



# West Virginia

## Comprehensive Annual Financial Report

Fiscal Year Ended  
June 30, 2009

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# *West Virginia*

## *Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2009*

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*Joe Manchin III*  
Governor

*Robert W. Ferguson, Jr.*  
Cabinet Secretary  
Department of Administration

*Ross Taylor*  
State Comptroller  
Department of Administration

*Prepared by the  
Financial Accounting  
and Reporting Section*

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*Governor Joe Manchin III*

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*State of West Virginia*  
*Joe Manchin III*  
*Governor*

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State Capitol  
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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 Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2009. An independent certified public accounting firm has audited the basic financial statements contained in this report.

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

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.

With warmest regards,

A handwritten signature in black ink, appearing to read "Joe Manchin III".

Joe Manchin III  
Governor

# *ACKNOWLEDGMENTS*

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Becky Hayes, CPA

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

We invite you to visit our web site: [www.wvfinance.state.wv.us](http://www.wvfinance.state.wv.us)

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An aerial photograph of a train winding through a forest with vibrant autumn foliage. The train, consisting of a blue locomotive and several white passenger cars, is moving along a track that curves through the trees. To the left of the train, a dark blue river flows through the landscape. The overall scene is scenic and peaceful.

# Introductory Section

Transmittal Letter

Certificate of  
Achievement for  
Excellence in  
Financial Reporting

Organization Chart

Principal Officials



STATE OF WEST VIRGINIA  
DEPARTMENT OF ADMINISTRATION  
DIVISION OF FINANCE

JOE MANCHIN III  
GOVERNOR

ROBERT W. FERGUSON, JR.  
CABINET SECRETARY

February 26, 2010

The Honorable Joe Manchin III, Governor  
The Honorable Members of the West Virginia Legislature  
The Citizens of West Virginia

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the State of West Virginia for the fiscal year ended June 30, 2009. This report has been prepared by the Financial Accounting and Reporting Section within the Division of Finance of the Department of Administration.

The CAFR has been prepared in conformity with the reporting model outlined by the Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35, and other related statements. This reporting model's objective is to provide a clear picture of the government as a single, unified entity as well as to provide traditional fund-based financial statements. The State of West Virginia's financial statements for the fiscal year ended June 30, 2009, are fairly presented in conformity with generally accepted accounting principles in the United States (GAAP).

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

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

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

government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State's financial statements in conformity with U.S. generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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

## **Profile of the Government**

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

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

## **Economic Conditions and Outlook**

Like all states, West Virginia has been affected by the global economic recession. However, due to the fiscally responsible decision-making of Gov. Joe Manchin III and the State Legislature, our state is financially strong and is weathering the nation's worst recession in more than seven decades.

In 2009, West Virginia led the nation in personal income growth and the Mountain State ranked second overall in the most recent index of state economic momentum. Since 2005, 243 companies have located or expanded in West Virginia, investing more than \$9 billion in the State.

Because of this responsible management and forward-thinking budgeting, West Virginia state government has not been forced to implement employee furloughs, government shutdowns or increased taxes. To ensure proper funding of vital programs and services, in December 2009, Gov. Manchin requested all spending entities to reduce their current General Revenue budgets by 3.4%. The other branches of state government (the Supreme Court and Legislature) voluntarily have reduced their spending, as well.

Tourism in West Virginia has historically produced revenue for the State. In June of 2009, the new State Museum opened its doors, showcasing the State's proud heritage and culture. Within the first six months of operation, approximately 50,000 people visited the museum.

As with most states, federal stimulus funding has enabled many projects to begin that might not have been feasible. West Virginia is a top state for putting stimulus dollars to work on our highways as well as on our water and sewer line expansion. This is the 10<sup>th</sup> consecutive year that West Virginia budgeted state and federal funds in excess of \$1 billion for our roadway system. During 2009, the State completed such projects including half of Corridor H, advanced sections of U.S. 35, Route 9, Route 10, the Coalfields Expressway, the Mon/Fayette Expressway, the King Coal Highway and the Fairmont Gateway Connector. More than 80 miles of four-lane highway are being constructed.

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

By continuing to work efficiently by utilizing innovative methods, several initiatives have been established to allow the State to utilize its resources more effectively. Last year, the Comprehensive Tax Modernization Group was reconvened and, upon its findings, the State will look at addressing lower taxation on commercial and industrial properties while considering the impact on local governments. This action, which is anticipated to generate better jobs, is more than about cutting taxes; it is about fair and progressive taxation that meets the State's needs.

The State is also progressing toward replacing the antiquated financial management system that was implemented in the early 1990s. A new enterprise resource planning system (ERP) will allow the State to better track revenue and assets, payroll and payments. This system will provide the information the State needs to make timely and financially sound decisions. Substantial savings are expected with the implementation of this system, resulting in the consolidation of more than 60 individual automated systems throughout state government.

The State of West Virginia is proud to have been selected as one of three states as part of the Pew Center on the States' State Lab Project, which strives to accelerate state improvements in targeted areas. In this year-long partnership, West Virginia receives intensive management support from Pew experts and advisors, along with a grant of \$50,000. Each state project, included in the "Pew's Management Lab," focuses on specific challenges to improve statewide results which will be shared with other states to spur government improvements nationwide. Responsible government will establish a new statewide planning and budgeting system to ensure the best return on our State investments. Through this program, taxpayers will be able to more easily see both how their tax dollars are put to use and the results accomplished. Gov. Joe Manchin's vision for West Virginia in year 2012 includes quality of life, economic, and government improvements which are based upon a strategic statewide plan to create more fiscally responsible operations.

### *Major Initiatives*

In addition to the economy, the State is placing continued strong emphasis on energy and education.

West Virginia ranks second in the nation in exporting electricity, and most of the coal and natural gas is exported out of state. The State's alternative and renewable energy portfolio requires one-fourth of the energy used in the State to come from alternative or renewable energy sources by the year 2025. This progressive law is benefiting the State of West Virginia. Our State has more than 1,000 megawatts of wind power in service or in development, which equates to providing power to more than 250,000 homes. The State also has the third-largest wind capacity of any eastern state.

The world's first successful carbon capture and sequestration project is at the American Electric Power's Mountaineer Power Plant in Mason County and an advanced pilot project is capturing CO<sub>2</sub> at the Dow Chemical Plant in South Charleston, West Virginia. These pilot projects lead the way for implementation of this technology at coal-fired power plants around the world.

A coal-to-liquids project in Mingo County that will use state-of-the-art cleaner coal technology is underway. This technology will enable West Virginia coal to be our primary energy source as we transition to the fuels of the future.

To ignite the economic momentum of West Virginia, the State is strengthening its focus on education by moving forward on building or improving schools at a lower interest rate through the Qualified School Construction Bonds statewide. At the end of 2009, West Virginia had \$540 million in ongoing school construction, the largest amount in the School Building Authority's history. A \$78 million bond issue to improve the State's community and technical colleges has been completed.

As a result of the challenging economic scenario throughout the nation, the State of West Virginia has maintained a strong stance in providing the necessary governmental programs and services, while demonstrating fiscal responsibility in its decision-making. The State has proved to be resilient through a difficult economic time by making sound decisions and implementing innovative planning strategies. Focusing in the future on such issues as health care, economic development, continued enhanced infrastructure, and education, West Virginia stands ready to address the challenges and opportunities of the future.

### **Certificate of Achievement**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of West Virginia for its CAFR for the fiscal years ended June 30, 1995 through 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA. Other state entities that have been awarded the Certificate of Achievement include the Board of Risk and Insurance Management, the Public Employees' Insurance Agency, the Department of Transportation, the Housing Development Fund, the Parkways, Economic Development and Tourism Authority, the West Virginia Lottery, and the West Virginia Prepaid College Plan.

### **Acknowledgments**

The annual budget document, prepared by the State Budget Office, provides additional information related to budget priorities and goals, including acknowledgment of significant accomplishments of various agency programs. The budget document has received the GFOA's Award for Distinguished Budget Presentation Program for the fiscal years 1997 through 2010 budgets.

The CAFR is an example of the Governor's unwavering belief in, and commitment to, the State's financial accountability. Acknowledgment is given to the Legislature and its leadership for their 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 upon their cooperation and support.

Sincerely,



Robert W. Ferguson, Jr.  
Cabinet Secretary

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, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

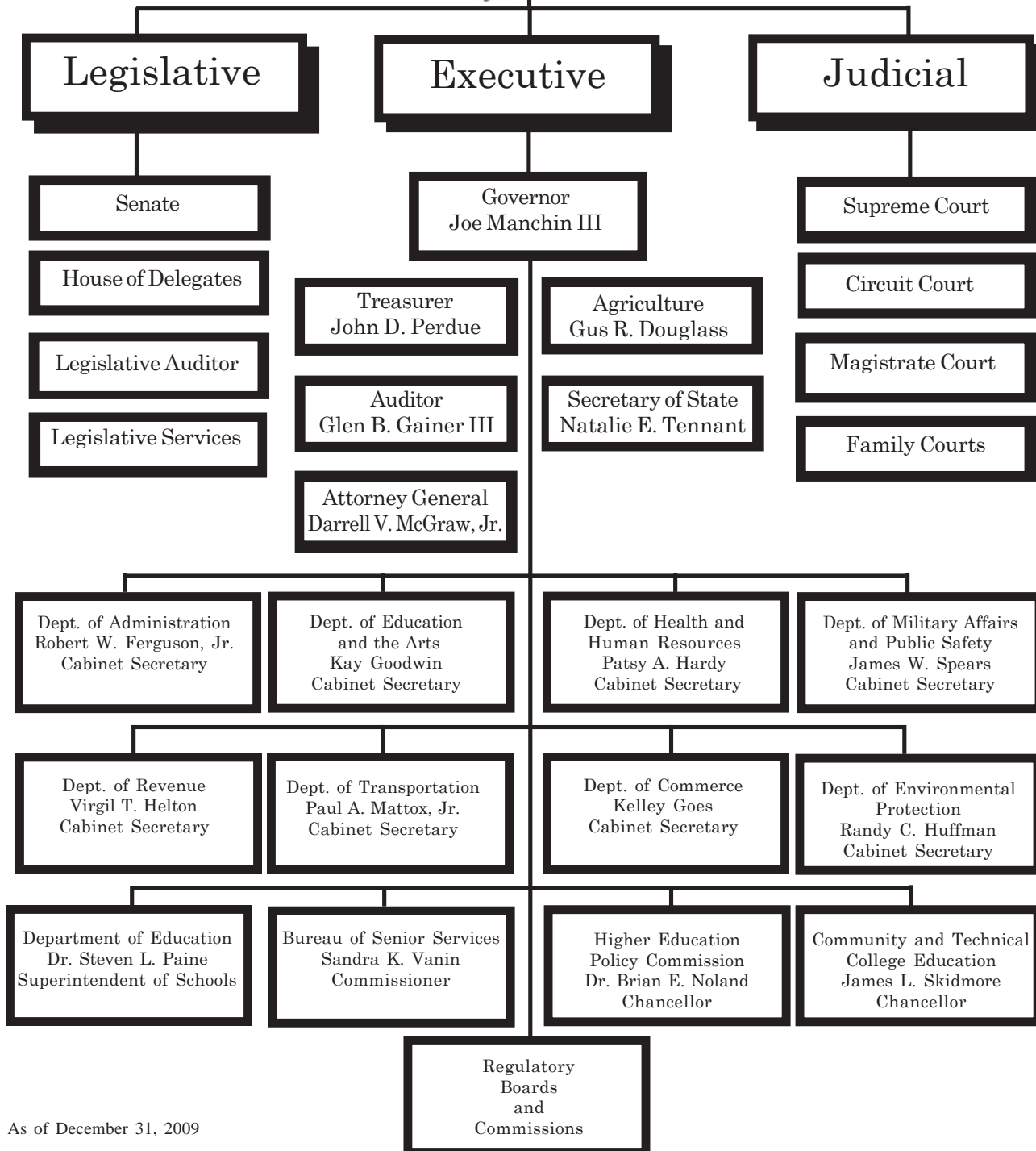
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director



# ORGANIZATION CHART



# State of WEST VIRGINIA

## Principal Officials

### Executive Branch

Governor  
Joe Manchin III

Agriculture Commissioner  
Gus R. Douglass

Attorney General  
Darrell V. McGraw, Jr.

State Auditor  
Glen B. Gainer III

Secretary of State  
Natalie E. Tennant

State Treasurer  
John D. Perdue

### Legislative Branch

President of the Senate  
Earl Ray Tomblin

Speaker of the House  
Richard Thompson

Chairman  
Senate Finance  
Walt Helmick

Chairman  
House Finance  
Harry Keith White

### Judicial Branch

Supreme Court  
Chief Justice  
Brent D. Benjamin

Supreme Court Justice  
Robin Jean Davis

Supreme Court Justice  
Margaret L. Workman

Supreme Court Justice  
Menis E. Ketchum, II

Supreme Court Justice  
Thomas McHugh





# Financial Section

Report of  
Independent  
Auditors

Management's  
Discussion  
and Analysis

## Report of Independent Auditors

The Honorable Joe Manchin III, Governor  
of the State of West Virginia

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, 2009, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain entities within the governmental activities, the business-type activities, the aggregate discretely presented component units, certain major funds, and the aggregate remaining fund information, which represent 64 percent of total assets, 77 percent of net assets, and 15 percent of total revenues for the governmental activities; 82 percent of total assets, 89 percent of net assets, and 89 percent of total revenues for the business-type activities; 100 percent of total assets, 100 percent of net assets, and 100 percent of total revenues for the aggregate discretely presented component units; 100 percent of total assets, 100 percent of total net assets, and 100 percent of total revenues of each of the following major funds—Transportation, West Virginia Infrastructure and Jobs Development Council, Tobacco Settlement Financing Authority, West Virginia Lottery, Water Pollution Control, Workers' Compensation, and Unemployment Compensation; and 88 percent of total assets, 89 percent of net assets/fund balance, and 81 percent of the total revenues/additions for the aggregate remaining fund information, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain entities within the governmental activities, business-type activities, aggregate discretely presented component units, certain major funds, and certain entities within the aggregate remaining fund information, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the State's internal control over financial reporting. Our audit included

consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of West Virginia as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

As more fully described in Note 2 to the financial statements, as of July 1, 2008 the State adopted Governmental Accounting Standards Board Statement No. 49, *"Accounting and Financial Reporting for Pollution Remediation Obligations"* which changed the method of reporting for pollution remediation obligations.

Also, as more fully described in Note 2 to the financial statements, as of July 1, 2008, the Higher Education discretely presented component unit adopted Governmental Accounting Standards Board Statement No. 52, *"Land and other Real Estate Investments Held as Endowments"*.

As more fully described in Note 2, the fund balance of the Tobacco Settlement Finance Authority, which is audited by other auditors, and the fund balance of the General Fund has been restated by \$19.7 million as of July 1, 2008 to correct the amortization of the deferred charge related to the sale of the rights to the tobacco settlement.

The management's discussion and analysis on pages 5 through 20, the budgetary comparison information on pages 164 through 171, and pension plans schedule of funding progress on page 172 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying introductory section, combining and individual nonmajor fund financial statements and schedules on pages 175 through 217, 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 and schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Ernst + Young LLP*

February 26, 2010

## 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, 2009. 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.

The State implemented one new Governmental Accounting Standards Board (GASB) standard in 2009, Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." The details relating to this statement are included in Note 15. The Public Employees' Insurance Agency, a major proprietary fund, and Information Services and Communications, an internal service fund, have early adopted GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets," in conjunction with the implementation of new computer software systems.

### FINANCIAL HIGHLIGHTS

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

The assets of the primary government exceeded its liabilities at the close of the fiscal year by \$10 billion (reported as "net assets"). Governmental activities reported \$10.1 billion in net assets (a \$249 million increase, up 2.5% from last year, as restated), while the business-type activities reported a deficit of \$83.5 million, a \$160 million decrease in the deficit.

#### **Fund Level:**

At year-end, the governmental funds reported a combined ending fund balance of \$3.35 billion, a decrease of \$111 million, or 3.21% lower than the prior year, as restated. The unreserved fund balance for the general fund was \$767 million, or 10%, of total general fund expenditures. General Revenue surpluses allowed \$11 million to be transferred to the Revenue Shortfall Reserve Fund (Rainy Day Fund), down from the previous year by \$6.6 million.

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

There was a net decrease in the State's long-term obligations of \$177 million. The decrease includes payments on bonds, capital leases, and notes payable of \$115 million. The decreases in the debt were offset by new liabilities, including revenue bonds issued by Transportation in the amount of \$82 million. See Notes 10 and 11 for more information about bonds, capital leases and notes payable.



Significant changes in other long-term obligations included a decrease of \$274 million in Accrued and Other Liabilities as of July 1, 2008, due to the implementation of GASB 49 requiring a change in the method for reporting Pollution Remediation Obligations. See Note 15 for a more detailed explanation. The Insurance and Compensation Benefits decreased \$203 million primarily due to the privatization of the workers' compensation fund and the stable sources of revenue to satisfy the declining liability for claims incurred on or before June 30, 2005. See Note 14 for a more detailed explanation about the privatization and funding plan.

## **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 assets and the related statement of activities are *government-wide financial statements* that provide both long-term and short-term information about the State's overall financial status. The remaining statements are *fund financial statements* that focus on individual parts of the State's government, reporting the State's operations in more detail than the government-wide statements. The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that presents budgetary comparisons and pension plans schedule of funding progress as required by the Governmental Accounting Standards Board. In addition to these required elements, we have included a *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 assets 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 and liabilities, including capital assets and long-term debt, are reported at the entity level.

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

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

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

## **Fund Financial Statements**

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

The State has three kinds of funds:

- *Governmental funds* – Most of the State's basic services are included in governmental funds, which focus on (1) *cash and other financial assets* that may readily be converted to cash flow in and out and (2) the balances left at year-end available for spending. Consequently, the governmental funds statements

provide a detailed *short-term* view to help determine whether there are more or fewer financial resources that may be spent in the near future to finance the State's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the pages immediately following each statement, explaining the relationship (or differences) between them and the government-wide statements.

- *Proprietary funds* – Proprietary funds include enterprise funds and internal service funds. They account for state activities that are operated in a manner similar to private-sector businesses. Like the government-wide statements, proprietary fund statements are presented using the accrual basis of accounting and provide both long- and short-term financial information. Services for which the State charges external customers a fee are generally reported in enterprise funds. Activities where customers are mostly other state agencies are accounted for in internal service funds. The internal service funds are consolidated with the governmental activities on the government-wide statements because they predominantly benefit the governmental rather than business-type activities.
- *Fiduciary funds* – Fiduciary funds account for assets held for the benefit of parties outside of state government. The State is the trustee, or *fiduciary*, for its employees' pension plans and other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the State's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets, 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 assets.
- Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, liabilities, 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 revenue on the governmental fund statements.
- Some revenues and expenses reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues and expenditures in the funds.

## **Notes to the Financial Statements**

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

## **Required Supplementary Information**

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

## **Combining Financial Statements and Schedules**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The State’s combined net assets (governmental and business-type) increased \$408 million over the course of this fiscal year’s operations. The net assets of the governmental activities increased \$248.5 million, or 2.5%, and business-type activities had an increase of \$159.6 million, or 66%. The overall increase in the State’s net assets is due primarily to increased federal aid, partially from the American Recovery and Reinvestment Act, and improvement of the Workers’ Compensation Fund deficit (see Note 14 for more information).

Net Assets as of June 30  
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008 Restated	2009	2008	2009	2008 Restated
Current and Other Assets	\$ 5,617,427	\$ 5,648,443	\$ 2,683,433	\$ 2,775,709	\$ 8,300,860	\$ 8,424,152
Capital Assets	<u>8,434,861</u>	<u>8,110,901</u>	<u>11,732</u>	<u>12,330</u>	<u>8,446,593</u>	<u>8,123,231</u>
Total Assets	<u>14,052,288</u>	<u>13,759,344</u>	<u>2,695,165</u>	<u>2,788,039</u>	<u>16,747,453</u>	<u>16,547,383</u>
Current and Other Liabilities	1,293,528	1,193,104	502,848	549,107	1,796,376	1,742,211
Long-term Liabilities	<u>2,682,681</u>	<u>2,738,674</u>	<u>2,275,820</u>	<u>2,482,039</u>	<u>4,958,501</u>	<u>5,220,713</u>
Total Liabilities	<u>3,976,209</u>	<u>3,931,778</u>	<u>2,778,668</u>	<u>3,031,146</u>	<u>6,754,877</u>	<u>6,962,924</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	7,532,883	7,230,626	11,732	12,330	7,544,615	7,242,956
Restricted	817,524	926,541	1,000,274	1,074,139	1,817,798	2,000,680
Unrestricted (Deficit)	<u>1,725,672</u>	<u>1,670,399</u>	<u>(1,095,509)</u>	<u>(1,329,576)</u>	<u>630,163</u>	<u>340,823</u>
Total Net Assets (Deficit), as Restated	<u>\$10,076,079</u>	<u>\$ 9,827,566</u>	<u>\$ (83,503)</u>	<u>\$ (243,107)</u>	<u>\$ 9,992,576</u>	<u>\$ 9,584,459</u>

**Net Assets**

The largest component of the State’s net assets 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. Capital assets are used to provide services to citizens; therefore, they are not available for future spending or to pay off their related liabilities. Capital assets increased \$323 million primarily due to the acquisition of rights of way and the construction of roads and bridges. In addition, the improvement of the Workers’ Compensation Fund deficit by \$154 million (see Note 14 for more information) has increased the unrestricted net assets from \$341 million to \$630 million in assets.

Restricted net assets comprise 18% of total net assets and are subject to constitutional, legal, or external constraints on how they can be used. Net assets that are restricted include funds for construction projects, debt service, lending activities, insurance activities, conservation, and economic development and tourism programs of the State.

## Changes in Net Assets

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 assets for the years ended June 30, 2009 and 2008 (expressed in thousands):

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues:						
Charges for Services	\$ 413,971	\$ 418,004	\$2,346,259	\$ 2,223,968	\$ 2,760,230	\$ 2,641,972
Operating Grants and Contributions	3,474,836	3,082,708	—	—	3,474,836	3,082,708
Capital Grants and Contributions	488,297	425,649	11,384	20,788	499,681	446,437
General Revenues:						
Personal Income Tax	1,630,492	1,557,957	—	—	1,630,492	1,557,957
Consumer Sales Tax	1,088,901	990,051	—	—	1,088,901	990,051
Business Taxes	912,252	1,040,604	—	—	912,252	1,040,604
Transportation Taxes	533,833	564,736	—	—	533,833	564,736
Other Taxes	463,403	556,694	—	—	463,403	556,694
Other Revenues	143,818	291,600	(69,835)	70,463	73,983	362,063
Total Revenues	<u>9,149,803</u>	<u>8,928,003</u>	<u>2,287,808</u>	<u>2,315,219</u>	<u>11,437,611</u>	<u>11,243,222</u>
Program Expenses:						
Legislative	29,552	28,027	—	—	29,552	28,027
Judicial	106,933	102,738	—	—	106,933	102,738
Executive	143,872	128,261	—	—	143,872	128,261
Administration	201,469	213,546	—	—	201,469	213,546
Commerce	201,901	204,448	—	—	201,901	204,448
Environmental Protection	110,652	74,827	—	—	110,652	74,827
Employment Programs	45,000	56,122	—	—	45,000	56,122
Education	2,821,883	2,646,434	—	—	2,821,883	2,646,434
Health and Human Resources	3,737,102	3,451,206	—	—	3,737,102	3,451,206
Military Affairs and Public Safety	427,575	381,104	—	—	427,575	381,104
Revenue	83,458	51,242	—	—	83,458	51,242
Transportation	977,616	876,073	—	—	977,616	876,073
Senior Services	43,729	43,701	—	—	43,729	43,701
Regulatory Board and Commissions	35,079	35,168	—	—	35,079	35,168
Interest on Long-term Debt	141,756	140,208	—	—	141,756	140,208
West Virginia Lottery	—	—	1,022,747	1,087,321	1,022,747	1,087,321
Workers' Compensation Fund	—	—	36,252	(161,079)	36,252	(161,079)
Unemployment Compensation	—	—	356,715	175,107	356,715	175,107
Water Pollution Control Revolving Fund	—	—	1,905	1,651	1,905	1,651
Public Employees' Insurance Agency	—	—	394,616	444,380	394,616	444,380
Board of Risk and Insurance Management	—	—	40,498	47,229	40,498	47,229
Other Nonmajor Business-type	—	—	69,184	77,329	69,184	77,329
Total Expenses	<u>9,107,577</u>	<u>8,433,105</u>	<u>1,921,917</u>	<u>1,671,938</u>	<u>11,029,494</u>	<u>10,105,043</u>
Increase in Net Assets Before Transfers	42,226	494,898	365,891	643,281	408,117	1,138,179
Transfers	206,287	214,864	(206,287)	(214,864)	—	—
Special Transfer for OPEB	—	(108,168)	—	—	—	(108,168)
Increase in Net Assets	248,513	601,594	159,604	428,417	408,117	1,030,011
Net Assets (Deficit), Beginning of Year	<u>9,559,837</u>	<u>8,643,034</u>	<u>(243,107)</u>	<u>(673,635)</u>	<u>9,316,730</u>	<u>7,969,399</u>
Change in Accounting Principle for						
Primarily Pollution Remediation Obligation	267,729	—	—	—	267,729	—
OPEB and School Building Authority	—	315,209	—	2,111	—	317,320
Net Assets, Beginning of Year, as Restated	<u>9,827,566</u>	<u>8,958,243</u>	<u>(243,107)</u>	<u>(671,524)</u>	<u>9,584,459</u>	<u>8,286,719</u>
Net Assets (Deficit), End of Year	<u>\$10,076,079</u>	<u>\$9,559,837</u>	<u>\$ (83,503)</u>	<u>\$ (243,107)</u>	<u>\$ 9,992,576</u>	<u>\$ 9,316,730</u>

## **Governmental Activities**

The State's net assets before transfers increased by \$42 million for governmental activities. Revenues were up \$222 million, while expenses were also up \$674 million.

The revenue increase was due primarily to higher federal revenues. Health and Human Resources (DHHR) was up \$419 million, including food stamp revenue of \$79 million due to changes in eligibility and benefit rates in the American Recovery and Reinvestment Act (ARRA). Medicaid federal medical assistance percentage (FMAP) and Adoption, Foster Care, Child Support, and TANF also had increased funding. Transportation revenue was up \$57 million, which included proceeds from a revenue bond issue of \$82 million and the beginning of the ARRA funding for highway projects.

Overall tax revenue was down \$81 million from the previous year. Business taxes were down \$128 million primarily due to lower coal prices (roughly \$140 per ton in 2008 down to \$50 per ton in 2009) and Transportation taxes (privilege tax and motor fuel tax) were down \$31 million due to the slow economy. Only Personal Income Tax was up by a significant amount, approximately \$73 million.

Program expenses were up approximately \$674 million in total. Education was up \$175 million primarily due to increased funding of K through 12 education. DHHR expenses were up \$286 million due to increases in eligibility and/or rates in numerous programs, including Medicaid, Food Stamps, Child Support, Adoption assistance, and TANF, partially due to ARRA legislation. DHHR also had health care cost increases, due to increases in rates and individuals served. Transportation expenses were up \$102 million due primarily to increased road construction and maintenance projects. Transportation's administration expenses were lower by almost \$28 million.

The following charts depict revenues and expenses, respectively, of the governmental activities for the fiscal year. Approximately 46% of the total revenues came from personal income, consumer sales, business taxes, and transportation taxes, while 43% was in the form of grants and contributions (see Chart A). The State's governmental activities expenses include 41.7% for health and human resources and 31.47% for education (see Chart B).

Chart A

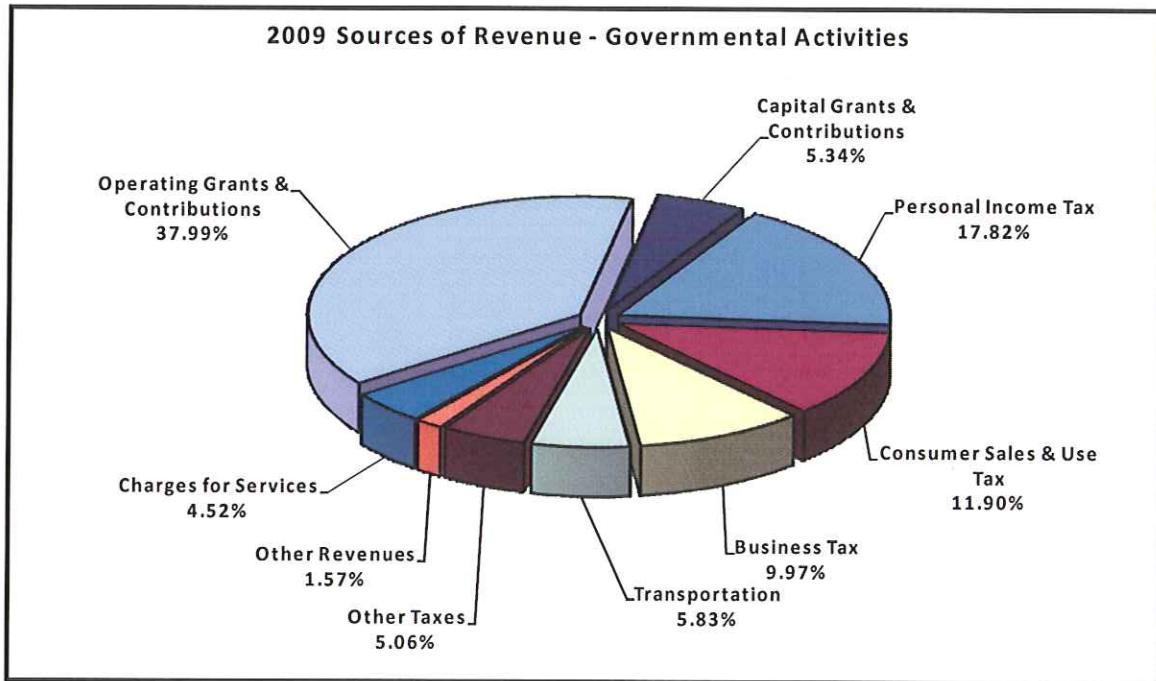
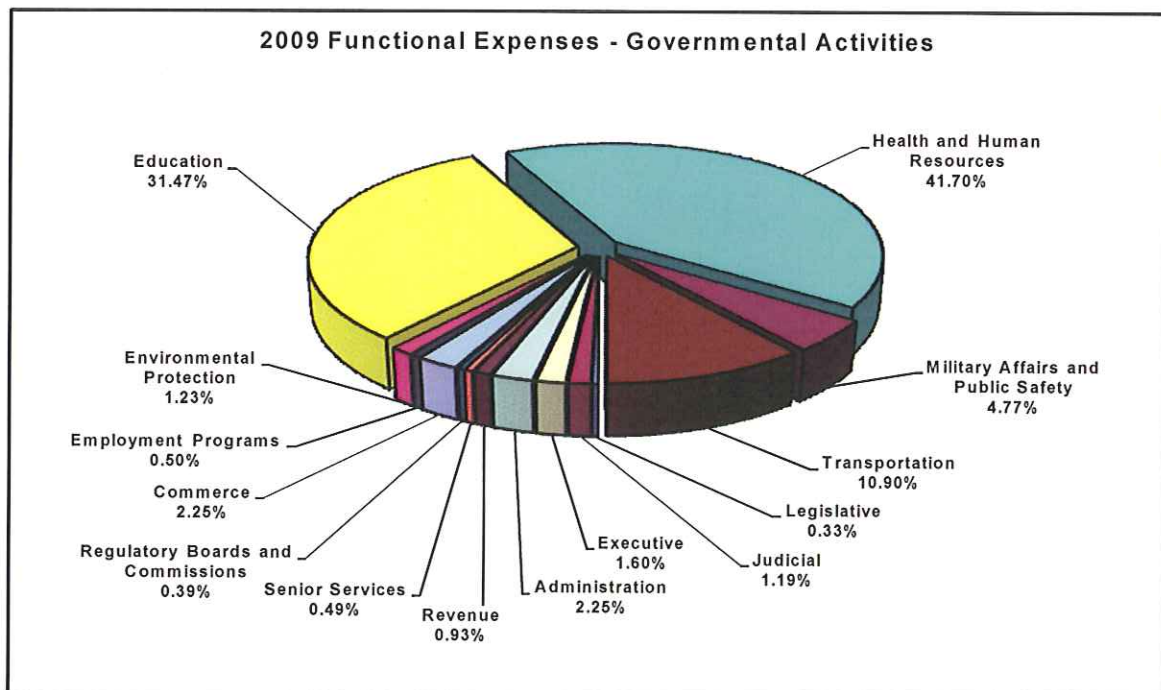


Chart B





## **Business-type Activities**

Business-type activities increased the State's net assets by \$366 million before transfers of \$206 million to governmental activities. Significant contributors to this change were:

- The West Virginia Lottery gaming receipts exceeded expenses by approximately \$657 million, a decrease of approximately \$11 million. The Lottery's revenues are transferred out to other funds, with the exception of \$250,000 operating funds and \$80 million allocated for a new building and other future capital acquisitions.
- The Workers' Compensation Fund's revenue stream remained stable while the payment stream declined as claim obligations, incurred prior to July 1, 2005, were satisfied. Principal payments of \$145 million by BrickStreet Mutual Insurance Company on their surplus note and additional severance taxes of \$35.5 million were offset by investment losses of \$89 million, which reduced the fund deficit a total of \$154 million.
- The Board of Risk and Insurance Management (BRIM) had billed premiums in excess of incurred claims, in the amount of \$20 million. BRIM's net operating revenues decreased by \$10 million due to overall reductions in the premium levels required to adequately fund the State and SB3 programs and from a decrease in premiums billed to the medical schools based on the projected reduction in the estimated losses to be incurred by the program. The overall net decrease in claims and claims adjustment expense of \$6 million resulted from the refinement of the loss development patterns.
- Public Employees' Insurance Agency (PEIA) had a \$6 million increase in net assets resulting primarily from a reduction of claims expense to adjust the year-end premium deficiency reserve, lower than expected claims expenses, and investment losses. Net premium revenues increased by \$42 million, while investment income decreased \$15 million due to lower average investable balances and the economic downturn which negatively impacted the rate of return on investments.
- Unemployment Compensation recorded a loss before transfers of approximately (\$96) million, primarily due to the increased cost of unemployment payments. A one-time transfer-in of \$38 million reduced the change in net assets to (\$58) million.

