027	61,027	58,054	2,973
Bureau of Commerce	52,362	52,362	47,386	4,976
Department of Environmental Protection	6,518	6,518	5,940	578
Education	2,365,029	2,365,029	2,332,284	32,745
Health and Human Resources	1,095,297	1,100,797	1,036,302	64,495
Military Affairs and Public Safety	358,837	358,837	333,187	25,650
Revenue	26,524	26,524	19,825	6,699
Transportation	5,498	5,498	2,067	3,431
Veteran's Assistance	10,304	10,304	9,794	510
Bureau of Senior Services	12,142	12,142	12,142	—
Miscellaneous Boards and Commissions	—	—	—	—
Total Expenditures	<u>4,187,373</u>	<u>4,277,873</u>	<u>4,032,985</u>	<u>244,888</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	46	(90,454)	133,525	223,979
Expenditures from Prior Year Appropriations	<u>304,467</u>	<u>304,467</u>	<u>167,971</u>	<u>136,496</u>
Total Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	(304,421)	(394,921)	(34,446)	360,475
Budgetary Fund Balance, Beginning of Year, as Adjusted	395,809	395,809	395,809	—
Adjustments for Accruals, etc.	<u>—</u>	<u>—</u>	<u>903</u>	<u>903</u>
Budgetary Fund Balance, End of Year	<u>\$ 91,388</u>	<u>\$ 888</u>	<u>\$ 362,266</u>	<u>\$ 361,378</u>

Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)
(Continued)

	Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget
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	2,044,937	1,415,157	1,577,595	162,438
Interest Income	—	—	—	—
Other	—	—	—	—
Industrial Access Road Transfer	—	—	—	—
Total Revenues	<u>2,044,937</u>	<u>1,415,157</u>	<u>1,577,595</u>	<u>162,438</u>
Expenditures:				
Legislature	4,187	4,097	1,439	2,658
Judicial	1,600	1,600	799	801
Executive	52,407	53,139	35,553	17,586
Department of Administration	186,352	187,352	160,112	27,240
Bureau of Commerce	51,673	57,723	38,129	19,594
Department of Environmental Protection	78,359	78,663	45,247	33,416
Education	210,816	218,874	199,476	19,398
Health and Human Resources	564,447	605,417	532,819	72,598
Military Affairs and Public Safety	42,285	43,575	23,916	19,659
Revenue	992,521	1,003,921	552,948	450,973
Transportation	13,751	13,751	7,201	6,550
Veteran's Assistance	3,130	3,130	2,845	285
Bureau of Senior Services	61,639	70,689	68,151	2,538
Miscellaneous Boards and Commissions	134,881	134,999	89,839	45,160
Total Expenditures	<u>2,398,048</u>	<u>2,476,930</u>	<u>1,758,474</u>	<u>718,456</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	(353,111)	(1,061,773)	(180,879)	880,894
Expenditures from Prior Year Appropriations	<u>58,571</u>	<u>58,571</u>	<u>16,643</u>	<u>41,928</u>
Total Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	(411,682)	(1,120,344)	(197,522)	922,822
Budgetary Fund Balance, Beginning of Year, as Adjusted	2,707,047	2,707,047	2,707,047	—
Adjustments for Accruals, etc.	<u>—</u>	<u>—</u>	<u>(5,098)</u>	<u>(5,098)</u>
Budgetary Fund Balance, End of Year	<u>\$ 2,295,365</u>	<u>\$ 1,586,703</u>	<u>\$ 2,504,427</u>	<u>\$ 917,724</u>

REQUIRED SUPPLEMENTARY INFORMATION

Notes to Required Supplementary Information

Budgetary Reporting

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

Budgetary Process

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

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

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

In the event of higher than estimated revenue collections throughout the year, supplemental appropriation requests may be made to the Legislature. In FY 2016, Appropriated Special Revenue and Federal Funds were increased by total supplemental appropriations of \$533 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 \$283 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 2016 General Revenue were increased by approximately \$27 million for surplus appropriations. The \$27 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.

2017 Budgetary Reporting

In FY 2017, \$38.0 million was transferred to the Rainy Day Fund.

The State's budgetary General Revenue Fund balance at July 1, 2016, has been adjusted as follows (expressed in thousands):

General Revenue Fund:

Beginning Fund Balance	\$ 312,477
Prior Year Refunds	435
Transfer from Expired Funds	97,300
Adjustment	<u>(14,403)</u>
Adjusted Beginning Fund Balance	<u>\$ 395,809</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, 2017, 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, 2017
(Expressed in Thousands)

Budgetary Funds	General Revenue Fund	Federal Fund	State Road Fund	Appropriated Special Revenue Fund
Sources/inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 4,166,510	\$ 4,350,274	\$ 1,158,105	\$ 1,577,595
Differences – Budget to GAAP:				
Intrafund transactions not included in GAAP revenues:	(5,442,219)	—	—	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	114,441	—	14,869	—
Basis of Accounting Difference	361,473	—	43,116	—
Reclassifications:				
Nonappropriated Budgetary Fund's Revenue included as revenue/transfers in the GAAP General, Transportation, and Other Funds	5,703,051	—	24,111	—
Budgetary special revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority and Other Funds	900,220	—	6,678	(1,577,595)
Budgetary federal funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority and Other Funds	<u>4,220,719</u>	<u>(4,350,274)</u>	<u>19,902</u>	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 10,024,195</u>	<u>\$ —</u>	<u>\$ 1,266,781</u>	<u>\$ —</u>
Uses/Outflows of resources				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 4,200,956	\$ 4,351,714	\$ 1,172,803	\$ 1,775,117
Differences – Budget to GAAP:				
Intrafund transactions not included in GAAP expenditures	(5,442,219)	—	—	—
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(106,477)	—	—	—
Basis of Accounting Difference	596,816	—	39,235	—
Reclassifications:				
Nonappropriated Budgetary Fund's exp./transfers out included as exp. in the GAAP General, Transportation, WV Infrastructure, and Other Funds	5,580,979	—	32,786	—
Budgetary general revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	(10,566)	—	3,602	—
Budgetary special revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	1,028,482	—	6,506	(1,775,117)
Budgetary federal revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	<u>4,222,961</u>	<u>(4,351,714)</u>	<u>20,016</u>	<u>—</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 10,070,932</u>	<u>\$ —</u>	<u>\$ 1,274,948</u>	<u>\$ —</u>

**Schedule of the State's Proportionate Share
of the Net Pension Liability
Multiple-Employer Cost Sharing Plans
June 30, 2017
(Expressed in Thousands)**

	PERS		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
State's proportion of the net pension liability	67.57%	67.99%	68.33%
State's proportionate share of the net pension liability	\$ 621,010	\$ 379,669	\$ 252,194
State's covered payroll	\$ 937,259	\$ 923,143	\$ 915,586
State's proportionate share of the net pension's liability as a percentage of its covered payroll	66.26%	41.13%	27.54%
Plan fiduciary net position as a percentage of the total pension liability	86.11%	91.29%	93.98%

	TRS		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
State's proportion of the net pension liability	1.46%	1.35%	1.35%
State's proportionate share of the net pension liability	\$ 60,156	\$ 46,931	\$ 46,438
State's covered payroll	\$ 312,801	\$ 306,699	\$ 343,570
State's proportionate share of the net pension's liability as a percentage of its covered payroll	19.23%	15.30%	13.52%
Plan fiduciary net position as a percentage of the total pension liability	61.42%	66.25%	65.95%

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

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

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

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

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

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

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

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

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

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

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

<u>Year Ended June 30</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
SPDDRS (1)					
2017	\$ 16,875	\$ 17,155	\$ (280)	\$ 3,181	539.30 %
2016	13,209	13,977	(768)	3,713	376.43 %
2015	20,860	21,668	(808)	5,120	423.20 %
2014	25,146	26,218	(1,072)	5,988	437.84 %
2013	15,162	16,210	(1,048)	6,779	239.12 %
2012	22,051	23,297	(1,246)	8,001	291.18 %
2011	25,940	25,131	809	8,960	280.48 %
2010	12,416	12,169	247	10,215	119.13 %
2009	4,018	4,679	(661)	10,400	44.99 %
2008	5,693	5,352	341	10,997	48.67 %
SPRS					
2017	\$ 4,427	\$ 3,657	\$ 770	\$ 31,582	11.58 %
2016	3,402	3,887	(485)	31,792	12.23 %
2015	3,183	4,060	(877)	29,574	13.73 %
2014	3,363	4,049	(686)	27,701	14.62 %
2013	3,802	4,193	(391)	27,670	15.15 %
2012	3,837	4,544	(707)	24,725	18.38 %
2011	4,387	4,570	(183)	23,635	19.34 %
2010	4,642	3,005	1,637	22,382	13.43 %
2009	3,446	2,340	1,106	20,285	11.54 %
2008	2,161	2,318	(157)	18,850	12.30 %
JRS					
2017	\$ 709	\$ 739	\$ (30)	\$ 9,122	8.10 %
2016	739	739	—	8,870	8.33 %
2015	2,845	2,845	—	9,248	30.76 %
2014	2,456	2,456	—	8,870	27.69 %
2013	2,422	2,422	—	8,860	27.34 %
2012	2,740	3,997	(1,257)	8,860	45.11 %
2011	3,454	3,954	(500)	8,256	47.89 %
2010	2,879	3,854	(975)	8,140	47.35 %
2009	2,763	6,034	(3,271)	8,261	73.04 %
2008	3,267	6,034	(2,767)	8,261	73.04 %

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>SPDDRS</u>
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:			
Service cost	\$ 1,263	\$ 1,774	\$ 2,215
Interest	51,913	50,748	49,778
Difference between actual and expected experience	6,283	4,344	—
Benefit payments	<u>(41,969)</u>	<u>(39,708)</u>	<u>(37,565)</u>
Net change in total pension liability	17,490	17,158	14,428
Total pension liability – beginning	<u>711,517</u>	<u>694,359</u>	<u>679,931</u>
Total pension liability – ending (a)	<u>729,007</u>	<u>711,517</u>	<u>694,359</u>
Plan fiduciary net position:			
Contributions – employer	13,977	21,668	26,955
Contributions – member	320	445	545
Net investment income	(1,230)	22,866	90,872
Benefit payments	(41,969)	(39,708)	(37,565)
Administrative expense	(48)	(51)	(52)
Other	<u>590</u>	<u>861</u>	<u>—</u>
Net change in plan fiduciary net position	(28,360)	6,081	80,755
Plan fiduciary net position – beginning	<u>607,158</u>	<u>601,077</u>	<u>520,322</u>
Plan fiduciary net position – ending (b)	<u>578,798</u>	<u>607,158</u>	<u>601,077</u>
State's net pension liability (asset) – ending (a) - (b)	<u>\$ 150,209</u>	<u>\$ 104,359</u>	<u>\$ 93,282</u>
Plan fiduciary net position as a percentage of total pension liability	79.40%	85.33%	86.57%
Covered payroll	\$ 3,713	\$ 5,120	\$ 5,988
State's net pension liability (asset) as a percentage of covered payroll	4044.98%	2038.28%	1557.82%
Information presented based upon measurement date of:	6/30/2016	6/30/2015	6/30/2014

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

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

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

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

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

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

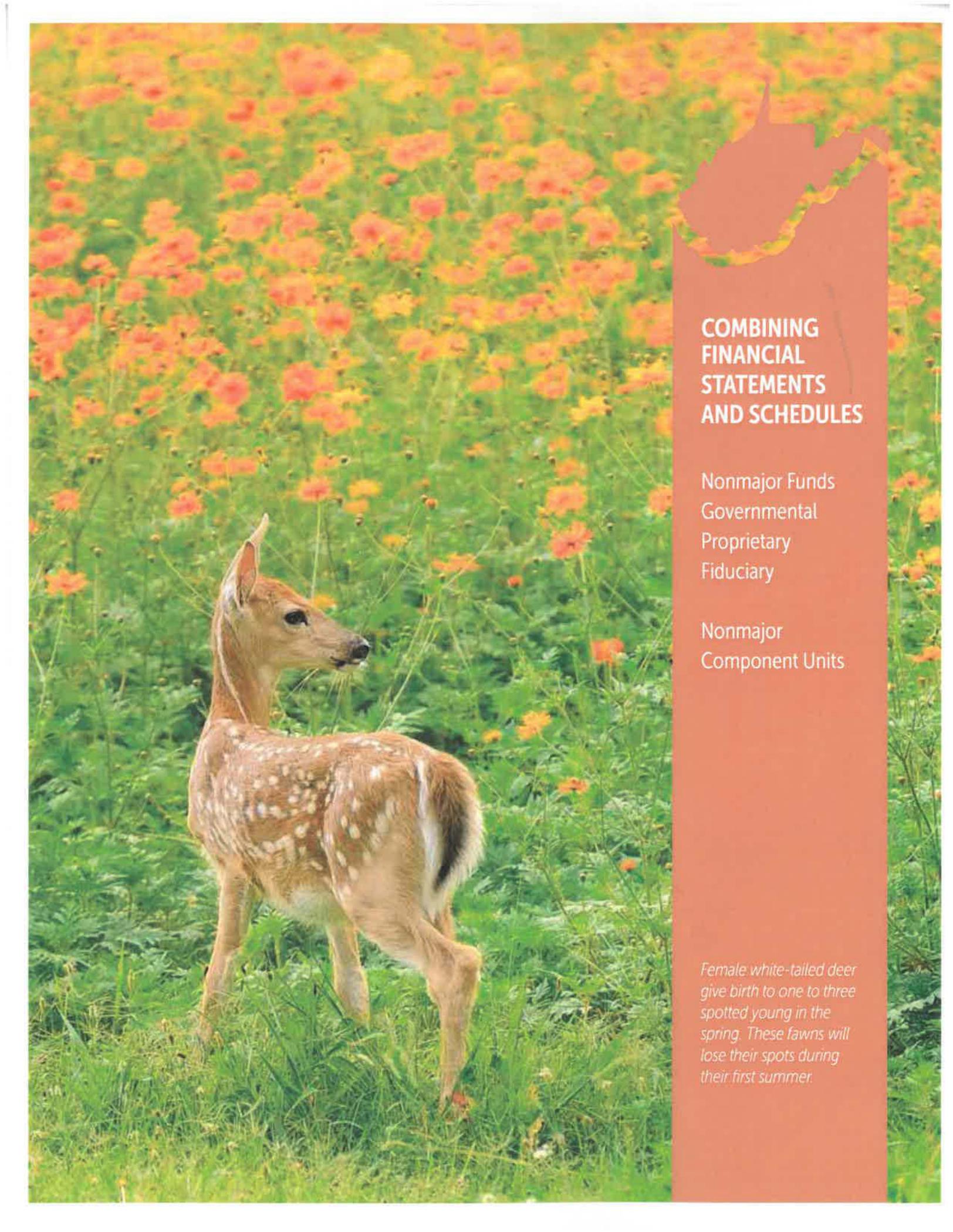
Note: This schedule is intended to show 10 years. Additional years will be added as they become available.

Notes to Required Supplementary Information

Changes in Assumptions

An experience study, which was based on the years 2010 through 2015, was approved by the Consolidated Public Retirement Board. As a result, valuation assumptions were changed as of June 30, 2016 to reflect the most recent experience study:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Projected salary increases			
State	3.00% – 4.6%	3.00% – 4.6%	4.25% – 6.0%
Nonstate	3.35% – 6.0%	3.35% – 6.0%	4.25% – 6.0%
Inflation rate	3.0%	1.90%	2.20%
Mortality rates	Healthy males – RP-2000 healthy annuitant table projected Scale AA; healthy females - 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	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	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%	1.75-35.1%	1-26%
Nonstate	2-35.8%	2-35.8%	2-31.2%
Disability rates	0-.675%	0-.675%	0-.8%

A young spotted fawn stands in a field of orange flowers. The fawn is light brown with white spots and is looking to the right. The field is filled with many orange flowers and green foliage. On the right side of the image, there is a vertical orange bar with a white outline of the state of Ohio at the top. The text is located within this bar.

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

Nonmajor Funds
Governmental
Proprietary
Fiduciary

Nonmajor
Component Units

Female white-tailed deer give birth to one to three spotted young in the spring. These fawns will lose their spots during their first summer.