## 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 an ending fund balance of \$3.35 billion, a decrease of \$111 million in comparison with the prior year. Investment returns were \$129 million lower and there was a decrease in tax revenues of \$142 million. These decreases were offset by a federal revenue increase of \$369 million, for a net increase in revenue of \$170 million. Expenses were up by \$684 million primarily due to the Education, Health and Human Resources, and Transportation functions.

**Governmental Fund Balances at June 30, 2009**  
(Expressed in Thousands)

	<b>General Fund</b>	<b>Transportation</b>	<b>West Virginia Infrastructure and Jobs Development Council</b>	<b>Tobacco Settlement Finance Authority</b>
Reserved	\$ 400,816	\$ 41,311	\$467,118	\$103,722
Unreserved, Designated	522,770	—	110,204	—
Unreserved, Undesignated	<u>244,330</u>	<u>226,490</u>	<u>127,522</u>	<u>710,167</u>
Total	<u>\$1,167,916</u>	<u>\$267,801</u>	<u>\$704,844</u>	<u>\$813,889</u>

The nonmajor governmental funds had a net increase of approximately \$16 million. The capital projects funds increased approximately \$27 million primarily from proceeds of new bonds issued during the year by the Department of Transportation. The unreserved special revenue funds decreased by a net \$11.6 million primarily due to investment losses in the Wildlife Resources fund and a decrease in Insurance Commission revenue. Approximately 62% of the total fund balance is unreserved and available for spending in the coming year. The remainder of the fund balance is reserved, indicating it is not available for spending because it has been committed to pay debt service (\$82 million); to fund capital projects (\$67 million); or held in permanent funds for education (\$1.3 million).

The general fund is the chief operating fund of the State. At the end of the current fiscal year, the unreserved, undesignated fund balance of the general fund was \$244 million, and the unreserved, designated fund balance was \$523 million, while total fund balance reached \$1.2 billion. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 10% of total general fund expenditures, while total fund balance represents 15% of the same amount.

Cash and investments in the general fund were down \$29 million due to increased spending primarily in the Education, Health and Human Resources, and Transportation function. Investment earnings were down \$102 million due to the slow National economy and the impact on investment returns. The revenue shortfall reserve is down \$108 million due primarily to the impact of the market on investments and their earnings and \$26.5 million transferred to the Governor's Civil Contingent Fund for flood relief.

Expenses for the education function were up \$100.7 million in 2009, primarily due to increased funding of K through 12 education. There were gains in enrollment as well as a shift in local/state funding due to legislation reducing the counties' share of the school aid formula and increasing the State's share. Federal programs having increased spending were IDEA, School Nutrition, Title I, Title II, and Title VI. Increased teachers' salaries and positions were included in the funding.

DHHR expenses were up \$295 million due to increases in eligibility and/or rates in numerous programs, including Medicaid, Food Stamps, Child Support, Adoption and Foster Care assistance, and TANF, partially due to ARRA legislation. DHHR also had health care cost increases, due to increases in rates and individuals served.

Transportation had an unreserved fund balance of \$226 million, down 33% from the prior year. The reserved fund balance of \$41 million is inventory. Transportation revenues were up \$1.4 million primarily due to the increase in federal aid revenues. Road maintenance and road operations expenses were the primary reason for the increased expenditures of \$115 million.

The West Virginia Infrastructure and Jobs Development Council's fund balance increased \$33 million, from interest and principal repayments of loans. The increase in loans receivable is the combined effect of disbursements of new and prior loan funds to projects less repayments of principal on loans. The reserved fund balance, \$467 million (up \$44 million), is money committed but not distributed to entities for loans/grants and loans receivable, which are not available for appropriation.

The Tobacco Settlement Finance Authority's fund balance decreased by \$42 million after the restatement, due to amortization of the deferred revenue. Bond principal of \$20 million and interest of \$62 million were paid, which was a total increase of \$11 million over the previous 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 West Virginia Lottery, Water Pollution Control Revolving Fund, Workers' Compensation Funds, Unemployment Compensation, 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 revenues of the final amended budget did not change from the original. The general revenue fund budget to actual overall revenue variance was a negative \$1 million. Although we had significant downturns in revenue collection in consumer sales tax (\$70.9 million) and corporate net income/business franchise taxes (\$30.9 million) due to the recession, severance taxes and personal income taxes grew by \$24.6 million and \$67.5 million, respectively. In 2008 coal and natural gas prices were at record highs and although they have declined since then, it was enough to keep the severance tax collections well above expectations. The recession hit West Virginia later than most states, and even though income tax growth slowed dramatically in the second half of the year, overall personal income tax receipts still managed to grow by a much higher than anticipated 2.6%.

The positive variance of the excess of revenues over expenditures was approximately \$139 million which resulted from stable revenues and cautious spending. After expenditures from prior year appropriations, \$11 million was deposited into the State's Rainy Day Fund.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of 2009, the State had invested \$8.4 billion, net of accumulated depreciation, in a broad range of capital assets shown below. Depreciation expense for the year totaled \$355 million.

Capital Assets at Year-End  
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Land and Improvements	\$1,007,286	\$ 985,603	\$ 611	\$ 611	\$1,007,897	\$ 986,214
Building and Improvements	622,045	586,294	1,052	1,113	623,097	587,407
Equipment	115,133	101,527	10,069	10,321	125,202	111,848
Library Holdings	1,279	134	—	—	1,279	134
Construction in Progress	1,123,944	1,397,223	—	285	1,123,944	1,397,508
Infrastructure	5,565,174	5,040,120	—	—	5,565,174	5,040,120
Totals	<u>\$8,434,861</u>	<u>\$8,110,901</u>	<u>\$11,732</u>	<u>\$12,330</u>	<u>\$8,446,593</u>	<u>\$8,123,231</u>

The total increase, net of disposals and accumulated depreciation, in the State's investment in capital assets for the current fiscal year approximated \$323 million. The most significant changes in capital assets during the year were in the Transportation function. Transportation's construction in progress had a net decrease of \$298 million, offset by increases under Military Affairs and Public Safety, Natural Resources, and DHHR. Additions to infrastructure were a net \$525 million, which was \$813 million that Transportation focused primarily on upgrading existing roadways and the completion of the Appalachian Highway Corridors, offset by \$288 million in depreciation. Additional information concerning the State's capital assets can be found in Note 9 of this report and under the capital assets heading in Note 1.

### **Long-Term Debt**

At year-end the State had \$6.2 billion in bonds, capital leases, notes payable, claims and judgments, compensated absences, pension obligations, and other long-term obligations outstanding, as shown in the following table. The State's general obligation bonds are rated AA by Standard and Poor's Corporation and AA- by Fitch Investors Service. The Moody's Investors Service rating is Aa3.

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	
	2008		2008		2008	
	2009	Restated	2009	2008	2009	Restated
General Obligation Bonds	\$ 665,294	\$ 705,955	\$ —	\$ —	\$ 665,294	\$ 705,955
Revenue Bonds	1,405,645	1,362,022	—	—	1,405,645	1,362,022
Capital Leases	318,466	326,247	—	—	318,466	326,247
Notes Payable	4,310	12,356	—	—	4,310	12,356
Accrued and Other Liabilities	961,989	914,243	105,256	117,539	1,067,245	1,031,782
Insurance and Compensation Benefits	—	—	2,579,673	2,782,891	2,579,673	2,782,891
Compensated Absences	97,609	94,462	1,063	889	98,672	95,351
Pension Obligations	<u>69,742</u>	<u>69,263</u>	<u>—</u>	<u>—</u>	<u>69,742</u>	<u>69,263</u>
Totals	<u>\$3,523,055</u>	<u>\$3,484,548</u>	<u>\$2,685,992</u>	<u>\$2,901,319</u>	<u>\$6,209,047</u>	<u>\$6,385,867</u>

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

Looking forward to FY 2010, the anticipated General Revenue forecast indicates revenue growth of only 1.8% due to the impact of a lengthy recession and a trend of declining energy prices, lower coal production, declining corporate income tax revenues, slow growing personal income and sales tax revenues, and the continuing emergence of video gaming competition from surrounding states.

Policymakers are dedicating most of the temporary revenue enhancement associated with higher energy prices and strong gaming revenues toward unfunded pension debts, necessary one-time improvements, and reserve funds set aside in the event of future budgetary shortfalls. In addition, careful budgetary planning and responsible government initiatives provided the capacity for recent General Revenue Fund surpluses.

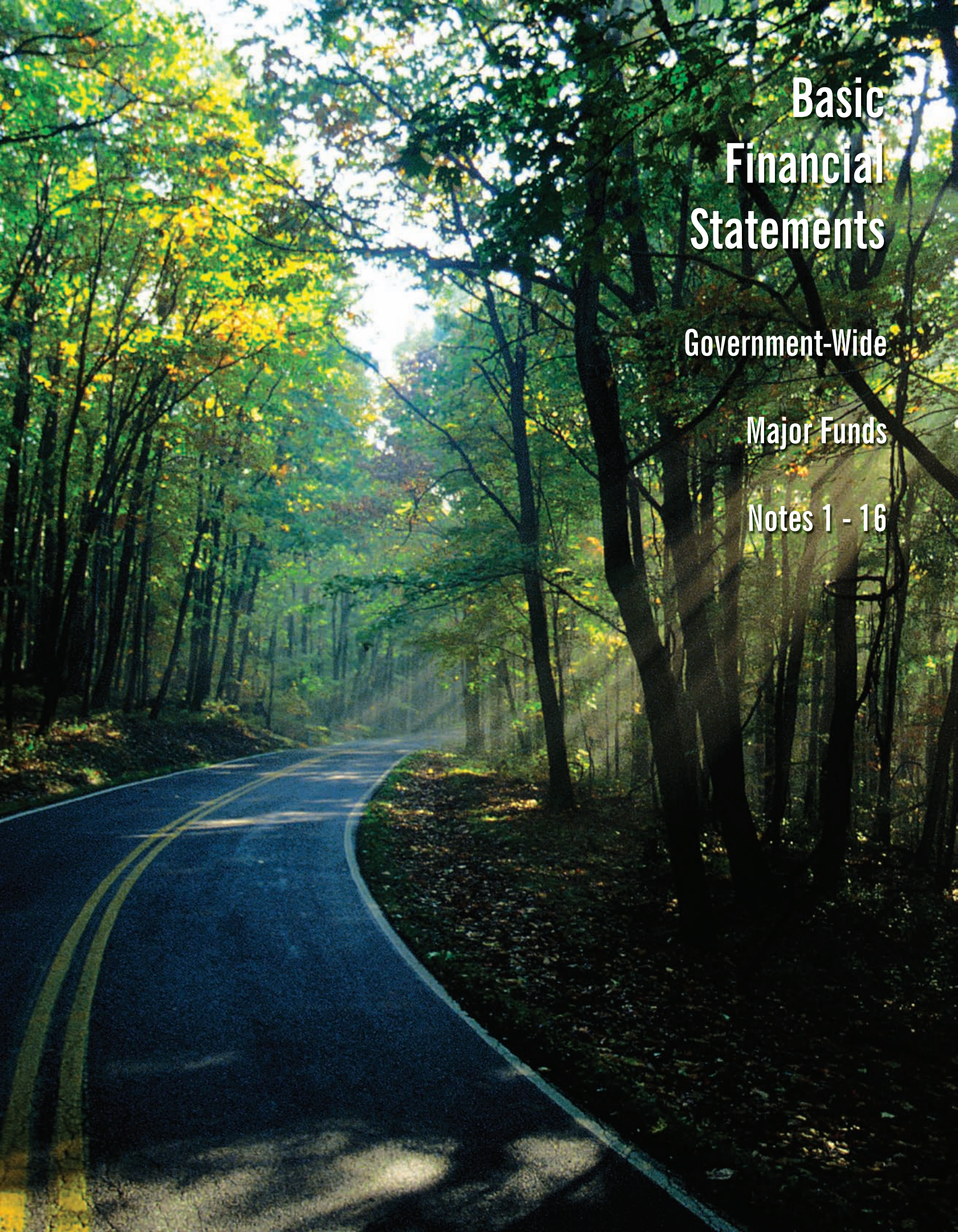
Major budget expenditure drivers for FY 2010 are a 6% increase in the employees share of PEIA premiums, OPEB (Medicaid base builder) and increased funding for the retirement systems due to the downturn in the national economy and the associated investment losses. These three expenditure drivers account for 94% of all base building additional costs for FY 2010.

The FY 2010 budget also includes additional funding for the operation of the newly constructed James H. “Honey” Rubenstein Juvenile Center, four new day reporting centers, and the final funding of a three-year salary increase program for Corrections, Juvenile Services, and Regional Jails personnel. Correctional facilities costs, including inmate medical costs, are increased, as are funds for State Police longevity and career progression increases. The State instituted several cost saving measures as well. Several reductions were made to base budget items; including the elimination of one-third of vacancies that remained unfilled for over one year. The FY 2010 budget for certain funds that expired large amounts at the end of FY 2008 were also reduced.

The FY 2010 budget includes a six-year plan showing the projected revenues and expenditures through FY 2014. The goal of the six-year plan is to provide the West Virginia Legislature and citizens a clear understanding of not only the FY 2010 budget, but also the larger implications of today’s decisions on the State’s future.

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

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



# Basic Financial Statements

Government-Wide

Major Funds

Notes 1 - 16



## West Virginia

### Statement of Net Assets June 30, 2009 (Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets:</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 2,030,076	\$1,650,664	\$ 3,680,740	\$ 773,238
Investments	692,590	—	692,590	148,783
Receivables, Net	1,103,038	203,010	1,306,048	136,945
Due from Other Governments	321,961	4,199	326,160	—
Due from Primary Government	—	—	—	34,304
Due from Fiduciary Funds	66	5	71	—
Due from Component Units	1,933	401	2,334	—
Internal Balances	198,259	(198,259)	—	—
Inventories	54,909	681	55,590	9,175
Other Assets	9,323	3,060	12,383	7,721
Restricted Assets:				
Cash and Cash Equivalents	441	12,649	13,090	92,871
Investments	—	—	—	8,246
Receivables, Net	—	372	372	371
Other Restricted Assets	—	174,215	174,215	2,464
Total Current Assets	<u>4,412,596</u>	<u>1,850,997</u>	<u>6,263,593</u>	<u>1,214,118</u>
Noncurrent Assets:				
Cash and Cash Equivalents	—	7,739	7,739	79,516
Investments	—	271,175	271,175	258,066
Receivables, Net	1,353	461,001	462,354	298,319
Other Assets	6,074	—	6,074	51,735
Advance to Component Units	143,830	—	143,830	—
Net Pension Asset	957,753	—	957,753	—
Restricted Assets:				
Cash and Cash Equivalents	95,821	69,871	165,692	36,664
Investments	—	22,650	22,650	142,298
Receivables, Net	—	—	—	1,130,534
Other Restricted Assets	—	—	—	4,818
Land and Other Capital Assets Not Being Depreciated	2,122,868	611	2,123,479	309,478
Capital Assets, Being Depreciated (Net of Accumulated Depreciation)	<u>6,311,993</u>	<u>11,121</u>	<u>6,323,114</u>	<u>2,348,333</u>
Total Noncurrent Assets	<u>9,639,692</u>	<u>844,168</u>	<u>10,483,860</u>	<u>4,659,761</u>
Total Assets	<u>14,052,288</u>	<u>2,695,165</u>	<u>16,747,453</u>	<u>5,873,879</u>
<b>Liabilities:</b>				
Current Liabilities:				
Accounts Payable	224,255	21,229	245,484	64,691
Interest Payable	6,860	—	6,860	13,248
Accrued Tuition Contract Benefits	—	12,130	12,130	—
Accrued and Other Liabilities	653,415	39,754	693,169	82,927
Due to Other Governments	132,023	4,382	136,405	—
Due to Primary Government	—	—	—	2,334
Due to Fiduciary Funds	48,979	2,665	51,644	29,782
Due to Component Units	33,811	493	34,304	—
Unearned Revenue	6,818	8,565	15,383	90,175
Premium Deficiency	—	15,588	15,588	—
Insurance and Compensation Benefits Obligations	—	397,451	397,451	—
General Obligation Debt	46,974	—	46,974	—
Revenue Bonds Payable	67,088	—	67,088	105,128
Capital Leases and Other Debt	17,915	—	17,915	4,622
Compensated Absences	<u>55,390</u>	<u>591</u>	<u>55,981</u>	<u>42,205</u>
Total Current Liabilities	<u>1,293,528</u>	<u>502,848</u>	<u>1,796,376</u>	<u>435,112</u>

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

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Noncurrent Liabilities:				
Accrued Tuition Contract Benefits	—	93,126	93,126	—
Accrued and Other Liabilities	308,574	—	308,574	106,475
Due to Other Governments	408	—	408	—
Unearned Revenue	—	—	—	3,265
Insurance and Compensation Benefits Obligations	—	2,182,222	2,182,222	—
Advances from Primary Government	—	—	—	143,830
Liabilities Payable from Restricted Assets	—	—	—	95,174
General Obligation Debt	618,320	—	618,320	—
Revenue Bonds Payable	1,338,557	—	1,338,557	2,190,893
Capital Leases and Other Debt	304,861	—	304,861	113,400
Net Pension Obligation	69,742	—	69,742	—
Compensated Absences	42,219	472	42,691	4,694
Total Noncurrent Liabilities	<u>2,682,681</u>	<u>2,275,820</u>	<u>4,958,501</u>	<u>2,657,731</u>
Total Liabilities	<u>3,976,209</u>	<u>2,778,668</u>	<u>6,754,877</u>	<u>3,092,843</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	7,532,883	11,732	7,544,615	1,630,075
Restricted for:				
Capital Projects	104,802	69,871	174,673	71,022
Debt Service	216,294	—	216,294	75,529
Program Administration	9,468	12,138	21,606	—
Permanent Funds:				
Nonexpendable	1,000	—	1,000	132,928
Expendable	309	—	309	—
Lending Activities	—	600,882	600,882	330,680
Insurance Activities	—	317,383	317,383	—
Economic Development and Tourism	32,583	—	32,583	—
Education	9,621	—	9,621	—
Wildlife Management and Conservation	24,000	—	24,000	—
Specific Fund/Component Unit Purposes	419,447	—	419,447	248,709
Unrestricted Net Assets (Deficit)	<u>1,725,672</u>	<u>(1,095,509)</u>	<u>630,163</u>	<u>292,093</u>
Total Net Assets (Deficit)	<u>\$10,076,079</u>	<u>\$ (83,503)</u>	<u>\$9,992,576</u>	<u>\$2,781,036</u>

# West Virginia

## Statement of Activities For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Legislative	\$ 29,552	\$ 1,644	\$ 1,212	\$ —
Judicial	106,933	907	850	—
Executive	143,872	17,365	40,551	—
Administration	201,469	28,337	37,716	—
Commerce	201,901	48,685	34,220	—
Environmental Protection	110,652	56,016	67,529	—
Employment Programs	45,000	—	46,804	—
Education	2,821,883	3,096	377,749	—
Health and Human Resources	3,737,102	81,230	2,783,872	—
Military Affairs and Public Safety	427,575	12,957	67,269	11,518
Revenue	83,458	45,944	156	—
Transportation	977,616	91,669	—	476,779
Senior Services	43,729	—	14,310	—
Regulatory Boards and Commissions	35,079	26,121	2,598	—
Interest on Long-Term Debt	141,756	—	—	—
Total Governmental Activities	<u>9,107,577</u>	<u>413,971</u>	<u>3,474,836</u>	<u>488,297</u>
Business-type Activities:				
West Virginia Lottery	1,022,747	1,493,036	—	—
Water Pollution Control Revolving Fund	1,905	4,154	—	11,384
Workers' Compensation Fund	36,252	49,921	—	—
Unemployment Compensation	356,715	249,996	—	—
Public Employees' Insurance Agency	394,616	402,377	—	—
Board of Risk and Insurance Management	40,498	56,337	—	—
Other Activities	69,184	90,438	—	—
Total Business-type Activities	<u>1,921,917</u>	<u>2,346,259</u>	<u>—</u>	<u>11,384</u>
Total Primary Government	<u>\$11,029,494</u>	<u>\$2,760,230</u>	<u>\$3,474,836</u>	<u>\$499,681</u>
<b>Component Units:</b>				
Economic Development Authority	\$ 11,069	\$ 9,177	\$ —	\$ —
Housing Development Authority	109,041	65,721	53,236	—
Parkways, Economic Development, and Tourism Authority	78,362	60,264	—	—
Water Development Authority	13,695	15,730	—	—
Higher Education	1,625,499	699,524	385,827	44,348
Regional Jail Authority	93,033	78,037	2,385	—
School Building Authority	94,083	—	—	—
Other Component Units	39,345	10,610	1,474	—
Total Component Units	<u>\$ 2,064,127</u>	<u>\$ 939,063</u>	<u>\$ 442,922</u>	<u>\$ 44,348</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				
Miscellaneous				
Transfers				
Total General Revenues, Special Items, and Transfers				
Change in Net Assets				
Net Assets (Deficit), Beginning of Year, as Restated (see Note 2)				
Net Assets (Deficit), End of Year				

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (26,696)		\$ (26,696)	
(105,176)		(105,176)	
(85,956)		(85,956)	
(135,416)		(135,416)	
(118,996)		(118,996)	
12,893		12,893	
1,804		1,804	
(2,441,038)		(2,441,038)	
(872,000)		(872,000)	
(335,831)		(335,831)	
(37,358)		(37,358)	
(409,168)		(409,168)	
(29,419)		(29,419)	
(6,360)		(6,360)	
<u>(141,756)</u>		<u>(141,756)</u>	
<u>(4,730,473)</u>		<u>(4,730,473)</u>	
—	\$ 470,289	470,289	
—	13,633	13,633	
—	13,669	13,669	
—	(106,719)	(106,719)	
—	7,761	7,761	
—	15,839	15,839	
—	<u>21,254</u>	<u>21,254</u>	
—	<u>435,726</u>	<u>435,726</u>	
<u>(4,730,473)</u>	<u>435,726</u>	<u>(4,294,747)</u>	
—	—	—	\$ (1,892)
—	—	—	9,916
—	—	—	(18,098)
—	—	—	2,035
—	—	—	(495,800)
—	—	—	(12,611)
—	—	—	(94,083)
—	—	—	<u>(27,261)</u>
—	—	—	<u>(637,794)</u>
1,630,492	—	1,630,492	—
1,088,901	—	1,088,901	—
912,252	—	912,252	—
165,759	—	165,759	—
533,833	—	533,833	—
297,644	—	297,644	—
—	—	—	983
(33,983)	(86,937)	(120,920)	17,540
81,703	—	81,703	—
—	—	—	614,476
96,098	17,102	113,200	50,511
<u>206,287</u>	<u>(206,287)</u>	<u>—</u>	<u>—</u>
<u>4,978,986</u>	<u>(276,122)</u>	<u>4,702,864</u>	<u>683,510</u>
248,513	159,604	408,117	45,716
<u>9,827,566</u>	<u>(243,107)</u>	<u>9,584,459</u>	<u>2,735,320</u>
<u>\$10,076,079</u>	<u>\$ (83,503)</u>	<u>\$ 9,992,576</u>	<u>\$2,781,036</u>

# *GOVERNMENTAL FUNDS FINANCIAL STATEMENTS*

## *Major Funds*

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

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

**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 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 176.

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**  
(Expressed in Thousands)

	General	Transportation	West Virginia Infrastructure and Jobs Development Council	Tobacco Settlement Finance Authority	Other Governmental Funds	Total
<b>Assets:</b>						
Cash and Cash Equivalents	\$1,171,248	\$173,189	\$276,828	\$ 32,541	\$360,206	\$2,014,012
Investments	566,858	—	5,758	71,181	48,793	692,590
Receivables, Net	470,512	151,206	421,929	37,614	12,619	1,093,880
Due from Other Governments	321,253	—	—	—	708	321,961
Due from Other Funds	205,708	728	—	710,167	1,187	917,790
Due from Component Units	1,109	7	—	—	—	1,116
Advances to Component Units	143,830	—	—	—	—	143,830
Inventories	12,904	41,311	—	—	56	54,271
Other Assets	1,281	428	1,000	—	—	2,709
Restricted Assets:						
Cash and Cash Equivalents	—	—	—	—	1,733	1,733
<b>Total Assets</b>	<b><u>\$2,894,703</u></b>	<b><u>\$366,869</u></b>	<b><u>\$705,515</u></b>	<b><u>\$851,503</u></b>	<b><u>\$425,302</u></b>	<b><u>\$5,243,892</u></b>
<b>Liabilities:</b>						
Accounts Payable	\$ 146,482	\$ 54,492	\$ 146	\$ —	\$ 9,012	\$ 210,132
Accrued and Other Liabilities	597,186	19,669	—	—	7,775	624,630
Deferred Revenue	88,605	604	—	37,614	—	126,823
Due to Other Governments	118,030	3,208	—	—	11,061	132,299
Due to Other Funds	744,060	20,320	—	—	5,852	770,232
Due to Component Units	32,424	775	525	—	57	33,781
<b>Total Liabilities</b>	<b><u>1,726,787</u></b>	<b><u>99,068</u></b>	<b><u>671</u></b>	<b><u>37,614</u></b>	<b><u>33,757</u></b>	<b><u>1,897,897</u></b>
<b>Fund Balances:</b>						
Reserved for:						
Inventories	12,904	41,311	—	—	56	54,271
Capital Projects	—	—	—	—	67,240	67,240
Debt Service	—	—	—	103,722	81,818	185,540
Program Administration	9,424	—	—	—	44	9,468
Specific Fund Purposes	231,144	—	—	—	—	231,144
Lending Activities	—	—	467,118	—	—	467,118
Permanent Funds	—	—	—	—	1,309	1,309
Loans Receivable	147,344	—	—	—	—	147,344
Unreserved, Designated for:						
Revenue Shortfall Reserve	472,626	—	—	—	—	472,626
Income Tax Reserve Fund	45,019	—	—	—	—	45,019
State Debt Reduction Fund	5,125	—	—	—	—	5,125
Loans and Grants	—	—	110,204	—	—	110,204
Unreserved:						
Special Revenue Funds	—	226,490	127,522	710,167	241,078	1,305,257
Undesignated	244,330	—	—	—	—	244,330
<b>Total Fund Balances</b>	<b><u>1,167,916</u></b>	<b><u>267,801</u></b>	<b><u>704,844</u></b>	<b><u>813,889</u></b>	<b><u>391,545</u></b>	<b><u>3,345,995</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$2,894,703</u></b>	<b><u>\$366,869</u></b>	<b><u>\$705,515</u></b>	<b><u>\$851,503</u></b>	<b><u>\$425,302</u></b>	<b><u>\$5,243,892</u></b>

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

**Reconciliation of the Governmental Funds  
Balance Sheet to the Statement of Net Assets  
June 30, 2009  
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds \$ 3,345,995

Amounts reported for governmental activities in the statement of net assets 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	\$ 987,104
Construction in Progress	1,119,811
Infrastructure Assets	9,728,415
Buildings, Equipment, and Other Depreciable Assets	1,217,004
Accumulated Depreciation	<u>(4,722,355)</u>

Total Capital Assets 8,329,979

The Net Pension Asset is not recognized at the fund level. 957,753

Certain tax and other revenues are earned but not available and therefore are deferred in the funds. 125,678

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 assets. 192,334

Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets. 12,600

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	(665,294)
Revenue Bonds	(1,405,645)
Capital Leases	(307,862)
Compensated Absences	(95,912)
Net Pension Obligations	(69,742)
Accrued Interest Payable and Other Liabilities	<u>(343,805)</u>

Total Long-Term Liabilities (2,888,260)

Net Assets of Governmental Activities \$10,076,079

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

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**Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2009  
(Expressed in Thousands)**

	General	Transportation	West Virginia Infrastructure and Jobs Development Council	Tobacco Settlement Finance Authority	Other Governmental Funds	Total
Revenues:						
Taxes:						
Personal Income	\$1,612,897	\$ —	\$ —	\$ —	\$ —	\$1,612,897
Consumer Sales	1,087,130	—	—	—	—	1,087,130
Severance	470,266	—	—	—	—	470,266
Corporate Net Income	256,389	—	—	—	—	256,389
Business and Occupation	148,247	—	—	—	—	148,247
Medicaid	165,759	—	—	—	—	165,759
Gasoline and Motor Carrier	—	391,903	—	—	—	391,903
Automobile Privilege	—	141,930	—	—	—	141,930
Other	289,593	4,061	—	—	—	293,654
Intergovernmental	2,970,164	462,087	—	—	120,294	3,552,545
Licenses, Permits, and Fees	85,316	5,958	—	—	120,658	211,932
Motor Vehicle Registration	—	91,667	—	—	—	91,667
Charges for Services	123,955	—	2,359	—	3	126,317
Food Stamp Revenue	372,270	—	—	—	—	372,270
Investment Earnings	(45,932)	1,775	3,815	4,105	(2,203)	(38,440)
Other	75,463	29,088	—	79,100	14,018	197,669
Total Revenues	<u>7,611,517</u>	<u>1,128,469</u>	<u>6,174</u>	<u>83,205</u>	<u>252,770</u>	<u>9,082,135</u>
Expenditures:						
Current:						
Legislative	26,444	—	—	—	3,178	29,622
Judicial	110,410	—	—	—	—	110,410
Executive	146,181	—	—	—	—	146,181
Administration	127,443	—	—	58	16	127,517
Commerce	202,216	—	12,551	—	—	214,767
Environmental Protection	9,834	—	—	—	107,568	117,402
Employment Programs	—	—	—	—	47,974	47,974
Education	2,789,173	—	—	—	—	2,789,173
Health and Human Resources	3,767,261	—	—	—	13	3,767,274
Military Affairs and Public Safety	420,136	—	—	—	5,352	425,488
Revenue	60,071	—	—	—	28,971	89,042
Transportation	3,146	692,208	—	—	—	695,354
Senior Services	43,841	—	—	—	—	43,841
Regulatory Boards and Commissions	13,428	—	—	—	22,489	35,917
Capital Outlay	—	525,063	—	—	54,659	579,722
Debt Service:						
Principal	—	30,085	—	19,910	53,281	103,276
Interest	—	19,910	—	62,237	47,648	129,795
Total Expenditures	<u>7,719,584</u>	<u>1,267,266</u>	<u>12,551</u>	<u>82,205</u>	<u>371,149</u>	<u>9,452,755</u>
Excess of Revenues Over (Under) Expenditures	<u>(108,067)</u>	<u>(138,797)</u>	<u>(6,377)</u>	<u>1,000</u>	<u>(118,379)</u>	<u>(370,620)</u>
Other Financing Sources (Uses):						
Face Value of Long-Term Debt Issued	—	—	—	—	76,835	76,835
Premiums on Bonds Issued	—	—	—	—	4,129	4,129
Capital Lease Acquisition	1,115	—	—	—	—	1,115
Transfers In	435,448	36,169	49,000	—	132,632	653,249
Transfers Out	(342,925)	(1,229)	(9,844)	(42,188)	(79,612)	(475,798)
Total Other Financing Sources (Uses)	<u>93,638</u>	<u>34,940</u>	<u>39,156</u>	<u>(42,188)</u>	<u>133,984</u>	<u>259,530</u>
Net Change in Fund Balance	(14,429)	(103,857)	32,779	(41,188)	15,605	(111,090)
Fund Balances, Beginning of Year, as Restated	<u>1,182,345</u>	<u>371,658</u>	<u>672,065</u>	<u>855,077</u>	<u>375,940</u>	<u>3,457,085</u>
Fund Balances, End of Year	<u>\$1,167,916</u>	<u>\$ 267,801</u>	<u>\$704,844</u>	<u>\$813,889</u>	<u>\$ 391,545</u>	<u>\$3,345,995</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, 2009  
(Expressed in Thousands)**

Net Change in Fund Balances - Total Governmental Funds			\$ (111,090)
Restatement of beginning net assets due to adoption of GASB 49			(273,997)
Amounts reported for governmental activities in the statement of activities are different because:			
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:			
Capital Outlay	\$	622,722	
Depreciation Expense		<u>(319,743)</u>	
Excess of Capital Outlay Over Depreciation Expense			302,979
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 assets, the lease obligation is reported as a liability.			(1,115)
Amortization of other assets and bond discount associated with long-term debt obligations do not effect current financial resources and are not reported in the governmental funds.			(92,324)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. For the current year these amounts consist of:			
Bond Principal Retirement		91,885	
Capital Lease Payments		<u>15,251</u>	
Total Long-Term Debt Repayment			107,136
Internal service funds are used by management to charge the costs of certain activities, such as building and vehicle maintenance and leasing, data processing, and investment and management of State moneys, to individual funds. The net increase in net assets of the internal service funds is reported with governmental activities.			21,241
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Unearned revenues increased by this amount this year.			59,197
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:			
Decrease of Accrued Interest		4,731	
Increase of Compensated Absences		(2,979)	
Decrease of Accrued and Other Liabilities		284,446	
Increase of Net Pension Asset		(47,189)	
Amortization of Bond Premiums/Discounts and Issuance Costs		<u>(2,523)</u>	
Total Change in Expenditures			<u>236,486</u>
Change in Net Assets of Governmental Activities			<u>\$ 248,513</u>

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

# *PROPRIETARY FUNDS*

# *FINANCIAL STATEMENTS*

## *Major Funds*

**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 accounts for lottery ticket revenues, administrative and operating expenses, and distribution of net revenue to the General Fund.