GOVERNMENTAL FUND TYPES - NONMAJOR

Special Revenue:

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

Debt Service:

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

Capital Projects:

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

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

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

Permanent Funds:

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

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

West Virginia

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017
(Expressed in Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>
Assets:		
Cash and Cash Equivalents	\$ 337,275	\$ 53,042
Investments	120,905	—
Receivables, Net	7,532	26
Due from Other Governments	2,433	—
Due from Other Funds	64	—
Due from Component Units	—	1,055
Inventories	15	—
Restricted Assets:		
Cash and Cash Equivalents	<u>1,470</u>	<u>—</u>
Total Assets	<u>\$ 469,694</u>	<u>\$ 54,123</u>
Liabilities:		
Accounts Payable	\$ 26,573	\$ —
Accrued and Other Liabilities	22,166	—
Due to Other Governments	9,314	—
Due to Other Funds	<u>30,421</u>	<u>—</u>
Total Liabilities	<u>88,474</u>	<u>—</u>
Fund Balances:		
Nonspendable:		
Inventories	15	—
Permanent Fund	—	—
Restricted for:		
Capital Projects	—	—
Debt Service	—	54,123
Development, Tourism, and Recreation	63,888	—
Education	—	—
Public Protection	57,160	—
Committed to:		
General Government Operations	1,642	—
Public Protection	265,899	—
Assigned to:		
Public Protection	6,226	—
Unassigned	<u>(13,610)</u>	<u>—</u>
Total Fund Balances	<u>381,220</u>	<u>54,123</u>
Total Liabilities and Fund Balances	<u>\$ 469,694</u>	<u>\$ 54,123</u>

Capital Projects		Permanent Fund	
Education, Arts, Sciences and Tourism Fund	Lease Purchase Account	Irreducible School	Total
\$ 391	\$ 10,295	\$ 1,888	\$ 402,891
—	—	—	120,905
—	4	1	7,563
—	—	—	2,433
—	—	—	64
—	—	—	1,055
—	—	—	15
—	—	—	1,470
<u>\$ 391</u>	<u>\$ 10,299</u>	<u>\$ 1,889</u>	<u>\$ 536,396</u>
\$ 32	\$ —	\$ —	\$ 26,605
—	—	—	22,166
—	—	—	9,314
—	—	—	30,421
<u>32</u>	<u>—</u>	<u>—</u>	<u>88,506</u>
—	—	—	15
—	—	1,000	1,000
359	10,299	—	10,658
—	—	—	54,123
—	—	—	63,888
—	—	889	889
—	—	—	57,160
—	—	—	1,642
—	—	—	265,899
—	—	—	6,226
—	—	—	(13,610)
<u>359</u>	<u>10,299</u>	<u>1,889</u>	<u>447,890</u>
<u>\$ 391</u>	<u>\$ 10,299</u>	<u>\$ 1,889</u>	<u>\$ 536,396</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)**

	<u>Special Revenue</u>	<u>Debt Service</u>
Revenues:		
Intergovernmental	\$ 134,094	\$ —
Licenses, Permits, and Fees	113,422	—
Charges for Services	—	—
Lottery Revenue	—	10,659
Investment Earnings	25,342	200
Other	<u>6,426</u>	<u>—</u>
Total Revenues	<u>279,284</u>	<u>10,859</u>
Expenditures:		
Legislative	1,804	—
Administration	—	3
Commerce	—	209
Environmental Protection	146,660	—
Employment Programs	51,546	—
Military Affairs and Public Safety	—	1
Revenue	23,510	—
Veterans Assistance	—	1
Regulatory Boards and Commissions	22,554	1
Capital Outlay	—	—
Debt Service:		
Principal	—	45,300
Interest	<u>—</u>	<u>29,404</u>
Total Expenditures	<u>246,074</u>	<u>74,919</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>33,210</u>	<u>(64,060)</u>
Other Financing Sources (Uses):		
Face Value of Long-Term Debt	—	28,215
Premiums on Bond Issuance	—	3,807
Payments to Refunded Bond Escrow Agents	—	(32,022)
Transfers In	10,125	64,817
Transfers Out	<u>(62,888)</u>	<u>(225)</u>
Total Other Financing Sources (Uses)	<u>(52,763)</u>	<u>64,592</u>
Net Changes in Fund Balances	(19,553)	532
Fund Balances, Beginning of Year	<u>400,773</u>	<u>53,591</u>
Fund Balances, End of Year	<u>\$ 381,220</u>	<u>\$ 54,123</u>

Capital Projects		Permanent Fund	
Education, Arts, Sciences and Tourism Fund	Lease Purchase Account	Irreducible School	Total
\$ —	\$ —	\$ —	\$ 134,094
—	—	—	113,422
—	—	89	89
—	—	—	10,659
5	28	6	25,581
<u>—</u>	<u>—</u>	<u>795</u>	<u>7,221</u>
<u>5</u>	<u>28</u>	<u>890</u>	<u>291,066</u>
—	—	—	1,804
—	—	—	3
—	—	—	209
—	—	—	146,660
—	—	—	51,546
—	—	—	1
—	—	—	23,510
—	—	—	1
—	—	—	22,555
1,708	—	—	1,708
—	—	—	45,300
<u>—</u>	<u>—</u>	<u>—</u>	<u>29,404</u>
<u>1,708</u>	<u>—</u>	<u>—</u>	<u>322,701</u>
<u>(1,703)</u>	<u>28</u>	<u>890</u>	<u>(31,635)</u>
—	—	—	28,215
—	—	—	3,807
—	—	—	(32,022)
—	—	—	74,942
<u>—</u>	<u>—</u>	<u>(585)</u>	<u>(63,698)</u>
<u>—</u>	<u>—</u>	<u>(585)</u>	<u>11,244</u>
(1,703)	28	305	(20,391)
<u>2,062</u>	<u>10,271</u>	<u>1,584</u>	<u>468,281</u>
<u>\$ 359</u>	<u>\$ 10,299</u>	<u>\$ 1,889</u>	<u>\$ 447,890</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, 2017
(Expressed in Thousands)**

	Environmental Protection	Public Service Commission	Crime Victims' Compensation
Assets:			
Cash and Cash Equivalents	\$ 280,952	\$ 26,150	\$ 1,706
Investments	57,663	—	—
Receivables, Net	2,664	130	1
Due from Other Governments	140	2,293	—
Due from Other Funds	—	30	—
Inventories	—	—	—
Restricted Assets:			
Cash and Cash Equivalents	<u>323</u>	<u>1,147</u>	<u>—</u>
Total Assets	<u>\$ 341,742</u>	<u>\$ 29,750</u>	<u>\$ 1,707</u>
Liabilities:			
Accounts Payable	\$ 17,503	\$ 8,733	\$ 45
Accrued and Other Liabilities	16,965	1,511	14
Due to Other Governments	939	7,266	5
Due to Other Funds	<u>107</u>	<u>8,211</u>	<u>1</u>
Total Liabilities	<u>35,514</u>	<u>25,721</u>	<u>65</u>
Fund Balances (Deficits):			
Nonspendable:			
Inventories	—	—	—
Restricted for:			
Development, Tourism, and Recreation	—	—	—
Public Protection	54,901	2,259	—
Committed to:			
General Government Operations	—	—	1,642
Public Protection	245,123	1,748	—
Assigned to:			
Public Protection	6,204	22	—
Unassigned	<u>—</u>	<u>—</u>	<u>—</u>
Total Fund Balances (Deficits)	<u>306,228</u>	<u>4,029</u>	<u>1,642</u>
Total Liabilities and Fund Balances	<u>\$ 341,742</u>	<u>\$ 29,750</u>	<u>\$ 1,707</u>

<u>Insurance Commission</u>	<u>WORKFORCE West Virginia</u>	<u>Wildlife Resources Fund</u>	<u>Total</u>
\$ 26,477	\$ 1,985	\$ 5	\$ 337,275
—	—	63,242	120,905
4,077	19	641	7,532
—	—	—	2,433
18	16	—	64
—	15	—	15
<u>—</u>	<u>—</u>	<u>—</u>	<u>1,470</u>
<u>\$ 30,572</u>	<u>\$ 2,035</u>	<u>\$ 63,888</u>	<u>\$ 469,694</u>
\$ —	\$ 292	\$ —	\$ 26,573
1,248	2,428	—	22,166
—	1,104	—	9,314
<u>10,296</u>	<u>11,806</u>	<u>—</u>	<u>30,421</u>
<u>11,544</u>	<u>15,630</u>	<u>—</u>	<u>88,474</u>
—	15	—	15
—	—	63,888	63,888
—	—	—	57,160
—	—	—	1,642
19,028	—	—	265,899
—	—	—	6,226
<u>—</u>	<u>(13,610)</u>	<u>—</u>	<u>(13,610)</u>
<u>19,028</u>	<u>(13,595)</u>	<u>63,888</u>	<u>381,220</u>
<u>\$ 30,572</u>	<u>\$ 2,035</u>	<u>\$ 63,888</u>	<u>\$ 469,694</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)**

	Environmental Protection	Public Service Commission	Crime Victims' Compensation
Revenues:			
Intergovernmental	\$ 81,971	\$ 2,561	\$ 400
Licenses, Permits, and Fees	54,442	22,337	1,258
Investment Earnings and Losses	16,607	—	19
Other	<u>6,413</u>	<u>—</u>	<u>13</u>
Total Revenues	<u>159,433</u>	<u>24,898</u>	<u>1,690</u>
Expenditures:			
Legislative	—	—	1,804
Environmental Protection	146,660	—	—
Employment Programs	—	—	—
Revenue	—	—	—
Regulatory Boards and Commissions	<u>—</u>	<u>22,554</u>	<u>—</u>
Total Expenditures	<u>146,660</u>	<u>22,554</u>	<u>1,804</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>12,773</u>	<u>2,344</u>	<u>(114)</u>
Other Financing Sources (Uses):			
Transfers In	1,095	—	—
Transfers Out	<u>(34,494)</u>	<u>(4,104)</u>	<u>(40)</u>
Total Other Financing Sources (Uses)	<u>(33,399)</u>	<u>(4,104)</u>	<u>(40)</u>
Net Change in Fund Balances	(20,626)	(1,760)	(154)
Fund Balances (Deficits), Beginning of Year	<u>326,854</u>	<u>5,789</u>	<u>1,796</u>
Fund Balances (Deficits), End of Year	<u>\$ 306,228</u>	<u>\$ 4,029</u>	<u>\$ 1,642</u>

<u>Insurance Commission</u>	<u>WORKFORCE West Virginia</u>	<u>Wildlife Resources Fund</u>	<u>Total</u>
\$ —	\$ 49,162	\$ —	\$ 134,094
34,797	—	588	113,422
7	—	8,709	25,342
<u>—</u>	<u>—</u>	<u>—</u>	<u>6,426</u>
<u>34,804</u>	<u>49,162</u>	<u>9,297</u>	<u>279,284</u>
—	—	—	1,804
—	—	—	146,660
—	51,546	—	51,546
23,510	—	—	23,510
<u>—</u>	<u>—</u>	<u>—</u>	<u>22,554</u>
<u>23,510</u>	<u>51,546</u>	<u>—</u>	<u>246,074</u>
<u>11,294</u>	<u>(2,384)</u>	<u>9,297</u>	<u>33,210</u>
9,030	—	—	10,125
<u>(24,250)</u>	<u>—</u>	<u>—</u>	<u>(62,888)</u>
<u>(15,220)</u>	<u>—</u>	<u>—</u>	<u>(52,763)</u>
(3,926)	(2,384)	9,297	(19,553)
<u>22,954</u>	<u>(11,211)</u>	<u>54,591</u>	<u>400,773</u>
<u>\$ 19,028</u>	<u>\$ (13,595)</u>	<u>\$ 63,888</u>	<u>\$ 381,220</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

Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2017
(Expressed in Thousands)

	Lease Purchase Accounts	Education, Arts, Sciences, and Tourism Fund	Economic Development Project Fund	Total
Assets:				
Cash and Cash Equivalents	\$ 6,932	\$ 14	\$ 46,096	\$ 53,042
Receivables, Net	1	1	24	26
Due from Component Units	<u>55</u>	<u>1,000</u>	<u>—</u>	<u>1,055</u>
Total Assets	<u>\$ 6,988</u>	<u>\$ 1,015</u>	<u>\$ 46,120</u>	<u>\$ 54,123</u>
Fund Balances:				
Restricted for Debt Service	<u>\$ 6,988</u>	<u>\$ 1,015</u>	<u>\$ 46,120</u>	<u>\$ 54,123</u>
Total Fund Balances	<u>\$ 6,988</u>	<u>\$ 1,015</u>	<u>\$ 46,120</u>	<u>\$ 54,123</u>

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)**

	<u>Lease Purchase Account</u>	<u>West Virginia Infrastructure and Jobs Development Council</u>	<u>Education, Arts, Sciences, and Tourism Fund</u>	<u>Economic Development Project Fund</u>	<u>Total</u>
Revenues:					
Lottery Revenues	\$ 661	\$ —	\$ 9,998	\$ —	\$ 10,659
Investment Earnings	<u>27</u>	<u>33</u>	<u>12</u>	<u>128</u>	<u>200</u>
Total Revenues	<u>688</u>	<u>33</u>	<u>10,010</u>	<u>128</u>	<u>10,859</u>
Expenditures:					
Administration	3	—	—	—	3
Commerce	—	209	—	—	209
Military Affairs and Public Safety	1	—	—	—	1
Veterans Assistance	1	—	—	—	1
Regulatory Boards and Commissions	1	—	—	—	1
Debt Service:					
Principal	14,525	16,835	3,290	10,650	45,300
Interest	<u>9,822</u>	<u>4,821</u>	<u>6,709</u>	<u>8,052</u>	<u>29,404</u>
Total Expenditures	<u>24,353</u>	<u>21,865</u>	<u>9,999</u>	<u>18,702</u>	<u>74,919</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(23,665)</u>	<u>(21,832)</u>	<u>11</u>	<u>(18,574)</u>	<u>(64,060)</u>
Other Financing Sources (Uses):					
Face Value of Long-Term Debt Issued	—	28,215	—	—	28,215
Premiums (Discounts) on Bonds Issued	—	3,807	—	—	3,807
Payments to Refunded Bonded Escrow Age	—	(32,022)	—	—	(32,022)
Transfers In	23,775	22,056	—	18,986	64,817
Transfers Out	<u>—</u>	<u>(225)</u>	<u>—</u>	<u>—</u>	<u>(225)</u>
Total Other Financing Sources	<u>23,775</u>	<u>21,831</u>	<u>—</u>	<u>18,986</u>	<u>64,592</u>
Net Change in Fund Balances	110	(1)	11	412	532
Fund Balances, Beginning of Year	<u>6,878</u>	<u>1</u>	<u>1,004</u>	<u>45,708</u>	<u>53,591</u>
Fund Balances, End of Year	<u>\$ 6,988</u>	<u>\$ —</u>	<u>\$ 1,015</u>	<u>\$ 46,120</u>	<u>\$ 54,123</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, 2017
(Expressed in Thousands)**

	State Building Fund	Information Services and Communication	Travel Management	Enterprise Readiness Planning Board	Investment Management Board	Board of Treasury Investments	Total
Assets:							
Current Assets:							
Cash and Cash Equivalents	\$ 2,784	\$ 9,022	\$ 3,343	\$ 4,005	\$ 5,184	\$ 942	\$ 25,280
Receivables, Net	—	435	—	842	8,841	519	10,637
Due from Other Funds	1,855	4,999	101	80	—	—	7,035
Due from Component Units	—	119	26	—	—	—	145
Inventories	571	319	—	—	—	—	890
Other Assets	—	—	—	—	66	—	66
Restricted Assets:							
Cash and Cash Equivalents	—	—	754	—	—	—	754
Total Current Assets	<u>5,210</u>	<u>14,894</u>	<u>4,224</u>	<u>4,927</u>	<u>14,091</u>	<u>1,461</u>	<u>44,807</u>
Noncurrent Assets:							
Restricted Assets:							
Cash and Cash Equivalents	18,508	—	—	—	—	—	18,508
Capital Assets, Net	<u>186,718</u>	<u>1,725</u>	<u>16,689</u>	<u>72,661</u>	<u>313</u>	<u>4</u>	<u>278,110</u>
Total Noncurrent Assets	<u>205,226</u>	<u>1,725</u>	<u>16,689</u>	<u>72,661</u>	<u>313</u>	<u>4</u>	<u>296,618</u>
Total Assets	<u>210,436</u>	<u>16,619</u>	<u>20,913</u>	<u>77,588</u>	<u>14,404</u>	<u>1,465</u>	<u>341,425</u>
Deferred Outflows of Resources:							
Related to Pensions	<u>2,898</u>	<u>8,275</u>	<u>464</u>	<u>1,208</u>	—	—	<u>12,845</u>
Total Deferred Outflows of Resources	<u>2,898</u>	<u>8,275</u>	<u>464</u>	<u>1,208</u>	—	—	<u>12,845</u>
Liabilities:							
Current Liabilities:							
Accounts Payable	2,194	2,964	152	1,042	9,969	474	16,795
Accrued and Other Liabilities	155	416	27	63	—	—	661
Due to Other Governments	63	207	12	40	—	—	322
Due to Other Funds	3,094	8,291	395	241	—	—	12,021
Capital Leases and Other Debt	132	376	6,039	—	—	—	6,547
Capital Leases Payable to Component Units	<u>1,290</u>	—	—	—	—	—	<u>1,290</u>
Total Current Liabilities	<u>6,928</u>	<u>12,254</u>	<u>6,625</u>	<u>1,386</u>	<u>9,969</u>	<u>474</u>	<u>37,636</u>
Noncurrent Liabilities:							
Capital Leases and Other Debt	2,590	929	7,245	—	—	—	10,764
Capital Leases Payable to Component Units	56,760	—	—	—	—	—	56,760
Net Pension Liability	2,650	7,524	420	1,454	—	—	12,048
Compensated Absences	<u>333</u>	<u>1,066</u>	<u>58</u>	<u>285</u>	—	—	<u>1,742</u>
Total Noncurrent Liabilities	<u>62,333</u>	<u>9,519</u>	<u>7,723</u>	<u>1,739</u>	—	—	<u>81,314</u>
Total Liabilities	<u>69,261</u>	<u>21,773</u>	<u>14,348</u>	<u>3,125</u>	<u>9,969</u>	<u>474</u>	<u>118,950</u>
Deferred Inflows of Resources:							
Related to Pensions	<u>1,464</u>	<u>4,397</u>	<u>259</u>	<u>71</u>	—	—	<u>6,191</u>
Total Deferred Inflows of Resources	<u>1,464</u>	<u>4,397</u>	<u>259</u>	<u>71</u>	—	—	<u>6,191</u>
Net Position:							
Net Investment in Capital Assets	127,775	483	4,159	72,661	313	4	205,395
Restricted for Capital Projects	18,508	—	—	—	—	—	18,508
Restricted for General Government Operations	—	—	754	—	—	—	754
Unrestricted (Deficit)	<u>(3,674)</u>	<u>(1,759)</u>	<u>1,857</u>	<u>2,939</u>	<u>4,122</u>	<u>987</u>	<u>4,472</u>
Total Net Position (Deficit)	<u>\$142,609</u>	<u>\$ (1,276)</u>	<u>\$ 6,770</u>	<u>\$ 75,600</u>	<u>\$ 4,435</u>	<u>\$ 991</u>	<u>\$ 229,129</u>

**Combining Statement of Revenues, Expenses,
and Changes in Fund Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)**

	State Building Fund	Information Services and Communication	Travel Management	Enterprise Readiness Planning Board	Investment Management Board	Board of Treasury Investments	Total
Operating Revenues:							
Charges for Services	\$ 18,328	\$ 39,786	\$ 8,424	\$ 16,336	\$ 46,116	\$ 2,844	\$ 131,834
Operating Expenses:							
Cost of Sales and Services	20,898	36,612	1,842	10,549	41,451	2,385	113,737
General and Administration	1,696	1,744	509	707	4,558	280	9,494
Pension Expense	332	1,240	55	537	—	—	2,164
Depreciation and Amortization	4,770	986	9,019	4,644	115	2	19,536
Total Operating Expenses	27,696	40,582	11,425	16,437	46,124	2,667	144,931
Operating Income (Loss)	(9,368)	(796)	(3,001)	(101)	(8)	177	(13,097)
Nonoperating Revenues (Expenses):							
Gain (Loss) on Sale of Equipment	(2)	(1)	(127)	—	—	—	(130)
Investment Income	27	—	—	—	16	—	43
Interest Expense	(2,392)	(19)	—	—	—	—	(2,411)
Lottery Revenues	5,705	—	—	—	—	—	5,705
Other Nonoperating Revenues	—	—	299	—	—	—	299
Total Nonoperating Revenues (Expenses), Net	3,338	(20)	172	—	16	—	3,506
Income (Loss) Before Capital Contributions and Transfers	(6,030)	(816)	(2,829)	(101)	8	177	(9,591)
Capital Contributions and Transfers:							
Capital Contribution	1,563	—	—	—	—	—	1,563
Transfers In	6,907	—	1,123	—	—	—	8,030
Transfers Out	(6,008)	—	—	—	—	—	(6,008)
Total Transfers	2,462	—	1,123	—	—	—	3,585
Change in Net Position	(3,568)	(816)	(1,706)	(101)	8	177	(6,006)
Net Position (Deficit), Beginning of Year	146,177	(460)	8,476	75,701	4,427	814	235,135
Net Position (Deficit), End of Year	<u>\$ 142,609</u>	<u>\$ (1,276)</u>	<u>\$ 6,770</u>	<u>\$ 75,600</u>	<u>\$ 4,435</u>	<u>\$ 991</u>	<u>\$ 229,129</u>