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

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

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

**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 195.

# West Virginia

## Statement of Net Assets Proprietary Funds June 30, 2009 (Expressed in Thousands)

	Business-type Activities - Enterprise Funds			
	West Virginia Lottery	Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation
Assets:				
Current Assets:				
Cash and Cash Equivalents	\$225,354	\$ 97,777	\$ 1,040,785	\$193,174
Receivables, Net	33,311	23,084	63,446	49,971
Due from Other Governments	—	—	—	4,199
Due from Other Funds	—	32	—	402
Due from Component Units	—	—	—	196
Inventories	648	—	—	—
Other Assets	2,555	—	—	—
Restricted Assets:				
Cash and Cash Equivalents	—	—	—	—
Receivables, Net	—	—	—	—
Other Restricted Assets	—	—	—	—
Total Current Assets	<u>261,868</u>	<u>120,893</u>	<u>1,104,231</u>	<u>247,942</u>
Noncurrent Assets:				
Cash and Cash Equivalents	—	—	—	—
Investments	—	—	—	—
Receivables, Net	—	406,235	—	—
Other Assets	—	—	—	—
Restricted Assets:				
Cash and Cash Equivalents	69,871	—	—	—
Investments	—	—	—	—
Capital Assets, Net	<u>3,306</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Noncurrent Assets	<u>73,177</u>	<u>406,235</u>	<u>—</u>	<u>—</u>
Total Assets	<u>335,045</u>	<u>527,128</u>	<u>1,104,231</u>	<u>247,942</u>
Liabilities:				
Current Liabilities:				
Accounts Payable	13,988	—	—	—
Accrued Tuition Contract Benefits	—	—	—	—
Accrued and Other Liabilities	34,299	—	221	1,179
Premium Deficiency	—	—	—	—
Unearned Revenue	—	—	—	—
Due to Other Governments	—	—	—	4,382
Due to Other Funds	202,804	86	81	1
Due to Component Units	298	36	—	3
Insurance and Compensation Benefits Obligations	—	—	245,500	46,530
Capital Leases and Other Debt	—	—	—	—
Compensated Absences	468	87	—	—
Total Current Liabilities	<u>251,857</u>	<u>209</u>	<u>245,802</u>	<u>52,095</u>
Noncurrent Liabilities:				
Accrued Tuition Contract Benefits	—	—	—	—
Insurance and Compensation Benefits Obligations	—	—	2,070,400	—
Capital Leases and Other Debt	—	—	—	—
Compensated Absences	—	55	—	—
Total Noncurrent Liabilities	<u>—</u>	<u>55</u>	<u>2,070,400</u>	<u>—</u>
Total Liabilities	<u>251,857</u>	<u>264</u>	<u>2,316,202</u>	<u>52,095</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	3,306	—	—	—
Restricted for:				
Capital Projects	69,871	—	—	—
Lending Activities	—	526,864	—	—
Insurance Activities	—	—	87,612	195,847
Education	—	—	—	—
Unrestricted (Deficit)	<u>10,011</u>	<u>—</u>	<u>(1,299,583)</u>	<u>—</u>
Total Net Assets (Deficit)	<u>\$ 83,188</u>	<u>\$526,864</u>	<u>\$(1,211,971)</u>	<u>\$195,847</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
\$ 35,994	\$ 19,532	\$ 38,048	\$ 1,650,664	\$ 16,064
29,241	631	3,326	203,010	4,838
—	—	—	4,199	—
4,627	—	62	5,123	7,473
205	—	—	401	817
—	—	33	681	638
—	—	505	3,060	79
—	12,649	—	12,649	25
—	372	—	372	—
—	<u>174,215</u>	—	<u>174,215</u>	—
<u>70,067</u>	<u>207,399</u>	<u>41,974</u>	<u>2,054,374</u>	<u>29,934</u>
7,739	—	—	7,739	—
115,073	82,811	73,291	271,175	—
—	—	54,766	461,001	—
—	—	—	—	9
—	—	—	69,871	94,504
—	22,650	—	22,650	—
<u>6,495</u>	—	<u>1,931</u>	<u>11,732</u>	<u>104,882</u>
<u>129,307</u>	<u>105,461</u>	<u>129,988</u>	<u>844,168</u>	<u>199,395</u>
<u>199,374</u>	<u>312,860</u>	<u>171,962</u>	<u>2,898,542</u>	<u>229,329</u>
2,600	1,236	3,405	21,229	14,123
—	—	12,130	12,130	—
3,484	541	30	39,754	414
15,588	—	—	15,588	—
1,330	7,235	—	8,565	—
—	—	—	4,382	132
2,784	99	187	206,042	5,685
156	—	—	493	30
56,461	48,650	310	397,451	—
—	—	—	—	5,053
—	—	36	591	—
<u>82,403</u>	<u>57,761</u>	<u>16,098</u>	<u>706,225</u>	<u>25,437</u>
—	—	93,126	93,126	—
7,739	104,083	—	2,182,222	—
—	—	—	—	9,861
—	<u>58</u>	<u>359</u>	<u>472</u>	<u>1,697</u>
<u>7,739</u>	<u>104,141</u>	<u>93,485</u>	<u>2,275,820</u>	<u>11,558</u>
<u>90,142</u>	<u>161,902</u>	<u>109,583</u>	<u>2,982,045</u>	<u>36,995</u>
6,495	—	1,931	11,732	86,584
—	—	—	69,871	94,504
—	—	74,018	600,882	—
—	33,924	11,162	328,545	—
—	—	976	976	—
<u>102,737</u>	<u>117,034</u>	<u>(25,708)</u>	<u>(1,095,509)</u>	<u>11,246</u>
<u>\$109,232</u>	<u>\$150,958</u>	<u>\$ 62,379</u>	<u>\$ (83,503)</u>	<u>\$192,334</u>

## West Virginia

### Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>West Virginia Lottery</u>	<u>Water Pollution Control Revolving Fund</u>	<u>Workers' Compensation Fund</u>	<u>Unemployment Compensation</u>
Operating Revenues:				
Charges for Services and Sales	\$ —	\$ —	\$ —	\$250,000
Lottery Games	1,493,036	—	—	—
Insurance Premiums	—	—	49,921	—
Tuition Contracts	—	—	—	—
Investment Earnings	—	2,348	—	—
Licenses, Permits, and Fees	—	1,806	—	—
Other	<u>11,401</u>	<u>—</u>	<u>15</u>	<u>—</u>
Total Operating Revenues	<u>1,504,437</u>	<u>4,154</u>	<u>49,936</u>	<u>250,000</u>
Operating Expenses:				
Cost of Sales and Services	694,626	—	—	—
Lottery Prizes	119,449	—	—	—
Insurance Claims and Claims Adjustment Provisions	—	—	42,034	356,715
Tuition Contract Benefits and Expenses	—	—	—	—
General and Administration	18,604	1,905	19,959	—
Depreciation and Amortization	1,988	—	—	—
Other	<u>13,095</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Operating Expenses	<u>847,762</u>	<u>1,905</u>	<u>61,993</u>	<u>356,715</u>
Operating Income (Loss)	656,675	2,249	(12,057)	(106,715)
Nonoperating Revenues (Expenses):				
Gain on Sale of Equipment	—	—	—	—
Interest and Other Investment Income (Loss)	2,720	1,122	(89,170)	10,246
Interest Expense	(1)	—	—	—
Other Nonoperating Revenues	—	—	—	—
Other Nonoperating Expenses	(174,996)	—	—	—
BrickStreet Transactions (see Note 5)	<u>—</u>	<u>—</u>	<u>25,741</u>	<u>—</u>
Total Nonoperating Revenues (Expenses), Net	<u>(172,277)</u>	<u>1,122</u>	<u>(63,429)</u>	<u>10,246</u>
Income (Loss) Before Contributions and Transfers	484,398	3,371	(75,486)	(96,469)
Capital Contributions and Transfers:				
Capital Contributions	—	11,384	—	—
Transfers In	—	2,122	229,826	37,984
Transfers Out	<u>(465,695)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Capital Contributions and Transfers	<u>(465,695)</u>	<u>13,506</u>	<u>229,826</u>	<u>37,984</u>
Change in Net Assets	18,703	16,877	154,340	(58,485)
Net Assets (Deficit), Beginning of Year	<u>64,485</u>	<u>509,987</u>	<u>(1,366,311)</u>	<u>254,332</u>
Net Assets (Deficit), End of Year	<u>\$ 83,188</u>	<u>\$526,864</u>	<u>\$(1,211,971)</u>	<u>\$195,847</u>

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

<b>Public Employees' Insurance Agency</b>	<b>Board of Risk and Insurance Management</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Governmental Activities - Internal Service Funds</b>
\$ —	\$ —	\$ 87,055	\$ 337,055	\$ 83,765
—	—	—	1,493,036	—
402,786	56,483	—	509,190	—
—	—	(44)	(44)	—
—	—	—	2,348	—
—	—	3,427	5,233	—
<u>4,694</u>	<u>—</u>	<u>967</u>	<u>17,077</u>	<u>—</u>
<u>407,480</u>	<u>56,483</u>	<u>91,405</u>	<u>2,363,895</u>	<u>83,765</u>
—	—	62,759	757,385	72,100
—	—	—	119,449	—
371,016	36,604	3,165	809,534	—
—	—	(3,940)	(3,940)	—
14,810	3,894	7,578	66,750	6,729
1,420	—	142	3,550	13,544
<u>7,397</u>	<u>—</u>	<u>—</u>	<u>20,492</u>	<u>—</u>
<u>394,643</u>	<u>40,498</u>	<u>69,704</u>	<u>1,773,220</u>	<u>92,373</u>
12,837	15,985	21,701	590,675	(8,608)
—	—	—	—	635
(6,903)	7,343	(12,295)	(86,937)	161
—	—	—	(1)	(371)
—	—	25	25	588
—	—	—	(174,996)	—
<u>—</u>	<u>—</u>	<u>—</u>	<u>25,741</u>	<u>—</u>
<u>(6,903)</u>	<u>7,343</u>	<u>(12,270)</u>	<u>(236,168)</u>	<u>1,013</u>
5,934	23,328	9,431	354,507	(7,595)
—	—	—	11,384	—
—	—	6,748	276,680	33,254
<u>(7)</u>	<u>—</u>	<u>(17,265)</u>	<u>(482,967)</u>	<u>(4,418)</u>
<u>(7)</u>	<u>—</u>	<u>(10,517)</u>	<u>(194,903)</u>	<u>28,836</u>
5,927	23,328	(1,086)	159,604	21,241
<u>103,305</u>	<u>127,630</u>	<u>63,465</u>	<u>(243,107)</u>	<u>171,093</u>
<u>\$109,232</u>	<u>\$150,958</u>	<u>\$ 62,379</u>	<u>\$ (83,503)</u>	<u>\$192,334</u>

**Statement of Cash Flows  
Proprietary Funds  
For the Fiscal Year Ended June 30, 2009  
(Expressed in Thousands)**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>West Virginia Lottery</b>	<b>Water Pollution Control Revolving Fund</b>	<b>Workers' Compensation Fund</b>	<b>Unemployment Compensation</b>
<b>Cash Flows from Operating Activities:</b>				
Receipts from Customers	\$1,507,972	\$ 27,594	\$ 54,331	\$ 151,203
Payments to Suppliers	(20,508)	—	(20,482)	—
Payments to Employees	(9,121)	(1,263)	(24)	—
Payments to Beneficiaries	—	—	—	—
Payments for Loans Originated	—	(37,338)	—	—
Payments to Claimants	—	—	(263,441)	(335,850)
Other Operating Cash Receipts	—	—	—	77,761
Other Operating Cash Payments	<u>(819,997)</u>	<u>(585)</u>	<u>—</u>	<u>—</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<u>658,346</u>	<u>(11,592)</u>	<u>(229,616)</u>	<u>(106,886)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>				
Financing Earnings	—	—	—	—
Repayment of Operating Debt	(1)	—	—	—
Transfers In	—	2,122	229,826	37,984
Transfers Out	(581,406)	—	—	—
Distributions or Subsidies to Other Organizations	(23,477)	—	—	—
Other Nonoperating Receipts (Payments)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Net Cash Provided by (Used for) Noncapital Financing Activities</b>	<u>(604,884)</u>	<u>2,122</u>	<u>229,826</u>	<u>37,984</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Repayment of Capital Debt	—	—	—	—
Interest Paid on Capital Debt	—	—	—	—
Acquisition and Construction of Capital Assets	(43)	—	—	—
Proceeds from Sale of Capital Assets	—	—	—	—
Capital Grants and Contributions	<u>—</u>	<u>11,384</u>	<u>—</u>	<u>—</u>
<b>Net Cash Provided by (Used for) Capital and Related Financing Activities</b>	<u>(43)</u>	<u>11,384</u>	<u>—</u>	<u>—</u>
<b>Cash Flows from Investing Activities:</b>				
Purchase of Investments	—	—	—	—
Proceeds from Sale of Investments	136	—	—	—
Investment Earnings	2,720	1,122	(89,170)	10,246
BrickStreet Notes Receivable Payment	<u>—</u>	<u>—</u>	<u>145,000</u>	<u>—</u>
<b>Net Cash Provided by Investing Activities</b>	<u>2,856</u>	<u>1,122</u>	<u>55,830</u>	<u>10,246</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	56,275	3,036	56,040	(58,656)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>238,950</u>	<u>94,741</u>	<u>984,745</u>	<u>251,830</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 295,225</u>	<u>\$ 97,777</u>	<u>\$1,040,785</u>	<u>\$ 193,174</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
\$ 396,466	\$ 56,582	\$ 93,795	\$2,287,943	\$ 83,144
(27,504)	(3,033)	(67,970)	(139,497)	(53,546)
(1,565)	(1,292)	(5,053)	(18,318)	(23,538)
(407,176)	(46,099)	(8,214)	(461,489)	—
—	—	(7,079)	(44,417)	—
—	—	—	(599,291)	—
13,632	—	801	92,194	—
<u>—</u>	<u>(15,780)</u>	<u>—</u>	<u>(836,362)</u>	<u>—</u>
<u>(26,147)</u>	<u>(9,622)</u>	<u>6,280</u>	<u>280,763</u>	<u>6,060</u>
—	31	—	31	—
—	—	—	(1)	—
—	—	6,703	276,635	33,254
(7)	—	(17,264)	(598,677)	(4,418)
8,716	—	—	(14,761)	—
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>78</u>
<u>8,709</u>	<u>31</u>	<u>(10,561)</u>	<u>(336,773)</u>	<u>28,914</u>
—	—	—	—	(7,840)
—	—	—	—	(380)
(2,761)	—	(148)	(2,952)	(24,337)
—	—	16	16	684
<u>—</u>	<u>—</u>	<u>—</u>	<u>11,384</u>	<u>—</u>
<u>(2,761)</u>	<u>—</u>	<u>(132)</u>	<u>8,448</u>	<u>(31,873)</u>
(89,146)	(115,498)	(10,112)	(214,756)	(850)
81,736	113,986	7,600	203,458	850
7,795	12,689	10,468	(44,130)	177
<u>—</u>	<u>—</u>	<u>—</u>	<u>145,000</u>	<u>—</u>
<u>385</u>	<u>11,177</u>	<u>7,956</u>	<u>89,572</u>	<u>177</u>
(19,814)	1,586	3,543	42,010	3,278
<u>63,547</u>	<u>30,595</u>	<u>34,505</u>	<u>1,698,913</u>	<u>107,315</u>
<u>\$ 43,733</u>	<u>\$ 32,181</u>	<u>\$ 38,048</u>	<u>\$1,740,923</u>	<u>\$110,593</u>

(Continued)



## West Virginia

### Statement of Cash Flows Proprietary Funds For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands) (Continued)

	Business-type Activities - Enterprise Funds			
	West Virginia Lottery	Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Operating Income (Loss)	\$656,675	\$ 2,249	\$ (12,057)	\$(106,715)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation and Amortization	1,988	—	—	—
Changes in Assets and Liabilities:				
Receivables	3,535	(13,909)	4,356	(20,478)
Inventories	(347)	—	—	—
Other Assets	40	—	—	—
Accounts Payable and Accrued Liabilities	(1,006)	68	(221,700)	22,935
Accrued Tuition Contract Benefits and Expenses	—	—	—	—
Unearned Revenue	—	—	—	—
Escrow Deposits	—	—	—	—
Due to/from Other Funds	—	—	—	(2,628)
Unpaid Claims Liabilities	—	—	—	—
Other Liabilities	(2,539)	—	(215)	—
Compensated Absences	—	—	—	—
Net Cash Provided by (Used for) Operating Activities	<u>\$658,346</u>	<u>\$(11,592)</u>	<u>\$(229,616)</u>	<u>\$(106,886)</u>
Schedule of Noncash Capital and Financing Activities:				
Incurred Capital Leases	\$ —	\$ —	\$ —	\$ —
Unrealized Loss on Investments	—	—	—	—
On Behalf OPEB Payments	—	—	—	—

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>
\$ 12,837	\$ 15,985	\$ 21,701	\$ 590,675	\$ (8,608)
1,420	—	142	3,550	13,544
(11,072)	571	(3,889)	(40,886)	(622)
—	—	(16)	(363)	(208)
—	—	—	40	16
503	—	473	(198,727)	985
—	—	(12,154)	(12,154)	—
973	(472)	—	501	—
—	(15,779)	—	(15,779)	—
(1,170)	—	—	(3,798)	—
—	(9,495)	—	(9,495)	—
(29,638)	(432)	10	(32,814)	953
<u>—</u>	<u>—</u>	<u>13</u>	<u>13</u>	<u>—</u>
<u>\$ (26,147)</u>	<u>\$ (9,622)</u>	<u>\$ 6,280</u>	<u>\$ 280,763</u>	<u>\$ 6,060</u>
\$ —	\$ —	\$ —	\$ —	\$ 10,517
(14,698)	(5,377)	(22,764)	(42,839)	—
—	—	9	9	78

# *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 202.

**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2009**  
(Expressed in Thousands)

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Investment Trust Funds</b>	<b>SMART 529</b>	<b>Agency Funds</b>
Assets:				
Cash and Cash Equivalents	\$ 196,261	\$262,289	\$ —	\$63,366
Investments:				
Equity Pooled Investments	7,542,774	—	—	—
Mutual Funds	222,407	—	978,222	—
Receivables, Net:				
Contributions	48,751	—	1,582	—
Participant Loans	9,544	—	—	—
Accrued Interest	—	—	—	6
Accounts	974	—	—	—
Due from Other Funds	3,320	—	—	—
Due from Component Units	<u>156</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Assets</b>	<b><u>8,024,187</u></b>	<b><u>262,289</u></b>	<b><u>979,804</u></b>	<b><u>\$63,372</u></b>
Liabilities:				
Accounts Payable	—	—	879	\$ 1,824
Accrued and Other Liabilities	1,345	—	17	—
Due to Other Governments	—	—	—	9,487
Due to Other Funds	71	—	—	—
Insurance Claims Payable	7,660	—	—	—
Agency Liabilities	<u>—</u>	<u>—</u>	<u>—</u>	<u>52,061</u>
<b>Total Liabilities</b>	<b><u>9,076</u></b>	<b><u>—</u></b>	<b><u>896</u></b>	<b><u>\$63,372</u></b>
Net Assets:				
Held in Trust for:				
Pension Benefits	7,617,697	—	—	
Other Postemployment Benefits	397,414	—	—	
External Investment Pool Participants	—	262,289	—	
Individuals and Organizations	<u>—</u>	<u>—</u>	<u>978,908</u>	
<b>Total Net Assets</b>	<b><u>\$8,015,111</u></b>	<b><u>\$262,289</u></b>	<b><u>\$978,908</u></b>	

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

**Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2009  
(Expressed in Thousands)**

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Investment Trust Funds</b>	<b>SMART 529</b>
Additions:			
Contributions:			
Members	\$ 251,409	\$ —	\$ —
Employer	761,260	—	—
Account Holder Contributions	—	—	267,700
Deposits, Pool Participants	<u>—</u>	<u>745,574</u>	<u>—</u>
Total Contributions	<u>1,012,669</u>	<u>745,574</u>	<u>267,700</u>
Investment Income (Loss):			
Net Appreciation (Depreciation) in Fair Value of Investments	(1,714,847)	3,062	(255,398)
Interest	408,492	—	19,781
Investment Expense	<u>(24,519)</u>	<u>—</u>	<u>(3,503)</u>
Net Investment Income (Loss)	<u>(1,330,874)</u>	<u>3,062</u>	<u>(239,120)</u>
Other	<u>49,996</u>	<u>—</u>	<u>—</u>
Total Additions	<u>(268,209)</u>	<u>748,636</u>	<u>28,580</u>
Deductions:			
Benefits Expense	906,438	—	—
Payments in Accordance with Trust Agreements	—	—	159,503
Refunds of Contributions	23,045	—	—
Withdrawals	—	737,955	—
Administrative Expenses	<u>12,717</u>	<u>—</u>	<u>2,467</u>
Total Deductions	<u>942,200</u>	<u>737,955</u>	<u>161,970</u>
Change in Net Assets Held in Trust For:			
Pension Benefits	(1,353,006)	—	—
Other Postemployment Benefits	142,597	—	—
External Investment Pool Participants	—	10,681	—
Individuals and Organizations	—	—	(133,390)
Net Assets, Beginning of Year	<u>9,225,520</u>	<u>251,608</u>	<u>1,112,298</u>
Net Assets, End of Year	<u>\$8,015,111</u>	<u>\$262,289</u>	<u>\$ 978,908</u>

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



# *DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS*

## *Major Component Units*

**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, Economic Development, and Tourism 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 214.



## West Virginia

### Combining Statement of Net Assets Discretely Presented Component Units June 30, 2009 (Expressed in Thousands)

	Economic Development Authority	Housing Development Fund	Parkways, Economic Development and Tourism Authority	Water Development Authority
<b>Assets:</b>				
<b>Current Assets:</b>				
Cash and Cash Equivalents	\$ 47,344	\$ 19,880	\$ 22,133	\$ 16,451
Investments	—	—	2,614	—
Receivables, Net	13,677	11,948	1,544	10,174
Due from Primary Government	—	—	6	561
Inventories	—	—	2,469	—
Other Assets	43	—	496	—
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	289	55,031	—	—
Investments	—	—	—	8,246
Receivables, Net	—	—	—	—
Other Restricted Assets	—	—	—	2,464
<b>Total Current Assets</b>	<b>61,353</b>	<b>86,859</b>	<b>29,262</b>	<b>37,896</b>
<b>Noncurrent Assets:</b>				
Cash and Cash Equivalents	—	—	—	—
Investments	1,813	11,887	2,932	1,200
Receivables, Net	182,704	46,837	—	10,867
Other Assets	—	539	—	1,000
<b>Restricted Assets:</b>				
Cash and Cash Equivalents	9,210	19,884	—	6,923
Investments	—	129,822	12,476	—
Receivables, Net	—	893,541	—	234,243
Other Restricted Assets	—	4,558	—	—
Capital Assets, Net	28,499	2,948	484,038	732
<b>Total Noncurrent Assets</b>	<b>222,226</b>	<b>1,110,016</b>	<b>499,446</b>	<b>254,965</b>
<b>Total Assets</b>	<b>283,579</b>	<b>1,196,875</b>	<b>528,708</b>	<b>292,861</b>
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Accounts Payable	9	—	618	59
Interest Payable	—	5,872	280	2,561
Accrued and Other Liabilities	393	17,294	6,570	—
Unearned Revenue	—	—	—	—
Due to Primary Government	62	—	1,604	15
Revenue Bonds Payable	—	32,095	7,405	6,148
Capital Leases and Other Debt	639	—	538	—
Compensated Absences	23	—	—	—
<b>Total Current Liabilities</b>	<b>1,126</b>	<b>55,261</b>	<b>17,015</b>	<b>8,783</b>
<b>Noncurrent Liabilities:</b>				
Unearned Revenue	3,185	—	—	—
Advances from Primary Government	143,830	—	—	—
Liabilities Payable from Restricted Assets	—	58,836	—	160
Accrued and Other Liabilities	2,561	—	—	1,000
Revenue Bonds Payable	—	690,081	73,754	224,954
Capital Leases and Other Debt	8,448	489	606	—
Compensated Absences	27	517	—	51
<b>Total Noncurrent Liabilities</b>	<b>158,051</b>	<b>749,923</b>	<b>74,360</b>	<b>226,165</b>
<b>Total Liabilities</b>	<b>159,177</b>	<b>805,184</b>	<b>91,375</b>	<b>234,948</b>
<b>Net Assets:</b>				
Investment in Capital Assets, Net of Related Debt	22,776	—	401,735	732
<b>Restricted for:</b>				
Capital Projects	—	—	—	—
Debt Service	—	—	—	—
Nonexpendable	—	—	—	—
Lending Activities	—	304,976	—	25,704
Loans Receivable	8,910	—	—	—
Specific Component Unit Purposes	—	—	30,175	—
Unrestricted	92,716	86,715	5,423	31,477
<b>Total Net Assets</b>	<b>\$124,402</b>	<b>\$ 391,691</b>	<b>\$437,333</b>	<b>\$ 57,913</b>

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

<u>Higher Education</u>	<u>Regional Jail Authority</u>	<u>School Building Authority</u>	<u>Other Component Units</u>	<u>Total</u>
\$ 436,821	\$ 49,712	\$ 152,913	\$ 27,984	\$ 773,238
12,214	—	133,835	120	148,783
79,913	17,239	1,024	1,426	136,945
33,355	—	—	382	34,304
5,840	821	—	45	9,175
7,017	—	—	165	7,721
—	—	—	37,551	92,871
—	—	—	—	8,246
—	—	—	371	371
—	—	—	—	<u>2,464</u>
<u>575,160</u>	<u>67,772</u>	<u>287,772</u>	<u>68,044</u>	<u>1,214,118</u>
79,516	—	—	—	79,516
232,337	—	—	7,897	258,066
53,587	—	—	4,324	298,319
49,624	—	—	572	51,735
—	647	—	—	36,664
—	—	—	—	142,298
—	—	—	2,750	1,130,534
—	—	—	260	4,818
<u>1,960,773</u>	<u>135,528</u>	<u>693</u>	<u>44,600</u>	<u>2,657,811</u>
<u>2,375,837</u>	<u>136,175</u>	<u>693</u>	<u>60,403</u>	<u>4,659,761</u>
<u>2,950,997</u>	<u>203,947</u>	<u>288,465</u>	<u>128,447</u>	<u>5,873,879</u>
59,663	2,950	71	1,321	64,691
4,535	—	—	—	13,248
45,920	2,988	9,439	323	82,927
90,084	—	—	91	90,175
25,104	3,845	31	1,455	32,116
24,860	4,770	29,850	—	105,128
3,429	—	—	16	4,622
<u>40,141</u>	<u>1,673</u>	<u>90</u>	<u>278</u>	<u>42,205</u>
<u>293,736</u>	<u>16,226</u>	<u>39,481</u>	<u>3,484</u>	<u>435,112</u>
—	—	—	80	3,265
—	—	—	—	143,830
—	—	—	36,178	95,174
102,714	—	—	200	106,475
750,427	72,325	379,352	—	2,190,893
79,703	—	—	24,154	113,400
3,213	—	—	886	4,694
<u>936,057</u>	<u>72,325</u>	<u>379,352</u>	<u>61,498</u>	<u>2,657,731</u>
<u>1,229,793</u>	<u>88,551</u>	<u>418,833</u>	<u>64,982</u>	<u>3,092,843</u>
1,101,221	58,433	693	44,485	1,630,075
71,022	—	—	—	71,022
8,638	9,461	57,430	—	75,529
132,928	—	—	—	132,928
—	—	—	—	330,680
—	—	—	—	8,910
205,069	—	—	4,555	239,799
<u>202,326</u>	<u>47,502</u>	<u>(188,491)</u>	<u>14,425</u>	<u>292,093</u>
<u>\$1,721,204</u>	<u>\$115,396</u>	<u>\$(130,368)</u>	<u>\$ 63,465</u>	<u>\$2,781,036</u>

**Combining Statement of Activities  
Discretely Presented Component Units  
For the Fiscal Year Ended June 30, 2009  
(Expressed in Thousands)**

		<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Component Units:					
Economic Development Authority	\$ 11,069	\$ 9,177	\$ —	\$ —	\$ (1,892)
Housing Development Fund	109,041	65,721	53,236	—	9,916
Parkways, Economic Development, and Tourism Authority	78,362	60,264	—	—	(18,098)
Water Development Authority	13,695	15,730	—	—	2,035
Higher Education	1,625,499	699,524	385,827	44,348	(495,800)
Regional Jail Authority	93,033	78,037	2,385	—	(12,611)
School Building Authority	94,083	—	—	—	(94,083)
Other Component Units	<u>39,345</u>	<u>10,610</u>	<u>1,474</u>	<u>—</u>	<u>(27,261)</u>
Total Component Units	<u>\$2,064,127</u>	<u>\$939,063</u>	<u>\$442,922</u>	<u>\$44,348</u>	<u>\$(637,794)</u>

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

<u>General Revenue</u>							
<u>Unrestricted Investment Earnings</u>	<u>Grants and Contributions Not Restricted for Specific Programs</u>	<u>Miscellaneous</u>	<u>Payments from the State of West Virginia</u>	<u>Total General Revenue</u>	<u>Change in Net Assets</u>	<u>Net Assets, Beginning of Year, as Restated</u>	<u>Net Assets, End of Year</u>
\$ 1,807	\$ —	\$ 2,075	\$ —	\$ 3,882	\$ 1,990	\$ 122,412	\$ 124,402
8,276	—	—	—	8,276	18,192	373,499	391,691
1,307	—	—	—	1,307	(16,791)	454,124	437,333
792	—	—	—	792	2,827	55,086	57,913
—	—	31,956	483,534	515,490	19,690	1,701,514	1,721,204
672	—	15,954	—	16,626	4,015	111,381	115,396
4,475	—	—	102,562	107,037	12,954	(143,322)	(130,368)
<u>211</u>	<u>983</u>	<u>526</u>	<u>28,380</u>	<u>30,100</u>	<u>2,839</u>	<u>60,626</u>	<u>63,465</u>
<u>\$17,540</u>	<u>\$983</u>	<u>\$50,511</u>	<u>\$614,476</u>	<u>\$683,510</u>	<u>\$ 45,716</u>	<u>\$2,735,320</u>	<u>\$2,781,036</u>

**STATE OF WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 1**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**The Reporting Entity**

The State of West Virginia is governed by elected officials. In accordance with GASB Statement No. 14, "The Financial Reporting Entity," 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.

**Armory Board**

The State Armory Board is governed by the Governor, the State Auditor, and the Secretary of State. Its activities are blended in the nonmajor special revenue funds of the State. The State Armory Board serves the State by providing facilities for the activities of the regiment of the National Guard.

## Transportation

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

## West Virginia Lottery

The West Virginia Lottery is governed by a seven-member board appointed by the Governor. It was formed to assist the State in funding education and other basic governmental activities. This is accomplished by transferring the net profits of the games conducted by the Lottery to other accounts for uses including, but not limited to, debt service, education, and promotion of tourism. Because the Lottery exists to provide funding entirely to the State, it is blended in the enterprise 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 Treasurer of the State, 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, other than the Armory Board which is not separately audited, can be obtained directly from their respective administrative offices.

#### Administrative Offices:

Transportation  
1900 Kanawha Blvd., East  
Building 5, Room A109  
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  
Room E-122  
Charleston, WV 25305

West Virginia Lottery  
P.O. Box 2967  
Charleston, WV 25327

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

### **Discretely Presented Component Units**

Discretely presented component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. Because of the nature of the services they provide and the State's ability to impose its will on them, the following component units are discretely presented in accordance with GASB Statement No. 14. 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:*

#### Economic Development Authority

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

#### Housing Development Fund

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

#### Parkways, Economic Development and Tourism Authority

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



### Water Development Authority

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

### 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, seven appointed by the Governor with the advice and consent of the Senate, and the Secretary of Education and the Arts, the State Superintendent of Schools, and the chairperson of the West Virginia Council for Community and Technical College Education. The Policy Commission is responsible for preparing and submitting a consolidated budget and allocating state appropriations to supplement institutional operating revenues.

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

The Fund is comprised of the following: Bluefield State College, Bridgemont Community and Technical College, New River Community and Technical College, Concord University, Eastern West Virginia Community and Technical College, Fairmont State University, Glenville State College, Marshall University (including Marshall University Graduate College), Marshall University Community and Technical College, Shepherd University,

Blue Ridge Community and Technical College, Southern West Virginia Community and Technical College, West Liberty State College, 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 State University Community and Technical College (Kanawha Valley Community and Technical College effective July 1, 2009), West Virginia School of Osteopathic Medicine, West Virginia University (including Potomac State College), and West Virginia University at Parkersburg Community and Technical College. These entities are included in the Higher Education Fund financial statements as blended component units: Concord College Research and Development Corporation, Glenville State College Research Corporation, Glenville State College Housing Corporation, Marshall University Research and Development Corporation, Shepherd University Research and Development Corporation, West Virginia State University Research and Development Corporation, West Virginia University Research and Development Corporation.

In accordance with GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units," the Fund's component units' financial statements are included in the Fund's component unit column in the Discretely Presented Major Component Units Financial Statements of the CAFR. The component units are the separate private nonprofit organizations of each applicable institution that are required to be reported under GASB Statement No. 39. Those organizations report under FASB standards, including FASB Statement No. 117, "Financial Reporting for Not-for-Profit Organizations." As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

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

The West Virginia University Foundation Inc. is not reported because the economic resources held do not entirely or almost entirely benefit West Virginia University. The Eastern West Virginia Community and Technical College Foundation Inc. is not included because it was not significant to its institution. The Higher Education Foundation is not included because it does not entirely or almost entirely benefit one institution and because it was not significant to the Fund. Blue Ridge Community and Technical College and Kanawha Valley Community and Technical College do not have related foundations. MCTC Foundation, Inc. is not included for the year ended June 30, 2009, because it only came into existence effective July 1, 2009. Tech Foundation, Inc. is not included because it is not significant to the Fund.

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

#### Regional Jail and Correctional Facility Authority

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

#### School Building Authority

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

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

#### Educational Broadcasting Authority

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

#### Jobs Investment Trust

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

#### West Virginia State Rail Authority

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

### Solid Waste Management Board

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

### Racing Commission

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

### Public Defender Corporation

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

### **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:

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

Housing Development Fund  
814 Virginia Street, East  
Charleston, WV 25301-2877

Parkways, Economic Development  
and Tourism Authority  
P.O. Box 1469  
Charleston, WV 25325-1469

Water Development Authority  
180 Association Drive  
Charleston, WV 25311-1571

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

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

School Building Authority  
Finance Division  
2300 Kanawha Blvd., East  
Charleston, WV 25300

Educational Broadcasting Authority  
600 Capitol Street  
Charleston, WV 25301

Job Investment Trust  
814 Virginia Street, East  
Suite 202  
Charleston, WV 25301-2877

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

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

Racing Commission  
106 Dee Drive  
Charleston, WV 25311

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.

The Project incurred net losses of \$6,190,219 and \$7,239,637 for the years ended December 31, 2008 and 2007, respectively. At December 31, 2008 and 2007, the Project's current liabilities exceeded its current assets by \$59,954,859 and \$54,582,882, respectively, and its total liabilities exceeded its total assets by \$20,604,368 and \$14,414,149, respectively. Additionally, the Project was in default under its Series A and Series B Revenue Bonds after having been unable to make required debt service payments in association with the Series A and Series B bonds in 2006, 2007, 2008, and 2009, although one partial payment of approximately \$725,000 to the Series A bondholders was made in 2007.

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. At this time, the bondholders have formed a committee to explore their options but as yet have not exercised their rights 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, 2008, included a going-concern opinion paragraph 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.

The State does not include the financial activities of the Project in its financial statements. 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 (the State) conform to United States generally accepted accounting principles (GAAP) for governments. The Governmental Accounting Standards Board (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 and other authoritative sources, including pronouncements of the Financial Accounting Standards Board (FASB). Certain net asset accounts presented for the preceding year have been restated or reclassified. See Note 2 for further explanation.

As allowed by GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the State and the majority of its component units have elected not to adopt FASB Statements or Interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB Statements or Interpretations. The IMB, the Educational Broadcasting Authority, and the Public Defender Corporation have elected to follow all FASB Statements and Interpretations, APB Opinions, and ARBs, except those that conflict with or contradict GASB pronouncements.

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 assets 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 assets presents the State's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints are placed on net asset use by external creditors, grantors, contributors, etc. or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them 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 are 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 the proceeds of specific revenue sources (other than certain debt service activities and major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term indebtedness.

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and infrastructure projects (other than those financed by proprietary funds).

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

*The State reports the following major governmental funds:*

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

Transportation 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 include federal grants, registration fees, license fees and taxes.

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 legislative appropriations from the excess lottery revenue fund.

The Tobacco Settlement Finance Authority (TSFA) 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 West Virginia Lottery, the Alcohol Beverage Control Administration, two water treatment loan programs, and the West Virginia Prepaid College Plan.

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 West Virginia Lottery accounts for lottery ticket revenue, administrative and operating expenses, and distribution of net revenue to the General Fund.

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

Additionally, the State reports the following fund types:

### **Fiduciary Fund Types**

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

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

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

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

## **Interfund Activity and Balances**

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

In the fund financial statements, transfers represent flows of assets without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides it to the fund expending the resources. An example is lottery proceeds collected by the West Virginia Lottery, but expended by the Department of Education.

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

## **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 Board of Treasury Investments (BTI) and IMB, and such deposits are generally available with overnight notice. Deposits in the BTI pools that are 2a7-like pools are reported at amortized cost, which approximates the fair value of underlying securities. Cash deposits in outside bank accounts are considered to be cash and cash equivalents.

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

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

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost, or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at fair value or estimated fair value at the time of the donation. In accordance with the capitalization policy adopted by the State for financial reporting, equipment in excess of \$25,000 is capitalized. Certain small blended component units follow other capitalization policies which range from \$5,000 to \$25,000 for equipment. The Higher Education component unit uses \$1,000 and \$5,000 thresholds. Buildings and improvements which extend the useful lives and/or significantly increase values of capitalized buildings with a combined value in excess of \$100,000 are capitalized. All land, regardless of acquisition price, is capitalized. The Public Employees’ Insurance Agency, a major proprietary fund, and Information Services and Communications, an internal service fund, have early adopted GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets,” in conjunction with the implementation of new computer software systems. Following the provisions of Statement No. 51, computer software costs of \$4.5 million and \$9.8 million, respectively, were capitalized. This amount is included in equipment until such time as the State implements this standard.

West Virginia is one of only four states that owns all the paved roads in the State, except for streets. Infrastructure was capitalized for the first time in fiscal year 2002. Transportation’s infrastructure constructed from July 1, 1980 to July 1, 2001, has been recorded at estimated historical cost. The estimated historical cost for years 1980-2001 was based on capital outlay expenditures reported by 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. Interest incurred during construction of capital facilities is not capitalized. 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, Indian, 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 Program's Savings Plan in accordance with state and federal regulations.

Insurance Enterprises and Obligations - The Board of Risk and Insurance Management (BRIM), the Public Employees' Insurance Agency (PEIA), and the Workers' Compensation

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

Advances - The amount of Economic Development Authority loans held by the State's General Fund at June 30, 2009, is approximately \$125.3 million and is recorded as Advances to/from Component Units.

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

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



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

Net Assets/Fund Balance - The difference between fund assets and liabilities is "Net Assets" on the government-wide, proprietary, and fiduciary fund statements, and "Fund Balance" on governmental fund statements. Net assets invested in capital assets, net of related debt, 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.

Restricted Net Assets - Certain net assets are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments. Certain other net assets are restricted by legally enforceable enabling legislation of the State (see Note 2).

Reservations - Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reserved fund balances reflect funds legally segregated for a specific use or assets which, by their nature, are not available for expenditure. Unreserved fund balances reflect the balances available for appropriation for the general purposes of the fund. Unreserved designated fund balances represent management's desire to maintain certain funds for future use.

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 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 reservations of fund balance. When both general purpose and restricted funds are available for use, it is the State’s policy to use restricted resources first.

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 have been recorded by the Retiree Health Benefit Trust Fund (RHBT). RHBT has accounted for the RDS revenue as voluntary nonexchange transactions in accordance with GASB Technical Bulletin 2006-1. Accordingly, RDS estimated revenue is recognized as RHBT incurs Medicare-eligible retiree prescription drug expenditures.

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

Other Financing Uses - These reductions of governmental fund resources in the fund financial statements normally result from transfers to other funds.

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**

GASB Statement No. 51, “Accounting and Financial Reporting for Intangible Assets,” establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The State has not yet estimated the financial statement impact of this pronouncement, which is effective for fiscal year 2010.

GASB Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments,” addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. This statement will be effective for the State in fiscal year 2010, and management has not yet estimated the financial statement impact of this pronouncement.

The GASB recently issued Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions,” which establishes new standards of accounting and financial reporting that are intended to improve the clarity and consistency of the fund balance information provided to financial report users. This statement will be effective for fiscal year ending June 30, 2011. This statement will not have a financial impact.

In December 2009, the GASB issued Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.” GASB Statement No. 57 amends certain current standards related to employer accounting and reporting for OPEB, and OPEB plan reporting. The newer requirements are intended to increase the number of employer governments which may use the ‘alternative method’ and clarifies that the same frequency and timing of determining OPEB measures are required for both agent multiple-employer plans and those plans’ participating employer governments. This statement will not have a financial impact on the State.

## **NOTE 2**

### **RESTATEMENTS, RESTRICTED, RESERVED, AND DESIGNATED BALANCES**

#### **Restatement of Beginning Balances**

Upon further review of the Treasurer's Safekeeping Fund, management has determined that it is being used as a safeguard for performance bonds of the Department of Environmental Protection, bonds of the Division of Labor and the Division of Highways, as well as, custodian of malpractice insurance escrow accounts for University hospitals. The fund balance/net assets of \$6,268,000 was removed from the general fund and governmental activities, respectively, and increased the assets and related liabilities in the agency funds by the same amount.

The TSFA has restated its beginning fund balance, in the fund financial statements, as of July 1, 2008, to reflect certain adjustments necessary to present the TSFA's financial statements in accordance with GAAP. The TSFA's beginning fund balance has been decreased by \$19,657,000 to correct an error in the prior year amortization of the deferred charge calculation related to the State's sale of the Tobacco Settlement Revenue. Accordingly, fund balance of the TSFA as of July 1, 2008, is now stated at \$855,077,000.

As of July 1, 2008, the Higher Education discretely presented component unit increased net assets by \$477,000 to record land held as an investment in connection with the implementation of GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments."

The Educational Broadcasting Authority, a nonmajor component unit, had an immaterial increase in their July 1, 2008, beginning net assets.

Effective July 1, 2008, the previously reported governmental activities net assets of \$9,559,837,000 are being restated and increased by \$273,997,000 as a result of implementing GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." Aggregate pollution remediation obligations totaling \$244,073,000 were measured on a retroactive basis, as of June 30, 2008. This is the site-specific estimated remediation liability at the beginning of the year. Additional disclosures about pollution remediation obligations are included in Note 15. The increase of \$273,997,000 from GASB Statement No. 49 implementation and the \$6,268,000 decrease from the Treasurer's Safekeeping Fund make up the total net increase of \$267,729,000 to arrive at the restated governmental activities net assets balance of \$9,827,566,000 at July 1, 2008.

## West Virginia

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

<u>Entity</u>	<u>Fund Balance or Net Assets</u>		
	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>Restated</u>
General	\$1,168,956	\$13,389	\$1,182,345
Tobacco Settlement Finance Authority	874,734	(19,657)	855,077
Governmental Funds	3,463,353	(6,268)	3,457,085
Higher Education	1,701,037	477	1,701,514
Other Component Units	60,599	27	60,626
Component Units	2,734,816	504	2,735,320
Governmental Activities	9,559,837	267,729	9,827,566
Total Primary Government	9,316,730	267,729	9,584,459
Component Units	2,734,816	504	2,735,320

## Restricted Net Assets

The following tables summarize the restricted net assets of funds included in “other” columns at June 30, 2009 (expressed in thousands):

<u>Fund Type/Fund</u>	<u>Total Reporting Entity</u>	<u>Capital Projects</u>	<u>Lending Activities</u>	<u>Insurance Activities</u>	<u>Education</u>	<u>Other Specific Fund Purposes</u>
Enterprise Funds:						
Drinking Water Treatment Revolving Fund	\$ 74,018	\$ —	\$74,018	\$ —	\$ —	\$ —
West Virginia Prepaid College Plan	976	—	—	—	976	—
AccessWV	11,162	—	—	11,162	—	—
	<u>86,156</u>	<u>—</u>	<u>74,018</u>	<u>11,162</u>	<u>976</u>	<u>—</u>
Internal Service Funds:						
State Building Fund	94,504	94,504	—	—	—	—
Discretely Presented Component Units:						
Educational Broadcasting Authority	260	—	—	—	—	260
Solid Waste Management Board	4,295	—	—	—	—	4,295
	<u>4,555</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,555</u>
Total	<u>\$185,215</u>	<u>\$94,504</u>	<u>\$74,018</u>	<u>\$11,162</u>	<u>\$976</u>	<u>\$4,555</u>

The government-wide Statement of Net Assets reports \$1,817,798 of restricted net assets for the primary government of which \$1,511,750 is restricted by enabling legislation.

## Reserved Fund Balance

The following table summarizes the reserved fund balance of funds included in “other” columns at June 30, 2009 (expressed in thousands):

<u>Fund Type/Fund</u>	<u>Total Reporting Entity</u>	<u>Inventory</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Program Administration</u>	<u>Permanent Funds</u>
Governmental Funds						
Special Revenue Funds:						
WORKFORCE West Virginia	\$ 100	\$56	\$ —	\$ —	\$44	\$ —
Capital Projects Funds:						
State Road	56,942	—	56,942	—	—	—
Lease Purchase Accounts	<u>10,298</u>	<u>—</u>	<u>10,298</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>67,240</u>	<u>—</u>	<u>67,240</u>	<u>—</u>	<u>—</u>	<u>—</u>
Debt Service:						
West Virginia Infrastructure and Jobs Development Council Education, Arts, Sciences, and Tourism Fund	56	—	—	56	—	—
Lease Purchase Accounts	28,716	—	—	28,716	—	—
Economic Development Project Fund	12,389	—	—	12,389	—	—
	<u>40,657</u>	<u>—</u>	<u>—</u>	<u>40,657</u>	<u>—</u>	<u>—</u>
	<u>81,818</u>	<u>—</u>	<u>—</u>	<u>81,818</u>	<u>—</u>	<u>—</u>
Permanent Funds:						
Irreducible School	<u>1,309</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,309</u>
Total	<u>\$150,467</u>	<u>\$56</u>	<u>\$67,240</u>	<u>\$81,818</u>	<u>\$44</u>	<u>\$1,309</u>

The amount reserved for Specific Fund Purposes includes other legally segregated accounts in the General Fund as follows:

Medical Services	\$116,907
Economic Development Funds	32,583
Wildlife Management Resources	24,000
Specified Gifts/Grants/Donations	19,988
Education	9,621
Veterans and Senior Citizens	4,924
Flood Disaster	2,769
Other Specific Fund Purposes	<u>20,352</u>
Total	<u>\$231,144</u>

## Designated Fund Balance

Designation of fund balance for loans and grants in the governmental funds of \$110,204 represents commitments of West Virginia Infrastructure and Jobs Development Council to loan funds to applicants for infrastructure projects.

## NOTE 3

### FUND DEFICITS

Individual funds with net asset/fund balance deficits at June 30, 2009, were as follows (expressed in thousands):

	<b>Net Asset/ Fund Balance Deficit</b>
<b>Special Revenue Funds:</b>	
WORKFORCE West Virginia	\$ 487
<b>Enterprise Funds:</b>	
Workers' Compensation Fund	1,211,971
West Virginia Prepaid College Plan	26,172
<b>Discretely Presented Component Units:</b>	
School Building Authority	130,368
West Virginia Jobs Investment Trust	<u>829</u>
Total Deficits	<u>\$1,369,827</u>

### Special Revenue Funds

The fund balance of the WORKFORCE West Virginia changed from a \$2 million deficit to a deficit of \$487,000. WORKFORCE West Virginia has taken steps to strengthen internal controls within the organization and to improve fiscal accountability and monitoring of the local workforce investment boards. Fiscal guidelines for the local workforce investment boards have been issued and fiscal training with their key fiscal personnel has been conducted. 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 nonallowable expenditures. Furthermore, a comprehensive review of the workforce investment board structure will be performed to determine if a more cost-effective structure that delivers the same level of client service can be implemented. In order to improve the fiscal condition, nonfederal funds from the Legislature of the State have been requested and received. These funds have been/will be utilized to repay liabilities due to the federal government as a result of the review. In addition, funding will be sought to eliminate future anticipated deficits as estimated by management.

### Enterprise Funds

The Workers' Compensation Fund deficit of \$1,211,971,000 is more fully discussed in Note 14, Risk Management.

West Virginia Prepaid College Plan (the Plan) has a net assets deficiency of approximately \$26.1 million as of June 30, 2009. This deficiency is largely caused by investment losses and changes in prior year's estimates of future investment rates of return, tuition fee increases, and adjustments in actuarial assumptions in fiscal year 2008. The West Virginia College Prepaid Tuition and Savings Program's ability to pay obligations of the Prepaid Tuition Plan is dependent on long-term investment programs and adequate levels of future cash flows. In March 2003, the West Virginia Legislature closed the Plan to new enrollment until the Legislature authorizes it to reopen. Contract holders are supposed to continue to pay any amounts due, and the Plan will continue to pay benefits due with available funds.

The Plan sought and received support from the State Legislature to support payment of plan benefits. In March 2003, the Legislature created the Prepaid Tuition Trust Escrow Account (the Escrow Account) to guarantee payment of plan contracts. Under the legislative action, the Escrow Account may receive transfers of up to \$1,000,000 each year there is an actuarially determined unfunded liability of the Plan. All earnings on the transferred funds will remain in the Escrow Account. In the event the Plan is unable to cover the amount of money needed to meet its current obligations, funds may be withdrawn from the Escrow Account to meet those obligations. The funds were invested and have had a net investment gain of \$117,616 for the six years ended June 30, 2009, leaving the account with a balance of \$3,371,624 at June 30, 2009. Because there was an actuarially determined unfunded liability of approximately \$27.1 million in the Plan as of June 30, 2009, an additional \$1,000,000 was transferred from the Unclaimed Property Trust Fund to the Escrow Account on December 7, 2009, in accordance with the provisions enacted by the Legislature. During the 2009 Legislative Session, management sought and received additional support from the State Legislature for the Escrow Account. The Legislature approved an additional one-time transfer of \$8 million from the Unclaimed Property Trust Fund to the Escrow Account in July 2009. 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, 2010. The financial statements do not reflect any adjustments that might result, should the plan to eliminate the net assets deficiency fail to be successful.

### **Discretely Presented Component Units**

The School Building Authority of West Virginia's (the SBA) combined net assets deficiency at June 30, 2009, is \$130.4 million. The deficit arose from the issuance of revenue bonds to replace or improve school facilities in the State of West Virginia and the SBA's policy to grant ownership of these new and renovated buildings to the local county boards of education. The SBA will receive \$23 million per year from an allocation from the West



Virginia Department of Education through June 30, 2022, for debt service. At that time, the debt service payments dedicated from Step 7 of the Department of Education's funding formula is supposed 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 \$401.9 million in bonds outstanding, compared to \$314.7 million at June 30, 2008, an increase of 27.7%. This increase of \$87.2 million represents the issuance of the Series 2008 Excess Lottery Bonds with a par value of \$102.1 million less than the book value of bonds that matured during the year. On August 20, 2008, the SBA issued the Series 2008 Excess Lottery Revenue Refunding bonds with a par value of \$102.1 million that will be repaid over twenty years. The SBA has implemented a construction program that will issue bonds, payable over twenty years, every three years using allocations from the regular and excess lottery funds. The SBA adopted this new financing plan in order to equalize the amount of construction funds over three-year construction periods. 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 net assets of the West Virginia Jobs Investment Trust (the Trust) at June 30, 2009, are a deficit of \$829,000. This deficit is expected to continue to increase over the next three years until the Trust begins selling the nonincentive tax credits of \$6 million per year, for five years to retire the promissory notes issued under the "new millennium fund." Management expects the deficit in net assets is to be eliminated by the sale of the tax credits; however, the ultimate impact of the sale of such credits is currently unknown.

## **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 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, 2009, the reported amount of the primary government's deposits was \$172,402,000 and the bank balance was \$295,049,000. Of that bank balance, \$8,811,000 was uninsured and uncollateralized, \$1,511,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State, and \$38,000 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the State.

#### Component Units

At June 30, 2009, the reported amount of the component units' deposits was \$303,930,000 and the bank balance was \$183,577,000. Of that bank balance, \$118,000 was uninsured and uncollateralized, \$16,556,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State, and \$25,286,000 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the name of the State.

## **Investments**

The BTI manages the short-term operating funds of the State. The IMB focuses on the State's long-term trust investments. The BTI is charged with managing the individual investment pools and accounts of the Consolidated Fund under authority of West Virginia Code, §12-6C, West Virginia Treasury Investments Act. The Consolidated Fund provides for the investment of moneys not currently needed to fund State governmental operations, as well as providing the opportunity for local governments to participate in large investment pools, and for those funds statutorily required to be invested in the Consolidated Fund. The IMB provides fiscal administration and investment management services to designated State pension funds, the State's Workers' Compensation and Pneumoconiosis funds, and certain other State government funds. The State Treasurer's Office determines which funds to transfer to the IMB and BTI for investment in accordance with West Virginia Code, policies set by the IMB and BTI, and by provisions of bond indentures and trust agreements, when applicable.

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

## **Investment Valuation**

The BTI is an investment vehicle of the State and its component units, all of which are government entities. The investments of the WV Money Market, WV Government Money Market, WV Bank, Loan, Reserve, and Municipal Bond Commission pools and accounts are, as permissible under Governmental Accounting Standards Board (GASB) Statement No. 31, carried at amortized cost. The WV Money Market and WV Government Money Market pools are considered "2a7-like" investment pools and, as such, are reported at amortized cost, which approximates fair value. A 2a7-like pool operates in a manner consistent with the Securities and Exchange Commission (SEC) Rule 2a7 of the Investment

Company Act of 1940, which allows money market mutual funds to use amortized cost to report net assets. A 2a7-like pool is not necessarily registered with the SEC as an investment company, but it would qualify as a money market fund should it be registered. The specific GASB 31 exceptions to fair value reporting for the other pools are as follows:

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

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

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

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

In addition to amounts invested with the IMB and BTI, certain governmental funds and discretely presented component units are permitted to invest bond proceeds with third-party trustees named in bond indentures. Governmental funds including the West Virginia Department of Transportation; 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 following discretely presented component units have reported investments held with third-party trustees: Regional Jail Authority; Educational Broadcasting Authority; Jobs Investment Trust; Housing Development Fund; Parkways, Economic Development and Tourism Authority; Water Development Authority;

School Building Authority; Solid Waste Management Board; and Higher Education Fund. Travel Management has financing package funds with a trustee that have not been drawn down. IMB has operating funds in an institutional Treasury Money Market Fund. The Teachers' Defined Contribution Retirement System of the CPRB and the SMART 529 College Savings Plan have their assets held by outside third parties.

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

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, 2009, IMB held derivative financial investments that included: Futures Contracts, Option Contracts, Foreign Currency Forward Contracts, Interest Rate Swaps, and Asset-Backed Securities. Additionally, the IMB is indirectly exposed to derivative risk through participation in institutional commingled funds. Detailed derivative disclosures are not available for indirect derivative participation.

#### Repurchase Agreements

In connection with repurchase agreement transactions, it is the IMB's policy that its designated custodian 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 Bank of New York Mellon on the following basis:

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

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

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

### Futures Contracts

A futures contract is an agreement between a buyer or a seller and the clearinghouse of a futures exchange in which the parties agree to buy or sell a commodity, financial instrument or index at a specified future date and price. The IMB invests in financial futures contracts in its Total Return Fixed Income Pool and its Large Cap Domestic Equity Pool. Upon entering into a financial futures contract, the IMB is required to pledge to the broker an amount of cash, U.S. Government securities, or other assets, equal to a certain percentage of the contract amount (initial margin deposit). Cash (variation margin) is received from or paid to the broker each day for the fluctuations of the underlying securities or index. The IMB records the cash received or paid for the variation margin as a realized gain or loss. Interest rate futures may be used to enhance portfolio yields, to hedge an existing

position, or as an alternative investment of cash. Stock index futures may be used to provide immediate exposure to fluctuations in the market values of the stocks in the underlying index and to provide liquidity for cash flows. The market risk associated with holding interest rate and stock index futures results from changes in the market value of the contractual positions due to changes in the value of the underlying instruments or indices. Hedging risk associated with these future 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. IMB limits its exposure to these risks by establishing and monitoring limits on the type and total value of futures contracts that may be held. Other risks associated with futures contracts are liquidity risk and credit risk. Liquidity risk arises when there is insufficient trading in a particular futures contract. Credit risk arises from the potential inability of counterparties to meet the terms of the contracts. The IMB requires its managers to only utilize futures contracts that are traded on major exchanges or are executed with major dealers. The major exchanges assume the risk that the counterparty will not settle and generally require an initial margin deposit of cash or securities. The net change in the futures contract value is settled daily in cash with the exchange on which they were traded. Realized net gains or losses resulting from the settlements are included in the Statement of Changes in Net Assets.

As of June 30, 2009, the futures contracts had the following open positions denominated in U.S. dollars (summarized and expressed in thousands):

<b>Open Positions</b>	<b>Expiration</b>	<b>Value Upon Entering Contract</b>	<b>Value at June 30, 2009</b>	<b>Net Gain or (Loss)</b>
Long:				
Large Cap Domestic Equity	Sept 2009	\$ 1,180	\$ 1,144	\$ (36)
Total Return Fixed Income	Sept 2009	1,138,859	1,146,412	7,553
	Mar 2010	49,392	49,413	21
	June 2010	110,645	110,270	(375)
	Sept 2010	248,829	248,388	(441)
Short:				
Total Return Fixed Income	Sept 2009	(429,833)	(429,218)	615
	Dec 2009	(137,718)	(138,733)	(1,015)

At June 30, 2009, the Large Cap Domestic Equity and the Total Return Fixed Income pools have pledged cash of \$113,000 and \$7,765,000, respectively, to cover initial margin requirements on open futures contracts. The net variation margin payable of \$7,000 and \$513,000 in the Large Cap Domestic Equity and Total Return Fixed Income pools, respectively, represents one day's settlement on open future contracts.