West Virginia

Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2017 (Expressed in Thousands)

	State Building Fund	Information Services and Communication	Travel Management	Enterprise Readiness Planning Board	Investment Management Board	Board of Treasury Investments	Total
Cash Flows from Operating Activities:							
Receipts from Customers	\$ 16,585	\$ 39,929	\$ 8,401	\$ 16,534	\$ 45,955	\$ 2,895	\$ 130,299
Payments to Suppliers	(22,376)	(23,189)	(2,354)	(13,391)	(40,956)	(2,704)	(104,970)
Payments to Employees	(5,260)	(15,559)	(909)	(322)	(3,582)	—	(25,632)
Net Cash Provided by (Used for) Operating Activities	<u>(11,051)</u>	<u>1,181</u>	<u>5,138</u>	<u>2,821</u>	<u>1,417</u>	<u>191</u>	<u>(303)</u>
Cash Flows from Noncapital Financing Activities:							
Transfers In	6,907	—	1,123	—	—	—	8,030
Transfers Out	(6,008)	—	—	—	—	—	(6,008)
Distributions or Subsidies from (to) Other Organizations	<u>5,705</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,705</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>6,604</u>	<u>—</u>	<u>1,123</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,727</u>
Cash Flows from Capital and Related Financing Activities:							
Proceeds from Sale of Capital Bonds and Other Debts	—	—	5,027	—	—	—	5,027
Repayment of Capital Debt	(670)	(431)	(6,790)	—	—	—	(7,891)
Interest Paid on Capital Debt	(2,392)	(19)	—	—	—	—	(2,411)
Acquisition and Construction of Capital Assets	<u>(16,963)</u>	<u>(225)</u>	<u>(6,411)</u>	<u>(2,702)</u>	<u>(99)</u>	<u>(2)</u>	<u>(26,402)</u>
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(20,025)</u>	<u>(675)</u>	<u>(8,174)</u>	<u>(2,702)</u>	<u>(99)</u>	<u>(2)</u>	<u>(31,677)</u>
Cash Flows from Investing Activities:							
Purchase of Investments	(864)	—	—	—	—	—	(864)
Proceeds from Sale of Investments	864	—	—	—	—	—	864
Investment Earnings	<u>27</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>13</u>	<u>—</u>	<u>40</u>
Net Cash Provided by (Used for) Investing Activities	<u>27</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>13</u>	<u>—</u>	<u>40</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(24,445)	506	(1,913)	119	1,331	189	(24,213)
Cash and Cash Equivalents, Beginning 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>
Cash and Cash Equivalents, End of Year	<u>\$ 21,292</u>	<u>\$ 9,022</u>	<u>\$ 4,097</u>	<u>\$ 4,005</u>	<u>\$ 5,184</u>	<u>\$ 942</u>	<u>\$ 44,542</u>

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)
(Continued)

	State Building Fund	Information Services and Communication	Travel Management	Enterprise Readiness Planning Board	Investment Management Board	Board of Treasury Investments	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for)							
Operating Activities:							
Operating Income (Loss)	\$ (9,368)	\$ (796)	\$ (3,001)	\$ (101)	\$ (8)	\$ 177	\$ (13,097)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Depreciation and Amortization	4,770	986	9,019	4,644	115	2	19,536
Pension Expense	332	1,240	55	537	—	—	2,164
Changes in Assets, Liabilities, and Deferred Outflows of Resources:							
Receivables	(1,744)	143	(23)	198	(162)	51	(1,537)
Inventories	(42)	136	—	—	—	—	94
Other Assets	—	—	—	—	2	—	2
Accounts Payable and Accrued Liabilities	(4,602)	578	(829)	(1,940)	1,470	(39)	(5,362)
Other Liabilities	65	254	(5)	(267)	—	—	47
Deferred Outflows of Resources	<u>(462)</u>	<u>(1,360)</u>	<u>(78)</u>	<u>(250)</u>	<u>—</u>	<u>—</u>	<u>(2,150)</u>
Net Cash Provided by (Used for)							
Operating Activities	<u>\$ (11,051)</u>	<u>\$ 1,181</u>	<u>\$ 5,138</u>	<u>\$ 2,821</u>	<u>\$ 1,417</u>	<u>\$ 191</u>	<u>\$ (303)</u>
Schedule of Noncash Capital and Financing Activities:							
Contributions of Capital Assets	\$ 1,564	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,564

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, 2017
(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	\$ 21,869	\$ 13,374	\$ 5,861
Receivables, Net	9,236	428	172
Due from Other Funds	—	—	—
Due from Component Units	—	—	—
Inventories	—	26	—
Other Assets	—	—	—
Total Current Assets	<u>31,105</u>	<u>13,828</u>	<u>6,033</u>
Noncurrent Assets:			
Investments	—	—	49,025
Receivables, Net	132,117	—	37
Capital Assets, Net	—	1,796	—
Total Noncurrent Assets	<u>132,117</u>	<u>1,796</u>	<u>49,062</u>
Total Assets	<u>163,222</u>	<u>15,624</u>	<u>55,095</u>
Deferred Outflows of Resources:			
Related to Pensions	—	980	133
Total Deferred Outflows of Resources	<u>—</u>	<u>980</u>	<u>133</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	—	3,652	82
Accrued Tuition Contract Benefits	—	—	16,023
Accrued and Other Liabilities	—	228	—
Due to Other Funds	—	2,225	245
Due to Component Units	9	—	—
Insurance and Compensation Benefits Obligations	—	—	—
Compensated Absences	—	—	54
Total Current Liabilities	<u>9</u>	<u>6,105</u>	<u>16,404</u>
Noncurrent Liabilities:			
Accrued Tuition Contract Benefits	—	—	45,681
Insurance and Compensation Benefits Obligations	—	—	—
Net Pension Liability	—	1,649	234
Compensated Absences	—	238	—
Total Noncurrent Liabilities	<u>—</u>	<u>1,887</u>	<u>45,915</u>
Total Liabilities	<u>9</u>	<u>7,992</u>	<u>62,319</u>
Deferred Inflows of Resources:			
Related to Pensions	—	179	47
Total Deferred Inflows of Resources	<u>—</u>	<u>179</u>	<u>47</u>
Net Position (Deficit):			
Net Investment in Capital Assets	—	1,796	—
Restricted for:			
General Government Operations	—	—	1,872
Lending Activities	163,213	—	—
Insurance Activities	—	—	—
Unrestricted (Deficit)	—	6,637	(9,010)
Total Net Position (Deficit)	<u>\$163,213</u>	<u>\$ 8,433</u>	<u>\$ (7,138)</u>

West Virginia Correctional Industries	State Entities Workers' Compensation	Total
\$ 2,683	\$ 11,085	\$ 54,872
88	—	9,924
1,253	—	1,253
76	—	76
1,857	—	1,883
<u>—</u>	<u>19,374</u>	<u>19,374</u>
<u>5,957</u>	<u>30,459</u>	<u>87,382</u>
—	—	49,025
—	—	132,154
<u>820</u>	<u>—</u>	<u>2,616</u>
<u>820</u>	<u>—</u>	<u>183,795</u>
<u>6,777</u>	<u>30,459</u>	<u>271,177</u>
<u>—</u>	<u>—</u>	<u>1,113</u>
<u>—</u>	<u>—</u>	<u>1,113</u>
118	—	3,852
—	—	16,023
—	—	228
—	—	2,470
—	—	9
—	5,600	5,600
<u>—</u>	<u>—</u>	<u>54</u>
<u>118</u>	<u>5,600</u>	<u>28,236</u>
—	—	45,681
—	9,100	9,100
—	—	1,883
<u>119</u>	<u>—</u>	<u>357</u>
<u>119</u>	<u>9,100</u>	<u>57,021</u>
<u>237</u>	<u>14,700</u>	<u>85,257</u>
<u>—</u>	<u>—</u>	<u>226</u>
<u>—</u>	<u>—</u>	<u>226</u>
820	—	2,616
—	—	1,872
—	—	163,213
—	15,759	15,759
<u>5,720</u>	<u>—</u>	<u>3,347</u>
<u>\$ 6,540</u>	<u>\$ 15,759</u>	<u>\$ 186,807</u>

**Combining Statement of Revenues, Expenses,
and Changes in Fund Net Position
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)**

	Business-type Activities – Enterprise Funds		
	Drinking Water Treatment Revolving Fund	Alcohol Beverage Control Administration	West Virginia Prepaid College Plan
Operating Revenues:			
Charges for Services and Sales	\$ 1,359	\$ 93,039	\$ —
Insurance Premiums	—	—	—
Tuition Contracts	—	—	115
Licenses, Permits, and Fees	—	3,794	—
Other	—	59	1,367
Total Operating Revenues	<u>1,359</u>	<u>96,892</u>	<u>1,482</u>
Operating Expenses:			
Cost of Sales and Services	—	72,197	—
Insurance Claims and Claims Adjustment Provisions	—	—	—
Tuition Contract Benefits and Expenses	—	—	1,548
General and Administration	—	4,918	1,080
Pension Expense	—	245	37
Depreciation and Amortization	—	293	—
Other	760	—	—
Total Operating Expenses	<u>760</u>	<u>77,653</u>	<u>2,665</u>
Operating Income (Loss)	599	19,239	(1,183)
Nonoperating Revenues (Expenses):			
Gain (Loss) on Sale of Equipment	—	—	—
Interest and Other Investment Income	195	—	5,588
Other Nonoperating Revenues	—	162	—
Total Nonoperating Revenues (Expenses), Net	<u>195</u>	<u>162</u>	<u>5,588</u>
Income (Loss) Before Transfers	794	19,401	4,405
Transfers:			
Transfers In	7,611	—	—
Transfers Out	—	(26,317)	—
Total Transfers	<u>7,611</u>	<u>(26,317)</u>	<u>—</u>
Change in Net Position	8,405	(6,916)	4,405
Net Position (Deficit), Beginning of Year	<u>154,808</u>	<u>15,349</u>	<u>(11,543)</u>
Net Position (Deficit), End of Year	<u>\$ 163,213</u>	<u>\$ 8,433</u>	<u>\$ (7,138)</u>

<u>West Virginia Correctional Industries</u>	<u>AccessWV</u>	<u>State Entities Workers' Compensation</u>	<u>Total</u>
\$ 7,311	\$ —	\$ —	\$ 101,709
—	—	12,901	12,901
—	—	—	115
—	—	—	3,794
<u>—</u>	<u>—</u>	<u>—</u>	<u>1,426</u>
<u>7,311</u>	<u>—</u>	<u>12,901</u>	<u>119,945</u>
3,711	—	—	75,908
—	—	9,769	9,769
—	—	—	1,548
2,784	—	1,535	10,317
—	—	—	282
108	—	—	401
<u>—</u>	<u>—</u>	<u>—</u>	<u>760</u>
<u>6,603</u>	<u>—</u>	<u>11,304</u>	<u>98,985</u>
708	—	1,597	20,960
(7)	—	—	(7)
—	—	95	5,878
<u>—</u>	<u>—</u>	<u>—</u>	<u>162</u>
<u>(7)</u>	<u>—</u>	<u>95</u>	<u>6,033</u>
701	—	1,692	26,993
—	—	—	7,611
<u>(1,065)</u>	<u>(30)</u>	<u>(9,000)</u>	<u>(36,412)</u>
<u>(1,065)</u>	<u>(30)</u>	<u>(9,000)</u>	<u>(28,801)</u>
(364)	(30)	<u>(7,308)</u>	(1,808)
<u>6,904</u>	<u>30</u>	<u>23,067</u>	<u>188,615</u>
<u>\$ 6,540</u>	<u>\$ —</u>	<u>\$ 15,759</u>	<u>\$ 186,807</u>

**Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)**

	Business-type Activities - Enterprise Funds		
	Drinking Water Treatment Revolving Fund	Alcohol Beverage Control Administration	West Virginia Prepaid College Plan
Cash Flows From Operating Activities:			
Receipts from Customers	\$ 7,540	\$ 96,830	\$ 108
Payments to Suppliers	—	(73,429)	(614)
Payments to Employees	—	(3,862)	(528)
Payments to Beneficiaries	—	—	(10,825)
Payments for Loans Originated	(16,264)	—	—
Payments for Premiums	—	—	—
Payments to Claimants	—	—	—
Other Operating Cash Receipts	—	—	1,357
Other Operating Cash Payments	<u>(75)</u>	<u>—</u>	<u>—</u>
Net Cash Provided by (Used for) Operating Activities	<u>(8,799)</u>	<u>19,539</u>	<u>(10,502)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In	7,611	—	—
Transfers Out	—	(26,317)	—
Entitlements and Grants	—	162	—
Provided from Issuing Liquor Licenses	<u>—</u>	<u>—</u>	<u>—</u>
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>7,611</u>	<u>(26,155)</u>	<u>—</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	<u>—</u>	<u>(16)</u>	<u>—</u>
Net Cash Used for Capital and Related Financing Activities	<u>—</u>	<u>(16)</u>	<u>—</u>
Cash Flows from Investing Activities:			
Purchase of Investments	—	—	(994)
Proceeds from Sale of Investments	—	—	11,500
Investment Earnings	<u>195</u>	<u>—</u>	<u>1,005</u>
Net Cash Provided by Investing Activities	<u>195</u>	<u>—</u>	<u>11,511</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(993)	(6,632)	1,009
Cash and Cash Equivalents, Beginning of Year	<u>22,862</u>	<u>20,006</u>	<u>4,852</u>
Cash and Cash Equivalents, End of Year	<u>\$ 21,869</u>	<u>\$ 13,374</u>	<u>\$ 5,861</u>

West Virginia Correctional Industries	AccessWV	State Entities Workers' Compensation	Total
\$ 7,858	\$ —	\$ 18,356	\$ 130,692
(3,624)	—	(7)	(77,674)
(2,075)	—	—	(6,465)
—	—	—	(10,825)
—	—	—	(16,264)
—	—	(6,376)	(6,376)
—	—	(8,839)	(8,839)
—	—	—	1,357
<u>(725)</u>	<u>—</u>	<u>(2,111)</u>	<u>(2,911)</u>
<u>1,434</u>	<u>—</u>	<u>1,023</u>	<u>2,695</u>
—	—	—	7,611
(1,065)	(30)	(9,000)	(36,412)
—	—	—	162
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>(1,065)</u>	<u>(30)</u>	<u>(9,000)</u>	<u>(28,639)</u>
<u>(251)</u>	<u>—</u>	<u>—</u>	<u>(267)</u>
<u>(251)</u>	<u>—</u>	<u>—</u>	<u>(267)</u>
—	—	—	(994)
—	—	—	11,500
<u>—</u>	<u>—</u>	<u>95</u>	<u>1,295</u>
<u>—</u>	<u>—</u>	<u>95</u>	<u>11,801</u>
118	(30)	(7,882)	(14,410)
<u>2,565</u>	<u>30</u>	<u>18,967</u>	<u>69,282</u>
<u>\$ 2,683</u>	<u>\$ —</u>	<u>\$ 11,085</u>	<u>\$ 54,872</u>

West Virginia

**Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)
(Continued)**

	Business-type Activities – Enterprise Funds		
	Drinking Water Treatment Revolving Fund	Alcohol Beverage Control Administration	West Virginia Prepaid College Plan
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for)			
Operating Activities:			
Operating Income (Loss)	\$ 599	\$ 19,239	\$ (1,183)
Adjustments to Reconcile Operating Income (Loss) to Cash Provided by (Used for) Operating Activities:			
Depreciation and Amortization	—	293	—
Pension Expense	—	245	37
Changes in Assets, Liabilities, and Deferred Inflows of Resources:			
Receivables	(9,398)	(61)	76
Inventories	—	11	—
Accounts Payable and Accrued Liabilities	—	31	(29)
Tuition Contracts Benefits and Expenses	—	—	(9,370)
Due to/from Other Funds	—	100	15
Other Liabilities	—	—	—
Compensated Absences	—	(9)	(11)
Deferred Outflows Related to Pensions	—	(310)	(37)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (8,799)</u>	<u>\$ 19,539</u>	<u>\$ (10,502)</u>
Schedule of Noncash Capital and Financing Activities:			
Loans Originated with Principal Forgiveness Features	\$ 701	\$ —	\$ —

<u>West Virginia Correctional Industries</u>	<u>AccessWV</u>	<u>State Entities Workers' Compensation</u>	<u>Total</u>
\$ 708	\$ —	\$ 1,597	\$ 20,960
108	—	—	401
—	—	—	282
564	—	18	(8,801)
181	—	—	192
(129)	—	(1,200)	(1,327)
—	—	—	(9,370)
—	—	—	115
—	—	608	608
2	—	—	(18)
—	—	—	(347)
<u>\$ 1,434</u>	<u>\$ —</u>	<u>\$ 1,023</u>	<u>\$ 2,695</u>
\$ —	\$ —	\$ —	\$ 701

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, 2017
(Expressed in Thousands)**

	Public Employees' Retirement System	Teachers' Retirement System	Public Safety Death, Disability, and Retirement Fund	State Police Retirement System	Judges' Retirement System
Assets:					
Cash and Cash Equivalents	\$ 479	\$ 77	\$ —	\$ —	\$ —
Investments:					
Equity in Pooled Investments	6,311,881	7,259,593	641,748	166,483	189,956
Mutual Funds	—	—	—	—	—
Receivables, Net:					
Contributions	8,087	28,967	—	—	—
Participant Loans	5	2,204	—	208	—
Accounts	—	—	—	—	—
Due from Other Funds	65,000	—	—	—	—
Due from Component Units	<u>72</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Assets	<u>6,385,524</u>	<u>7,290,841</u>	<u>641,748</u>	<u>166,691</u>	<u>189,956</u>
Deferred Outflows of Resources:					
Related to Pensions	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deferred Outflows of Resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Liabilities:					
Accrued and Other Liabilities	364	379	—	3	—
Due to Other Funds	63	—	—	—	—
Due to Component Units	—	—	—	—	—
Insurance Claims Payable	—	—	—	—	—
Net Pension Liability	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities	<u>427</u>	<u>379</u>	<u>—</u>	<u>3</u>	<u>—</u>
Deferred Inflows of Resources:					
Related to Pensions	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Deferred Inflows of Resources	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Net Position Held in Trust for:					
Restricted for:					
Pensions	6,385,097	7,290,462	641,748	166,688	189,956
Other Postemployment Benefits	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Net Position	<u>\$ 6,385,097</u>	<u>\$ 7,290,462</u>	<u>\$ 641,748</u>	<u>\$ 166,688</u>	<u>\$ 189,956</u>