### Option Contracts

IMB may purchase or write equity, bond, currency, or index option contracts that have recognized liquidity and are actively traded on major exchanges or are executed with major dealers. These option contracts give the purchaser (seller) of the contract the right to buy (call) or sell (put) the security, or settle cash for an index option, underlying the contract at an agreed-upon price (strike price) during or at the conclusion of a specified period of time. Premiums paid upon the purchase of an option contract are recorded as an asset and subsequently adjusted to market value. Upon exercising a purchased option, a gain is recorded equal to the difference between the market value of the underlying instrument and the strike price of the option, less premiums paid. If the option expires unexercised, a loss is recognized in the amount of the premiums paid for the option. Premiums received when option contracts are written are recorded as a liability and subsequently adjusted to market value. If a written option contract expires unexercised, a gain is recorded equal to the amount of the premiums received. The difference between the premiums received and the amount paid to prompt a closing transaction is also recorded as a gain or loss. When a written option is exercised, a loss is recorded equal to the difference between the market value of the underlying instrument and the strike price of the option, less premiums received. IMB's fixed income managers use written option contracts to enhance investment returns and reduce portfolio convexity when implied volatility is high. Purchased option contracts are used to increase portfolio convexity when implied volatility is low, to implement certain yield curve strategies, or to hedge sector exposure.

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



## West Virginia

As of June 30, 2009, open option contracts held in the Total Return Fixed Income Pool are as follows:

Position	Description	Maturity	Strike Price	Face	Expressed in Thousands		
					Premiums (Received)/Paid	Value at June 30, 2009	
Long							
Put	10 YR T-Note	7/24/2009	111.500	1,122	\$ 1,074	\$ 1,034	
Total Long Positions						<u>1,074</u>	<u>1,034</u>
Short							
Call	Euro 90 Day Future	9/14/2009	99.250	(1,552)	(475)	(601)	
Put	Euro 90 Day Future	9/14/2009	99.250	(1,094)	(323)	(205)	
Put	Euro 90 Day Future	9/14/2009	99.000	(1,129)	(338)	(113)	
Put	Euro 90 Day Future	9/14/2009	99.125	(982)	(339)	(129)	
Call	10 YR T-Note	7/24/2009	118.000	(418)	(259)	(216)	
Call	10 YR T-Note	7/24/2009	116.000	(334)	(338)	(464)	
Put	10 YR T-Note	7/24/2009	113.500	(1,122)	(433)	(421)	
Call	US Treasury Bond	7/24/2009	117.000	(374)	(670)	(1,011)	
Put	Swaption	10/2/2013	4.965	(224)	(1,329)	(1,483)	
Put	Swaption	10/3/2013	4.860	(224)	(1,356)	(1,551)	
Call	Swaption	10/2/2013	4.965	(224)	(1,329)	(1,841)	
Call	Swaption	10/3/2013	4.860	(224)	(1,356)	(1,743)	
Total Short Positions						<u>(8,545)</u>	<u>(9,778)</u>
Total Option Contracts						<u>\$(7,471)</u>	<u>\$(8,744)</u>

A summary of the activity in short (written) option positions for the year ended June 30, 2009, is as follows (premiums expressed in thousands):

	Puts		Calls	
	Number of Contracts	Premiums (Received)/Paid	Number of Contracts	Premiums (Received)/Paid
Options Outstanding at June 30, 2008	(5,347)	\$ (3,253)	(4,263)	\$ (2,058)
Options Written	(36,922)	(26,425)	(21,481)	(15,747)
Options Closed	11,465	5,347	6,935	2,894
Options Expired	<u>26,030</u>	<u>20,212</u>	<u>15,682</u>	<u>10,483</u>
Options Outstanding at June 30, 2009	<u>(4,774)</u>	<u>\$ (4,119)</u>	<u>(3,127)</u>	<u>\$ (4,428)</u>

### Foreign Currency Forward Contracts

A foreign currency 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 hedge the assets and liabilities related to securities denominated 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, 2009, the IMB was party to outstanding foreign exchange forward contracts to purchase foreign currencies with contract amounts of \$79.3 million, collectively. Market values of these outstanding contracts were \$78.9 million resulting in a net unrealized loss of approximately \$489,000. The unrealized gain or loss is reclassified to realized gain or loss when the contract expires and deposited at fair value in the International Equity and the Total Return Fixed Income Pools.

### Swaps

Interest rate swaps represent agreements between counterparties to exchange cash flows based on the difference between two interest rates, applied to a notional principal amount for a specified period. Interest rate swaps do not involve the exchange of principal between the parties. Interest is paid or received periodically. At June 30, 2009, the Total Return Fixed Income pool had the following open positions in interest rate swaps (expressed in thousands):

<b>Counterparty</b>	<b>Notional Value</b>	<b>Maturity Date</b>	<b>Rate</b>	<b>Receiving Type</b>	<b>Base</b>	<b>Rate</b>	<b>Paying Type</b>	<b>Base</b>	<b>Fair Value</b>
Barclay's Capital	96,500	2/15/2025	1.00%	Floating	3 mo Libor	4.30%	Fixed	n/a	\$(2,913)
Barclay's Capital	65,300	2/15/2025	1.00%	Floating	3 mo Libor	4.30%	Fixed	n/a	(1,991)
Greenwich Capital	10,560	12/18/2018	1.00%	Floating	3 mo Libor	4.34%	Fixed	n/a	(540)

### Asset-Backed Securities

The IMB invests in various asset-backed securities, mortgage-backed securities, and structured corporate debt. The securities are reported at fair value. They are included in the totals of government securities and corporate securities, depending on the issuer, in the disclosure of custodial credit risk. The IMB invests 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.

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

### Security Loans

The IMB is authorized by statute and policy to participate in a securities lending program. The BTI Board has authorized the BTI securities lending program. Through its custodial agent, Bank of New York (BNY) Mellon, the IMB and BTI loan securities to various brokers on a temporary basis. The transactions may be terminated at any time with proper notice. Each transaction for U.S. securities is secured by initial collateral of at least 102% of the market value of the securities loaned. For international securities, the collateral is at least 105% of the market value of the securities on loan. The BTI will accept only the following as collateral: cash; U.S. Treasury obligations or U.S. Government Agency obligations; and irrevocable letters of credit issued by banks rated A1 or P1, independent of borrowers. Cash collateral received is invested in a collateral pool. Neither the BTI nor BNY Mellon matches maturities of investments made with cash collateral to maturities of securities loaned. Noncash collateral cannot be pledged or sold unless the borrower defaults. The IMB receives compensation in the form of loan premium fees and income from the investment of the cash collateral. Expenses related to the lending of securities are rebates paid by the lending agent to brokers and the lending agent's fees for its services. The income earned by the IMB is reported in the Statement of Operations as securities lending income. The agent fees and broker rebates are reported as expenses. Unrealized gains or losses resulting from changes in the value of the investment of cash collateral are reported as part of the net increase or decrease in the fair value of the investment. The BTI receives a portion of the income from the investment of the collateral. The IMB and BTI continue 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. Mellon indemnifies both the IMB and the BTI against loss from borrower failure, which means that the IMB and the BTI will receive the contractual settlement regardless of whether the borrower returns securities loaned. BNY Mellon also indemnifies the IMB and the BTI against operational errors. The IMB and the BTI are exposed to cash reinvestment risk, which is the risk that cash reinvestment assets would not be sufficient to cover the liability due the broker. As of June 30, 2009, the IMB and the BTI have no credit risk exposure to borrowers because the amounts the IMB and the BTI owe the borrowers exceed the amounts the borrowers owe the IMB and the BTI.

Both BTI and IMB had cash collateral for securities lent in a pool containing securities from Sigma Finance. On September 30, 2008, Sigma's board of directors determined that Sigma was insolvent and that the entity should begin an orderly winding down of its affairs. Effective that date, Sigma also ceased making payments on its obligations. BNY Mellon allocated to each participant in the pool a prorata share of the Sigma securities based on their participation as of September 30, 2008. The BTI's and IMB's share of the Sigma loss, as of that date, was approximately \$11.7 million and \$11.0 million, respectively. In response to this downturn, the BTI decided to begin winding down the securities lending program. This process represents a controlled withdrawal from the securities lending program to reduce risk and minimize losses. The IMB has implemented restrictions on securities lending activity by placing caps on the amount of lending for each of the investment pools it manages. Additionally, the IMB has recorded a reserve for the full \$11.0 million and is restricting the distribution of securities lending income for the pools that routinely distribute earnings to participants until the actual loss on Sigma is realized.

At June 30, 2009, the fair value of securities on loan and collateral held by the pools of the IMB and BTI are as follows (expressed in thousands). Of the collateral held, \$633 million was received as cash. The collateral received as cash is invested in the Mellon GSL DBT II Funds. For securities loaned at June 30, 2009, the BTI has no credit risk exposure to borrowers because the amounts the BTI owe the borrowers exceed the amounts the borrowers owe the BTI. There were no losses during the year resulting from borrower default, and there were no significant violations of legal or contractual provisions.

	<b>Fair Value of Securities on Loan</b>	<b>Collateral Held</b>
Large Cap Domestic Equity	\$ 76,799	\$ 75,031
Non-Large Cap Domestic Equity	60,083	58,714
International Equity	109,813	111,900
Total Return Fixed Income	29,351	27,798
WV Money Market	242,131	247,000
WV Short Term Bond	<u>110,915</u>	<u>113,184</u>
 Total	 <u>\$629,092</u>	 <u>\$633,627</u>

### Commitments

The IMB, with the assistance of its consultant, began implementing its plan to invest in private real estate and private equity partnerships in February of 2008. As of June 30, 2009, the IMB had made commitments to fourteen private equity general partnerships totaling \$540 million. The IMB had funded \$81.1 million of these commitments at June 30, 2009, leaving unfunded commitments of \$458.9 million. The IMB also committed \$130 million to four real estate investment funds/partnerships. At June 30, 2009, the IMB had funded \$25 million of these commitments, leaving unfunded commitments of \$104.9 million.

## 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 \$12.7 million dividend declared by the pool on the last day of the month and reinvested to the participant's accounts on the first day of the following month. The following schedule details the participation in the various IMB pools exclusive of those pools comprising the Consolidated Fund or Participant Directed Accounts (expressed in thousands):

	Large Cap Domestic	Non-Large Cap Domestic	International		
			Qualified	Nonqualified	Equity
<b>Primary Government:</b>					
Revenue Shortfall Reserve Fund	\$ 37,616	\$ 5,626	\$ —	\$ 16,507	\$ 32,568
Revenue Shortfall Reserve Fund B	52,391	7,819	—	23,807	45,935
Workers' Compensation Old Fund	86,669	15,404	—	34,506	75,741
Workers' Compensation Self-Insured	—	—	—	—	—
Workers' Compensation Uninsured	—	—	—	—	—
Pneumoconiosis	19,177	3,287	—	8,150	16,272
Wildlife Endowment Fund	6,298	1,113	—	2,513	5,486
Prepaid Tuition Trust Fund	18,202	3,195	—	7,179	15,913
Prepaid Tuition Trust Escrow Fund	—	—	—	—	—
Board of Risk & Insurance Management	8,892	1,591	—	3,797	7,503
Public Employees' Insurance Agency	<u>7,324</u>	<u>1,313</u>	<u>—</u>	<u>3,054</u>	<u>6,258</u>
Total Primary Government	<u>236,569</u>	<u>39,348</u>	<u>—</u>	<u>99,513</u>	<u>205,676</u>
Percentage of Ownership	13.33%	12.59%	—%	98.29%	13.32%
<b>Fiduciary Funds:</b>					
Judges' Retirement System	18,568	3,286	7,925	—	15,666
EMS Retirement System	3,480	608	1,449	—	2,964
Public Employees' Retirement System	680,600	122,080	272,446	—	592,014
Teachers' Retirement System	730,127	128,547	287,574	—	639,074
Teachers' Employers Contribution	—	—	—	—	—
Public Safety Retirement System	76,655	13,521	32,637	—	64,587
State Police Retirement System	8,325	1,462	3,498	—	7,066
WV Retiree Health Benefit Trust	4,254	762	—	1,729	3,687
West Virginia Deputy Sheriff's Retirement System	<u>16,141</u>	<u>2,850</u>	<u>6,853</u>	<u>—</u>	<u>13,649</u>
Total Fiduciary Funds	<u>1,538,150</u>	<u>273,116</u>	<u>612,382</u>	<u>1,729</u>	<u>1,338,707</u>
Percentage of Ownership	86.67%	87.41%	100%	1.71%	86.68%
Total Amount	<u>\$1,774,719</u>	<u>\$312,464</u>	<u>\$612,382</u>	<u>\$101,242</u>	<u>\$1,544,383</u>
Percentage of Ownership	100%	100%	100%	100%	100%

<b>Short-Term Fixed Income</b>	<b>Total Return Fixed Income</b>	<b>Core Fixed Income Qualified</b>	<b>TRS Annuity</b>	<b>Private Equity</b>	<b>Private Real Estate</b>	<b>Hedge Funds</b>	<b>Totals (Memorandum Only)</b>
\$ 12,549	\$ 22,491	\$ 5,985	\$ —	\$ —	\$ —	\$ 30,283	\$ 163,625
22,704	32,544	8,649	—	—	—	43,785	237,634
53,322	192,217	77,176	—	—	—	134,294	669,329
6,794	—	—	—	—	—	—	6,794
8,537	—	—	—	—	—	—	8,537
9,756	87,546	35,102	—	—	—	44,462	223,752
137	7,794	800	—	2,790	168	2,928	30,027
1,000	24,884	2,785	—	—	—	—	73,158
—	—	11	—	—	—	—	11
1	44,360	18,356	—	—	—	20,654	105,154
<u>1</u>	<u>52,780</u>	<u>21,298</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>22,683</u>	<u>114,711</u>
<b>114,801</b>	<b>464,616</b>	<b>170,162</b>	<b>—</b>	<b>2,790</b>	<b>168</b>	<b>299,089</b>	<b>1,632,732</b>
43.39%	20.84%	43.09%	—%	0.48%	0.45%	26.89%	17.81%
303	22,750	2,393	—	8,221	450	8,626	88,188
351	4,307	453	—	1,542	77	1,615	16,846
16,430	826,576	86,853	—	251,943	17,578	372,819	3,239,339
129,902	654,604	67,077	198,904	273,788	16,468	383,448	3,509,513
6	—	—	—	—	—	—	6
1,719	92,328	9,693	—	33,769	2,048	35,475	362,432
717	10,345	1,088	—	3,688	208	3,868	40,265
1	134,113	55,065	—	—	—	—	199,611
<u>334</u>	<u>19,970</u>	<u>2,099</u>	<u>—</u>	<u>7,149</u>	<u>395</u>	<u>7,504</u>	<u>76,944</u>
<b>149,763</b>	<b>1,764,993</b>	<b>224,721</b>	<b>198,904</b>	<b>580,100</b>	<b>37,224</b>	<b>813,355</b>	<b>7,533,144</b>
56.61%	79.16%	56.91%	100%	99.52%	99.55%	73.11%	82.19%
<u>\$264,564</u>	<u>\$2,229,609</u>	<u>\$394,883</u>	<u>\$198,904</u>	<u>\$582,890</u>	<u>\$37,392</u>	<u>\$1,112,444</u>	<u>\$ 9,165,876</u>
100%	100%	100%	100%	100%	100%	100%	100%

Investment Pool Descriptions

Large Cap Domestic

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

Non-Large Cap Domestic

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 Aronson + Johnson + Ortiz, LP, and Westfield Capital Management. This pool holds equity securities of U.S. companies and money market funds which are rated AAA by Standard & Poor's and Aaa by Moody's.

International Qualified

Funds of this pool are invested in Silchester International Investors' Value Equity Group Trust. This pool is expected 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. This pool holds an institutional mutual fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2009, was \$612,674,184. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

International Nonqualified

Funds of this pool are invested in Silchester International Investors' Value Equity Trust. This pool is expected 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*). This pool holds an institutional mutual fund that invests in equities denominated in foreign currencies. The value of this investment at June 30, 2009, was \$101,245,849. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

## International Equity

This pool invests in the equities of international companies. AXA Rosenberg Investment Management, LLC, Brandes Investment Partners, LLC, LSV Asset Management, and Pictet Asset Management Limited manage assets of this pool. The objective of the International Equity pool is to exceed, net of external investment management fees, Morgan Stanley Capital International's All Country World Free Ex US Index over three- to five-year periods. This pool has both equity securities and cash that are denominated in foreign currencies and are exposed to foreign currency risks. The amounts at fair value (in U.S. dollars) of the securities and cash denominated in foreign currencies as of June 30, 2009, are as follows (expressed in thousands):

<u>Currency</u>	<u>Equity Securities</u>	<u>Cash</u>	<u>Total</u>
Australian Dollar	\$ 45,295	\$ 188	\$ 45,483
Brazil Cruzeiros Real	76,243	1,318	77,561
British Pound	175,319	1,552	176,871
Canadian Dollar	43,761	110	43,871
Czech Koruna	7,235	—	7,235
Danish Krone	10,936	34	10,970
Euro	266,769	6,227	272,996
Hong Kong Dollar	115,552	304	115,856
Hungarian Forint	11,567	1	11,568
Indonesian Rupiah	2,474	—	2,474
Israeli Shekel	13,692	—	13,692
Japanese Yen	214,493	2,001	216,494
Malaysian Ringgit	8,766	25	8,791
Mexican New Peso	20,205	54	20,259
New Taiwan Dollar	44,243	30	44,273
New Zealand Dollar	1,750	404	2,154
Norwegian Krone	9,140	127	9,267
Pakistani Rupee	1,371	—	1,371
Philippine Peso	4,739	—	4,739
Polish Zloty	4,768	—	4,768
Singapore Dollar	31,364	239	31,603
South African Rand	20,492	55	20,547
South Korean Won	75,285	528	75,813
Swedish Krona	19,034	76	19,110
Swiss Franc	58,767	927	59,694
Thailand Baht	—	2	2
Turkish Lira	<u>30,585</u>	<u>42</u>	<u>30,627</u>
Subtotal	<u>1,313,845</u>	<u>14,244</u>	<u>1,328,089</u>
United States Currency	<u>181,249</u>	<u>—</u>	<u>181,249</u>
Total Assets	<u>\$1,495,094</u>	<u>\$14,244</u>	<u>\$1,509,338</u>



Short-Term Fixed Income

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

*Credit Risk*

The IMB limits the exposure to credit risk in the Short-Term Fixed Income pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A-1 by Standard & Poor's and P1 by Moody's. Additionally, the pool must have at least 15% of its assets in United States Treasury issues.

The following table provides information on the weighted-average credit ratings as of June 30, 2009, of the Short-Term Fixed Income pool's investments (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value Prior to Repurchase Collateral Included</u>	<u>Reclassified Repurchase Agreement to Actual Investment Types</u>	<u>Carrying Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>				
Repurchase Agreements	—	—	\$ 91,593	\$(91,593)	\$ —	—%
U.S. Treasury Bills	Aaa	AAA	43,996	—	43,996	16.6%
Commercial Paper	P1	A-1	13,000	—	13,000	4.9%
Agency Discount Notes	P1	A-1	88,453	—	88,453	33.3%
Agency Bonds	Aaa	AAA	27,496	—	27,496	10.3%
U.S. Treasury Note	Aaa	AAA	—	92,586	92,586	34.9%
Total Rated Investments			<u>\$264,538</u>	<u>\$ 993</u>	<u>\$265,531</u>	<u>100%</u>

*Interest Rate Risk*

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

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (Days)</u>
Repurchase Agreements	\$ 91,593	1
U.S. Treasury Bills	43,996	23
Commercial Paper	13,000	5
Agency Discount Notes	88,453	54
Agency Bonds	<u>27,496</u>	52
Total Assets	<u>\$264,538</u>	28

## Total Return Fixed Income

The main objective of the Total Return Fixed Income Pool is to earn superior returns with low volatility by actively investing in the extended fixed income markets. Western Asset Management Company, LLP manages this pool. The Pool's investment performance, net of external investment management fees, is expected to meet or exceed the Barclays Capital U.S. Universal index.

*Credit Risk*

The IMB limits the exposure to credit risk in the Total Return Fixed Income pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted-average credit ratings of the investments in the Total Return Fixed Income pool as of June 30, 2009 (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Fair Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>		
Rated:				
Agency Mortgage-Backed Securities	Aaa	AAA	\$ 531,284	20.2%
Corporate Bonds and Notes	Baa	BBB	466,052	17.7%
Corporate Collateralized Mortgage Obligations	Baa	AA	91,082	3.5%
U.S. Treasury Inflation Protection Bonds	Aaa	AAA	74,632	2.8%
U.S. Treasury Bonds and Notes	Aaa	AAA	1,678	0.1%
Agency Notes	Aa	AA	3,867	0.1%
Corporate Preferred Securities	C	C	965	0.0%
Corporate Asset Backed Securities	Aa	AA	622	0.0%
Agency Collateralized Mortgage Obligations	Aaa	AAA	466	0.0%
Money Market Funds	Aaa	AAA	<u>472,292</u>	<u>17.9%</u>
Total Rated Assets			<u>1,642,940</u>	<u>62.3%</u>
Unrated:				
Commingled Investment Pool			987,106	37.3%
Swaps, Options, and Swaptions			(429)	(0.2%)
Cash (Pledged to Brokers as Collateral)			<u>16,705</u>	<u>0.6%</u>
Total Investment Securities at Fair Value			<u>\$2,646,322</u>	<u>100%</u>

*Interest Rate Risk*

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

<u>Security Type</u>	<u>Fair Value</u>	<u>Modified Duration (Years)</u>
Commingled Investment Pool	\$ 987,106	2.5
Agency Mortgage-Backed Securities	531,284	9.6
Money Market Funds	472,292	0.0
Corporate Bonds and Notes	466,052	5.7
Corporate Collateralized Mortgage Obligations	91,082	5.1
U.S. Treasury Inflation Protection Bonds	74,632	13.1
Agency Notes	3,867	2.8
U.S. Treasury Bonds and Notes	1,678	16.4
Corporate Asset-Backed Securities	622	2.5
Agency Collateralized Mortgage Obligations	<u>466</u>	<u>1.0</u>
Total Investments with Interest Rate Risk	<u>2,629,081</u>	5.4
Investments with no Interest Rate Risk:		
Swaps, Options, and Swaptions	(429)	
Cash (Pledged to Brokers as Collateral)	16,705	
Corporate Preferred Securities	<u>965</u>	
Total Assets with no Interest Rate Risk	<u>17,241</u>	
Total Investment Securities at Fair Value	<u>\$2,646,322</u>	

The Total Return Fixed Income pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The modified 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, 2009, the Total Return Fixed Income pool held \$623,449,368 of these securities. This represents approximately 24% of the value of the pool's securities.

Core Fixed Income Pool

The main objective of this core bond 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 performance, net of external investment management fees, is expected to meet or exceed the Barclays Capital US Aggregate index.

*Credit Risk*

The IMB limits the exposure to credit risk in the Core Fixed Income pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted-average credit ratings of the investments in the Core Fixed Income pool as of June 30, 2009 (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Fair Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>		
Agency Collateralized Mortgage Obligations	Aaa	AAA	\$134,378	33.1%
Agency Mortgage-Backed Securities	Aaa	AAA	117,952	29.1%
U.S. Treasury Bonds and Notes	Aaa	AAA	69,634	17.2%
Corporate Bonds and Notes	A	A	41,036	10.1%
Corporate Collateralized Mortgage Obligations	Baa	AA	25,368	6.3%
Money Market Funds	Aaa	AAA	15,209	3.7%
Corporate Asset-Backed Securities	Aaa	AAA	<u>2,191</u>	<u>0.5%</u>
Total Rated Investments			<u>\$405,768</u>	<u>100%</u>

*Interest Rate Risk*

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

<u>Security Type</u>	<u>Fair Value</u>	<u>Modified Duration (Years)</u>
Agency Collateralized Mortgage Obligations	\$134,378	3.4
Agency Mortgage-Backed Securities	117,952	8.9
U.S. Treasury Bonds and Notes	69,634	6.4
Corporate Bonds and Notes	41,036	5.0
Corporate Collateralized Mortgage Obligations	25,368	4.1
Money Market Funds	15,209	—
Corporate Asset-Backed Securities	<u>2,191</u>	<u>1.9</u>
Total Assets	<u>\$405,768</u>	<u>5.4</u>

The Core Fixed Income Pool invests approximately \$280 million in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. At June 30, 2009, this represents approximately 69 percent of the value of the Pool's securities.

*TRS Annuity Pool*

The Pool holds 100% of investment in an investment contract strictly for the benefit of the Teachers Retirement System (TRS). The IMB assumed responsibility for this investment as part of the restructuring of the Teachers Defined Contribution (TDC) plan, a separate

retirement plan outside of the IMB, whereby certain TDC participants elected to transfer the ownership of their individual TDC retirement accounts to the TRS in exchange for current participation in the TRS defined benefit plan. The contract, issued by the Variable Annuity Life Insurance Company (VALIC), could not be liquidated as part of the restructuring, and was transferred in kind to the IMB on December 10, 2008. The final amount transferred on the contract was \$248,292,529. Effective April 23, 2009, the IMB elected to liquidate this contract and will receive five equal annual payments of \$55,058,102. The first payment was received on May 4, 2009, and subsequent payments will be received on May 4, 2010, 2011, 2012, and 2013. The contract and the payments include a guaranteed annual interest yield of 4.5%. There is a potential interest rate risk if the market rates increase above the contract guaranteed rate. VALIC is a wholly owned subsidiary of American International Group, Inc. (AIG), but is not in bankruptcy.

#### Private Equity

This pool was established to hold the IMB's investments in various private equity funds. Franklin Park Associates, LLC has been retained by the IMB to provide consulting services for these funds. This pool holds limited partnerships, shares of an institutional commingled fund, and a money market fund. The money market is rated AAA by Standard & Poor's and Aaa by Moody's.

#### Private Real Estate

This pool was established to hold the IMB's investments in private real estate funds. Courtland Partners, Ltd. has been retained by the IMB to provide consulting services for these funds. This Pool holds a limited partnership, shares of an institutional commingled fund and a money market fund. The money market fund is rated AAA by Standard & Poor's and Aaa by Moody's.

#### 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 asset class. This Pool holds shares in various commingled institutional funds and shares of a money market that is rated AAA by Standard & Poor's and Aaa by Moody's.

#### Consolidated Fund

The Consolidated Fund is a statutory term for the collective investment of those monies not currently needed to fund state governmental operations, participation by local governments,

or those monies that are required by other statutory provisions to be invested in the Consolidated Fund. The following seven investment pools and participant directed accounts comprise the Consolidated Fund and are managed by the BTI.

### **WV Money Market**

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

#### *Credit Risk*

The BTI limits the exposure to credit risk in the WV Money Market pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. Additionally, the pool must have at least 15% of its assets in United States Treasury issues. The following table provides information on the credit ratings as of June 30, 2009, 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 Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>		
Commercial Paper	P1	A-1	\$ 529,479	21.12%
Corporate Bonds/Notes	Aaa	AAA	10,000	0.40%
	Aa1	AA	7,000	0.28%
	Aa2	AA	10,000	0.40%
	Aa3	AA	15,503	0.61%
	A1	AA	19,309	0.77%
	A1	A	<u>12,000</u>	<u>0.48%</u>
Total Corporate Bonds/Notes			<u>73,812</u>	<u>2.94%</u>
U.S. Agency Bonds/Notes	Aaa	AAA	294,019	11.73%
U.S. Treasury Bills	Aaa	AAA	483,714	19.29%
Certificates of Deposit	P1	A-1	128,402	5.12%
U.S. Agency Discount Notes	P1	A-1	635,602	25.35%
Money Market Funds	Aaa	AAA	150,223	5.99%
Repurchase Agreements (Underlying Securities)				
U.S. Treasury Notes	Aaa	AAA	165,110	6.59%
U.S. Agency Notes	Aaa	AAA	<u>46,900</u>	<u>1.87%</u>
Total Repurchase Agreements			<u>212,010</u>	<u>8.46%</u>
Total			<u>\$2,507,261</u>	<u>100%</u>

## West Virginia

### 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. The following table provides information on the weighted-average maturities (WAM) for the various asset types in the WV Money Market pool (expressed in thousands):

<u>Security Type</u>	<u>Total Carrying Value</u>	<u>Primary Government</u>	<u>Investment Trust Funds</u>	<u>Agency Funds</u>	<u>Component Units</u>	<u>WAM (Days)</u>
Commercial Paper	\$ 592,479	\$ 475,109	\$19,670	\$ 5,214	\$ 92,486	32
U.S. Treasury Bills	483,714	387,890	16,059	4,257	75,508	69
Corporate Bonds/Notes	73,812	59,190	2,451	650	11,521	38
Certificates of Deposit	128,402	102,966	4,263	1,130	20,043	56
U.S. Agency Bonds/Notes	294,019	235,774	9,761	2,587	45,897	70
U.S. Agency Discount Notes	635,602	509,689	21,102	5,593	99,218	57
Money Market Funds	150,223	120,464	4,987	1,322	23,450	1
Repurchase Agreements (Underlying Securities):						
U.S. Treasury Notes	165,110	132,402	5,482	1,453	25,773	1
U.S. Agency Notes	<u>46,900</u>	<u>37,609</u>	<u>1,557</u>	<u>413</u>	<u>7,321</u>	1
Total	<u>\$2,570,261</u>	<u>\$2,061,093</u>	<u>\$85,332</u>	<u>\$22,619</u>	<u>\$401,217</u>	47
Percentage of Ownership	100%	80.19%	3.32%	0.88%	15.61%	

### WV Government Money Market

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

### Credit Risk

The BTI limits the exposure to credit risk in the WV Government Money Market pool by limiting the pool to U.S. Treasury issues, U.S. Government agency issues, money market funds investing in U.S. Treasury issues and U.S. Government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. Government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings as of June 30, 2009, of the WV Government Money Market Pool's investments (expressed in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value</u>	<u>Percent of Assets</u>
	<u>Moody's</u>	<u>S&amp;P</u>		
U.S. Agency Bonds/Notes	Aaa	AAA	\$ 68,608	24.17%
U.S. Treasury Bills	Aaa	AAA	74,424	26.22%
U.S. Agency Discount Notes	P1	A-1	87,662	30.89%
Money Market Funds	Aaa	AAA	132	0.05%
Repurchase Agreements (Underlying Securities):				
U.S. Agency Bonds	Aaa	AAA	<u>53,000</u>	<u>18.67%</u>
Total			<u>\$283,826</u>	<u>100%</u>

*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. The following table provides information on the weighted-average maturities (WAM) for the various asset types in the WV Government Money Market Pool (expressed in thousands):

<u>Security Type</u>	<u>Total Carrying Value</u>	<u>Primary Government</u>	<u>Investment Trust Funds</u>	<u>Component Units</u>	<u>WAM (Days)</u>
U.S. Agency Discount Notes	\$ 87,662	\$21,924	\$ 56,945	\$ 8,793	55
U.S. Agency Bonds/Notes	68,608	17,159	44,568	6,881	37
U.S. Treasury Bills	74,424	18,614	48,346	7,464	94
Money Market Funds	132	33	86	13	1
Repurchase Agreements (Underlying Securities)					
U.S. Agency Bonds	<u>53,000</u>	<u>13,254</u>	<u>34,429</u>	<u>5,317</u>	1
Total	<u>\$283,826</u>	<u>\$70,984</u>	<u>\$184,374</u>	<u>\$28,468</u>	51
Percentage of Ownership	100%	25.01%	64.96%	10.03%	

**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 A by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The following table provides information on the credit ratings as of June 30, 2009, of the WV Short Term Bond Pool's investments (expressed in thousands):



## West Virginia

Security Type	Credit Rating		Fair Value	Percent of Assets
	Moody's	S&P		
Corporate Asset-Backed Securities	Aaa	AAA	\$ 16,402	5.21%
	Aaa	NR	5,136	1.63%
	Aa3	AAA	223	0.07%
	Aa2	AAA	461	0.15%
	A3	AAA	273	0.09%
	Baa2	AAA	831	0.26%
	Baa1	BBB*	332	0.10%
	Baa2	BBB*	1,376	0.44%
	Ba3	AAA	645	0.20%
	B1	AAA	779	0.25%
	B2	B*	493	0.16%
	B2	CCC*	539	0.17%
	B3	AAA	949	0.30%
	Caa1	BB*	254	0.08%
	NR	AAA	<u>679</u>	<u>0.22%</u>
Total Corporate Asset-Backed Securities			<u>29,372</u>	<u>9.33%</u>
Corporate Bonds/Notes	Aaa	AAA	47,204	14.99%
	Aa1	AA	4,445	1.41%
	Aa1	A	2,052	0.65%
	Aa2	AAA	3,040	0.96%
	Aa2	AA	9,066	2.88%
	Aa3	A	7,831	2.49%
	A1	AA	4,813	1.53%
	A1	A	5,522	1.75%
	A2	A	32,040	10.17%
	A3	A	7,024	2.23%
	Baa3	A	<u>2,067</u>	<u>0.66%</u>
Total Corporate Bonds/Notes			<u>125,104</u>	<u>39.72%</u>
U.S. Agency Bonds/Notes	Aaa	AAA	60,250	19.13%
U.S. Treasury Bonds/Notes	Aaa	AAA	88,805	28.20%
U.S. Agency Mortgage-Backed Securities	Aaa	AAA	4,975	1.58%
Money Market Funds	Aaa	AAA	<u>6,426</u>	<u>2.04%</u>
Total			<u>\$314,932</u>	<u>100%</u>

\*These securities were not in compliance with BTI Investment Policy at June 30, 2009. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

### Interest Rate Risk

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

Security Type	Total Carrying Value	Primary Government	Investment Trust Funds	Component Units	Effective Duration (Days)
Corporate Bonds/Notes	\$125,104	\$112,168	\$175	\$12,761	559
U.S. Agency Bonds/Notes	60,250	54,020	84	6,146	752
U.S. Treasury Bonds/Notes	88,805	79,623	124	9,058	917
Corporate Asset-Backed Securities	29,372	26,335	41	2,996	622
U.S. Agency Mortgage-Backed Securities	4,975	4,461	7	507	540
Money Market Funds	<u>6,426</u>	<u>5,762</u>	<u>9</u>	<u>655</u>	<u>1</u>
Total	<u>\$314,932</u>	<u>\$282,369</u>	<u>\$440</u>	<u>\$32,123</u>	<u>691</u>
Percentage of Ownership	100%	89.66%	0.14%	10.20%	

## WV Bank Pool

This pool consists of certificates of deposit purchased by the State through the BidWV auction program. The program purchases CDs from eligible banks and depositories to make state investment funds available for consumer and business loans within the State. The nonnegotiable certificates of deposit in this pool total approximately \$100 million, with maturities ranging from July 2009 to November 2009.