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
\$ 4,713	\$ 46	\$ —	\$ —	\$ 5,315	\$ 91,783	\$ 97,098
—	199,467	70,455	5,375	14,844,958	735,817	15,580,775
470,828	—	—	—	470,828	—	470,828
1,727	1,005	706	147	40,639	1,222	41,861
246	310	4	—	2,977	—	2,977
—	—	—	—	—	19,549	19,549
—	—	—	—	65,000	1,669	66,669
—	—	—	—	72	273	345
<u>477,514</u>	<u>200,828</u>	<u>71,165</u>	<u>5,522</u>	<u>15,429,789</u>	<u>850,313</u>	<u>16,280,102</u>
—	—	—	—	—	339	339
—	—	—	—	—	339	339
6,615	8	—	—	7,369	3,584	10,953
—	—	—	—	63	1,557	1,620
—	—	—	—	—	6	6
—	—	—	—	—	21,057	21,057
—	—	—	—	—	512	512
<u>6,615</u>	<u>8</u>	<u>—</u>	<u>—</u>	<u>7,432</u>	<u>26,716</u>	<u>34,148</u>
—	—	—	—	—	25	25
—	—	—	—	—	25	25
470,899	200,820	71,165	5,522	15,422,357	—	15,422,357
—	—	—	—	—	823,911	823,911
<u>\$ 470,899</u>	<u>\$ 200,820</u>	<u>\$ 71,165</u>	<u>\$ 5,522</u>	<u>\$ 15,422,357</u>	<u>\$ 823,911</u>	<u>\$ 16,246,268</u>

West Virginia

**Combining Statement of Changes in Plan Net Position
Pension Trust and Other Employee
Benefit Trust Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)**

	Public Employees' Retirement System	Teachers' Retirement System	Public Safety Death, Disability, and Retirement Fund	State Police Retirement System	Judges' Retirement System
Additions:					
Contributions:					
Members	\$ 63,578	\$ 91,503	\$ 362	\$ 3,634	\$ 372
Employers	165,676	131,289	444	3,657	747
Other	—	320,158	16,875	—	—
Total Contributions	<u>229,254</u>	<u>542,950</u>	<u>17,681</u>	<u>7,291</u>	<u>1,119</u>
Investment Income (Loss):					
Net Appreciation (Depreciation) in Fair Value of Investments	821,805	934,557	82,437	20,938	24,652
Interest	<u>53,285</u>	<u>60,538</u>	<u>5,356</u>	<u>1,408</u>	<u>1,618</u>
Net Investment Income (Loss)	<u>875,090</u>	<u>995,095</u>	<u>87,793</u>	<u>22,346</u>	<u>26,270</u>
Transfers to Plan	110	149	—	—	—
Other Income	<u>1,031</u>	<u>2,822</u>	<u>847</u>	<u>—</u>	<u>—</u>
Total Additions	<u>1,105,485</u>	<u>1,541,016</u>	<u>106,321</u>	<u>29,637</u>	<u>27,389</u>
Deductions:					
Benefits Expense	402,213	780,030	43,325	957	4,510
Forfeitures	—	—	—	—	—
Refunds of Contributions	10,566	9,028	—	497	99
Administrative Expenses	4,989	4,582	46	64	6
Pension Expense	—	—	—	—	—
Transfer from Plan	—	—	—	—	12
Total Deductions	<u>417,768</u>	<u>793,640</u>	<u>43,371</u>	<u>1,518</u>	<u>4,627</u>
Change in Net Position:					
Restricted for Pension Benefits	687,717	747,376	62,950	28,119	22,762
Held in Trust for Other	—	—	—	—	—
Postemployment Benefits	—	—	—	—	—
Net Position, Beginning of Year	<u>5,697,380</u>	<u>6,543,086</u>	<u>578,798</u>	<u>138,569</u>	<u>167,194</u>
Net Position, End of Year	<u>\$ 6,385,097</u>	<u>\$ 7,290,462</u>	<u>\$ 641,748</u>	<u>\$ 166,688</u>	<u>\$ 189,956</u>

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
\$ 6,971	\$ 4,166	\$ 2,314	\$ 846	\$ 173,746	\$ 88,482	\$ 262,228
10,510	5,917	2,859	846	321,945	145,146	467,091
—	—	—	—	337,033	35,000	372,033
<u>17,481</u>	<u>10,083</u>	<u>5,173</u>	<u>1,692</u>	<u>832,724</u>	<u>268,628</u>	<u>1,101,352</u>
34,935	25,591	8,911	566	1,954,392	92,518	2,046,910
<u>14,636</u>	<u>1,691</u>	<u>595</u>	<u>40</u>	<u>139,167</u>	<u>6,929</u>	<u>146,096</u>
<u>49,571</u>	<u>27,282</u>	<u>9,506</u>	<u>606</u>	<u>2,093,559</u>	<u>99,447</u>	<u>2,193,006</u>
—	—	—	—	259	—	259
<u>980</u>	<u>433</u>	<u>—</u>	<u>—</u>	<u>6,113</u>	<u>557</u>	<u>6,670</u>
<u>68,032</u>	<u>37,798</u>	<u>14,679</u>	<u>2,298</u>	<u>2,932,655</u>	<u>368,632</u>	<u>3,301,287</u>
—	8,957	2,201	—	1,242,193	227,096	1,469,289
1,603	—	—	—	1,603	—	1,603
16,829	1,186	575	79	38,859	—	38,859
1,288	102	53	14	11,144	3,268	14,412
—	—	—	—	—	25	25
<u>247</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>259</u>	<u>—</u>	<u>259</u>
<u>19,967</u>	<u>10,245</u>	<u>2,829</u>	<u>93</u>	<u>1,294,058</u>	<u>230,389</u>	<u>1,524,447</u>
48,065	27,553	11,850	2,205	1,638,597	—	1,638,597
—	—	—	—	—	138,243	138,243
<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>
<u>\$ 470,899</u>	<u>\$ 200,820</u>	<u>\$ 71,165</u>	<u>\$ 5,522</u>	<u>\$15,422,357</u>	<u>\$ 823,911</u>	<u>\$ 16,246,268</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

Combining Statement of Fiduciary Net Position Investment Trust Funds June 30, 2017 (Expressed in Thousands)

	West Virginia Money Market	West Virginia Government Money Market	Total
Assets:			
Cash and Cash Equivalents	<u>\$ 130,499</u>	<u>\$ 183,020</u>	<u>\$ 313,519</u>
Total Assets	<u>\$ 130,499</u>	<u>\$ 183,020</u>	<u>\$ 313,519</u>
Net Position:			
Held in Trust for External Investment Pool Participants	<u>\$ 130,499</u>	<u>\$ 183,020</u>	<u>\$ 313,519</u>
Total Net Position	<u>\$ 130,499</u>	<u>\$ 183,020</u>	<u>\$ 313,519</u>

Combining Statement of Changes in Fiduciary Net Position Investment Trust Funds For the Year Ended June 30, 2017 (Expressed in Thousands)

	West Virginia Money Market	West Virginia Government Money Market	Total
Additions:			
Deposits, Pool Participants	\$ 302,067	\$ 254,231	\$ 556,298
Investment Income:			
Net Appreciation, in Fair Value of Investments	<u>840</u>	<u>870</u>	<u>1,710</u>
Total Additions	<u>302,907</u>	<u>255,101</u>	<u>558,008</u>
Deductions:			
Withdrawals	<u>270,549</u>	<u>230,705</u>	<u>501,254</u>
Change in Net Position Held in Trust for External Investment Pool Participants	32,358	24,396	56,754
Net Position, Beginning of Year	<u>98,141</u>	<u>158,624</u>	<u>256,765</u>
Net Position, End of Year	<u>\$ 130,499</u>	<u>\$ 183,020</u>	<u>\$ 313,519</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, 2017
(Expressed in Thousands)

	Local Government		Other Agency			Total
	Local Government	Municipal Bond Commission	Consolidated Investment Pool	Patient Injury Compensation Fund	Other Agency Funds	
Assets:						
Current Assets:						
Cash and Cash Equivalents	\$ 2,008	\$ 3,566	\$ 78,431	\$ 3,147	\$ 19,102	\$ 106,254
Investments	—	—	9,007	—	—	9,007
Receivables, Net	—	—	104	2	3	109
Total Assets	<u>\$ 2,008</u>	<u>\$ 3,566</u>	<u>\$ 87,542</u>	<u>\$ 3,149</u>	<u>\$ 19,105</u>	<u>\$ 115,370</u>
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ —	\$ —	\$ 17	\$ 15	\$ —	\$ 32
Due to Other Governments	2,008	3,566	—	—	823	6,397
Agency Liabilities	—	—	87,525	3,134	18,282	108,941
Total Liabilities	<u>\$ 2,008</u>	<u>\$ 3,566</u>	<u>\$ 87,542</u>	<u>\$ 3,149</u>	<u>\$ 19,105</u>	<u>\$ 115,370</u>

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in Thousands)**

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Local Government				
Assets:				
Cash	\$ 1,854	\$ 632,821	\$ 632,667	\$ 2,008
Due from Other Funds	135	—	135	—
Total Assets	<u>\$ 1,989</u>	<u>\$ 632,821</u>	<u>\$ 632,802</u>	<u>\$ 2,008</u>
Liabilities:				
Accounts Payable	\$ —	\$ 213,376	\$ 213,376	\$ —
Due to Other Governments	1,989	419,445	419,426	2,008
Total Liabilities	<u>\$ 1,989</u>	<u>\$ 632,821</u>	<u>\$ 632,802</u>	<u>\$ 2,008</u>
 Municipal Bond Commission				
Assets:				
Cash	\$ 17,078	\$ 508,368	\$ 521,880	\$ 3,566
Total Assets	<u>\$ 17,078</u>	<u>\$ 508,368</u>	<u>\$ 521,880</u>	<u>\$ 3,566</u>
Liabilities:				
Accounts Payable	\$ —	\$ 300	\$ 300	\$ —
Due to Other Governments	17,078	508,068	521,580	3,566
Total Liabilities	<u>\$ 17,078</u>	<u>\$ 508,368</u>	<u>\$ 521,880</u>	<u>\$ 3,566</u>
 Consolidated Investment Pool				
Assets:				
Cash	\$ 4,784	\$ 73,263	\$ 74,027	\$ 4,020
Equity in Pooled Cash Equivalents	41,865	92,090	59,544	74,411
Investments	7,823	1,825	641	9,007
Accrued Interest Receivable	—	104	—	104
Total Assets	<u>\$ 54,472</u>	<u>\$ 167,282</u>	<u>\$ 134,212</u>	<u>\$ 87,542</u>
Liabilities:				
Accounts Payable	\$ —	\$ 6,426	\$ 6,409	\$ 17
Agency Liabilities	54,472	160,856	127,803	87,525
	<u>\$ 54,472</u>	<u>\$ 167,282</u>	<u>\$ 134,212</u>	<u>\$ 87,542</u>

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Patient Injury Compensation Fund				
Assets:				
Cash and Cash Equivalents	\$ 33	\$ 6,379	\$ 5,088	\$ 1,324
Equity in Pooled Cash	904	5,629	4,710	1,823
Accrued Interest Receivable	<u>—</u>	<u>2</u>	<u>—</u>	<u>2</u>
Total Assets	<u>\$ 937</u>	<u>\$ 12,010</u>	<u>\$ 9,798</u>	<u>\$ 3,149</u>
Liabilities:				
Accounts Payable	\$ 1,023	\$ 2,299	\$ 3,307	\$ 15
Agency Liabilities	<u>(86)</u>	<u>9,711</u>	<u>6,491</u>	<u>3,134</u>
Total Liabilities	<u>\$ 937</u>	<u>\$ 12,010</u>	<u>\$ 9,798</u>	<u>\$ 3,149</u>
 Other Agency Funds				
Assets:				
Cash and Cash Equivalents	\$ 14,914	\$ 232,515	\$ 232,173	\$ 15,256
Equity in Pooled Cash	3,739	568	461	3,846
Accrued Interest Receivable	<u>7</u>	<u>3</u>	<u>7</u>	<u>3</u>
Total Assets	<u>\$ 18,660</u>	<u>\$ 233,086</u>	<u>\$ 232,641</u>	<u>\$ 19,105</u>
Liabilities:				
Due to Other Governments	\$ 910	\$ 3,817	\$ 3,904	\$ 823
Agency Liabilities	<u>17,750</u>	<u>229,269</u>	<u>228,737</u>	<u>18,282</u>
Total Liabilities	<u>\$ 18,660</u>	<u>\$ 233,086</u>	<u>\$ 232,641</u>	<u>\$ 19,105</u>
 Total All Agency Funds				
Assets:				
Cash and Cash Equivalents	\$ 38,663	\$ 1,453,346	\$ 1,465,835	\$ 26,174
Equity in Pooled Cash Equivalents	46,508	98,287	64,715	80,080
Investments	7,823	1,825	641	9,007
Accrued Investment Receivable	7	109	7	109
Due from Other Governments	<u>135</u>	<u>—</u>	<u>135</u>	<u>—</u>
Total Assets	<u>\$ 93,136</u>	<u>\$ 1,553,567</u>	<u>\$ 1,531,333</u>	<u>\$ 115,370</u>
Liabilities:				
Accounts Payable	\$ 1,023	\$ 222,401	\$ 223,392	\$ 32
Due to Other Governments	19,977	931,330	944,910	6,397
Agency Liability	<u>72,136</u>	<u>399,836</u>	<u>363,031</u>	<u>108,941</u>
Total Liabilities	<u>\$ 93,136</u>	<u>\$ 1,553,567</u>	<u>\$ 1,531,333</u>	<u>\$ 115,370</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, 2017
(Expressed in Thousands)**

	Educational Broadcasting Authority	Job Investment Trust	WV State Rail Authority
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$ 1,432	\$ 8,371	\$ 6,241
Investments	2,510	—	—
Receivables, Net	955	—	34
Due from Primary Government	15	—	336
Inventories	—	—	19
Other Assets	—	—	—
Restricted Assets:			
Cash and Cash Equivalents	—	—	—
Receivables, Net	—	—	—
Total Current Assets	<u>4,912</u>	<u>8,371</u>	<u>6,630</u>
Noncurrent Assets:			
Investments	—	3,931	—
Receivables, Net	—	3,007	—
Other Assets	—	88	—
Restricted Assets:			
Receivables, Net	—	—	—
Other Restricted Assets	229	—	—
Capital Assets, Net	<u>3,858</u>	<u>97</u>	<u>38,540</u>
Total Noncurrent Assets	<u>4,087</u>	<u>7,123</u>	<u>38,540</u>
Total Assets	<u>8,999</u>	<u>15,494</u>	<u>45,170</u>
Deferred Outflows of Resources:			
Related to Pensions	<u>1,177</u>	<u>107</u>	<u>165</u>
Total Deferred Outflows of Resources	<u>1,177</u>	<u>107</u>	<u>165</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	673	12	30
Accrued and Other Liabilities	—	66	44
Due to Primary Government	2,533	—	875
Unearned Revenue	—	—	3
Compensated Absences	<u>275</u>	<u>—</u>	<u>60</u>
Total Current Liabilities	<u>3,481</u>	<u>78</u>	<u>1,012</u>
Noncurrent Liabilities:			
Accrued and Other Liabilities	—	—	—
Unearned Revenue	—	—	53
Liabilities Payable from Restricted Assets	—	—	—
Net Pension Liability	2,013	179	286
Compensated Absences	<u>—</u>	<u>—</u>	<u>—</u>
Total Noncurrent Liabilities	<u>2,013</u>	<u>179</u>	<u>339</u>
Total Liabilities	<u>5,494</u>	<u>257</u>	<u>1,351</u>
Deferred Inflows of Resources:			
Related to Pensions	<u>147</u>	<u>19</u>	<u>29</u>
Total Deferred Inflows of Resources	<u>147</u>	<u>19</u>	<u>29</u>
Net Position (Deficit):			
Net Investment in Capital Assets	3,858	97	38,540
Restricted for:			
Nonexpendable	229	—	—
Specific Component Unit Purposes	—	—	—
Unrestricted (Deficit)	<u>448</u>	<u>15,228</u>	<u>5,415</u>
Total Net Position (Deficit)	<u>\$ 4,535</u>	<u>\$ 15,325</u>	<u>\$ 43,955</u>

Solid Waste Management Board	Racing Commission	Public Defender Corporation	Municipal Pensions Oversight Board	Total
\$ 2,659	\$ 2,548	\$ 5,704	\$ 29,072	\$ 56,027
—	—	—	—	2,510
237	25	—	—	1,251
—	3	—	—	354
—	—	—	—	19
1	—	16	—	17
3,821	14,275	—	—	18,096
<u>247</u>	<u>379</u>	<u>—</u>	<u>—</u>	<u>626</u>
<u>6,965</u>	<u>17,230</u>	<u>5,720</u>	<u>29,072</u>	<u>78,900</u>
—	—	—	—	3,931
—	—	—	—	3,007
—	—	—	—	88
609	—	—	—	609
—	—	—	—	229
<u>26</u>	<u>—</u>	<u>875</u>	<u>6</u>	<u>43,402</u>
<u>635</u>	<u>—</u>	<u>875</u>	<u>6</u>	<u>51,266</u>
<u>7,600</u>	<u>17,230</u>	<u>6,595</u>	<u>29,078</u>	<u>130,166</u>
<u>177</u>	<u>687</u>	<u>4,691</u>	<u>81</u>	<u>7,085</u>
<u>177</u>	<u>687</u>	<u>4,691</u>	<u>81</u>	<u>7,085</u>
124	365	10	26	1,240
—	123	388	37	658
351	1,279	4,473	12	9,523
—	—	—	—	3
—	—	<u>927</u>	—	<u>1,262</u>
<u>475</u>	<u>1,767</u>	<u>5,798</u>	<u>75</u>	<u>12,686</u>
200	—	—	—	200
—	—	—	—	53
—	14,275	—	—	14,275
300	1,203	7,492	138	11,611
<u>51</u>	<u>182</u>	<u>—</u>	<u>—</u>	<u>233</u>
<u>551</u>	<u>15,660</u>	<u>7,492</u>	<u>138</u>	<u>26,372</u>
<u>1,026</u>	<u>17,427</u>	<u>13,290</u>	<u>213</u>	<u>39,058</u>
<u>42</u>	<u>198</u>	<u>576</u>	<u>8</u>	<u>1,019</u>
<u>42</u>	<u>198</u>	<u>576</u>	<u>8</u>	<u>1,019</u>
26	—	875	6	43,402
—	—	—	—	229
4,477	—	—	28,932	33,409
<u>2,206</u>	<u>292</u>	<u>(3,455)</u>	<u>—</u>	<u>20,134</u>
<u>\$ 6,709</u>	<u>\$ 292</u>	<u>\$ (2,580)</u>	<u>\$ 28,938</u>	<u>\$ 97,174</u>

**Combining Statement of Activities
Nonmajor Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2017
(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	\$ 9,546	\$ 2,444	\$ 1,401	\$ (5,701)
Jobs Investment Trust	2,835	393	620	(1,822)
WV State Rail Authority	4,310	2,940	—	(1,370)
Solid Waste Management Board	3,307	2,405	—	(902)
Racing Commission	3,288	2,912	—	(376)
Public Defender Corporation	17,871	—	3	(17,868)
Municipal Pensions Oversight Board	<u>18,087</u>	<u>—</u>	<u>—</u>	<u>(18,087)</u>
Total Component Units	<u>\$ 59,244</u>	<u>\$ 11,094</u>	<u>\$ 2,024</u>	<u>\$ (46,126)</u>

General Revenue

Unrestricted Investment Earnings	Grants and Contributions Not Restricted for Specific Programs	Miscellaneous	Payments from the State of West Virginia	Total General Revenue and Special Item	Change in Net Position	Net Position, Beginning of Year, as Restated	Net Position, End of Year
\$ 32	\$ 1,293	\$ 1,249	\$ 4,244	\$ 6,818	\$ 1,117	\$ 3,418	\$ 4,535
40	—	—	—	40	(1,782)	17,107	15,325
59	—	—	1,926	1,985	615	43,340	43,955
—	—	23	—	23	(879)	7,588	6,709
—	—	—	—	—	(376)	668	292
3	—	66	18,382	18,451	583	(3,163)	(2,580)
<u>219</u>	<u>—</u>	<u>—</u>	<u>18,331</u>	<u>18,550</u>	<u>463</u>	<u>28,475</u>	<u>28,938</u>
<u>\$ 353</u>	<u>\$ 1,293</u>	<u>\$ 1,338</u>	<u>\$ 42,883</u>	<u>\$ 45,867</u>	<u>\$ (259)</u>	<u>\$ 97,433</u>	<u>\$ 97,174</u>





STATISTICAL SECTION

Financial Trends

Revenue Capacity

Debt Capacity

Demographics
and Economic
Information

Operating
Information

Miscellaneous

Eastern gray squirrels are one of the only mammals that can descend a tree head-first. They are able to do so by turning their hind paws backward to grip the tree bark.



Statistical Section Index

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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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental Activities				
Net Investment in Capital Assets	\$ 8,996,053	\$ 8,986,789	\$ 8,890,142	\$ 8,791,243
Restricted	402,490	422,147	439,118	367,636
Unrestricted Net Position (Deficit)	<u>(4,455,964)</u>	<u>(4,563,114)</u>	<u>(4,718,599)</u>	<u>(17,631)</u>
Total Governmental Activities				
Net Position	<u>\$ 4,942,579</u>	<u>\$ 4,845,822</u>	<u>\$ 4,610,661</u>	<u>\$ 9,141,248</u>
Business-type Activities				
Net Investment in Capital Assets	\$ 2,863	\$ 2,940	\$ 2,963	\$ 3,175
Restricted	1,809,614	1,741,004	1,813,975	1,812,958
Unrestricted Net Position (Deficit)	<u>282,812</u>	<u>201,954</u>	<u>201,022</u>	<u>41,180</u>
Total Business-type Activities				
Net Position (Deficit)	<u>\$ 2,095,289</u>	<u>\$ 1,945,898</u>	<u>\$ 2,017,960</u>	<u>\$ 1,857,313</u>
Primary Government				
Net Investment in Capital Assets	\$ 8,998,916	\$ 8,989,729	\$ 8,893,105	\$ 8,794,418
Restricted	2,212,104	2,163,151	2,253,093	2,180,594
Unrestricted Net Position (Deficit)	<u>(4,173,152)</u>	<u>(4,361,160)</u>	<u>(4,517,577)</u>	<u>23,549</u>
Total Primary Government				
Net Position	<u>\$ 7,037,868</u>	<u>\$ 6,791,720</u>	<u>\$ 6,628,621</u>	<u>\$ 10,998,561</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.

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 8,620,814	\$ 8,404,751	\$ 8,288,909	\$ 7,909,484	\$ 7,532,883	\$ 7,230,626
407,011	504,680	551,892	435,296	817,524	926,541
<u>78,335</u>	<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>\$ 9,106,160</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>
\$ 3,392	\$ 4,555	\$ 6,200	\$ 31,428	\$ 11,732	\$ 12,330
1,792,845	1,721,727	1,551,461	1,432,449	1,000,274	1,074,139
<u>(222,728)</u>	<u>(450,488)</u>	<u>(568,660)</u>	<u>(744,459)</u>	<u>(1,095,509)</u>	<u>(1,329,576)</u>
<u>\$ 1,573,509</u>	<u>\$ 1,275,794</u>	<u>\$ 989,001</u>	<u>\$ 719,418</u>	<u>\$ (83,503)</u>	<u>\$ (243,107)</u>
\$ 8,624,206	\$ 8,409,306	\$ 8,295,109	\$ 7,940,912	\$ 7,544,615	\$ 7,242,956
2,199,856	2,226,407	2,103,353	1,867,745	1,817,798	2,000,680
<u>(144,393)</u>	<u>(152,209)</u>	<u>778,464</u>	<u>663,022</u>	<u>630,163</u>	<u>73,094</u>
<u>\$ 10,679,669</u>	<u>\$ 10,483,504</u>	<u>\$ 11,176,926</u>	<u>\$ 10,471,679</u>	<u>\$ 9,992,576</u>	<u>\$ 9,316,730</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental Activities				
Expenses:				
Legislative	\$ 24,189	\$ 25,766	\$ 26,762	\$ 30,147
Judicial	134,351	133,702	126,904	143,929
Executive	176,485	139,580	124,455	154,212
Administration	262,684	234,542	280,007	308,685
Commerce	166,225	166,129	141,566	182,198
Environmental Protection	173,689	84,533	109,036	150,859
Employment Programs	55,231	48,173	43,876	50,406
Education	2,777,727	2,708,236	2,762,735	2,924,767
Health and Human Resources	5,810,783	5,352,930	5,241,337	4,759,982
Military Affairs and Public Safety	502,408	417,604	412,894	424,232
Revenue	89,178	78,504	86,654	131,627
Transportation	1,153,708	1,183,397	1,121,182	1,148,566
Veterans Assistance	20,572	20,588	19,264	23,551
Senior Services	41,934	44,037	49,205	45,846
Regulatory Boards and Commissions	53,909	47,680	74,255	44,847
Interest on Long-Term Debt	110,722	112,273	123,064	119,268
Total Expenses	<u>11,553,795</u>	<u>10,797,674</u>	<u>10,743,196</u>	<u>10,643,122</u>
Program Revenues:				
Charges for Services:				
Legislative	1,268	1,431	1,436	1,440
Judicial	1,768	1,730	944	972
Executive	18,002	14,407	22,440	24,539
Administration	42,766	45,767	51,167	15,608
Commerce	41,017	43,541	46,972	48,312
Environmental Protection	53,209	74,621	71,302	85,487
Employment Programs	—	—	—	—
Education	—	2,580	3,970	3,982
Health and Human Resources	70,812	72,849	84,731	83,974
Military Affairs and Public Safety	16,018	10,868	8,751	9,847
Revenue	42,421	42,754	50,547	33,231
Transportation	101,562	92,171	97,716	92,772
Veterans Assistance	—	—	—	—
Senior Services	3	—	—	—
Regulatory Boards and Commissions	42,259	26,158	31,317	31,403
Total Charges for Services	<u>431,105</u>	<u>428,877</u>	<u>471,293</u>	<u>431,567</u>
Operating Grants and Contributions:				
Legislative	309	136	784	1,523
Judicial	2,899	1,978	2,296	1,453
Executive	24,812	33,725	14,076	64,345
Administration	—	3,006	50,731	43,532
Commerce	60,378	41,846	39,802	54,672
Environmental Protection	87,674	98,312	102,018	103,557
Employment Programs	49,288	48,050	45,306	49,686
Education	440,701	451,719	443,295	405,576
Health and Human Resources	4,319,051	3,940,757	3,811,046	3,385,470
Military Affairs and Public Safety	130,128	118,282	65,630	59,304
Revenue	2,645	1,917	144	35
Veterans Assistance	8,208	8,008	9,604	7,814
Senior Services	22,318	23,489	22,728	22,588
Regulatory Boards and Commissions	2,910	3,049	3,058	2,782
Total Operating Grants and Contributions	<u>5,151,321</u>	<u>4,774,274</u>	<u>4,610,518</u>	<u>4,202,337</u>
Capital Grants & Contributions:				
Executive	—	—	—	—
Administration	1,563	2,552	—	3,180
Education	—	—	—	—
Military Affairs and Public Safety	2,128	1,235	17,241	24,395
Transportation	526,571	452,435	373,708	—
Veterans Assistance	1,564	—	—	476,631
Total Capital Grants and Contributions	<u>531,826</u>	<u>456,222</u>	<u>390,949</u>	<u>504,206</u>
Total Program Revenues	<u>6,114,252</u>	<u>5,659,373</u>	<u>5,472,760</u>	<u>5,138,110</u>
Total Governmental Activities Net Program Expenses	<u>(5,439,543)</u>	<u>(5,138,301)</u>	<u>(5,270,436)</u>	<u>(5,505,012)</u>

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 34,693	\$ 36,722	\$ 31,721	\$ 28,896	\$ 29,552	\$ 28,027
129,667	140,515	130,104	124,627	106,933	102,738
117,706	216,356	325,389	261,764	143,872	128,261
309,009	320,377	260,298	163,662	201,469	213,546
233,474	231,178	217,334	204,178	201,901	204,448
168,322	204,158	174,211	141,279	110,652	74,827
47,369	51,595	58,312	57,286	45,000	56,122
3,059,791	3,757,725	2,839,216	2,850,805	2,821,883	2,646,434
4,660,450	4,402,259	4,317,911	4,088,254	3,737,102	3,451,206
446,954	491,717	441,523	441,068	427,575	381,104
62,615	91,344	82,820	270,870	83,458	51,242
1,028,742	1,299,400	1,035,601	1,064,417	977,616	876,073
19,212	27,019	—	—	—	—
47,608	47,561	47,186	46,671	43,729	43,701
62,883	92,662	33,328	36,917	35,079	35,168
<u>125,559</u>	<u>125,105</u>	<u>135,443</u>	<u>135,534</u>	<u>141,756</u>	<u>140,208</u>
10,554,054	11,535,693	10,130,397	9,916,228	9,107,577	8,433,105
1,550	1,591	1,571	1,598	1,644	1,654
969	1,024	1,116	929	907	1,014
21,110	22,093	22,868	19,787	17,365	15,248
31,569	33,180	6,289	29,086	28,337	29,115
43,882	48,928	44,747	46,009	48,685	45,684
84,358	61,188	52,683	49,450	56,016	44,720
—	—	—	—	—	—
3,563	4,362	4,195	3,352	3,096	1,698
90,383	90,604	88,737	84,680	81,230	74,960
10,308	11,146	10,019	10,352	12,957	11,097
30,888	31,729	73,947	69,800	45,944	62,352
100,966	100,700	101,000	100,533	91,669	102,561
—	—	—	—	—	—
—	1	—	1	—	4
<u>25,090</u>	<u>31,254</u>	<u>30,815</u>	<u>30,407</u>	<u>26,121</u>	<u>27,897</u>
444,636	437,800	437,987	445,984	413,971	418,004
984	1,977	634	2,135	1,212	255
491	640	1,049	986	850	813
62,496	136,752	214,224	164,062	40,551	35,615
48,938	45,498	41,426	38,498	37,716	36,670
70,260	70,004	73,424	59,632	34,220	38,138
104,386	142,590	116,378	121,366	67,529	50,090
50,537	51,845	58,008	54,460	46,804	55,839
420,116	446,297	444,269	452,315	377,749	380,708
3,222,601	3,045,355	3,252,622	3,077,246	2,783,872	2,365,068
76,807	82,240	52,057	74,472	67,269	95,331
23	9	28	12	156	—
2,298	—	—	—	—	—
22,025	23,351	22,671	20,614	14,310	21,244
<u>3,033</u>	<u>2,747</u>	<u>2,105</u>	<u>2,014</u>	<u>2,598</u>	<u>2,937</u>
4,084,995	4,049,305	4,278,895	4,067,812	3,474,836	3,082,708
—	—	3	—	—	41
—	2,005	—	57,442	—	28
—	—	—	—	—	1,027
46,326	49,854	74,581	—	11,518	4,743
493,949	519,768	554,394	18,758	476,779	419,810
3,005	5,321	—	558,947	—	—
<u>543,280</u>	<u>576,948</u>	<u>628,978</u>	<u>635,147</u>	<u>488,297</u>	<u>425,649</u>
<u>5,072,911</u>	<u>5,064,053</u>	<u>5,345,860</u>	<u>5,148,943</u>	<u>4,377,104</u>	<u>3,926,361</u>
(5,481,143)	(6,471,640)	(4,784,537)	(4,767,285)	(4,730,473)	(4,506,744)

(Continued)

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Revenue and Other Changes in Net Position				
Taxes:				
Personal Income	\$ 1,830,106	\$ 1,849,056	\$ 1,921,597	\$ 1,771,473
Consumer Sales	1,312,353	1,291,813	1,265,957	1,216,812
Business	581,896	640,081	907,362	937,751
Medicaid	217,665	222,578	197,692	189,111
Transportation	593,158	605,403	640,135	628,989
Other	409,426	303,770	249,102	303,889
Entitlements and Grants	—	—	—	31,078
Unrestricted Investment Earnings	73,552	34,380	12,259	71,178
Tobacco Settlement Revenues	61,426	62,697	62,105	61,337
Federal Appropriations – Jobs Growth Tax Relief	—	—	—	—
Lottery Revenue	336,294	342,702	356,401	343,220
Miscellaneous	106,526	129,760	131,023	125,770
Special Item	—	—	—	—
Transfers	15,204	(108,778)	(230,208)	(217,282)
Excess Reserve Transfer to RHBT	—	—	—	—
Total General Revenue, Special Item and Transfers	<u>5,537,606</u>	<u>5,373,462</u>	<u>5,513,425</u>	<u>5,463,326</u>
Total Governmental Activities Changes in Net Position	<u>\$ 98,063</u>	<u>\$ 235,161</u>	<u>\$ 242,989</u>	<u>\$ (41,686)</u>
Business-type Activities				
Expenses:				
West Virginia Lottery	\$ —	\$ —	\$ —	\$ —
Water Pollution Control Revolving Fund	3,467	4,745	6,358	9,991
Workers' Compensation Fund	134,443	202,406	44,488	129,087
Unemployment Compensation	169,197	509,796	225,940	274,215
WV Infrastructure & Jobs Development Council	23,941	60,622	71,587	29,752
Public Employees' Insurance Agency	552,882	542,825	577,433	573,008
Board of Risk and Insurance Management	66,152	67,650	72,436	67,524
Other Business-type Activities	<u>98,901</u>	<u>103,294</u>	<u>108,868</u>	<u>110,133</u>
Total Expenses	<u>1,048,983</u>	<u>1,491,338</u>	<u>1,107,110</u>	<u>1,193,710</u>
Program Revenues:				
Charges for Services:				
West Virginia Lottery	—	—	—	—
Water Pollution Control Revolving Fund	5,995	5,850	5,725	5,611
Workers' Compensation Fund	35,738	105,897	46,272	45,099
Unemployment Compensation	204,496	431,717	223,836	270,784
WV Infrastructure & Jobs Development Council	3,095	1,940	2,591	3,076
Public Employees' Insurance Agency	576,153	507,419	516,689	515,987
Board of Risk and Insurance Management	64,587	58,303	51,940	45,959
Other Business-type Activities	<u>118,471</u>	<u>118,985</u>	<u>120,634</u>	<u>123,772</u>
Total Charges for Services	<u>1,008,535</u>	<u>1,230,111</u>	<u>967,687</u>	<u>1,010,288</u>
Capital Grants & Contributions:				
Water Pollution Control Revolving Fund	—	—	—	—
West Virginia Lottery	—	—	—	—
Total Capital Grants & Contributions	—	—	—	—
Total Revenues	<u>1,008,535</u>	<u>1,230,111</u>	<u>967,687</u>	<u>1,010,288</u>
Total Business-type Activities Net Program Expenses	<u>(40,448)</u>	<u>(261,227)</u>	<u>(139,423)</u>	<u>(183,422)</u>
General Revenue & Other Changes in Net Assets:				
Unrestricted Investment Earnings	167,076	31,098	29,282	175,662
Tobacco Settlement Revenue	—	—	—	—
Lottery Revenue	31,500	42,735	37,000	57,000
Miscellaneous	6,467	6,554	7,271	17,282
Transfers	<u>(15,204)</u>	<u>108,778</u>	<u>230,208</u>	<u>217,282</u>
Total General Revenue and Other Changes in Net Position	<u>189,839</u>	<u>189,165</u>	<u>303,761</u>	<u>467,226</u>
Total Business-type Activities Changes in Net Position	<u>\$ 149,391</u>	<u>\$ (72,062)</u>	<u>\$ 164,338</u>	<u>\$ 283,804</u>
Total Primary Government Change in Net Position	<u>\$ 247,454</u>	<u>\$ 163,099</u>	<u>\$ 407,327</u>	<u>\$ 242,118</u>