## Loss Amortization

This pool was created to account for those participant claims on the general operating funds of the State that exceeded the underlying assets of the other pools. This excess of participant claims on net assets over underlying assets occurred as a result of the distribution of earnings to participants in various BTI investment pools, principally the Unrestricted Pool (predecessor to the WV Money Market Pool), in excess of the true investment income experience of the pools, principally in 1987 and 1988.

The Loss Amortization Pool holds a U.S. Treasury strip valued at approximately \$184,107,000 that matures on August 15, 2011. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates. However, it is the intent of the BTI to hold this security to maturity (expressed in thousands):

<u>Security Type</u>	<u>Fair Value</u>	<u>Interest Rate Risk</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
<b>Primary Government:</b>					
U.S. Treasury Strip	\$184,107	\$—	\$184,107	\$—	\$—

## Loans

This pool is comprised of loans made by the State. The \$1 unit price is utilized for accounting purposes only. The State is the sole participant in this pool. This pool primarily holds intergovernmental loans and an interest in a money market mutual fund in the amount of \$582,000 with a weighted-average maturity of one day which is rated AAA 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 Assets. The BTI addresses the credit risk by evaluating the need for and establishing a reserve for uncollectible loans.

## Reserve

This pool is composed of an interest-bearing depository account with funds totaling approximately \$44,755,000 at BB&T. 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 asset levels do not fall below \$0.9975. The State is the sole participant in this pool.

## Participant Directed Accounts

The BTI also maintains pools for individual state agencies with specific investment needs. These pools include the following: Municipal Bond Commission, Lottery Defeasance (closed in August 2008), School Fund, Economic Development Authority–American Woodmark (EDA–AW), and Department of Highways (closed in March 2009). Each agency is the sole owner of the investments in its pool and is responsible for the investment decisions in accordance with the legal restrictions applicable to those assets. The BTI serves as custodian of these pools and has no discretion over investment and financial decisions made for them.

### Municipal Bond Commission

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

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

<u>Security Type</u>	<u>Carrying Value</u>	<u>WAM (Days)</u>
U.S. Treasury Bills	\$ 99	142
U.S. Treasury Strips	5,681	1,242
U.S. Treasury Bonds/Notes	5,309	2,917
State and Local Government Securities	<u>10,380</u>	316
Total Assets	<u>\$21,469</u>	1,203

School Fund

The School Fund account holds an interest in a money market mutual fund valued at \$1,307,000 with a weighted-average maturity of one day. The mutual fund is rated AAA by Standard & Poor's and Aaa by Moody's as of June 30, 2009 (expressed in thousands):

<u>Security Type</u>	<u>Fair Value</u>	<u>Interest Rate Risk</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
<b>Governmental Activities:</b>					
Money Market	\$1,307	\$1,307	\$—	\$—	\$—

EDA-AW

This account holds a U.S. Treasury bond valued at \$1,761,000 that matures on August 15, 2023. The Economic Development Authority's investment policy limits this account to holding only U.S. Treasury securities with twenty-year maturities at time of purchase (expressed in thousands):

<u>Security Type</u>	<u>Fair Value</u>	<u>Interest Rate Risk</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
<b>Component Unit Activities:</b>					
U.S. Treasury Bond	\$1,761	\$—	\$—	\$—	\$1,761

## West Virginia

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This schedule reconciles disclosed investment values to net asset values of the pools as reflected in the accompanying financial statements, at IMB and BTI at June 30, 2009 (expressed in thousands):

	<b>Disclosed Value</b>	<b>Pool Receivables/ (Payables)</b>	<b>Net Asset Values</b>
<b><u>IMB Pools</u></b>			
Large Cap Domestic Equity	\$ 1,776,850	\$ (2,131)	\$ 1,774,719
Non-Large Cap Domestic Equity	317,563	(5,099)	312,464
International Qualified	612,674	(292)	612,382
International Nonqualified	101,246	(4)	101,242
International Equity*	1,495,094	49,289	1,544,383
Short-Term Fixed Income	264,538	16	264,554
Total Return Fixed Income*	2,646,322	(416,713)	2,229,609
Core Fixed Income	405,768	(10,885)	394,883
TRS Annuity Pool	198,915	(11)	198,904
Private Equity	582,966	(76)	582,890
Private Real Estate	37,447	(55)	37,392
Hedge Fund	1,112,576	(132)	1,112,444
<b><u>BTI Pools</u></b>			
WV Money Market Pool	2,570,261	614	2,570,875
WV Government Money Market Pool	283,826	32	283,858
WV Short-Term Bond Pool	314,932	12,044	326,976
WV Bank Pool	100,000	215	100,215
Loss Amortization Pool	184,107	—	184,107
Loan Pool	127,345	383	127,728
Municipal Bond Commission Account	21,469	171	21,640
School Fund Account	1,307	—	1,307
Reserve Pool	44,755	37	44,792
EDA - AW	<u>1,761</u>	<u>33</u>	<u>1,794</u>
Total Pooled Investments	<u>13,201,722</u>	<u>(372,564)</u>	<u>12,829,158</u>
Less EDA	143,830	—	143,830
Less MBC	21,469	171	21,640
Less Certificates of Deposit	100,000	215	100,215
Less Reserve Pool in Depository	<u>44,755</u>	<u>37</u>	<u>44,792</u>
Total for Disclosure	<u>\$12,891,668</u>	<u>\$(372,987)</u>	<u>\$12,518,681</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, 2009 (expressed in thousands):

Security Type	Fair Value	Credit Rating	
		S&P	Moody's
<b>Primary Government:</b>			
Guaranteed Investment Contracts	\$ 5,758	AAA	Aa3
	18,990	AAA	Aaa
Money Market/Mutual Funds	5,048	AAA	Aaa
	361,465	AAAm	Aaa
	27,716	AAAm	Unrated
	5,255	AAAm-g	Aaa
Repurchase Agreement	71,181	BBB, BBB-	Baa3
U.S. Government and Agency Obligations	<u>378</u>	AAA	Aaa
	<u>\$ 495,791</u>		
<b>Pension &amp; Private Purpose Trust Funds:</b>			
Money Market/Mutual Funds	<u>\$1,200,629</u>	Unrated	Unrated
<b>Component Units:</b>			
Common and Preferred Stocks	\$ 125	AAA	Aaa
	78,692	Unrated	Unrated
Corporate Bonds	1,049	A	A1
	920	A	A2
	922	A	A3
	329	A	Baa2
	60	A-	Unrated
	1,220	A+	A1
	791	A+	Aa3
	6,919	AA	Aa2
	12,025	AA	Unrated
	1,044	AA-	A1
	213	AA-	A2
	1,863	AA+	Aa2
	286	Aa3	A1
	403	AAA	Aaa
	1,259	AAA1	Aaa
	1,288	B	Unrated
	167	BB+	Baa3
	348	BBB-	A3
	339	BBB-	Unrated
	505	BBB+	A3
	59	CC	CA
	236	Unrated	AAA
	39,560	Unrated	Unrated
Guaranteed Investment Contracts	15,444	AA	Aa
	3,192	BBB	Ba3
Money Market/Mutual Funds	128	AAA	Aaa
	315,797	AAAm	Aaa
	82	AAAm-G	Aaa
	364	Unrated	AAA
	49,368	Unrated	Unrated
Mortgages Held for Investment	19,420	Unrated	Unrated
Other Investments	42,317	Unrated	Unrated
Repurchase Agreements	7,497	AAA	Aaa
	4,064	AAA	aaa
	8,246	AAA	AAA
	14,488	Unrated	Unrated
State and Local Government Securities	10,950	A+	A1
U.S. Government and Agency Obligations	500	AAA	A2
	89,707	AAA	aaa
	2,026	AAA	Aaa
	267	Unrated	A3
	611	Unrated	Aaa
	5,049	Unrated	AAA
	<u>26,272</u>	Unrated	Unrated
	<u>\$ 766,411</u>		

## West Virginia

### Concentration of Credit Risk

As of June 30, 2009, the State had investment balances with the following issuers which are greater than or equal to 5% of the respective third-party trustee investment balance (expressed in thousands):

<u>Security Type</u>	<u>Fair Value</u>	<u>Issuer</u>	<u>Percentage of Concentration</u>
<b>Primary Government:</b>			
Repurchase Agreement	\$71,181	WV Tobacco Settlement Finance Authority	14.4%
<b>Component Units:</b>			
Common and Preferred Stocks	70,799	\$64,493 of the \$70,799 is invested by the Foundations of the Higher Education institutions which are reported under FASB and the information is not available	9.2%
U.S. Government & Agency Obligations	52,081	Federal National Mortgage Association	6.8%

### Interest Rate Risk

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

<u>Security Type</u>	<u>Fair Value</u>	<u>Interest Rate Risk</u>			
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
<b>Primary Government:</b>					
Guaranteed Investment Contracts	\$ 24,748	\$ —	\$ —	\$24,748	\$ —
Money Market/Mutual Funds	399,484	399,484	—	—	—
Repurchase Agreements	71,181	—	—	—	71,181
U.S. Government & Agency Obligations	<u>378</u>	<u>378</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Primary Government</b>	<u>495,791</u>	<u>399,862</u>	<u>—</u>	<u>24,748</u>	<u>71,181</u>
<b>Pension &amp; Private Purpose Trust Funds:</b>					
Money Market/Mutual Funds	<u>1,200,629</u>	<u>1,200,629</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Component Units:</b>					
Common and Preferred Stocks	78,817	70,920	—	—	7,897
Corporate Bonds	71,805	36,361	13,926	19,273	2,245
Guaranteed Investment Contracts	18,636	3,192	15,444	—	—
Money Market/Mutual Funds	365,739	365,739	—	—	—
Mortgages Held for Investment	19,420	—	—	—	19,420
Other Investments	42,317	42,317	—	—	—
Repurchase Agreements	34,295	21,202	4,064	9,029	—
State and Local Government Securities	10,950	10,950	—	—	—
U.S. Government & Agency Obligations	<u>124,432</u>	<u>18,689</u>	<u>837</u>	<u>20,664</u>	<u>84,242</u>
<b>Total Component Units</b>	<u>766,411</u>	<u>569,370</u>	<u>34,271</u>	<u>48,966</u>	<u>113,804</u>
<b>Total Outside Investments</b>	<u>\$2,462,831</u>	<u>\$2,169,861</u>	<u>\$34,271</u>	<u>\$73,714</u>	<u>\$184,985</u>

## 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 Assets at June 30, 2009 (expressed in thousands):

### Deposits:

Cash and Cash Equivalents as Reported on the Statement of Net Assets	\$ 4,541,233
Cash and Cash Equivalents as Reported on the Statement of Fiduciary Net Assets	521,916
Add:	
Restricted Cash and Cash Equivalents as Reported on the Statement of Net Assets	308,317
Certificates of Deposit Disclosed as Deposits	29,261
Less:	
Cash Equivalents and Restricted Cash Disclosed as Investments	(4,730,927)
Cash with U.S. Treasury for Unemployment Programs	<u>(193,468)</u>
Reported Value of Deposits as Disclosed in this Footnote	<u>\$ 476,332</u>

### Investments:

Investments as Reported on the Statement of Net Assets	\$ 1,370,614
Investments as Reported on the Statement of Fiduciary Net Assets	8,743,403
Less:	
Certificates of Deposit Disclosed as Deposits	(29,261)
Add:	
Restricted Investments as Reported on the Statement of Net Assets	173,194
Cash Equivalents and Restricted Cash Disclosed as Investments	4,730,927
Accrued Interest Disclosed as Investments	<u>(7,365)</u>
Reported Value of Investments as Disclosed in this Footnote	<u>\$14,981,512</u>



**NOTE 5**

**RECEIVABLES**

(Expressed in Thousands)

Receivables at June 30, 2009, consisted of the following:

	<b>Governmental Funds</b>					
	<b>General</b>	<b>Transportation</b>	<b>West Virginia Infrastructure and Jobs Development Council</b>	<b>Tobacco Settlement Finance Authority</b>	<b>Other Governmental</b>	<b>Total Governmental Receivables</b>
Taxes	\$395,931	\$ 56,960	\$ —	\$ —	\$ —	\$ 452,891
Accounts	142,020	94,246	19	37,614	15,166	289,065
Loans	3,759	—	428,222	—	—	431,981
Accrued Interest	4,914	—	482	—	332	5,728
<b>Total Receivables</b>	<b>546,624</b>	<b>151,206</b>	<b>428,723</b>	<b>37,614</b>	<b>15,498</b>	<b>1,179,665</b>
Allowance for Doubtful Accounts	(76,112)	—	(6,794)	—	(2,879)	(85,785)
<b>Receivables, Net</b>	<b>\$470,512</b>	<b>\$151,206</b>	<b>\$421,929</b>	<b>\$37,614</b>	<b>\$12,619</b>	<b>\$1,093,880</b>
As reported on the Fund Financial Statements						
Current Receivables, Net	\$470,512	\$151,206	\$421,929	\$37,614	\$12,619	\$1,093,880
Noncurrent Receivables, Net	—	—	—	—	—	—
<b>Receivables, Net</b>	<b>\$470,512</b>	<b>\$151,206</b>	<b>\$421,929</b>	<b>\$37,614</b>	<b>\$12,619</b>	<b>\$1,093,880</b>

	<b>Fiduciary Funds</b>		
	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>SMART 529</b>	<b>Agency Funds</b>
Accounts	\$ 974	\$ —	\$ —
Loans	9,544	—	—
Leases	—	—	—
Contributions Receivable	194,338	1,582	—
Accrued Interest	—	—	6
<b>Total Receivables</b>	<b>204,856</b>	<b>1,582</b>	<b>6</b>
Allowance for Doubtful Accounts	(145,587)	—	—
<b>Receivables, Net</b>	<b>\$ 59,269</b>	<b>\$1,582</b>	<b>\$ 6</b>
As reported on the Fund Financial Statements			
Current Receivables, Net	\$ 59,269	\$1,582	\$ 6
Noncurrent Receivables, Net	—	—	—
<b>Receivables, Net</b>	<b>\$ 59,269</b>	<b>\$1,582</b>	<b>\$ 6</b>

**Enterprise Funds**

West Virginia Lottery	Water Pollution Control Revolving Fund	Workers' Compensation	Unemployment Compensation	Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise	Total Enterprise	Internal Service Funds
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
33,311	351	63,446	49,971	34,664	1,390	3,205	186,338	4,838
—	428,968	—	—	—	—	54,865	483,833	—
—	—	—	—	—	—	22	22	—
33,311	429,319	63,446	49,971	34,664	1,390	58,092	670,193	4,838
—	—	—	—	(5,423)	(387)	—	(5,810)	—
<u>\$33,311</u>	<u>\$429,319</u>	<u>\$63,446</u>	<u>\$49,971</u>	<u>\$29,241</u>	<u>\$1,003</u>	<u>\$58,092</u>	<u>\$664,383</u>	<u>\$4,838</u>
\$33,311	\$ 23,084	\$63,446	\$49,971	\$29,241	\$1,003	\$ 3,326	\$203,382	\$4,838
—	406,235	—	—	—	—	54,766	461,001	—
<u>\$33,311</u>	<u>\$429,319</u>	<u>\$63,446</u>	<u>\$49,971</u>	<u>\$29,241</u>	<u>\$1,003</u>	<u>\$58,092</u>	<u>\$664,383</u>	<u>\$4,838</u>

**Discretely Presented Component Units**

Economic Development Authority	Housing Development Fund	Parkways, Economic Development & Tourism Authority	Water Development Authority	Higher Education	Regional Jail	School Building Authority	Other Component Units	Total Discretely Presented Component Units
\$ —	\$ 929,278	\$1,383	\$ 24	\$ 86,544	\$17,239	\$ —	\$1,426	\$1,035,894
152,513	65,009	—	251,551	69,141	—	—	7,445	545,659
44,205	—	—	—	—	—	—	—	44,205
—	—	—	—	—	—	—	—	—
5,463	5,773	161	3,709	—	—	1,024	—	16,130
202,181	1,000,060	1,544	255,284	155,685	17,239	1,024	8,871	1,641,888
(5,800)	(47,734)	—	—	(22,185)	—	—	—	(75,719)
<u>\$196,381</u>	<u>\$ 952,326</u>	<u>\$1,544</u>	<u>\$255,284</u>	<u>\$133,500</u>	<u>\$17,239</u>	<u>\$1,024</u>	<u>\$8,871</u>	<u>\$1,566,169</u>
\$ 13,677	\$ 11,948	\$1,544	\$ 10,174	\$ 79,913	\$17,239	\$1,024	\$1,797	\$ 137,316
182,704	940,378	—	245,110	53,587	—	—	7,074	1,428,853
<u>\$196,381</u>	<u>\$ 952,326</u>	<u>\$1,544</u>	<u>\$255,284</u>	<u>\$133,500</u>	<u>\$17,239</u>	<u>\$1,024</u>	<u>\$8,871</u>	<u>\$1,566,169</u>

## Taxes Receivable

Taxes receivable at June 30, 2009, consisted of the following:

	<u>Governmental Funds</u>		
	<u>General</u>	<u>Transportation</u>	<u>Total</u>
Taxes Receivable:			
Consumer Sales and Use	\$104,524	\$ —	\$104,524
Personal Income	132,545	—	132,545
Severance	65,829	—	65,829
Business and Occupation	10,481	—	10,481
Automobile Privilege Taxes	—	18,618	18,618
Gasoline Excise	—	36,053	36,053
Registration Fees	—	2,289	2,289
Insurance	33,609	—	33,609
Corporate Net Income	29,256	—	29,256
Other	<u>19,687</u>	<u>—</u>	<u>19,687</u>
	395,931	56,960	452,891
Refund Allowance	<u>(19,968)</u>	<u>—</u>	<u>(19,968)</u>
Total	<u>\$375,963</u>	<u>\$56,960</u>	<u>\$432,923</u>

## Leases Receivable

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

<u>Year Ended June 30</u>	<u>Direct Financing Leases Amounts Due</u>
2010	\$ 3,969
2011	3,969
2012	4,383
2013	4,420
2014	4,420
2015-2032	<u>40,306</u>
Total Minimum Amount Due	61,467
Less Amount Representing Interest	<u>(17,262)</u>
Present Value of Minimum Lease Amount Due	<u>\$ 44,205</u>

### **BrickStreet Mutual Insurance Company Surplus Note**

In accordance with the provisions set forth in §23-2C-24 (a) of the West Virginia Code, a surplus note agreement between the State of West Virginia and the newly formed employers' mutual insurance company, BrickStreet Mutual Insurance Company (BrickStreet), was established as of January 1, 2006. For value received, BrickStreet will repay the State of West Virginia the principal sum of \$200 million dollars, plus interest and reasonable costs of collection of any overdue payment by the maturity date of the note, which is June 30, 2016. The purpose of the surplus note is to provide initial surplus to the issuer until such time as adequate retained surplus is earned or alternative nongovernmental sources of capital are available to allow the issuer to operate as a commercially sound, independent provider of workers' compensation insurance in the State of West Virginia, within a competitive environment. BrickStreet may repay all or any part of the principal, subject to the approval of the Insurance Commissioner, at any time without penalty or premium.

From the effective date of the note until the earlier of (1) the date on which the note is repaid in full; or (2) January 1, 2009, the note shall bear interest at one and one-half percent (1.5%). From January 1, 2009, until the date on which the note is repaid in full, unpaid amounts under the note shall bear interest at a fluctuating rate per annum that is equal to the Prime Rate of interest for the period in question. For the last six months of FY 2009, the interest rate charged was 3.25%. On July 31, 2008, BrickStreet paid \$60 million in principal toward satisfaction and discharge of its surplus note obligation to the State. On June 30, 2009, BrickStreet also paid an additional \$85 million in principal payments, thereby satisfying all future required surplus note principal payments approximately seven years ahead of schedule. Fiscal year 2009 surplus note interest payments received from BrickStreet totaled \$2.1 million. In accordance with the provisions of the surplus note agreement, an actuarial valuation of the claims liabilities that BrickStreet had assumed for dates of injury occurring between July 1, 2005, and December 31, 2005, was made. As the final step in the satisfaction of the BrickStreet surplus note obligation, the Insurance Commissioner adjusted the carrying value of the surplus note to \$43.5 million to reflect the results of the actuarial analysis and the true up provisions required by the note. Subsequent to the balance sheet date of the Insurance Commissioner's financial statements, BrickStreet remitted the remaining surplus note payment to the State, thereby discharging their obligation in its entirety. See Note 14 for more information on the privatization of the workers' compensation function.

**NOTE 6**

**INTERFUND BALANCES**

The following table details the interfund balances and activity as of and for the year ended June 30, 2009 (expressed in thousands):

<u>Due To</u>	<u>Due From</u>			
	<u>Governmental</u>			
	<u>General</u>	<u>Transportation</u>	<u>West Virginia Infrastructure and Jobs Development Council</u>	<u>Other Nonmajor</u>
Governmental Funds:				
General	\$ —	\$ 143	\$ —	\$ 98
Transportation	586	—	—	127
Tobacco Settlement Finance Authority	710,167	—	—	—
Other Nonmajor Governmental	70	6	—	—
Total Governmental Funds	<u>710,823</u>	<u>149</u>	<u>—</u>	<u>225</u>
Proprietary Funds:				
Water Pollution Control Revolving Fund	—	—	—	32
Unemployment Compensation	334	47	—	12
Public Employees' Insurance Agency	2,761	1,717	—	22
Other Nonmajor Proprietary	62	—	—	—
Internal Service Funds	5,491	477	—	272
Total Proprietary Funds	<u>8,648</u>	<u>2,241</u>	<u>—</u>	<u>338</u>
Fiduciary Funds				
Pension and Employee Benefit Trust Funds	24,589	17,930	—	5,289
<u>Discretely Presented Component Units</u>				
Major:				
Parkways & Economic Development	—	—	—	—
Water Development Authority	—	—	525	—
Higher Education	32,343	775	—	57
Nonmajor:				
State Rail Authority	33	—	—	—
Educational Broadcasting Authority	48	—	—	—
Racing Commission	—	—	—	—
Total Discretely Presented Component Units	<u>32,424</u>	<u>775</u>	<u>525</u>	<u>57</u>
Total	<u>\$776,484</u>	<u>\$21,095</u>	<u>\$525</u>	<u>\$5,909</u>

The general fund Due to Other Funds includes \$5.5 million to the Internal Service Funds which is primarily \$4 million for computer services and \$1 million for telecommunications; \$2.8 million to Public Employees' Insurance Agency for health insurance, and \$32 million to Higher Education for educational programs.

The Tobacco Settlement Finance Authority records a due from the general fund for the deferred revenue related to the sale of MSA tobacco revenues. Of the \$201 million due from the Lottery, \$156 million was unappropriated surplus funds. Other amounts due from the Lottery were appropriated by the Legislature subsequent to year-end and include amounts due to Higher Education (\$5 million), Senior Services (\$16 million), the School Construction Fund (\$9 million) and various other small agencies.

Due From

Proprietary										
West Virginia Lottery	Water Pollution Control Revolving Fund	Workers' Compensation	Unemployment Compensation	Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Nonmajor	Internal Service Funds	Pension and Other Employee Benefit Trust Funds	Discretely Presented Component Units	Total
\$201,225	\$ —	\$55	\$1	\$ 156	\$ 2	\$ 17	\$4,010	\$ 1	\$ 1,109	\$ 206,817
—	—	—	—	—	—	—	15	—	7	735
—	—	—	—	—	—	—	—	—	—	710,167
<u>1,000</u>	<u>12</u>	<u>—</u>	<u>—</u>	<u>99</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,187</u>
<u>202,225</u>	<u>12</u>	<u>55</u>	<u>1</u>	<u>255</u>	<u>2</u>	<u>17</u>	<u>4,025</u>	<u>1</u>	<u>1,116</u>	<u>918,906</u>
—	—	—	—	—	—	—	—	—	—	32
4	—	—	—	—	—	—	—	5	196	598
—	—	—	—	—	—	2	125	—	205	4,832
—	—	—	—	—	—	—	—	—	—	62
<u>336</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>448</u>	<u>9</u>	<u>11</u>	<u>364</u>	<u>65</u>	<u>817</u>	<u>8,290</u>
<u>340</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>448</u>	<u>9</u>	<u>13</u>	<u>489</u>	<u>70</u>	<u>1,218</u>	<u>13,814</u>
<u>239</u>	<u>74</u>	<u>26</u>	<u>—</u>	<u>2,081</u>	<u>88</u>	<u>157</u>	<u>1,171</u>	<u>—</u>	<u>29,782</u>	<u>81,426</u>
—	—	—	—	6	—	—	—	—	—	6
—	36	—	—	—	—	—	—	—	—	561
—	—	—	—	150	—	—	30	—	—	33,355
—	—	—	—	—	—	—	—	—	—	33
298	—	—	—	—	—	—	—	—	—	346
<u>—</u>	<u>—</u>	<u>—</u>	<u>3</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3</u>
<u>298</u>	<u>36</u>	<u>—</u>	<u>3</u>	<u>156</u>	<u>—</u>	<u>—</u>	<u>30</u>	<u>—</u>	<u>—</u>	<u>34,304</u>
<u>\$203,102</u>	<u>\$122</u>	<u>\$81</u>	<u>\$4</u>	<u>\$2,940</u>	<u>\$99</u>	<u>\$187</u>	<u>\$5,715</u>	<u>\$71</u>	<u>\$32,116</u>	<u>\$1,048,450</u>

The Internal Service Funds recorded a due to the general fund for \$4 million. Of this amount, \$3.9 million is due from Travel Management to the general fund for the repayment of debt owed per a capital lease agreement.

\*The Retiree Health Benefit Trust (RHBT) has not recorded a Due From equal to the Due To recorded at the agencies participating in the plan. GASB 43 requires that only the revenue/receivable that has a reasonable expectation of collection be recorded at RHBT, whereas GASB 45 requires each agency to record its contractually owed liability to RHBT. RHBT has recorded contributions receivable of \$12.1 million from the component units, while the agencies have recorded a Due To RHBT of \$78 million related to these receivables and obligations.

**NOTE 7**

**INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2009, consisted of the following (expressed in thousands):

<u>Transfers To</u>	<u>Transfers From</u>				
	<u>Governmental</u>				
	<u>General</u>	<u>Transportation</u>	<u>West Virginia Infrastructure and Jobs Development Council</u>	<u>Tobacco Settlement Finance Authority</u>	<u>Other Nonmajor</u>
Governmental Funds:					
General	\$ —	\$ —	\$ —	\$42,188	\$ 1,540
Transportation	36,169	—	—	—	—
West Virginia Infrastructure and Jobs Development Council	9,000	—	—	—	—
Other Nonmajor Governmental	<u>70,851</u>	<u>1,229</u>	<u>6,077</u>	<u>—</u>	<u>40,088</u>
Total Governmental Funds	<u>116,020</u>	<u>1,229</u>	<u>6,077</u>	<u>42,188</u>	<u>41,628</u>
Proprietary Funds:					
Water Pollution Control Revolving Fund	—	—	2,122	—	—
Workers' Compensation Fund	218,826	—	—	—	—
Unemployment Compensation	—	—	—	—	37,984
Other Nonmajor Proprietary	5,103	—	1,645	—	—
Internal Service Funds	<u>2,976</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Proprietary Funds	<u>226,905</u>	<u>—</u>	<u>3,767</u>	<u>—</u>	<u>37,984</u>
Total	<u>\$342,925</u>	<u>\$1,229</u>	<u>\$9,844</u>	<u>\$42,188</u>	<u>\$79,612</u>

The deferred charge of the amortization of the future tobacco settlement revenue of the Tobacco Settlement Finance Authority resulted in a transfer of \$42.2 million to the General Fund. The West Virginia Lottery transferred, as mandated by State Code, \$40 million to the West Virginia Infrastructure and Jobs Development Council, \$30.3 million to internal service funds, and \$374.4 million to the general fund. The general fund transferred \$24 million to the West Virginia Infrastructure and Jobs Development Council and \$18.8 million to the Economic Development Project Fund for bond debt service. The General Fund also transferred certain

**Transfers From**

**Proprietary**

<b>West Virginia Lottery</b>	<b>Public Employees' Insurance Agency</b>	<b>Other Nonmajor</b>	<b>Internal Service Funds</b>	<b>Total</b>
\$374,420	\$ 7	\$17,265	\$ 28	\$435,448
—	—	—	—	36,169
40,000	—	—	—	49,000
<u>9,997</u>	<u>—</u>	<u>—</u>	<u>4,390</u>	<u>132,632</u>
<u>424,417</u>	<u>7</u>	<u>17,265</u>	<u>4,418</u>	<u>653,249</u>
—	—	—	—	2,122
11,000	—	—	—	229,826
—	—	—	—	37,984
—	—	—	—	6,748
<u>30,278</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>33,254</u>
<u>41,278</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>309,934</u>
<u>\$465,695</u>	<u>\$ 7</u>	<u>\$17,265</u>	<u>\$4,418</u>	<u>\$963,183</u>

dedicated taxes, in the amount of \$218.8 million, to the Workers' Compensation Fund to reduce the unfunded liability for claims prior to June 30, 2005. Of the \$36 million transferred from the General Fund to Transportation, \$13 is for the motor fuel excise tax shortfall, \$15 million is allocated sales tax, and the balance is miscellaneous legislative appropriations. The Legislature directed the Insurance Commissioner to make a one-time transfer of \$40 million to WorkForce WV, \$38 million was transferred to Unemployment Compensation. All other transfers are made to finance various programs as authorized by the Legislature.