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,771,481	\$ 1,790,146	\$ 1,657,258	\$ 1,534,970	\$ 1,630,492	\$ 1,557,957
1,198,983	1,216,561	1,150,887	1,131,075	1,088,901	990,051
923,575	905,515	977,252	844,405	912,252	1,040,604
203,421	190,419	173,103	157,693	165,759	161,896
605,768	594,871	574,949	541,023	533,833	564,736
304,693	318,938	264,260	277,811	297,644	394,798
15,896	5,056	29,995	—	—	—
23,287	54,699	63,821	89,635	(33,983)	89,581
88,327	63,270	61,233	66,199	81,703	73,079
—	—	—	—	—	—
388,888	497,874	408,974	—	—	—
94,150	112,324	103,228	97,791	96,098	128,940
—	—	—	—	—	—
(220,028)	(258,248)	(244,759)	279,309	206,287	214,864
—	—	—	—	—	(108,168)
<u>5,398,441</u>	<u>5,491,425</u>	<u>5,220,201</u>	<u>5,019,911</u>	<u>4,978,986</u>	<u>5,108,338</u>
<u>\$ (82,702)</u>	<u>\$ (980,215)</u>	<u>\$ 435,664</u>	<u>\$ 252,626</u>	<u>\$ 248,513</u>	<u>\$ 601,594</u>
\$ —	\$ —	\$ —	\$ 899,247	\$ 1,022,747	\$ 1,087,321
10,645	5,740	26,723	34,796	1,905	1,651
105,430	147,230	179,803	173,967	36,252	(161,079)
380,239	365,323	444,036	605,272	356,715	175,107
17,669	18,503	16,024	22,882	—	—
490,841	524,789	527,830	437,496	394,616	444,380
57,293	57,288	37,624	35,614	40,498	47,229
<u>114,918</u>	<u>108,221</u>	<u>101,937</u>	<u>97,089</u>	<u>69,184</u>	<u>77,329</u>
<u>1,177,035</u>	<u>1,227,094</u>	<u>1,333,977</u>	<u>2,306,363</u>	<u>1,921,917</u>	<u>1,671,938</u>
—	—	—	1,358,092	1,493,036	1,523,457
5,011	4,631	4,548	4,509	4,154	3,819
54,817	54,361	51,015	50,460	49,921	44,073
356,531	400,238	467,910	510,048	249,996	141,921
2,771	4,381	3,162	2,756	—	—
513,982	499,236	499,726	481,060	402,377	360,564
41,243	45,587	46,376	51,613	56,337	66,592
<u>123,710</u>	<u>117,206</u>	<u>103,143</u>	<u>97,846</u>	<u>90,438</u>	<u>83,542</u>
<u>1,098,065</u>	<u>1,125,640</u>	<u>1,175,880</u>	<u>2,556,384</u>	<u>2,346,259</u>	<u>2,223,968</u>
—	—	—	—	11,384	20,788
—	—	—	—	—	—
—	—	—	—	11,384	20,788
<u>1,098,065</u>	<u>1,125,640</u>	<u>1,175,880</u>	<u>2,556,384</u>	<u>2,357,643</u>	<u>2,244,756</u>
<u>(78,970)</u>	<u>(101,454)</u>	<u>(158,097)</u>	<u>250,021</u>	<u>435,726</u>	<u>572,818</u>
94,612	66,690	160,942	190,159	(86,937)	38,441
—	—	—	—	—	—
57,000	57,000	51,000	—	—	—
6,473	6,309	7,362	54,718	17,102	32,022
<u>220,028</u>	<u>258,248</u>	<u>244,759</u>	<u>(279,309)</u>	<u>(206,287)</u>	<u>(214,864)</u>
<u>378,113</u>	<u>388,247</u>	<u>464,063</u>	<u>(34,432)</u>	<u>(276,122)</u>	<u>(144,401)</u>
<u>\$ 299,143</u>	<u>\$ 286,793</u>	<u>\$ 305,966</u>	<u>\$ 215,589</u>	<u>\$ 159,604</u>	<u>\$ 428,417</u>
<u>\$ 216,441</u>	<u>\$ (693,422)</u>	<u>\$ 741,630</u>	<u>\$ 468,215</u>	<u>\$ 408,117</u>	<u>\$ 1,030,011</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund				
Reserved	\$ —	\$ —	\$ —	\$ —
Unreserved	—	—	—	—
Nonspendable:				
Inventories	11,113	9,936	10,288	11,485
Receivables	128,761	128,116	129,150	132,830
Restricted for:				
Government Operations	500	132	846	5,600
Development, Tourism, and Recreation	1,768	511	2,376	9,318
Education	180	65	268	1,508
Health & Social Services	527	160	780	3,644
Public Protection	314	81	402	3,411
Committed for:				
General Government Operations	4,771	1,213	5,430	960,077
Rainy Day Funds	663,061	789,352	879,749	—
Development, Tourism, and Recreation	2,246	695	3,160	16,972
Education	24,126	24,031	17,590	18,189
Health & Social Services	5,020	871	5,268	25,700
Public Protection	1,720	479	2,308	10,801
Assigned for:				
General Government Operations	—	6,183	—	26,692
Development, Tourism, and Recreation	—	—	—	1,219
Education	—	—	—	2,257
Health & Social Services	—	—	—	3,883
Public Protection	—	—	—	1,683
Unassigned	<u>(1,231,719)</u>	<u>(1,324,232)</u>	<u>(1,284,506)</u>	<u>(1,284,401)</u>
Total General Fund	<u>\$ (387,612)</u>	<u>\$ (362,407)</u>	<u>\$ (226,891)</u>	<u>\$ (49,132)</u>
All Other Governmental Funds				
Reserved				
Special Revenue Funds	\$ —	\$ —	\$ —	\$ —
Permanent Funds	—	—	—	—
Capital Projects	—	—	—	—
Debt Service	—	—	—	—
Unreserved, Reported in:				
Special Revenue Funds	—	—	—	—
Capital Projects	—	—	—	—
Debt Service	—	—	—	—
Nonspendable:				
Inventories	52,860	49,814	48,686	37,980
Permanent Fund	1,000	1,000	1,000	1,000
Receivables	543,598	564,488	585,811	606,938
Restricted for:				
Capital Projects	10,658	12,333	13,270	13,750
Debt Services	153,621	153,646	154,491	153,707
Development, Tourism, and Recreation	63,888	54,591	54,668	52,493
Education	889	584	1,174	357
Public Protection	57,160	51,334	53,233	44,940
Transportation	12,737	12,031	12,968	14,224
Committed for:				
General Government Operations	1,642	1,796	2,268	2,345
Public Protection	265,899	299,757	311,564	290,746
Assigned for:				
Health and Social Services	—	—	—	—
Public Protection	6,226	4,506	7,265	9,596
Transportation	67,439	6,309	61,181	92,946
Unassigned	<u>(13,610)</u>	<u>(9,953)</u>	<u>(9,072)</u>	<u>(8,797)</u>
Total All Other Governmental Funds	<u>1,224,007</u>	<u>1,202,236</u>	<u>1,298,507</u>	<u>1,312,225</u>
Total Fund Balances, Governmental Funds	<u>\$ 836,395</u>	<u>\$ 839,829</u>	<u>\$ 1,071,616</u>	<u>\$ 1,263,093</u>

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

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ —	\$ —	\$ —	\$ —	\$ 400,816	\$ 346,377
—	—	—	—	767,100	822,579
13,268	11,143	9,928	11,426	—	—
122,135	111,340	153,307	152,911	—	—
9,821	17,065	5,936	16,012	—	—
14,748	16,162	12,881	12,598	—	—
2,625	2,207	3,582	3,203	—	—
7,300	17,399	14,195	9,962	—	—
6,682	7,217	8,435	17,371	—	—
1,044,948	946,290	421,296	413,657	—	—
—	—	—	—	—	—
33,168	8,745	36,811	46,104	—	—
23,804	14,123	18,376	21,417	—	—
81,720	27,501	220,216	227,265	—	—
20,940	—	20,174	20,691	—	—
32,261	14,117	22,408	21,227	—	—
1,723	—	3,412	3,368	—	—
3,341	—	2,711	2,543	—	—
5,894	—	15,926	28,296	—	—
3,801	—	3,395	4,227	—	—
<u>(1,102,111)</u>	<u>(640,981)</u>	<u>427,107</u>	<u>270,221</u>	—	—
<u>\$ 326,068</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>
\$ —	\$ —	\$ —	\$ —	\$ 508,529	\$ 457,501
—	—	—	—	1,309	1,671
—	—	—	—	67,240	40,681
—	—	—	—	185,540	183,548
—	—	—	—	1,415,461	1,610,996
—	—	—	—	—	—
—	—	—	—	—	—
44,798	47,371	40,434	38,676	—	—
1,000	1,000	1,000	1,000	—	—
627,800	645,301	666,824	—	—	—
32,953	96,637	147,798	28,283	—	—
152,824	151,727	173,097	181,415	—	—
45,840	40,050	40,391	34,877	—	—
327	555	386	393	—	—
41,908	43,114	31,147	23,363	—	—
11,077	17,350	14,584	—	—	—
3,772	5,504	5,843	6,764	—	—
245,947	233,177	220,245	191,383	—	—
28	—	—	649	—	—
5,741	1,357	1,739	2,568	—	—
29,666	—	113,544	23,121	—	—
<u>(6,430)</u>	<u>(8,425)</u>	<u>(6,398)</u>	<u>862,381</u>	—	—
<u>1,237,251</u>	<u>1,274,718</u>	<u>1,450,634</u>	<u>1,394,873</u>	<u>2,178,079</u>	<u>2,294,397</u>
<u>\$ 1,563,319</u>	<u>\$ 1,827,046</u>	<u>\$ 2,850,730</u>	<u>\$ 2,677,372</u>	<u>\$ 3,345,995</u>	<u>\$ 3,463,353</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues:				
Taxes:				
Personal Income	\$ 1,846,638	\$ 1,853,422	\$ 1,915,382	\$ 1,768,069
Consumer Sales and Use	1,317,452	1,293,535	1,264,716	1,211,057
Severance	360,801	373,801	589,883	612,283
Corporate Net Income	120,728	152,873	189,473	202,444
Business and Occupation	110,240	119,594	120,426	121,401
Medicaid	215,558	221,717	200,408	184,666
Gasoline and Motor Carrier	389,753	404,321	435,142	433,252
Automobile Privilege	203,405	201,082	204,993	195,737
Wholesale Motor Fuel	—	—	—	—
Other	409,636	303,544	249,071	303,923
Intergovernmental	5,130,386	4,702,423	4,452,997	4,160,993
Licenses, Permits, and Fees	230,571	239,007	242,406	262,481
Motor Vehicle Registration	109,047	94,277	103,092	99,430
Charges for Services	123,512	118,233	124,305	123,767
Lottery Revenue	330,589	336,938	349,853	335,075
Investment Earnings	83,917	34,300	14,298	78,537
Food Stamp Revenue	490,483	496,107	494,131	479,215
Other	<u>177,335</u>	<u>202,768</u>	<u>224,883</u>	<u>224,015</u>
Total Revenues	<u>11,650,051</u>	<u>11,147,942</u>	<u>11,175,459</u>	<u>10,796,345</u>
Expenditures				
Current:				
Legislative	24,461	26,907	28,840	30,224
Judicial	139,774	144,091	140,847	142,859
Executive	176,493	142,313	126,313	182,887
Administration	148,133	126,668	155,998	159,680
Commerce	196,657	180,018	163,777	185,011
Environmental Protection	148,139	151,537	131,371	151,742
Employment Programs	51,546	48,968	45,743	53,540
Education	2,831,189	2,869,977	2,997,533	2,968,967
Health and Human Resources	5,869,748	5,430,561	5,285,201	4,895,617
Military Affairs and Public Safety	525,010	495,656	461,599	466,444
Revenue	95,166	91,050	92,758	150,556
Transportation	894,409	914,909	801,658	845,679
Veterans Assistance	21,036	21,546	20,261	23,464
Senior Services	42,029	44,253	49,439	45,919
Regulatory Boards and Commissions	42,181	36,877	54,965	68,545
Capital Outlay	364,318	359,889	335,493	302,040
Debt Service:				
Principal	75,615	85,180	105,800	101,350
Interest	<u>91,238</u>	<u>95,180</u>	<u>100,348</u>	<u>106,307</u>
Total Expenditures	<u>11,737,142</u>	<u>11,265,580</u>	<u>11,097,944</u>	<u>10,880,831</u>
Excess of Revenues Over (Under) Expenditures	(87,091)	(117,638)	77,515	(84,486)
Other Financing Sources (Uses):				
Fair Value of Long-Term Debt Issued	81,595	—	205,365	—
Premiums on Bonds Issued	8,640	—	39,273	—
Capital Lease Acquisition	13,568	2,019	580	955
Other Nonoperating Revenues	—	—	—	—
Payments to Refunded Bonds Escrow Agents	(32,022)	—	(244,030)	—
Transfers In	204,252	188,770	149,515	134,350
Transfers Out	(191,070)	(304,938)	(388,051)	(351,045)
Excess Reserve Transfer to RHBT	—	—	—	—
Total Other Financing Sources (Uses)	<u>84,963</u>	<u>(114,149)</u>	<u>(237,348)</u>	<u>(215,740)</u>
Net Changes in Fund Balances	<u>\$ (2,128)</u>	<u>\$ (231,787)</u>	<u>\$ (159,833)</u>	<u>\$ (300,226)</u>
Debt service as a percentage of noncapital expenditures	1.38%	1.66%	1.92%	2.01%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 1,767,626	\$ 1,790,299	\$ 1,654,563	\$ 1,531,867	\$ 1,612,897	\$ 1,557,352
1,197,317	1,216,286	1,151,363	1,132,951	1,087,130	989,517
547,453	564,327	571,539	530,940	470,266	518,724
230,131	232,266	263,963	227,693	256,389	373,180
125,692	123,137	127,103	133,245	148,247	147,989
219,568	176,661	170,079	157,693	165,759	161,896
417,571	408,571	406,347	393,557	391,903	395,641
188,197	186,300	168,602	147,466	141,930	169,095
—	—	—	—	—	—
304,687	318,999	266,723	279,444	293,654	396,772
4,073,257	4,077,933	4,372,908	4,115,677	3,552,545	3,183,463
245,631	234,984	218,431	214,293	211,932	214,655
93,363	92,951	96,504	91,902	91,667	96,592
128,257	127,806	147,142	135,914	126,317	117,360
380,052	487,122	398,974	—	—	—
28,696	55,931	495,777	100,111	(38,440)	91,030
513,960	491,416	75,594	478,622	372,270	293,439
<u>199,087</u>	<u>209,490</u>	<u>175,821</u>	<u>184,935</u>	<u>197,669</u>	<u>205,820</u>
<u>10,660,545</u>	<u>10,794,479</u>	<u>10,761,433</u>	<u>9,856,310</u>	<u>9,082,135</u>	<u>8,912,525</u>
34,742	36,731	31,916	29,022	29,622	28,163
127,804	139,941	130,574	125,184	110,410	108,075
149,602	216,268	354,357	256,364	146,181	131,404
155,163	190,164	120,881	114,972	127,517	111,866
214,172	226,194	226,931	223,569	214,767	214,102
133,541	152,634	134,515	148,982	117,402	69,882
50,210	55,969	61,536	60,483	47,974	58,563
3,024,480	3,760,480	2,878,686	2,773,160	2,789,173	2,688,399
4,684,841	4,425,591	4,334,459	4,056,573	3,767,274	3,472,108
490,711	526,654	523,868	462,163	425,488	382,372
67,760	91,349	90,370	263,427	89,042	86,496
743,613	1,009,032	741,384	754,486	695,354	579,982
19,114	26,600	—	—	—	—
47,669	47,656	47,292	46,727	43,841	43,719
64,130	93,643	34,540	37,161	35,917	36,469
465,399	334,046	571,034	521,480	579,722	535,538
122,855	341,673	101,978	103,735	103,276	92,338
<u>113,136</u>	<u>113,204</u>	<u>123,841</u>	<u>123,670</u>	<u>129,795</u>	<u>129,705</u>
<u>10,708,942</u>	<u>11,787,829</u>	<u>10,508,162</u>	<u>10,101,158</u>	<u>9,452,755</u>	<u>8,769,181</u>
(48,397)	(993,350)	253,271	(244,848)	(370,620)	143,344
—	18,615	190,755	—	76,835	—
—	1,025	10,292	—	4,129	—
495	234,765	805	—	1,115	3,235
—	—	—	12,505	—	—
—	(20,935)	(37,730)	—	—	—
154,945	170,321	134,473	654,340	653,249	497,811
(370,770)	(434,125)	(378,508)	(383,264)	(475,798)	(347,579)
—	—	—	—	—	(108,168)
<u>(215,330)</u>	<u>(30,334)</u>	<u>(79,913)</u>	<u>283,581</u>	<u>259,530</u>	<u>45,299</u>
<u>\$ (263,727)</u>	<u>\$ (1,023,684)</u>	<u>\$ 173,358</u>	<u>\$ 38,733</u>	<u>\$ (111,090)</u>	<u>\$ 188,643</u>
2.31%	3.98%	2.30%	2.40%	2.64%	2.70%

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

Personal Income by Industry - (Calendar Year)	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Farm Earnings	\$ (99,972)	\$ (30,770)	\$ 19,745	\$ (15,408)
Agricultural/Forestry, Fishing, and Other	158,604	160,316	102,143	97,594
Mining	1,897,087	2,725,768	3,423,411	3,749,493
Construction	2,689,538	2,896,798	2,857,279	2,894,652
Manufacturing	3,408,226	3,421,537	3,601,454	3,753,280
Transportation, Warehousing, and Public Utilities	2,151,786	2,159,353	2,127,148	2,134,739
Wholesale Trade	1,467,931	1,557,478	1,539,380	1,519,306
Retail Trade	2,972,989	2,935,939	2,941,483	3,039,500
Finance, Insurance, and Real Estate	1,865,942	1,885,393	1,956,188	2,043,981
Service Industries	15,551,002	15,611,983	15,033,408	14,871,664
Federal, Civilian	2,498,151	2,424,565	2,349,128	2,296,812
Military	277,818	272,963	299,618	327,312
State and Local Government	6,351,203	6,221,514	6,210,344	6,203,760
Tax Revenue – (Fiscal Year)				
Consumer Sales	1,231,000	1,228,100	1,173,100	1,193,300
Personal Income	1,803,000	1,840,100	1,664,100	1,700,500
Severance	276,000	414,000	488,700	409,700
Corporate Income and Business Franchise	144,000	186,000	203,500	238,100
Motor Fuel	396,000	435,000	441,100	408,900
Automobile Privilege	201,082	204,993	195,737	188,197

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 2016.

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

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 19,745	\$ (40,920)	\$ (51,659)	\$ (46,725)	\$ (134,000)	\$ (78,000)
90,077	97,810	74,187	104,000	111,000	118,000
3,947,662	3,440,574	2,753,612	2,958,000	3,410,000	2,871,000
2,857,741	2,513,975	2,408,107	2,301,000	2,453,000	2,362,000
3,666,492	3,565,688	3,376,006	3,334,000	3,919,000	3,925,000
2,097,404	2,034,076	1,943,157	1,990,000	1,989,000	1,856,000
1,537,622	1,477,230	1,413,039	1,442,000	1,513,000	1,478,000
2,948,321	2,867,136	2,754,166	2,832,000	2,720,000	2,658,000
1,894,862	1,769,826	1,649,776	1,591,000	1,619,000	1,551,000
14,559,593	13,908,974	13,261,227	12,808,000	11,998,000	11,272,000
2,281,687	2,469,552	2,431,677	2,496,000	2,181,000	2,100,000
344,553	466,154	522,277	535,000	436,000	405,000
6,055,436	6,376,291	6,104,522	7,252,000	6,082,000	5,763,000
1,216,000	1,148,200	1,095,700	1,110,000	1,109,800	1,129,500
1,689,000	1,593,200	1,446,900	1,557,400	1,518,700	1,360,500
467,900	440,900	400,600	359,600	338,200	312,200
188,100	303,000	232,900	270,200	388,000	358,400
387,000	397,700	390,900	384,500	404,200	349,200
186,300	168,602	147,466	141,930	169,095	171,429

**Schedule 6
Revenue Rates
Last Ten Calendar Years**

Personal Income Tax

**Single, Head of Household, Widow(er) with Dependent Child
and Married Filing Jointly (Unchanged Over Last Ten Years)**

Less than \$10,000.....3% of the taxable income

At least —	But less than —		
\$10,000	\$25,000.....	\$ 300.00	plus 4.0% of excess over \$10,000
\$25,000	\$40,000.....	\$ 900.00	plus 4.5% of excess over \$25,000
\$40,000	\$60,000.....	\$1,575.00	plus 6.0% of excess over \$40,000
\$60,000	\$2,775.00	plus 6.5% of excess over \$60,000

Business

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Corporate Net Income (applies to C corporations)	6.50%	6.50%	6.50%	7.00%
Severance Tax				
Timber	1.50%	0%	0%	Temporarily Discontinued
Oil/Gas	5%	5%	5%	5%
Coal	Various	Various	Various	Various
Consumer Sales Tax	6%	6%	6%	6%
Food Tax *	0%	0%	0%	0%
Motor Fuel Excise and Sales Tax** (cents per gallon)	35.7	34.6	34.6	34.7
Automobile Privilege Tax	6%	5%	5%	5%

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

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

All rates are set by the Legislature.

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

Married Filing Separately (Unchanged Over Last Ten Years)

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

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

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
8.50%	8.50%	8.50%	8.50%	8.50%	8.75%
1.22%	1.22%	Temporarily Discontinued	Temporarily Discontinued	1.22%	1.22%
5%	5%	5%	5%	5%	5%
Various	Various	Various	Various	Various	Various
6%	6%	6%	6%	6%	6%
1%	3% / 2%	3%	3%	3%	4%
33.4	32.2 / 33.4	32.2	32.2	32.2	32.2
5%	5%	5%	5%	5%	5%

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

(Dollars Expressed in Thousands)

Consumers Sales and Service Tax & Use Tax**Tax Year 2013**

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

Tax Year 2004

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

Note: Due to confidentiality issues, the names of revenue payers are not provided. This information is an alternative regarding the sources of the State's revenue.

Source: West Virginia State Tax Department

Personal Income Tax

Tax Year 2015

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

Tax Year 2006

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

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

	Primary Government – Debt			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Governmental Activities:				
General Obligation Bonds	\$ 359,261	\$ 393,089	\$ 412,368	\$ 460,428
Revenue Bonds	1,182,921	1,142,347	1,185,022	1,226,587
Capital Leases and Notes Payable	28,168	28,153	28,813	27,405
Capital Leases Payable to Component Units	<u>260,955</u>	<u>275,765</u>	<u>260,995</u>	<u>243,790</u>
Total Governmental Activities	<u>1,831,305</u>	<u>1,839,354</u>	<u>1,887,198</u>	<u>1,958,210</u>
Enterprise Activities:				
Revenue Bonds	<u>185,290</u>	<u>191,049</u>	<u>197,762</u>	<u>112,735</u>
Total Primary Government Debt	<u>\$ 2,016,595</u>	<u>\$ 2,030,403</u>	<u>\$ 2,084,960</u>	<u>\$ 2,070,945</u>

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

Governmental Activities Tax Income

<u>Year</u>	<u>Personal Income</u>	<u>Consumer Sales and Use</u>	<u>Business</u>	<u>Transportation</u>	<u>Other</u>	<u>Total</u>
2017	\$ 1,830,106	\$ 1,312,353	\$ 581,896	\$ 593,158	\$ 627,091	\$ 4,944,604
2016	1,849,056	1,291,813	640,081	605,403	526,348	4,912,701
2015	1,921,597	1,265,957	907,362	640,135	446,794	5,181,845
2014	1,771,473	1,216,812	937,751	628,989	493,000	5,048,025
2013	1,771,481	1,198,983	923,575	605,768	508,114	5,007,921
2012	1,790,146	1,216,561	905,515	594,871	509,357	5,016,450
2011	1,657,258	1,150,887	977,252	574,949	437,363	4,797,709
2010	1,534,970	1,131,075	844,405	541,023	435,504	4,486,977
2009	1,630,492	1,088,901	912,252	533,833	297,644	4,463,122
2008	1,557,957	990,051	1,040,604	564,736	394,798	4,548,146

General Obligation Bond Debt Ratios

<u>Year</u>	<u>General Obligation Bond Debt</u>	<u>Percent of Tax Income</u>	<u>Percent of Personal Income</u>	<u>Amount of Debt Per Capita*</u>
2017	\$ 359,261	7.27%	0.54%	\$ 0.20
2016	393,089	8.00%	0.58%	0.21
2015	412,368	7.96%	0.62%	0.22
2014	460,428	9.12%	0.70%	0.25
2013	498,776	9.96%	0.78%	0.27
2012	533,304	10.63%	0.86%	0.29
2011	580,357	12.10%	0.98%	0.31
2010	622,928	13.88%	1.08%	0.34
2009	665,294	14.91%	1.16%	0.37
2008	705,955	15.52%	1.30%	0.39

Primary Government – Debt

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 498,776	\$ 533,304	\$ 580,357	\$ 622,928	\$ 665,294	\$ 705,955
1,266,848	1,330,795	1,366,199	1,243,106	1,405,645	1,362,022
34,104	34,025	330,722	336,143	322,776	338,603
<u>256,155</u>	<u>275,530</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>2,055,883</u>	<u>2,173,654</u>	<u>2,277,278</u>	<u>2,202,177</u>	<u>2,393,715</u>	<u>2,406,580</u>
<u>115,497</u>	<u>113,950</u>	<u>116,319</u>	<u>118,612</u>	<u>—</u>	<u>—</u>
<u>\$2,171,380</u>	<u>\$2,287,604</u>	<u>\$ 2,393,597</u>	<u>\$ 2,320,789</u>	<u>\$ 2,393,715</u>	<u>\$ 2,406,580</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>
2017	\$ 2,016,595	40.78%	3.01%	1.10
2016	2,030,403	41.33%	3.00%	1.10
2015	2,084,960	40.24%	3.12%	1.13
2014	2,070,745	41.35%	3.24%	1.12
2013	2,171,380	43.36%	3.39%	1.17
2012	2,287,604	45.60%	3.68%	1.23
2011	2,393,597	49.89%	4.03%	1.29
2010	2,320,789	51.72%	4.03%	1.28
2009	2,393,715	53.63%	4.16%	1.32
2008	2,406,580	52.91%	4.45%	1.33

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

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

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

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

Schedule 9

Pledged Revenue Coverage

Last Ten Fiscal Years

(Dollars Expressed in Thousands)

Department of Transportation

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

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2017	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	0.00
2016	—	—	—	—	—	—	0.00
2015	27,504	—	27,504	25,650	1,854	27,504	1.00
2014	27,519	—	27,519	24,475	3,044	27,519	1.00
2013	27,547	—	27,547	23,370	4,177	27,547	1.00
2012	27,588	—	27,588	22,425	5,163	27,588	1.00
2011	27,575	—	27,575	21,520	6,055	27,575	1.00
2010	27,591	—	27,591	20,845	6,746	27,591	1.00
2009	14,692	—	14,692	10,550	4,200	14,750	1.00
2008	14,745	—	14,745	10,285	4,460	14,745	1.00

WV Infrastructure and Jobs Development Council

The primary source of repayment for the revenue and refunding bonds is the receipt of payments of principal and interest on a set of loans, known as defined loans, previously made to projects from revenue bond proceeds. New bonds were issued in 2017 to refund earlier bond issues.

2017	\$ 29,097	\$ 17,264	\$ 11,833	\$ 83,805	\$ 3,634	\$ 87,439	0.14
2016	38,048	58,856	(20,808)	2,720	4,640	7,360	(2.83)
2015	28,840	70,089	(41,249)	2,620	4,746	7,366	(5.60)
2014	49,441	30,909	18,532	2,710	4,845	7,555	2.45
2013	49,211	18,762	30,449	29,230	4,410	33,640	0.91
2012	50,861	26,532	24,329	2,465	5,476	7,941	3.06
2011	48,900	18,101	30,799	2,390	5,563	7,953	3.87
2010	43,671	20,913	22,758	2,310	5,644	7,954	2.86
2009	79,414	16,309	63,105	15,035	19,987	35,022	1.80
2008	78,698	18,988	59,710	14,625	20,492	35,117	1.70

Tobacco Settlement Finance Authority

Pursuant to the Code, and a Purchase and Sale Agreement, dated June 1, 2007, by and between the Authority and the State, the State sold to the Authority its right, title, and interest in and to all tobacco settlement revenue that is received by the State, under the terms of the Master Settlement Agreement entered into by participating tobacco product manufacturers, West Virginia, 45 other states, and six other U.S. jurisdictions in November 1998. The Series 2007 Bonds are secured by and are payable solely from the right, title, and interest of the Authority of 100% of the tobacco receipts, and investment earnings on the accounts with the trustee under the Indenture.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2017	\$ 68,009	\$ 116	\$ 67,893	\$ 15,090	\$ 53,355	\$ 68,445	1.00
2016	66,356	130	66,226	12,405	54,281	66,686	0.99
2015	67,029	17	67,012	12,205	55,192	67,397	0.99
2014	67,499	149	67,350	11,815	56,068	67,883	0.99
2013	93,889	24	93,865	36,360	58,790	95,150	0.99
2012	67,599	34	67,565	8,515	59,425	67,940	0.99
2011	66,382	27	66,355	6,690	59,925	66,615	1.00
2010	70,404	21	70,383	10,070	60,677	70,747	0.99
2009	83,205	58	83,147	19,910	62,237	82,147	1.01
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.

2017	\$ 19,114	\$ —	\$ 19,114	\$ 10,650	\$ 8,052	\$ 18,702	1.03
2016	19,051	—	19,051	10,105	8,610	18,715	1.02
2015	19,206	—	19,206	9,660	9,104	18,764	1.02
2014	19,852	—	19,852	9,240	9,538	18,778	1.06
2013	20,210	—	20,210	8,850	9,944	18,794	1.08
2012	19,290	—	19,290	8,495	10,317	18,812	1.03
2011	19,569	—	19,569	8,175	10,655	18,830	1.04
2010	19,411	—	19,411	7,890	10,955	18,845	1.03
2009	19,698	—	19,698	7,645	11,220	18,865	1.04
2008	20,560	—	20,560	7,440	11,446	18,886	1.09

(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
2017	\$ 10,010	\$ —	\$ 10,010	\$ 3,290	\$ 6,709	\$ 9,999	1.00
2016	9,996	—	9,996	3,130	6,865	9,995	1.00
2015	9,996	—	9,996	3,010	6,985	9,995	1.00
2014	9,999	—	9,999	2,880	7,119	9,999	1.00
2013	10,000	—	10,000	2,770	7,230	10,000	1.00
2012	10,012	3	10,009	2,685	7,310	9,995	1.00
2011	8,001	315	7,686	9,605	6,285	15,890	0.48
2010	8,242	3	8,239	9,115	643	9,758	0.84
2009	10,046	3	10,043	8,660	1,109	9,769	1.03
2008	10,601	3	10,598	8,210	1,563	9,773	1.08

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.

2017	\$ —	\$ —	\$ 26,455	\$ 14,810	\$ 11,645	\$ 26,455	1.00
2016	—	—	25,780	13,775	12,005	25,780	1.00
2015	—	—	23,478	13,065	10,413	23,478	1.00
2014	—	—	23,290	12,365	10,925	23,290	1.00
2013	—	—	22,681	10,885	11,796	22,681	1.00
2012	—	—	259,285	251,468	7,817	259,285	1.00

Housing Development Fund

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

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2017	\$ 93,181	\$ 7,022	\$ 86,159	\$ 27,075	\$ 10,967	\$ 38,042	2.26
2016	97,344	6,980	90,364	24,240	12,690	36,930	2.44
2015	94,554	7,435	87,119	23,345	14,769	38,114	2.28
2014	102,230	7,334	94,896	22,970	16,139	39,109	2.42
2013	130,658	7,393	123,265	25,065	20,168	45,233	2.73
2012	144,583	9,462	135,121	20,651	25,694	46,345	2.92
2011	125,325	9,325	116,000	16,594	30,479	47,073	2.46
2010	130,282	6,009	124,273	19,198	33,963	53,161	2.34
2009	136,802	7,367	129,435	21,816	37,681	59,497	2.18
2008	146,744	7,230	139,514	23,521	39,135	62,656	2.23

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.

2017	\$ 12,681	\$ 1,633	\$ 11,048	\$ 54,880	\$ 63,040	\$ 117,920	0.69
2016	13,294	1,685	11,609	8,034	8,251	16,285	0.71
2015	14,060	1,624	12,436	7,875	8,494	16,369	0.76
2014	14,134	2,347	11,787	50,610	9,537	60,147	0.20
2013	14,538	2,723	11,815	75,830	6,886	82,716	0.14
2012	14,715	2,166	12,549	6,930	11,334	18,264	0.69
2011	15,274	2,283	12,991	7,160	11,616	18,776	0.69
2010	15,355	1,091	14,264	6,930	11,874	18,804	0.76
2009	15,731	809	14,922	6,685	12,110	18,795	0.79
2008	15,882	620	15,262	6,330	12,326	18,656	0.82

(Continued)

Schedule 9

Pledged Revenue Coverage

Last Ten Fiscal Years

(Dollars Expressed in Thousands)

(Continued)

Higher Education Fund

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

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2017	\$ 1,687,251	\$ 1,717,659	\$ (30,408)	\$ 93,417	\$ 59,644	\$ 153,061	(0.20)
2016	1,660,924	1,712,074	(51,150)	40,620	58,309	98,929	(0.52)
2015	1,632,186	1,669,579	(37,393)	89,575	54,237	143,812	(0.26)
2014	1,625,089	1,620,246	4,843	45,900	53,211	99,111	0.05
2013	1,640,124	1,613,438	26,686	229,125	20,349	249,474	0.11
2012	1,596,324	1,664,940	(68,616)	226,945	57,079	284,024	(0.24)
2011	1,554,057	1,620,575	(66,518)	71,574	32,361	103,935	(0.64)
2010	1,467,996	1,547,741	(79,745)	25,184	30,716	55,900	(1.43)
2009	1,447,422	1,409,047	38,375	24,169	31,745	55,914	0.69
2008	1,508,466	1,317,474	190,992	24,006	31,650	55,656	3.43

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.

2017	\$ 93,493	\$ 82,258	\$ 11,235	\$ 6,936	\$ 1,854	\$ 8,790	1.28
2016	89,639	76,579	13,060	6,537	1,653	8,190	1.60
2015	86,862	72,677	14,185	6,150	2,716	8,866	1.60
2014	89,254	72,944	16,310	5,840	3,030	8,870	1.83
2013	98,547	74,860	23,687	5,550	3,321	8,871	2.67
2012	102,043	77,064	24,979	5,270	3,592	8,862	2.82
2011	88,773	77,797	10,976	5,015	3,975	8,990	1.22
2010	75,434	79,054	(3,620)	4,770	4,097	8,867	(0.41)
2009	97,048	79,508	17,540	4,550	4,320	8,870	1.98
2008	85,688	70,194	15,494	4,335	4,533	8,868	1.75

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>
2017	\$ 60,010	\$ 8,069	\$ 51,941	\$ 27,235	\$ 14,169	\$ 41,404	1.26
2016	64,044	10,180	53,864	25,900	12,457	38,357	1.40
2015	62,533	10,525	52,008	29,555	14,812	44,367	1.17
2014	64,779	—	64,779	36,930	15,564	52,494	1.23
2013	58,758	—	58,758	35,275	16,047	51,322	1.14
2012	62,068	—	62,068	33,980	17,077	51,057	1.22
2011	59,003	—	59,003	31,620	17,972	49,592	1.19
2010	52,931	—	52,931	29,850	18,877	48,727	1.09
2009	47,636	—	47,636	14,940	16,743	31,683	1.50
2008	43,166	17,891	25,275	23,725	13,584	37,309	0.68

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>
2017	\$ 92,436	\$ 41,621	\$ 50,815	\$ 10,760	4.72
2016	93,223	39,123	54,100	10,755	5.03
2015	88,625	40,904	47,721	10,577	4.51
2014	84,730	39,070	45,660	10,529	4.34
2013	83,438	35,772	47,666	11,186	4.26
2012	83,574	35,043	48,531	10,541	4.60
2011	82,440	35,891	46,549	10,515	4.43
2010	79,188	33,134	46,054	10,670	4.32
2009	53,541	30,908	22,633	12,218	1.85
2008	56,690	31,183	25,507	11,852	2.15

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

West Virginia

Schedule 10 Demographic and Economic Indicators Last Ten Calendar Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Population				
West Virginia (in millions)	1,831,102	1,844,128	1,850,326	1,854,304
Change	-0.71%	-0.33%	-0.21%	-0.06%
National (in millions)	323,127,513	321,418,820	318,857,056	316,128,839
Change	0.53%	0.80%	0.86%	0.70%
Total Personal Income (Dollars in Millions)				
West Virginia	\$ 67,062	\$ 67,787	\$ 66,857	\$ 65,889
Change	-1.07%	1.39%	1.45%	3.00%
National	\$ 15,912,777	\$ 15,463,981	\$ 14,683,147	\$ 14,151,427
Change	2.90%	5.32%	3.62%	5.59%
Per Capita Personal Income* (In Dollars)				
West Virginia	\$ 36,624	\$ 36,578	\$ 36,132	\$ 35,533
Change	0.13%	1.23%	1.66%	3.06%
National	\$ 49,246	\$ 48,112	\$ 46,049	\$ 44,765
Change	2.36%	4.48%	2.79%	4.85%
Median Age	42.2	41.8	41.3	41.3
Educational Attainment				
9th Grade or Less	4.4%	5.2%	5%	5.4%
Some High School, No Diploma	9.6%	9.8%	9.9%	10.0%
High School Diploma	39.7%	40.7%	41.1%	40.2%
Some College, No Degree	18.1%	18.5%	18.4%	18.6%
Associate, Bachelor's or Graduate Degree	28.2%	25.7%	25.7%	25.7%
Labor Force and Employment (People in Thousands)				
Civilian Labor Force	771.8	776	787.8	797.4
Employed	732.5	730.1	733.5	744.6
Unemployed	39.3	45.9	54.3	52.8
Unemployment Rate	5.1%	5.9%	6.9%	6.6%
Nonfarm Wage and Salary Workers Employed in West Virginia Goods Producing Industries:				
Mining	20.7	23.7	25.5	33.3
Construction	29.5	31.2	27.7	31.9
Manufacturing - Durable Goods	27.5	28.0	28.9	30.1
Manufacturing - Nondurable Goods	<u>18.7</u>	<u>18.9</u>	<u>18.8</u>	<u>18.9</u>
Total Goods Producing Industries	96.4	101.8	100.9	114.2
Non-Goods Producing Industries:				
Trade	109.4	112.4	107.9	108.8
Service	389.0	397.9	389.6	398.4
State and Local Government	134.8	132.2	130.0	132.8
Federal Government	<u>23.9</u>	<u>23.4</u>	<u>22.2</u>	<u>23.2</u>
Total Non-Goods Producing Industries	657.1	665.9	649.7	663.2
Total Nonfarm Wage and Salary Employment	753.5	767.7	750.6	777.4

The most current period available is 2016.