## NOTE 8

### RESTRICTED ASSETS

Restricted assets are held by special revenue funds, enterprise funds, internal service funds, and discretely presented component units, primarily for the repayment of future long-term obligations and benefits payments. The restricted assets, composed of cash, investments, and other similar assets at June 30, 2009, are as follows (expressed in thousands):

	<u>Cash</u>	<u>Investments</u>	<u>Other</u>	<u>Totals</u>
Special Revenue:				
Environmental Programs	\$ 416	\$ —	\$ —	\$ 416
Public Service Commission	<u>1,317</u>	<u>—</u>	<u>—</u>	<u>1,317</u>
	<u>1,733</u>	<u>—</u>	<u>—</u>	<u>1,733</u>
Enterprise:				
West Virginia Lottery	69,871	—	—	69,871
Board of Risk and Insurance Management	<u>12,649</u>	<u>22,650</u>	<u>174,587</u>	<u>209,886</u>
	<u>82,520</u>	<u>22,650</u>	<u>174,587</u>	<u>279,757</u>
Internal Service:				
State Building Fund	94,504	—	—	94,504
Travel Management	<u>25</u>	<u>—</u>	<u>—</u>	<u>25</u>
	<u>94,529</u>	<u>—</u>	<u>—</u>	<u>94,529</u>
Discretely Presented Component Units:				
Economic Development Authority	9,499	—	—	9,499
Housing Development Fund	74,915	129,822	898,099	1,102,836
Parkways, Economic Development, and Tourism Authority	—	12,476	—	12,476
Water Development Authority	6,923	8,246	236,707	251,876
Regional Jail Authority	647	—	—	647
Educational Broadcasting Authority	—	—	260	260
Solid Waste Management Board	1,373	—	3,121	4,494
Racing Commission	<u>36,178</u>	<u>—</u>	<u>—</u>	<u>36,178</u>
	<u>129,535</u>	<u>150,544</u>	<u>1,138,187</u>	<u>1,418,266</u>
Total	<u>\$308,317</u>	<u>\$173,194</u>	<u>\$1,312,774</u>	<u>\$1,794,285</u>

### Special Revenue Funds

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

### **Enterprise Funds**

The West Virginia Lottery's assets are restricted to pay the deferred prize claims awarded on an annuity basis and for the design and construction of a new Lottery building. The Board of Risk and Insurance Management's (BRIM) cash and investment assets include funds to provide mine subsidence, medical malpractice, and general liability insurance coverage. BRIM's other restricted assets include advance deposits with insurance companies of \$174.2 million and \$372,000 in receivables.

### **Internal Service Funds**

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

### **Discretely Presented Component Units**

The Economic Development Authority's assets are restricted to provide assurance that adequate amounts will be available to repay notes secured by the real estate being leased and to guarantee portions of certain loans made for economic development purposes. The Housing Development Fund's cash and cash equivalents assets are restricted on behalf of mortgagors and for payments collected on mortgages for which the fund acts as servicer only. The investments are primarily United States government and agency obligations, investment agreements, and certificates of deposit with maturities greater than 90 days to meet the requirements of bond resolutions. Other restricted assets for the Housing Development Fund of \$898 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, Economic Development, and Tourism Authority's assets are restricted to be used 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 \$237 million restricted for revenue bonds receivable net of unamortized discount and accrued interest receivable. The Regional Jail and Correctional Facility Authority's assets are restricted because of a safekeeping arrangement with inmates. The Educational Broadcasting Authority's (EBA) other restricted assets are in a charitable trust allowing the use of part of the interest to benefit the EBA. The Solid Waste Management Board's assets are restricted because their use is limited by applicable repayment agreements. The West Virginia Racing Commission's cash is restricted for the 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	\$ 977,521	\$ 23,124	\$ (1,721)	\$ 998,924
Construction in Progress	<u>1,397,223</u>	<u>702,242</u>	<u>(975,521)</u>	<u>1,123,944</u>
Total Capital Assets, Not Being Depreciated	<u>2,374,744</u>	<u>725,366</u>	<u>(977,242)</u>	<u>2,122,868</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	936,861	65,022	(571)	1,001,312
Equipment	353,771	47,275	(21,443)	379,603
Infrastructure	8,914,123	814,292	—	9,728,415
Library Holdings	15,171	2,786	(842)	17,115
Land Improvements	<u>14,496</u>	<u>1,045</u>	<u>—</u>	<u>15,541</u>
Total Capital Assets, Being Depreciated	<u>10,234,422</u>	<u>930,420</u>	<u>(22,856)</u>	<u>11,141,986</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(350,567)	(28,964)	264	(379,267)
Equipment	(252,244)	(31,136)	18,910	(264,470)
Infrastructure	(3,874,003)	(289,238)	—	(4,163,241)
Library Holdings	(15,037)	(1,627)	828	(15,836)
Land Improvements	<u>(6,414)</u>	<u>(765)</u>	<u>—</u>	<u>(7,179)</u>
Total Accumulated Depreciation	<u>(4,498,265)</u>	<u>(351,730)</u>	<u>20,002</u>	<u>(4,829,993)</u>
Total Capital Assets Being Depreciated, Net	<u>5,736,157</u>	<u>578,690</u>	<u>(2,854)</u>	<u>6,311,993</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,110,901</u>	<u>\$1,304,056</u>	<u>\$(980,096)</u>	<u>\$ 8,434,861</u>

Depreciation expense was charged to functions as follows:

Legislative	\$ 12
Judicial	179
Executive	684
Administration	21,145
Commerce	4,728
Environmental Protection	204
Employment Programs	96
Education	4,710
Health and Human Resources	3,330
Military Affairs and Public Safety	7,794
Revenue	303
Transportation	308,379
Regulatory Boards and Commissions	<u>166</u>
 Total Governmental Activities Depreciation Expense	 <u>\$351,730</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
Construction in Progress	<u>285</u>	<u>—</u>	<u>(285)</u>	<u>—</u>
Total Capital Assets, Not Being Depreciated	<u>896</u>	<u>—</u>	<u>(285)</u>	<u>611</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,762	69	—	2,831
Equipment	<u>23,454</u>	<u>3,168</u>	<u>(38)</u>	<u>26,584</u>
Total Capital Assets, Being Depreciated	<u>26,216</u>	<u>3,237</u>	<u>(38)</u>	<u>29,415</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,649)	(130)	—	(1,779)
Equipment	<u>(13,133)</u>	<u>(3,420)</u>	<u>38</u>	<u>(16,515)</u>
Total Accumulated Depreciation	<u>(14,782)</u>	<u>(3,550)</u>	<u>38</u>	<u>(18,294)</u>
Total Capital Assets, Being Depreciated, Net	<u>11,434</u>	<u>(313)</u>	<u>—</u>	<u>11,121</u>
Business-type Activities Capital Assets, Net	<u>\$ 12,330</u>	<u>\$ (313)</u>	<u>\$(285)</u>	<u>\$ 11,732</u>

Depreciation expense was charged to functions as follows:

West Virginia Lottery	\$1,988
Public Employees' Insurance Agency	1,420
Alcohol Beverage Control Administration	<u>142</u>
Total Business-type Activities Depreciation Expense	<u>\$3,550</u>

**Discretely Presented Component Units**

(Expressed in Thousands)

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Discrete Component Unit Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 165,956	\$ 8,886	\$ (6,742)	\$ 168,100
Construction in Progress	<u>192,402</u>	<u>138,552</u>	<u>(189,576)</u>	<u>141,378</u>
Total Capital Assets, Not Being Depreciated	<u>358,358</u>	<u>147,438</u>	<u>(196,318)</u>	<u>309,478</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	2,154,217	200,649	(8,173)	2,346,693
Equipment	407,200	38,912	(23,984)	422,128
Infrastructure	1,106,219	32,390	(685)	1,137,924
Library Holdings	135,769	8,477	(724)	143,522
Land Improvements	<u>50,645</u>	<u>5,095</u>	<u>(77)</u>	<u>55,663</u>
Total Capital Assets, Being Depreciated	<u>3,854,050</u>	<u>285,523</u>	<u>(33,643)</u>	<u>4,105,930</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(607,789)	(50,192)	3,967	(654,014)
Equipment	(292,394)	(27,040)	21,452	(297,982)
Infrastructure	(633,990)	(37,306)	217	(671,079)
Library Holdings	(108,860)	(7,145)	689	(115,316)
Land Improvements	<u>(15,955)</u>	<u>(3,281)</u>	<u>30</u>	<u>(19,206)</u>
Total Accumulated Depreciation	<u>(1,658,988)</u>	<u>(124,964)</u>	<u>26,355</u>	<u>(1,757,597)</u>
Total Capital Assets Being Depreciated, Net	<u>2,195,062</u>	<u>160,559</u>	<u>(7,288)</u>	<u>2,348,333</u>
Discrete Component Unit Activities	<u>\$ 2,553,420</u>	<u>\$ 307,997</u>	<u>\$(203,606)</u>	<u>\$ 2,657,811</u>
Capital Assets, Net				

Depreciation expense charged to functions as follows:

Economic Development Authority	\$ 1,018
Parkways, Economic Development and Tourism Authority	31,407
Water Development Authority	44
Higher Education	84,669
Educational Broadcasting Authority	929
Jobs Investment Trust	26
State Rail Authority	1,547
Solid Waste Management Board	3
Regional Jail Authority	5,205
Racing Commission	4
Public Defenders Corporation	92
School Building Authority	<u>20</u>
Total Discrete Component Unit Depreciation Expense	<u>\$ 124,964</u>

## NOTE 10

## LONG-TERM OBLIGATIONS

## Primary Government:

Long-term obligations at June 30, 2009, and changes for the fiscal year then ended are as follows (expressed in thousands):

Governmental Activities	Balance June 30, 2008, as Restated	Additions	Reductions	Other Changes	Balance June 30, 2009	Amount Due Within One Year
General Obligation Bonds:						
Transportation	\$ 401,190	\$ —	\$ (30,085)	\$ —	\$ 371,105	\$ 31,590
Premium/(Discount)	26,073	—	(1,889)	—	24,184	1,633
Total Transportation	427,263	—	(31,974)	—	395,289	33,223
WV Infrastructure and Jobs Development Council	277,949	4,704	(13,380)	—	269,273	13,740
Premium/(Discount)	743	—	(11)	—	732	11
Total WV Infrastructure and Jobs Development Council	278,692	4,704	(13,391)	—	270,005	13,751
Total General Obligation Bonds	705,955	4,704	(45,365)	—	665,294	46,974
Revenue Bonds:						
Transportation	98,875	76,835	(10,550)	—	165,160	20,845
Premium/(Discount)	3,056	4,671	(592)	—	7,135	1,019
Total Transportation	101,931	81,506	(11,142)	—	172,295	21,864
WV Infrastructure and Jobs Development Council	124,530	—	(1,655)	—	122,875	2,310
Premium/(Discount)	(2,145)	—	96	—	(2,049)	(96)
Total WV Infrastructure and Jobs Development Council	122,385	—	(1,559)	—	120,826	2,214
Tobacco Settlement Authority	904,083	6,114	(19,910)	—	890,287	26,075
Premium/(Discount)	(4,849)	—	—	4,849	—	—
Total Tobacco Settlement Authority	899,234	6,114	(19,910)	4,849	890,287	26,075
Economic Development Project Fund	214,125	—	(7,645)	—	206,480	7,890
Premium/(Discount)	(1,118)	—	70	—	(1,048)	(70)
Total Economic Development Project Fund	213,007	—	(7,575)	—	205,432	7,820
Education, Arts, Sciences, & Tourism Fund	25,465	—	(8,660)	—	16,805	9,115
Total Revenue Bonds	1,362,022	87,620	(48,846)	4,849	1,405,645	67,088
Capital Leases - Governmental	321,998	1,115	(15,251)	—	307,862	12,862
Capital Leases - Internal Service Funds	4,249	10,517	(3,780)	(382)	10,604	3,519
Total Capital Leases (see Note 11)	326,247	11,632	(19,031)	(382)	318,466	16,381
Notes Payable	12,356	—	(2,227)	(5,819)	4,310	1,534
Other Obligations:						
Accrued and Other Liabilities (see Note 15)	914,243	285,715	(237,969)	—	961,989	653,415
Compensated Absences	94,462	3,444	(297)	—	97,609	55,390
Net Pension Obligation (see Note 12)	69,263	479	—	—	69,742	—
Total Other Obligations	1,077,968	289,638	(238,266)	—	1,129,340	708,805
Total Governmental Activities Long-Term Obligations	\$3,484,548	\$393,594	\$(353,735)	\$ (1,352)	\$3,523,055	\$840,782

<b>Business-type Activities</b>	<b>Balance June 30, 2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2009</b>	<b>Amount Due Within One Year</b>
Accrued Tuition Contract Benefits	\$ 117,410	\$ —	\$ (12,154)	\$ 105,256	\$ 12,130
Insurance and Compensation Benefits	2,782,891	485,159	(688,377)	2,579,673	397,451
Liabilities Payable from Restricted Assets	129	—	(129)	—	—
Compensated Absences	<u>889</u>	<u>210</u>	<u>(36)</u>	<u>1,063</u>	<u>591</u>
Total Business-type Activities Long-Term	<u>\$2,901,319</u>	<u>\$485,369</u>	<u>\$ (700,696)</u>	<u>\$2,685,992</u>	<u>\$410,172</u>

The assets of the general fund, special revenue, and internal service funds are used to liquidate the capital lease obligations and accrued and other liabilities of their respective fund types. Compensated absences liabilities are liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. The net pension obligations are liquidated by the State’s governmental and internal service funds that contribute toward the pension funds based on plans established by the action of the State Legislature. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. At year-end, \$1.7 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, 2009, the debt service reserve funds approximated \$88 million, and the maintenance reserve funds approximated \$8 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. All bonds authorized under prior constitutional amendments have been issued. General obligation bonds outstanding at June 30, 2009, were as follows (expressed in thousands):

	<b>Final Maturity Date</b>	<b>Interest Rate(s)%</b>	<b>Balance</b>
Transportation Bonds:			
Payable from State Road Fund to build roads, issued under:			
1996 SAFE Roads Amendment	2025	3.00-5.75%	\$395,289
Infrastructure Bonds:			
Payable from dedicated severance tax revenues to fund water, wastewater, and economic development projects			
	2027	4.00-7.625%	<u>270,005</u>
Total			<u>\$665,294</u>

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2009, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 38,230	\$ 27,687	\$ 65,917
2011	40,240	25,724	66,036
2012	42,420	23,616	66,036
2013	33,035	21,450	54,485
2014	33,090	19,760	52,850
2015-2019	151,105	73,155	224,260
2020-2024	152,055	36,580	188,635
2025-2029	<u>60,510</u>	<u>3,959</u>	<u>64,469</u>
	<u>550,685</u>	<u>231,931</u>	<u>782,616</u>
<b>Premium</b>	<u>24,916</u>	—	<u>24,916</u>
<b>Total</b>	<u>575,601</u>	<u>\$231,931</u>	<u>\$807,532</u>

**Capital Appreciation Bonds**

<u>Year Ended June 30</u>	<u>Principal Net of Accreted Amounts</u>	<u>Future Accreted Amounts</u>	<u>Total</u>
2010	6,986	\$ 114	\$ 7,100
2011	6,597	454	7,051
2012	6,194	781	6,975
2013	6,025	1,125	7,150
2014	5,711	1,439	7,150
2015-2019	24,023	11,352	35,375
2020-2024	22,564	21,461	44,025
2025-2029	<u>11,593</u>	<u>16,507</u>	<u>28,100</u>
<b>Total</b>	<u>89,693</u>	<u>\$53,233</u>	<u>\$142,926</u>
<b>Total General Obligation Bonds</b>	<u>\$665,294</u>		



Revenue Bonds – Revenue bonds are issued by various State departments, agencies and authorities, and economic development projects. Revenue bonds are issued pursuant to specific statutory provisions enacted by the Legislature primarily for the purpose of financing capital construction. Principal and interest payments are made from specifically dedicated fees and other revenues. Revenue bonds do not constitute a general obligation of the State. The following describes the purpose and dedicated revenue source of revenue bonds outstanding at June 30, 2009:

<u>Agency</u>	<u>Purpose</u>	<u>Revenue Source</u>
Transportation	Highway, road, and bridge construction	Federal reimbursement allowed by Title 23, Section 122
WV Infrastructure and Jobs Development Council	To fund water and sewer infrastructure projects	Certain repayment of defined loans
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

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 Authority of 100% of the Tobacco Receipts, and investment earnings on the accounts with the trustee under the Indenture. The tobacco receipts through 2029 were estimated to be approximately \$1.5 billion, using 85% (the percentage actually received since 2005) 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 billion. The tobacco receipts for FY 2009 totaled \$83.2 million; of this amount \$82.1 million was used to pay principal and interest.

### **Economic Development Grants Fund**

The Economic Development Project Fund bonds, issued by EDA in FY 2004 in the amount of \$249.9 million to provide financing for various economic development project grants, are payable through 2027. The State has committed to appropriate each year, from the West Virginia Lottery net profits, amounts sufficient to cover the principal and interest requirements on the EDA debt. EDA has pledged these revenues as the sole security for the bonds. Total principal and interest remaining on the debt is \$329.8 million with annual requirements ranging from \$19 million in FY 2010 to \$7.1 million in the final year. For the current year, principal and interest paid were \$18.9 million and the net profits of the Lottery committed to the debt were \$18.8 million.

### **EAST Fund**

The Education, Arts, Sciences, and Tourism Fund (EAST) bonds, issued by the Economic Development Authority (EDA) in FY 1997 in the amount of \$98.8 million to provide financing for capital projects which promote education, arts, sciences, and tourism, are payable through 2011. 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 \$17.6 million with annual requirements ranging from \$9.8 million in FY 2010 to \$8 million in the final year. For the current year, principal and interest paid were \$9.8 million and the net profits of the Lottery committed to the debt were \$10.2 million.

Revenue bonds outstanding at June 30, 2009, were as follows (expressed in thousands):

	<b>Issue Date</b>	<b>Final Maturity Date</b>	<b>Interest Rate(s)%</b>	<b>Balance</b>
Transportation WV Infrastructure and Jobs Development Council	2006-2009	2016	3.75-5.00	\$ 172,295
Tobacco Settlement Finance Authority	2003-2007	2046	2.62-5.50	120,826
Economic Development Project Fund	2007	2029	7.47-8.50	890,287
Education, Arts, Sciences, and Tourism Fund	2004	2027	1.20-6.07	205,432
	1997	2011	5.00-5.50	<u>16,805</u>
Total				<u>\$1,405,645</u>

## West Virginia

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Future amounts required to pay principal and interest on revenue bonds at June 30, 2009, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 66,235	\$ 83,841	\$ 150,076
2011	68,855	80,290	149,145
2012	65,680	76,498	142,178
2013	70,445	72,523	142,968
2014	75,785	68,096	143,881
2015-2019	356,955	267,682	624,637
2020-2024	500,540	148,940	649,480
2025-2029	59,890	21,382	81,272
2030-2034	21,985	12,066	34,051
2035-2039	25,375	6,156	31,531
2040-2044	10,895	1,653	12,548
2045-2049	<u>2,260</u>	<u>96</u>	<u>2,356</u>
	<u>1,324,900</u>	<u>839,223</u>	<u>2,164,123</u>
<b>Discount</b>	<u>4,038</u>	<u>—</u>	<u>4,038</u>
<b>Total</b>	<u>1,328,938</u>	<u>\$839,223</u>	<u>\$2,168,161</u>

### Capital Appreciation Bonds

<u>Year Ended June 30</u>	<u>Principal Net of Accreted Amounts</u>	<u>Future Accreted Amounts</u>	<u>Total</u>
2010	—	\$ 6,659	\$ 6,659
2011	—	7,239	7,239
2012	—	7,874	7,874
2013	—	8,545	8,545
2014	—	9,289	9,289
2015-2019	—	60,052	60,052
2020-2024	—	91,058	91,058
2025-2029	<u>76,707</u>	<u>63,595</u>	<u>140,302</u>
<b>Total</b>	<u>76,707</u>	<u>\$254,311</u>	<u>\$ 331,018</u>
<b>Total Revenue Bonds</b>	<u>\$1,405,645</u>		

Certain revenue bonds have call provisions providing for redemption at the option of the State, beginning ten years following the date of issuance, in whole or in part, in inverse order of maturity, and pay a redemption price not exceeding 103% of par value.

Notes payable are issued by Information Services and Communications and Travel Management internal service funds for the purpose of financing various equipment and vehicles (expressed in thousands).

	<b>Final Maturity Date</b>	<b>Interest Rate(s)%</b>	<b>Balance</b>
Information Services and Communications	2009-2012	2.55-3.93	\$ 99
Travel Management	2008-2011	2.96-4.99	<u>4,210</u>
Total Notes Payable			<u>\$4,309</u>

Future amounts required to pay principal and interest on notes payable at June 30, 2009, were as follows (expressed in thousands):

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2010	\$1,534	\$ 84	\$1,618
2011	1,570	48	1,618
2012	<u>1,205</u>	<u>12</u>	<u>1,217</u>
Total Notes Payable	<u>\$4,309</u>	<u>\$144</u>	<u>\$4,453</u>

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

	<b>Balance June 30, 2008</b>	<b>Debt Issued</b>	<b>Debt Paid</b>	<b>Other Changes</b>	<b>Balance June 30, 2009</b>	<b>Amount Due Within One Year</b>
Revenue Bonds:						
Housing Development Fund	\$ 759,928	\$ 30,000	\$ (67,201)	\$ (551)	\$ 722,176	\$ 32,095
Parkways, Economic Development and Tourism Authority	88,093	52,602	(60,458)	922	81,159	7,405
Water Development Authority	237,004	—	(6,685)	783	231,102	6,148
Higher Education	793,653	5,803	(24,169)	—	775,287	24,860
Regional Jail Authority	81,645	—	(4,550)	—	77,095	4,770
School Building Authority	<u>321,546</u>	<u>102,145</u>	<u>(14,940)</u>	<u>451</u>	<u>409,202</u>	<u>29,850</u>
Total Discretely Presented Component Unit Revenue Bonds	<u>\$2,281,869</u>	<u>\$190,550</u>	<u>\$(178,003)</u>	<u>\$1,605</u>	<u>\$2,296,021</u>	<u>\$105,128</u>
Capital Leases:						
Parkways, Economic Development, and Tourism Authority	\$ 1,841	\$ —	\$ (697)	\$ —	\$ 1,144	\$ 538
Higher Education	<u>46,827</u>	<u>8,791</u>	<u>(4,604)</u>	<u>—</u>	<u>51,014</u>	<u>2,536</u>
Total Discretely Presented Component Unit Capital Leases (see Note 11)	<u>\$ 48,668</u>	<u>\$ 8,791</u>	<u>\$ (5,301)</u>	<u>\$ —</u>	<u>\$ 52,158</u>	<u>\$ 3,074</u>
Notes Payable:						
Housing Development Fund	\$ 249	\$ 250	\$ (10)	\$ —	\$ 489	\$ —
Economic Development Authority	5,883	5,958	(2,754)	—	9,087	639
Higher Education	22,981	11,551	(2,414)	—	32,118	893
Job Investment Trust	22,575	—	—	1,484	24,059	—
Public Defender Corporation	<u>131</u>	<u>—</u>	<u>(20)</u>	<u>—</u>	<u>111</u>	<u>16</u>
Total Discretely Presented Component Unit Notes Payable	<u>\$ 51,819</u>	<u>\$ 17,759</u>	<u>\$ (5,198)</u>	<u>\$1,484</u>	<u>\$ 65,864</u>	<u>\$ 1,548</u>

## Discretely Presented Component Units

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

	<b>Issue Date</b>	<b>Final Maturity Date</b>	<b>Interest Rate(s)%</b>	<b>Balance</b>
Housing Development Fund	1997-2008	2040	3.40-6.55	\$ 722,176
Parkways, Economic Development, and Tourism Authority	1993-2008	2019	3.50-7.00	81,159
Water Development Authority	2000-2006	2044	2.40-6.375	231,102
Higher Education	1998-2007	2037	4.18-6.26	775,287
Regional Jail Authority	1998	2021	4.31-5.35	77,095
School Building Authority	2002-2008	2028	2.00-5.25	<u>409,202</u>
Total Revenue Bonds				<u>\$2,296,021</u>

Future amounts required to pay principal and interest on revenue bonds of the discretely presented component units at June 30, 2009, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 106,477	\$ 104,249	\$ 210,726
2011	100,005	100,488	200,493
2012	103,754	95,907	199,661
2013	104,840	94,447	199,287
2014	105,170	89,973	195,143
2015-2019	585,111	387,156	972,267
2020-2024	423,960	270,951	694,911
2025-2029	362,656	177,343	539,999
2030-2034	281,444	79,814	361,258
2035-2039	111,169	15,165	126,334
2040-2044	16,070	1,968	18,038
2045-2049	<u>2,085</u>	<u>52</u>	<u>2,137</u>
	<u>2,302,741</u>	<u>1,417,513</u>	<u>3,720,254</u>
Discount	(25,519)	—	(25,519)
Premium	<u>18,799</u>	<u>—</u>	<u>18,799</u>
Total	<u>\$2,296,021</u>	<u>\$1,417,513</u>	<u>\$3,713,534</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, 2009 (expressed in thousands):

	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Interest Rate(s)%</u>	<u>Balance</u>
Housing Development Fund	2008-2009	N/A	0.00	\$ 489
Economic Development Authority	2007	2029	3.00-9.00	9,087
Higher Education	1997-2009	2028	3.00-6.30	32,118
Jobs Investment Trust	2001-2004	2014	5.40-6.95	24,059
Public Defender Corporation	2005	2015	6.99-7.50	<u>111</u>
Total Notes Payable				<u>\$65,864</u>

Future amounts required to pay principal and interest on notes payable of the discretely presented component units at June 30, 2009, were as follows (expressed in thousands):

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,548	\$1,840	\$ 3,388
2011	7,772	1,912	9,684
2012	7,256	1,443	8,699
2013	7,246	1,253	8,499
2014	7,085	622	7,707
2015-2019	18,052	562	18,614
2020-2024	12,341	67	12,408
2025-2029	<u>4,564</u>	<u>4</u>	<u>4,568</u>
Total	<u>\$65,864</u>	<u>\$7,703</u>	<u>\$73,567</u>

#### Parkways, Economic Development, and Tourism Authority

In 2003, the Parkways, Economic Development, and Tourism Authority (Parkways) issued \$63,900,000 of Variable Rate Demand Revenue Refunding Bonds for the express purpose of refunding \$61,280,000 of Parkways' Series 1993 Bonds. This refunding resulted in a \$7,896,000 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 \$0 in 2009 and \$566,000 in 2008. Parkways completed the refunding to reduce its aggregate debt service payment by \$7,270,000 over a 17-year period (life of the refunding bonds) and obtain an economic gain (difference between the present values of the old and new debt service payments) of \$4,851,000. In July 2008, Parkways issued \$54,800,000 of Variable Rate Demand Revenue Refunding Bonds for the express purpose of refunding \$54,800,000 of the 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 \$543,000 in 2009. Parkways completed the refunding to remove the requirement for bond insurance that was included in the Series 2003 Bonds. Principal and interest paid on the Series 2003 bonds for the year ended June 30, 2008, was \$6,804,276, and the total pledged revenues

were \$6,603,000. The principal and interest paid on the Series 2008 bonds for the year ended June 30, 2009, was \$7,028,462 and the total pledged revenues were \$7,093,000. The Series 2008 bonds bear interest at the Weekly Interest Rate determined by the remarketing agent on Tuesday of each week. As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance in February 2003, Parkways entered into an interest rate swap in connection with its 2003 Variable Rate Demand Revenue Refunding Bonds. The intention of the swap was to effectively change Parkway's variable interest rate on the bonds to a synthetic fixed rate of 4.387%.

The bonds and the related swap agreement mature on May 1, 2019, and the swap's notional amount of \$63,900,000 matched the \$63,900,000 variable rate bonds, Series 2003 and exceeds the amount of the Series 2008 bonds. Under the swap, Parkways pays the counterparty a fixed payment of 4.387% and receives a variable payment computed as 67.0% of the London Inter-Bank Offer Rate (LIBOR). Conversely, the bond's variable rate is the Weekly Interest Rate determined by the Remarketing Agent.

As of June 30, 2009, Parkways was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, Parkways would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated AA by Fitch Ratings, AA- by Standard & Poor's, and AA2 by Moody's Investors Service as of June 30, 2009.

The swap exposes Parkways to basis risk should the relationship between LIBOR and the Bond Market Association Municipal Swap Index converge, changing the floating rate on the swap. This Alternative Floating Rate Date occurred September 3, 2003. As a result, the expected cost savings have not been realized.

Parkways or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, Parkways would be liable to the counterparty for a payment equal to the swap's fair value.

Because the variable interest rates related to the swap have declined further, the swap had a negative fair value of \$4,613,049 as of June 30, 2009. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swap.

Using rates as of June 30, 2009, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (expressed in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

<u>Year Ended June 30</u>	<u>Variable-Rate Bonds</u>		<u>Interest Rate Swap, Net</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2010	\$ 4,300	\$ 1,507	\$1,023	\$ 6,830
2011	4,700	1,666	663	7,029
2012	4,700	1,511	631	6,842
2013	5,200	1,356	533	7,089
2014	5,200	1,184	470	6,854
2015-2019	<u>30,700</u>	<u>3,127</u>	<u>1,200</u>	<u>35,027</u>
	<u>\$54,800</u>	<u>\$10,351</u>	<u>\$4,520</u>	<u>\$69,671</u>

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

As a vehicle to assist the local and other non-State governments in West Virginia, the State may appropriate sufficient amounts to meet any deficiencies that may arise because of failures by such entities to provide for debt service payments for obligations under the supervision and control of the Municipal Bond Commission. For the year ended June 30, 2009, no such amounts were transferred to the Municipal Bond Commission under this agreement.

The Hospital Finance Authority (HFA), the Public Energy Authority (PEA), and the Economic Development Authority (EDA) have issued bonds on behalf of third parties that in no way obligates the State, HFA, PEA, 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, 2009, is approximately \$1.3 billion, \$80 million, and \$1.1 billion for HFA, PEA, and EDA, respectively.

Included in the EDA's \$1.1 billion current value is \$304 million related to bonds issued by EDA specifically for the construction of correctional, public safety, and other state office facilities, as well as an energy savings project. The bonds are limited obligations of the EDA, payable solely out of rental revenue derived under the indenture and the contracts of lease-purchase between the EDA and the State. The bonds shall never constitute an indebtedness of the State or the issuer within the meaning of any constitutional provision or statutory limitation, nor are they a charge against the property, general credit, or taxing power, if any, of the State or issuer. The State's obligation to pay rentals is subject to and



dependent upon yearly appropriations being made by the State Legislature sufficient for such purpose. If the State Legislature does not make an appropriation to pay the lease rentals or the State provides a 30-day notice of cancellation, the contracts of lease-purchase shall be terminated, and the State is to surrender possession of the related facilities. The State has recorded the leasing arrangements as capital lease obligations, included in the lease amounts disclosed in Note 11.