*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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
1,855,413	1,855,364	1,852,994	1,819,777	1,814,873	1,811,198
0.00%	0.13%	1.83%	0.27%	0.20%	0.22%
313,914,040	311,591,917	308,745,538	307,006,550	304,374,846	301,579,895
0.75%	0.92%	0.57%	0.86%	0.93%	1.00%
\$ 63,968	\$ 62,178	\$ 59,417	\$ 57,535	\$ 57,576	\$ 54,100
2.88%	4.65%	3.27%	(0.07)%	6.43%	4.32%
\$ 13,401,869	\$ 12,981,741	\$ 12,353,577	\$ 11,916,773	\$ 12,451,660	\$ 11,900,562
3.24%	5.08%	3.67%	(4.30)%	4.63%	5.72%
\$ 34,477	\$ 33,513	\$ 32,042	\$ 31,137	\$ 31,286	\$ 29,497
2.88%	4.59%	2.91%	(0.48)%	6.07%	3.97%
\$ 42,693	\$ 41,663	\$ 39,937	\$ 38,846	\$ 40,947	\$ 39,506
2.47%	4.32%	2.81%	(5.13)%	3.65%	4.72%
41.3	41.1	41.3	40.5	40.6	40.4
5.6%	6.8%	6.1%	6.5%	6.6%	7.0%
9.9%	11.3%	10.7%	10.7%	11.1%	11.8%
40.6%	41.3%	41.6%	41.0%	40.9%	41.1%
19.0%	17.6%	18.3%	18.5%	18.5%	16.7%
25.0%	23.0%	23.3%	23.2%	22.9%	23.4%
805.0	799.9	782.3	797.9	806.0	813.0
746.0	736.1	711.1	734.6	772.0	778.0
59.0	63.8	71.2	63.3	34.0	35.0
7.3%	8.0%	9.1%	7.9%	4.3%	4.3%
33.7	33.6	29.9	29.6	30.7	27.5
35.6	33.0	32.6	34.1	38.4	38.7
29.6	30.0	29.6	30.9	35.2	37.2
<u>19.6</u>	<u>19.5</u>	<u>19.5</u>	<u>19.8</u>	<u>21.1</u>	<u>21.8</u>
118.5	116.1	111.6	114.4	125.4	125.2
111.0	109.9	109.2	110.0	114.4	116.2
381.7	376.2	372.5	369.9	374.0	369.5
130.7	128.3	128.3	126.3	123.7	122.6
<u>23.3</u>	<u>23.5</u>	<u>24.3</u>	<u>23.6</u>	<u>22.9</u>	<u>22.5</u>
646.7	637.9	634.3	629.8	635.0	630.8
765.2	754.0	745.9	744.2	760.4	756.0

West Virginia

Schedule 11 Principal Employers Current Year and Nine Years Ago

Estimated as of June 30, 2017

Major West Virginia <u>Employers</u>	Number of <u>Employees</u>	Percentage of Total <u>Employed</u>
Local Government	75,000 - 79,999	10.30%
State Government	40,000 - 44,999	5.80%
Federal Government	20,000 - 24,999	3.24%
WVU MEDICINE (formerly West Virginia United Health System)	14,000 - 16,999	2.12%
Wal-Mart Associates, Inc.	10,000 - 12,999	1.57%
Charleston Area Medical Center, Inc.	6,000 - 7,999	0.96%
Kroger	3,000 - 4,999	0.55%
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, 2008

Major West Virginia <u>Employers</u>	Number of <u>Employees</u>	Percentage of Total <u>Employed</u>
Local Government	70,000 - 74,999	9.63%
State Government	30,000 - 39,999	5.14%
Federal Government	20,000 - 24,999	2.92%
Wal-Mart Associates, Inc.	13,000 - 14,000	1.81%
West Virginia University Hospitals	7,000 - 8,999	1.04%
Charleston Area Medical Center, Inc.	5,000 - 6,999	0.78%
Kroger	4,000 - 5,999	0.65%
CSX/CSX Hotels, Inc. (The Greenbrier and Railroad)	1,000 - 2,999	0.58%
American Electric Power	1,000 - 2,999	0.26%
Eldercare Resources Corporation	1,000 - 2,999	0.26%
Lowe's Home Centers, Inc.	1,000 - 2,999	0.26%
St. Mary's Hospital	1,000 - 2,999	0.26%
Consolidation Coal	1,000 - 2,999	0.26%

Source: WORKFORCE West Virginia Research, Information, and Analysis Office.

Schedule 12
Education Enrollment
Last Ten Fiscal Years

Public School Enrollment Grades Pre-K Through 12

<u>Year</u>	<u>Elementary (Pre-K to 6)</u>	<u>Secondary (7 to 12)</u>	<u>Total All Grades</u>
2016-17	154,180	118,986	273,166
2015-16	157,003	120,134	277,137
2014-15	158,815	121,084	279,899
2013-14	160,112	120,901	281,013
2012-13	160,721	121,589	282,310
2011-12	160,571	121,517	282,088
2010-11	160,015	122,115	282,130
2009-10	159,205	122,623	281,828
2008-09	157,520	124,388	281,908
2007-08	155,832	125,903	281,735

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>
2016-17	84,447	18,573	8,607	2,109
2015-16	86,427	18,521	8,654	1,862
2014-15	87,082	18,410	8,637	1,794
2013-14	90,028	18,012	8,496	1,772
2012-13	92,140	16,938	8,758	2,425
2011-12	96,573	16,512	8,758	2,991
2010-11	96,555	15,733	11,496	2,879
2009-10	94,952	15,185	12,168	2,678
2008-09	89,280	14,917	11,279	2,560
2007-08	88,276	15,040	11,131	2,686

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Executive *	857	899	931	920
Legislative	164	182	189	210
Judicial	1,137	1,072	1,109	1,079
Administration	895	927	914	908
Commerce				
Division of Natural Resources (Parks)	696	701	703	741
Tourism and Development	147	144	141	146
WORKFORCE West Virginia	320	332	365	390
Other	321	379	408	428
Environmental Protection	794	811	850	883
Education and the Arts				
Department of Education	473	511	507	528
School for the Deaf and the Blind	160	158	161	178
Rehabilitation Services	528	532	539	558
Higher Education	10,556	10,501	11,633	11,676
Other	229	267	259	268
Revenue	905	953	987	1,028
Health and Human Services	5,250	5,437	5,463	5,514
Military Affairs and Public Safety (MAPS)				
Corrections	1,885	1,987	1,688	1,839
Juvenile Services	466	549	516	511
State Police	984	1,025	1,050	1,037
Regional Jail Authority	846	935	948	971
Other	660	610	591	569
Veterans Assistance	223	210	207	226
Transportation	5,530	5,646	5,629	5,723
Miscellaneous	<u>483</u>	<u>511</u>	<u>519</u>	<u>535</u>
Total	<u>34,509</u>	<u>35,279</u>	<u>36,307</u>	<u>36,866</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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
932	958	946	921	927	916
213	221	216	218	216	213
1,055	1,069	1,042	1,010	961	912
889	683	693	679	696	659
748	756	752	798	836	844
163	162	160	155	162	164
391	396	409	440	399	397
441	439	400	400	391	379
855	842	832	823	804	821
550	584	601	576	579	560
174	193	182	195	202	192
531	564	555	563	542	518
11,717	11,575	11,431	10,965	10,762	10,383
280	279	285	274	286	272
1,062	1,094	1,080	1,067	1,057	1,087
5,630	5,621	5,535	5,562	5,495	5,556
1,760	1,758	1,725	1,700	1,692	1,684
676	712	718	681	640	610
1,024	1,067	1,043	1,033	1,026	1,011
911	912	883	886	896	903
620	556	530	511	486	525
246	240	227	213	181	161
5,876	5,834	5,776	5,346	5,658	5,499
<u>533</u>	<u>506</u>	<u>509</u>	<u>497</u>	<u>488</u>	<u>490</u>
<u>37,277</u>	<u>37,021</u>	<u>36,530</u>	<u>35,513</u>	<u>35,382</u>	<u>34,756</u>

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

	<u>2017</u>	<u>2016</u>	<u>2015*</u>
Department of Transportation			
Division of Highways			
Total highway construction projects authorized	813	1,042	891
Number of roadway resurfacing projects	294	519	483
Highway mileage resurfaced (in miles)	1,140	1,729	1,481
WORKFORCE West Virginia (Employment Programs)			
Applications processed for job seekers (in thousands)	114	96	102
Filled job openings	3,147	2,969	3,235
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	322,086	333,938	360,266
Number of food stamps issued	40,337,523	40,796,612	40,995,643
Medicaid enrollees	651,031	649,111	632,808
Counties enrolled in managed care	100%	100%	100%
Child support collections (in millions)	\$189	\$214	\$212
Students served by school-based health clinics	37,456	29,045	28,053
Division of Natural Resources			
Attendance at State Parks (in millions)	6.8	7.1	7.0
Hunting and Fishing License Sales (Calendar year)	852,909	868,658	913,578
Individuals whitewater rafting on rivers (Calendar year)	131,027	131,022	134,170
Department of Environmental Protection			
Division of Air Quality			
Number of air quality inspections	470	583	546
Average days open per complaint	8.60	6.80	8.24
Division of Land Restoration Programs			
Organizations that adopted highways	74	1,835	1,301
Division of Mining and Reclamation			
Surface mine blasting examinations and certifications	234	147	134
Surface mine mineral extractions inspections	18,935	19,739	20,205
Number of acres reclaimed through reclamation/restoration of land	891	527	398
Office of Miners Health and Safety (Calendar Year)			
Total Safety Inspections	5,328	5,002	5,750
Violations issued by mine inspectors	7,205	7,527	8,767
Lost time injuries of mining personnel	369	355	584
Department of Military Affairs and Public Safety			
Division of Corrections			
Adult inmate housing capacity	5,956	5,989	5,987
Inmate employment (Prison Industries)	244	245	240
Youth successfully completed programs/returned to community (calendar year)	110	188	166
Veterans' Home			
Average daily number of residents	70	74	81
Average daily cost per resident	\$112.44	\$107.02	\$97.62
Bureau of Senior Services			
Persons served under Medicaid Aged and Disabled Waiver	6,151	6,385	6,455

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

* Information revised

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

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
757	806	1,305	1,070	1,231	702	1,169
325	348	775	508	584	208	527
975	1,067	1,716	995	1,328	479	1,557
114	141	145	141	175	150	141
3,725	4,673	4,943	4,673	4,673	7,003	8,380
N/A	8%	7.98%	9.06%	8.36%	8.17%	10.00%
N/A	63.72%	72.08%	71.57%	69.73%	71.80%	80.00%
N/A	89.09%	87.27%	89.09%	89.09%	89.09%	96.00%
351,392	342,831	339,258	338,665	326,730	288,500	245,931
39,975,707	41,335,676	40,951,366	41,314,740	39,885,163	31,098,046	24,555,462
551,682	410,770	415,030	414,935	405,178	393,187	307,686
100%	100%	100%	100%	100%	95%	93%
\$208	\$209	\$213	\$222	\$201	\$204	\$201
24,391	20,708	28,436	27,076	24,992	20,380	20,224
7.0	7.0	6.8	6.5	6.3	5.9	6.7
927,069	911,219	881,062	879,678	914,474	1,005,953	983,544
130,192	140,027	142,036	156,962	155,712	164,325	181,105
700	550	2457	2,236	1,503	1,795	2,096
17.00	9.75	10.80	11.06	12.87	15.30	32.41
1,256	1,227	1,186	1,867	1,536	1,879	1,834
111	114	125	109	118	149	123
21,086	21,790	20,530	21,243	20,812	13,391	21,183
700	1,202	7,842	5,887	2,784	2,298	2,483
6,751	6,690	6,432	5,413	5,873	5,980	5,709
11,415	13,267	15,705	18,708	15,306	14,804	16,130
639	570	648	784	801	809	973
5,923	5,778	5,242	5,185	5,114	5,113	5,017
244	250	253	243	242	247	245
			148	159	159	156
179	180	163				
87	86	98	100	97	97	95
\$97.15	\$107.14	\$87.05	\$77.32	\$76.53	\$70.78	\$71.19
6,208	7,107	8,530	8,029	5,950	6,449	5,300

Schedule 15

Capital Assets Statistics by Function

Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Vehicles				
Executive	235	218	227	219
Judicial	20	18	20	20
Administration				
Agency-Owned	10	9	8	6
Leased to other agencies	<u>2,434</u>	<u>2,502</u>	<u>2,664</u>	<u>2,114</u>
Totals	2,444	2,511	2,672	2,120
Revenue	1	—	—	—
Commerce				
Division of Natural Resources (Parks)	907	581	710	606
Division of Forestry	140	119	135	139
Others	<u>18</u>	<u>14</u>	<u>18</u>	<u>15</u>
Total Commerce	1,065	714	863	760
Environmental Protection	8	8	8	17
Education	48	30	42	53
Health and Human Services	42	35	38	29
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	1,164	867	1,014	895
Division of Corrections	29	26	25	47
Regional Jail	—	—	51	28
Others	<u>27</u>	<u>23</u>	<u>25</u>	<u>37</u>
Total MAPS	1,220	916	1,115	1,007
Veterans Affairs	89	77	80	68
Regulatory Boards and Commissions	2	2	2	2
Boats				
Commerce	209	196	103	97
Environmental Protection	16	15	8	8
Buildings				
Executive	27	72	28	27
Administration	75	71	70	69
Revenue	2	2	2	2
Commerce				
Division of Natural Resources (Parks)	885	903	907	909
Division of Forestry	5	5	5	5
Others	<u>12</u>	<u>11</u>	<u>11</u>	<u>11</u>
Total Commerce	902	919	923	925
Environmental Protection	6	6	7	7
Education	72	79	79	69
Health and Human Services	106	106	106	105
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	97	97	92	91
Division of Corrections	64	66	63	59
Armory Board	149	149	149	112
Others	<u>63</u>	<u>66</u>	<u>66</u>	<u>64</u>
Total MAPS	373	378	370	326
Veterans Affairs	11	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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
195	192	178	185	171	169
19	15	14	14	12	10
6	7	6	6	6	4
<u>2,021</u>	<u>2,035</u>	<u>1,743</u>	<u>1,731</u>	<u>1,685</u>	<u>1,648</u>
2,027	2,042	1,749	1,737	1,691	1,652
1	1	1	0	0	1
549	571	510	582	584	570
135	96	132	136	133	130
<u>17</u>	<u>17</u>	<u>8</u>	<u>7</u>	<u>7</u>	<u>7</u>
701	684	650	725	724	707
8	11	10	11	11	11
48	42	44	51	58	42
29	25	28	68	72	68
902	852	947	992	999	1,110
45	42	36	40	40	38
27	27	40	94	99	104
<u>33</u>	<u>32</u>	<u>34</u>	<u>34</u>	<u>31</u>	<u>30</u>
1,007	953	1,057	1,160	1,169	1,282
67	75	70	72	59	56
2	2	2	2	2	2
100	92	93	90	95	94
7	7	7	7	6	5
26	29	28	28	28	28
71	78	78	72	70	68
3	3	2	2	2	2
907	905	889	889	889	884
5	5	5	5	5	5
<u>11</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>
923	918	902	902	902	897
7	7	8	7	7	7
69	82	81	91	91	90
107	108	108	108	109	109
90	90	85	85	85	83
55	55	53	55	55	54
109	154	157	158	167	165
<u>59</u>	<u>55</u>	<u>51</u>	<u>50</u>	<u>46</u>	<u>43</u>
313	354	346	348	353	345
10	10	9	9	9	9
4	3	3	3	3	3

Schedule 16 Miscellaneous Statistics June 30, 2017

Date of Statehood June 20, 1863

West Virginia shares its history with Virginia from 1609 until Virginia seceded from the Union in 1861. The delegates of 40 western counties formed their own government, which was granted statehood in 1863. Declared a state by President Abraham Lincoln, West Virginia is the only state to be designated by Presidential Proclamation.

Form of Government Constitutional Representative Government
Branches of Government Legislative - Executive - Judicial

Area (Land and Water) 24,231.4 square miles (approximately)
Highest Elevation Point Spruce Knob - 4,861 feet above sea level
Lowest Elevation Point Harpers Ferry - 247 feet above sea level
Miles of Public Roads and Streets 38,770
Miles Maintained by the State 34,691

State Police Protection:
Number of State Police Detachments 56
Number of State Police Troopers 624

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

Recreation:
Number of State Parks 38
Area of State Parks 80,000 acres

Number of State Forests 8
Area of State Forests 72,000 acres

Number of State Owned and Operated Rail Trails 11
Distance of Rail Trails 277 miles

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