The Housing Development Fund (HDF) has a \$15 million line of credit with the Federal Home Loan Bank that is available as a warehouse line for the purchase of single-family, multifamily, and secondary market loans. This line of credit is secured by investments of the Bond Insurance Fund and is a general obligation of the HDF. At June 30, 2009, no advances had been drawn on this line of credit, and accordingly, no balance is outstanding.

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

#### Housing Development Fund

The Housing Development Fund redeemed bonds in the amount of \$45,395,000 at redemption prices that approximated their carrying value. The impact of these early redemptions on their financial statements was not material.

### **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, 2009, the following outstanding bonds are considered defeased (expressed in thousands):

<u>Outstanding Amount</u>	
Primary Government	\$204,360
Discretely Presented Component Units	<u>48,835</u>
Total	<u>\$253,195</u>

## NOTE 11

### LEASES

The State has entered into various lease/purchase agreements with the private sector, primarily for buildings and equipment. 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. The governmental activities capital leases obligation includes approximately \$304 million related to these lease agreements with EDA, a discretely presented component unit. More information on the conduit debt of the 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 property acquired under capital leases by asset category at June 30, 2009, (expressed in thousands):

	<b>Primary Government Governmental Activities</b>	
<u>Asset Type</u>	<u>Assets Acquired by Capital Lease</u>	<u>Accumulated Depreciation</u>
Land	\$ 3,063	\$ —
Buildings and Improvements	336,487	64,769
Construction in Progress	18,427	—
Machinery and Equipment	21,933	9,961
Infrastructure	<u>3,107</u>	<u>1,554</u>
Total	<u>\$383,017</u>	<u>\$76,284</u>

## West Virginia

Future minimum commitments under capital leases as of June 30, 2009, were as follows (expressed in thousands):

Year Ended June 30	Capital Leases		
	Governmental Activities	Discretely Presented Component Units	Total
2010	\$ 31,792	\$ 5,236	\$ 37,028
2011	29,324	4,913	34,237
2012	25,974	13,445	39,419
2013	25,421	3,745	29,166
2014	25,654	3,735	29,389
2015-2019	133,523	18,554	152,077
2020-2024	123,508	11,022	134,530
2025-2029	98,180	220	98,400
2030-2034	8,690	—	8,690
2035-2039	<u>484</u>	<u>—</u>	<u>484</u>
Total Minimum Lease Payments	502,550	60,870	563,420
Less: Interest	<u>(184,084)</u>	<u>(12,964)</u>	<u>(197,048)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 318,466</u>	<u>\$47,906</u>	<u>\$ 366,372</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, 2009, was \$25.1 million. Future minimum commitments under operating leases as of June 30, 2009, were as follows (expressed in thousands):

Year Ended June 30	Operating Leases			
	Governmental Activities	Business-type Activities	Discretely Presented Component Units	Total
2010	\$13,323	\$248	\$ 8,774	\$ 22,345
2011	10,501	119	7,108	17,728
2012	8,467	69	5,932	14,468
2013	6,542	—	5,072	11,614
2014	5,456	—	5,281	10,737
2015-2019	14,037	—	17,728	31,765
2020-2024	5,954	—	9,880	15,834
2025-2029	2,942	—	9,880	12,822
2030-2034	2,592	—	3,955	6,547
2035-2039	<u>2,561</u>	<u>—</u>	<u>—</u>	<u>2,561</u>
Total Minimum Lease Payments	<u>\$72,375</u>	<u>\$436</u>	<u>\$73,610</u>	<u>\$146,421</u>

## **NOTE 12**

### **RETIREMENT SYSTEMS**

#### **Plan Description**

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

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

The net pension obligation at June 30, 2009, amounted to approximately \$70 million, which is an increase of approximately \$.5 million from the prior year's obligation. The net pension asset at June 30, 2009, was approximately \$958 million, which is a decrease of approximately \$47 million from the prior year's asset.

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

- The Public Employees' Retirement System (PERS) is a multiple-employer, cost-sharing, public employee retirement system. The number of local government employers participating in PERS at June 30, 2009, was 528, including 104 cities and towns, 369 special districts, and 55 counties.

- The Deputy Sheriff Retirement System (DSRS) is a multiple-employer, cost-sharing, public employee retirement system which was established for all deputy sheriffs hired on or after July 1, 1998. Current employees were eligible to transfer from PERS. The State makes no employer contributions to DSRS.
- The Emergency Medical Services Retirement System (EMSRS) is a multiple-employer, cost-sharing public employee retirement system which was established for eligible emergency medical service officers. Participation is voluntary. The State makes no employer contributions to EMSRS.
- The 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. Because the State provides substantially all the funding for TRS, the State follows the GASB Statement No. 27 reporting requirements for sole employer plans.
- The Public Safety Death, Disability, and Retirement Fund (PSDDRF), the State Police Retirement System (SPRS), and the Judges' Retirement System (JRS) are single-employer, public employee retirement systems.

**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, 2009:

<b>Statutory Contribution Rates as a Percent of Covered Payroll</b>		
<u>System</u>	<u>Member</u>	<u>Employer</u>
PERS	4.5%	10.5%
TRS	6.0%	15.0% State 15.0% Counties 15.0% Other Employers
PSDDRF	9.0%	15.0%
SPRS	12.0%	12.0%
JRS	10.5%	Appropriated by the Legislature

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

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

The State's contributions to PERS for the years ended June 30, 2009, 2008, and 2007 were \$89,705,976, \$85,336,153, and \$82,239,734, respectively, equal to the required contributions for each year.

The following table provides the annual pension cost and changes in net pension obligation for each defined benefit plan reported as a sole employer plan for the current year (expressed in thousands):

	<b>TRS</b>	<b>PSDDRF</b>	<b>SPRS</b>	<b>JRS</b>
Annual required contribution (ARC)	\$ 404,547	\$ 4,018	\$ 2,614	\$ 2,537
Interest on net pension obligation	(74,483)	5,195	(186)	(666)
Adjustment to ARC	<u>87,885</u>	<u>(7,046)</u>	<u>217</u>	<u>1,203</u>
Annual pension cost (APC)	<u>\$ 417,949</u>	<u>\$ 2,167</u>	<u>\$ 2,645</u>	<u>\$ 3,074</u>
ARC related contributions and appropriations	<u>\$ 368,330</u>	<u>\$ 1,688</u>	<u>\$ 2,594</u>	<u>\$ 6,034</u>
Percentage of APC contributed	88.13%	77.90%	98.07%	196.29%
Net pension obligation (asset), July 1, 2008	\$(993,103)	\$69,263	\$(2,483)	\$ (8,877)
Increase (decrease) in net pension obligation (asset)	<u>49,619</u>	<u>479</u>	<u>51</u>	<u>(2,960)</u>
Net pension obligation (asset), June 30, 2009	<u>\$(943,484)</u>	<u>\$69,742</u>	<u>\$(2,432)</u>	<u>\$(11,837)</u>

### Three-Year Trend Information

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

	<b>Year Ended June 30</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation (Asset)</b>
<u>TRS</u>				
	2009	\$417,949	88.13%	\$(943,484)
	2008	\$333,851	110.49%	\$(993,103)
	2007	\$329,649	449.62%	\$(958,071)
<u>PSDDRF</u>				
	2009	\$ 2,167	77.90%	\$ 69,742
	2008	\$ 5,117	33.24%	\$ 69,263
	2007	\$ 5,863	91.42%	\$ 65,847
<u>SPRS</u>				
	2009	\$ 2,645	98.07%	\$ (2,432)
	2008	\$ 2,289	102.18%	\$ (2,483)
	2007	\$ 1,925	112.99%	\$ (2,433)
<u>JRS</u>				
	2009	\$ 3,074	196.29%	\$ (11,837)
	2008	\$ 2,803	215.27%	\$ (8,877)
	2007	\$ 3,216	187.62%	\$ (5,646)

### Funded Status and Funding Progress

The funded status of each plan as of June 30, 2009, the most recent actuarial valuation date, is as follows (expressed in thousands):

	<u>TRS</u>	<u>PSDDRF</u>	<u>SPRS</u>	<u>JRS</u>
Actuarial Value of Plan Assets	\$4,133,883	\$459,182	\$41,564	\$100,186
Actuarial Accrued Liability (AAL)	\$8,268,578	\$547,623	\$51,388	\$ 97,965
Unfunded AAL (UAAL)	\$4,134,695	\$ 88,441	\$ 9,824	\$ (2,221)
Funded Ratio	50.0%	83.9%	80.9%	102.3%
Annual Covered Payroll	\$1,409,437	\$ 10,400	\$20,285	\$ 8,261
UAAL as a Percentage of Covered Payroll	293.4%	850.4%	48.4%	0%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information. The actuarial value of plan assets has been increasing over time relative to the actuarial accrued liabilities for benefits for each plan.

## Actuarial Methods and Assumptions

	<u>TRS</u>	<u>PSDDRF</u>	<u>SPRS</u>	<u>JRS</u>
Valuation date	July 1, 2008	July 1, 2008	July 1, 2008	July 1, 2008
Actuarial cost method	Entry age cost	Entry age cost	Entry age cost	Entry age cost
Asset valuation method	Fair value	Fair value	Fair value	Fair value
Amortization method	Level dollar	Level dollar	Level dollar	Level dollar
Amortization period	Through FY 2034, closed	Through FY 2025, closed	Through FY 2030, closed	N/A
Actuarial assumptions:				
Investment rate of return	7.50%	7.50%	7.50%	7.50%
Projected salary increases	3.50%-5.50%	4.75%-6.00%	4.75%-6.00%	4.50%
Inflation rate	3.00%	3.00%	3.00%	3.00%
Annual annuity adjustment	None	3.75%	1.00%	4.50%
		Annual cost of living adjustment	Annual cost of living adjustment	

## Pension Investments

Following is a summary of investment holdings by plan at the IMB. Such investments are recorded at fair value as more fully described in Note 4. Substantially all of the following investment pools are in excess of 5% of total investments for all plans as of June 30, 2009, (expressed in thousands):

	<u>PERS</u>	<u>TRS</u>	<u>PSDDRF</u>	<u>SPRS</u>	<u>DSRS</u>	<u>JRS</u>	<u>EMSRS</u>
Large Cap Equity	\$ 680,600	\$ 730,127	\$ 76,655	\$ 8,325	\$16,141	\$18,568	\$ 3,480
Non-Large Cap Equity	122,080	128,547	13,521	1,462	2,850	3,286	609
International Qualified	272,446	287,574	32,637	3,498	6,853	7,925	1,449
International Equity	592,014	639,074	64,587	7,066	13,648	15,666	2,964
Private Equity	251,943	273,788	33,769	3,689	7,149	8,221	1,542
Private Real Estate	17,578	16,468	2,047	208	395	450	77
Total Return Fixed Income	830,545	657,748	92,772	10,394	20,066	22,859	4,327
Core Fixed Income	87,299	67,421	9,742	1,094	2,110	2,406	455
Hedge Fund	372,820	383,448	35,475	3,868	7,504	8,626	1,615
TRS Annuity	—	198,904	—	—	—	—	—
Short Term Fixed Income	<u>16,429</u>	<u>129,908</u>	<u>1,719</u>	<u>717</u>	<u>334</u>	<u>303</u>	<u>352</u>
Total	<u>\$3,243,754</u>	<u>\$3,513,007</u>	<u>\$362,924</u>	<u>\$40,321</u>	<u>\$77,050</u>	<u>\$88,310</u>	<u>\$16,870</u>



The following investment managers have investments at fair value in excess of 5% of the net assets of the Teachers' Defined Contribution Retirement System as of June 30, 2009, (expressed in thousands):

American Funds Bond Fund A	\$ 36,727
American Funds Growth Fund A	30,149
Black Rock Large Cap Value Fund	13,760
Federated Max Cap Institutional	13,128
Franklin Income Fund A	19,937
Valic Fixed Annuity Option	60,695
Vanguard Money Market Prime Portfolio	15,835
Other (Less than 5% Individually)	<u>32,176</u>
Total	<u>\$222,407</u>

### **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 5,862 and 21,431 members in the TDCRS plan at June 30, 2009 and 2008, 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 twelve 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 ten separate investment options made up of a fixed income mutual fund, balanced mutual fund, large cap mutual funds, mid cap mutual fund, small cap mutual fund, international mutual fund, money market fund and a guaranteed insurance fixed annuity. Three Profile funds (conservative, moderate, or aggressive) allow participants to invest their contributions according to their risk tolerance. The State currently does not have specific overall policies addressing limitations on specific risk types, such as credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

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

*Custodial Credit Risk - Cash Deposits*

The TDCRS' cash deposits with financial institutions were approximately \$3.1 million at June 30, 2009. These deposits, which had a bank balance of approximately \$3.1 million, 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, 2009, the TDCRS had the following investments and maturities (expressed in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Mutual Funds	\$222,179	\$222,179	\$—	\$—

For the year ended June 30, 2009, the approximate payroll of state employees covered by TDCRS was \$153 million, and total covered payroll for both the TDCRS and TRS was approximately \$1.6 billion. Both the employees and employers made the required contributions amounting to \$6 million and \$10 million, respectively, or approximately 4% and 7% of covered payroll.

### Teachers' Insurance and Annuity Association

The Teachers' Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA-CREF), a privately administered multiple employer defined contribution retirement plan, provides individual retirement fund contracts for each eligible participating employee. Eligible employees consist mainly of state college/university faculty and staff. For the year ended June 30, 2009, contributions were approximately \$34.9 million from the covered employees and approximately \$34.9 million from the thirteen 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

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an 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, 2009, contributions were approximately \$369 thousand from the covered employees and \$362 thousand from the Higher Education Fund institutions.

## **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 computation of such benefits. The unused portion of sick leave that is expected to be converted to additional credited service for retirement benefits is considered in the actuarial valuation used to calculate the net pension obligation.

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

In addition to the pension benefits allowing certain retirees to convert sick leave to health care premiums, State statutes provide that employees who retire may continue participation in the State's health insurance plan subject to certain length of service and participation requirements. Such employees are eligible to participate in the public employees' insurance program by making the premium contribution specified by the PEIA Finance Board. Approximately 34,600 retirees and 74,500 active plan members met those eligibility requirements at June 30, 2009.

#### **Plan Description**

The State implemented GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," in 2007. In conjunction with the implementation of GASB Statement No. 43, the State established the Retiree Health Benefit Trust Fund (RHBT) under West Virginia Code §5-16D-2, an irrevocable trust, to account and report for the other postemployment benefits (OPEBs) provided under the multiemployer cost-

sharing plan. The PEIA Finance Board was assigned the authority to establish and amend contribution requirements of the plan members and the participating employers, and PEIA administers the plan. The legislation requires the RHBT to determine through an actuarial study the contractually required contribution (CRC) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The CRC, which is reviewed and approved by the PEIA Finance Board, shall be allocated to the 657 respective employers who are required by law to remit at least the minimum annual premium component of the CRC.

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

### **Basis of Accounting**

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

Effective July 1, 2007, the State implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which requires reporting on an accrual basis the liability associated with other postemployment benefits. The liability to RHBT for OPEB of \$78 million at June 30, 2009, is recorded in the Due to Other Funds on the governmental Balance Sheet and the Due to Fiduciary Funds on the government-wide Statement of Net Assets.

### **Funding Policy**

Historically, the obligation associated with retiree health care benefits has been funded and recognized for financial statement purposes on a pay-as-you-go basis. The retiree premiums currently pay approximately 35% of health care claims for retirees and their dependents. The balance of the cost is funded by the State and other participating employers

through a retiree subsidy, which is included in the premium charged for the coverage of each active employee. A non-Medicare plan member or beneficiaries receiving benefits contributes monthly health care premiums ranging from \$208 to \$744 per month for retiree-only coverage, and from \$416 to \$1,772 per month for retiree and spouse coverage. Medicare covered retirees are charged health care premiums ranging from \$46 to \$339 per month for retiree-only coverage, and from \$69 to \$1,156 per month for retiree and spouse coverage. Monthly premiums vary based on years of service and choice of coverage.

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, 2009, June 30, 2008, and June 30, 2007, were approximately \$342 million, \$398 million, and \$649 million, respectively. The percentages contributed were 69%, 81%, and 19%, respectively.

West Virginia Code §5-16-25 requires the Finance Board of PEIA to maintain a reserve of 10% of projected PEIA plan costs for general operation purposes and to provide future plan stability. In the event the reserve fund exceeds certain parameters specified in the Code, the excess is to be transferred to the West Virginia Retiree Health Benefit Trust Fund, in accordance with Senate Bill 129, which became effective July 1, 2007. In FY 2009, the PEIA reserve did not exceed funding parameters, resulting in zero funds transferred to the RHBT.

### **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 year ended June 30, 2009, were approximately \$102 million which was approximately \$46 million less than the required contribution for the year. In years prior to GASB 45, the State's contributions were on a pay-as-you-go basis. The contributions for the benefit approximated \$143 million for the year ended June 30, 2008, and \$141 million for the year ended June 30, 2007.

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

## **NOTE 14**

### **RISK MANAGEMENT**

The State is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and life coverage; and natural disasters. The State of West Virginia operates three significant insurance enterprise funds: Board of Risk and Insurance Management (BRIM), Public Employees' Insurance Agency (PEIA), and Workers' Compensation Fund (WCF). The State also operates AccessWV, which provides health care coverage consistent with comprehensive coverage to every eligible person who is not eligible for medicare. AccessWV is operated so as to qualify as an acceptable alternative mechanism under the Federal Health Insurance Portability and Accountability Act and as an option to provide health insurance coverage for individuals eligible for the federal health care tax credit established by the Federal Trade Adjustment Assistance Reform Act of 2002 (Section 35 of the Internal Revenue Code of 1986). AccessWV total unpaid claims and claims adjustment expense liability at June 30, 2009, was \$310,000. The State also has a Patient Injury Compensation Fund (PICF), an agency fund of the State, administered by BRIM. The PICF does not receive claims until an award becomes final and all reasonable means of recovery have been exhausted. The PICF works on a "claims filed" basis and no claims have been filed as of June 30, 2009; accordingly the actuarial estimate of the claims reserve at such date is zero. 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 PEIA. 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 1,200 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 \$200 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 did not have any reinsurance recoveries at June 30, 2009. 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, and 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. Coverage under these programs is limited to \$1 million lifetime for health and \$500,000 of life insurance coverage. Premiums are established by PEIA at varying rates dependent upon, among other things, coverage required, number of dependents, state vs. non-state employees, and active employee vs. retired employee. PEIA retains all risks for the health and prescription features of its indemnity plan. PEIA has transferred the risks for health and prescription coverage for those individuals covered by the Managed Care Organization (MCO) Plan to the plan providers. PEIA has reinsured 100% of the basic life benefits; however, PEIA remains contingently liable in the event the insurer does not honor its obligation. PEIA presently charges equivalent premiums for participants in either the indemnity plan or the MCO Plan. Altogether, PEIA insures approximately 179,000 individuals, including participants and dependents.

#### Workers' Compensation Fund

The Workers' Compensation Commission (WCC) was an agency of the State of West Virginia. On February 16, 2005, the West Virginia legislature enacted "Senate Bill 1004" which established a framework for the privatization of the State's monopolistic workers' compensation system and created the means to transition the Workers' Compensation Commission into a domestic employers' mutual insurance company. On December 31, 2005, the West Virginia WCC ceased to exist as a separate state entity and all regulatory duties for workers' compensation insurance transitioned to the Office of the West Virginia Insurance Commissioner (the Insurance Commissioner), as did the administrative oversight of certain assets and liabilities of the former WCC. The Industrial Council was



established by Senate Bill 1004 to assist the Insurance Commissioner in the regulation of the workers' compensation system. Any other applicable state agency or department, whose functions are necessary for the regulation of the workers' compensation insurance industry, transferred to the Industrial Council including, but not limited to, the following WCC functions: rate-making, self-insurance, office of judges, and board of review. The Industrial Council consists of five voting members appointed by the governor, with the advice and consent of the Senate, who meet the prescribed requirements and qualifications.

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

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

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

### **Unpaid Claims Liabilities**

The three insurance funds establish claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The estimates of the claims liabilities include amounts for nonincremental claims adjustment expense. The length of time for which such costs must be estimated varies depending on the coverage

involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not result in an exact amount. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. Accordingly, the actual incurred losses and loss adjustment expenses may vary significantly from the estimated amount included in the financial statements. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

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

	<u>BRIM</u>		<u>PEIA</u>		<u>WCF</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Unpaid claims and claims adjustments expense liabilities, at beginning of year	\$162,228	\$159,564	\$ 51,277	\$ 52,999	\$2,537,600	\$2,981,400
Incurred claims and claims adjustment expense:						
Provision for insured events of the current fiscal year	55,894	57,246	400,289	377,099	924	730
Increase (decrease) in provision for insured events of prior fiscal years	(19,290)	(14,264)	(1,560)	(1,030)	(79,259)	(316,485)
Amortization of discount	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>120,369</u>	<u>142,395</u>
Total incurred claims and claims adjustment expense	<u>36,604</u>	<u>42,982</u>	<u>398,729</u>	<u>376,069</u>	<u>42,034</u>	<u>(173,360)</u>
Payments:						
Claims and claims adjustment expense attributable to insured events of the current fiscal year	9,753	8,352	354,773	335,380	87	124
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	<u>36,346</u>	<u>31,966</u>	<u>38,771</u>	<u>42,411</u>	<u>263,647</u>	<u>270,316</u>
Total payments	<u>46,099</u>	<u>40,318</u>	<u>393,544</u>	<u>377,791</u>	<u>263,734</u>	<u>270,440</u>
Total unpaid claims and claims adjustment expense liability, end of year	<u>\$152,733</u>	<u>\$162,228</u>	<u>\$ 56,462</u>	<u>\$ 51,277</u>	<u>\$2,315,900</u>	<u>\$2,537,600</u>

The above PEIA payments are net of pharmacy rebates of \$13,632,097 and \$11,842,611 for the years ended June 30, 2009 and 2008, 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 2009 and 2008 to take into consideration the time value of money, the result would be a decrease in the liability and an increase in net assets of approximately \$13,861,000 and \$15,511,000 for fiscal years 2009 and 2008, respectively. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense. At June 30, 2009, the total undiscounted claims liability for WCF approximated \$3.7 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 rate of 5%. If discounting of the WCF claims liability was limited to anticipated investment income, the claims liability would have increased by approximately \$1.13 billion to a claims liability of approximately \$3.3 billion, and the total deficit would have increased to approximately \$2.34 billion at June 30, 2009.

The Insurance Commission 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 \$94.2 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 \$54 million annually. Amounts actually received in FY 2009 approximated \$457 million, including \$145 million paid on the BrickStreet Surplus Note. The net proceeds from collection of these monies are to be dedicated to paying the unfunded liability in the Workers' Compensation Fund until fully paid or paying debt service on bonds sold to raise funds to pay the unfunded liability in the Workers' Compensation Fund.

### **Required Supplementary Information**

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

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

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

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

Workers' Compensation Fund  
c/o Insurance Commission  
1124 Smith Street  
Charleston, WV 25301

## NOTE 15

### COMMITMENTS AND CONTINGENCIES

#### Environmental Protection Claims

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

Following the provisions of GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," which became effective as of July 1, 2008, management has estimated the total cost of these remediation efforts to approximate \$247.9 million at June 30, 2009. Approximately \$3.8 million is available to pay current remediation costs and is recorded in the governmental funds. Because it is not expected that the remaining estimated remediation costs will be liquidated by expendable available financial resources, an additional \$244.1 million obligation is reported as a liability in the governmental activities on the statement of net assets. As such, the State has recorded in governmental activities the following liabilities related to the above programs at June 30, 2009 (expressed in thousands):

Mine Reclamation Program	\$154,403
Oil and Gas Well Program	446
Landfill Closure Assistance Program	81,893
Underground Storage Tanks	<u>11,154</u>
Total Environmental Liability	247,896
Less Current Portion	<u>(31,662)</u>
Environmental Liability, Net of Current Portion	<u>\$216,234</u>

### Mine Reclamation Program

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

Forfeited operator bonds, as well as a tax imposed on clean mined coal, currently 14.4 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.

As of June 30, 2009, the liability associated with this program is approximately \$154.4 million based on the implementation of GASB No. 49.

### Landfill Closure Assistance Program (LCAP)

The LCAP was established to provide landfill closure assistance to owners/permittees or landfills that were required to cease operations pursuant to certain statutory closure deadlines for noncomposite lined facilities. The program designs and constructs all closure-related activities necessary to provide sufficient leachate management, sediment and erosion control, gas management, groundwater monitoring and final cover cap on noncomposite lined landfills, as funds are available. The LCAP is closed to new applications; however, through the legislative process two landfills have been added to the original inventory. As of June 30, 2009, the liability is estimated at \$81.9 million and is projected to be paid through fiscal year 2044. In addition, the State, through the Solid Waste Management Board (the Board), operated one landfill that was closed in 1993. The Board made an application through the Department of Environmental Protection for closure assistance from the LCAP. The Board's application was accepted by the LCAP and since then the LCAP has paid the landfill costs.

## Underground Storage Tank (UST) Program

The insurance fund for the operators of the underground storage tanks has discontinued accepting new operators into the fund. In response to a lawsuit filed against the fund, the fund's assets have largely been paid out on a pro rata share to those insured. DEP continues to pursue additional sources of money from the Governor and the Legislature that will allow the insured sites to be remediated in an approved voluntary remediation plan or other cost-effective manner. DEP's plan also requires the claimants to submit a schedule for the completion of the work, and it is DEP's objective to have a clearly determined date by which remediation will be accomplished at all sites and no further reimbursements required. In this regard, it should be noted that eight of 58 sites insured have been issued "no further action" letters, meaning they have been cleaned up to the required standards and will no longer incur additional cost. DEP believes requiring these sites to participate in an approved plan that requires the most cost-effective method of cleanup will result in an overall cost savings to the State and still protect the public health and environment. In the spring of 2008, the Legislature appropriated \$4 million for the UST program. DEP has maintained an inventory of claims submitted that have not been approved for payment by the Underground Storage Tank Advisory Committee and DEP, and these invoices will be reviewed by a consultant before payment. DEP notified tank owners that it would reimburse owners for all approved past costs and reimburse the seven priority sites for any ongoing work. DEP has entered into formal agreements with six of the forty site owners. The fund balance at June 30, 2009, was \$3.8 million and there were claims paid from the fund in fiscal year 2009 of approximately \$1 million. As of June 30, 2009, \$11.2 million has been recorded as a liability in the accompanying financial statements.

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

## **Other Contingencies**

In addition to the \$247.9 million in environmental protection claims, the State has recorded an obligation in the amount of \$111.8 million, of which \$19.4 million is a current obligation, for the payment of other contingencies. Such other contingencies include, but are not limited to, claims assessed against the State for property damage and personal injury, alleged torts, alleged breaches of contract, and other alleged violations of state and federal laws and regulations. These claims are based on management's evaluation of the nature of such claims and consideration of historical loss experience for the respective types of action. Certain other claims may be covered by the State's insurance carrier under its general liability or medical malpractice coverage.

In an action brought by the United States of America versus the State, the United States prevailed on its claim that the State owed \$11.9 million to the federal government, attributable to overcharges made to various agencies for the employees' share of retirement contributions made by the U.S. Government on behalf of federally funded State employees. At issue is accrued interest which has been assessed by the U.S. Department of Health and Human Services (DHHS) on the principal amount. The interest assessment was set aside but DHHS has filed a motion for reconsideration. Exposure is hard to quantify at this time. The State intends to vigorously contest the case; however, the potential exposure for this case should the State be unsuccessful is estimated by management to be \$50.3 million. As of June 30, 2009, a \$50.3 million liability related to this matter has been accrued.

There are several cases against the Revenue Department involving tax years 2003 through 2008. Collectively the estimated exposure for these cases is approximately \$26 million. These matters are being vigorously defended but recovery by the claimants is possible. As of June 30, 2009, a \$10 million liability has been accrued related to these matters.

There are several cases against the Department of Health and Human Resources; these matters are being vigorously defended but recovery by the claimants is possible. As of June 30, 2009, a \$19.9 million liability has been accrued related to these matters.

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 may involve potentially 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 Medicaid 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 this program are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimated settlements will change by a material amount in the near term. Management believes it is in compliance with all applicable laws and regulations, except for the matter discussed in the paragraph below, and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. 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 exclusion from the Medicaid program.

State management discovered an error in its payment formula for school-based health service payments. This matter is currently under review by certain government agencies. State management is of the opinion that the effect of these reviews will not be material to the financial position of the State. Based on management's best estimate, approximately \$14.6 million has been accrued at June 30, 2009; however, management is unable to quantify the ultimate amount that it may need to repay the federal government and no amount to date has been specified by the reviewing government agencies.

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	\$576,253	Construction
West Virginia Infrastructure and Jobs Development Council	34,174	Funding of water and economic development projects
Enterprise Funds:		
West Virginia Lottery	12,818	Capital assets
Water Pollution Control Revolving Fund	23,185	Committed for loans
Drinking Water Treatment Revolving Fund	17,151	Lending consistent with Safe Drinking Water Act
Discretely Presented Component Units:		
Economic Development Authority	35,609	Committed for loans
Parkway, Economic Development, and Tourism Authority	5,880	Turnpike improvements
Higher Education	42,184	Construction
School Building Authority	213,953	Acquisition, construction and maintenance grants to county school boards

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

## *West Virginia*

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West Virginia University has signed an agreement providing for the purchase of steam for a remaining period of 21 years. Under the agreement, West Virginia University has an annual minimum steam purchase requirement, purchased at an operating rate calculated in accordance with the agreement. The total payments for steam purchased under the agreement were approximately \$8.1 million in 2009. Payments in future years will be dependent on actual operating costs and other cost indices in those years.

The West Virginia Providing Real Opportunities for Maximizing In-State Student Excellence (PROMISE) scholarship program provides scholarships to students within the West Virginia secondary education system who meet the scholarship requirements. The basic scholarship requirements include maintaining a 3.0 grade average, receiving an ACT composite score of 22 with a minimum sub-score of 20 in each of the four subject areas, and enrolling in a college or university in West Virginia. The program will pay for tuition and fees, and had \$1.9 million at June 30, 2009, to fund the program obligations. Subsequent to year-end, the program received \$29 million from the Lottery and \$16 million in general revenue.

## **NOTE 16**

### **SUBSEQUENT EVENTS**

Action was taken by the Consolidated Public Retirement Board on January 21, 2009, to increase the employer contribution rate for PERS from 10.5% of a member's monthly gross salary to 11% of a member's monthly gross salary, and to increase the employee contribution rate for SPRS from 12% of a member's monthly gross salary to 13% of a member's monthly gross salary effective July 1, 2009. At the January 13, 2010, meeting the CPRB approved an additional employer PERS rate increase to 17%, effective July 1, 2010. These increases are necessary to adequately fund the retirement systems and to protect the public interest to ensure that the unfunded actuarial accrued liability does not increase.

On July 1, 2009, the Housing Development Fund redeemed various Housing Finance Bonds in advance of the scheduled maturities at a par amount of \$10,880,000. On August 3, 2009, the Fund redeemed various Housing Finance Bonds in advance of the scheduled maturities at a par amount of \$905,000.

The West Virginia Parkways, Economic Development and Tourism Authority approved a toll rate increase with enhanced discounts for E-ZPass customers on July 1, 2009. The increase, effective August 1, 2009, raised cash tolls from \$1.25 to \$2.00 for passenger cars and \$4.25 to \$6.75 for 5-axle tractor trailers, and other classes were increased proportionately.

The West Virginia Parkways, Economic Development and Tourism Authority completed an advance refunding of the Series 2001A and 2001B bonds on August 20, 2009. The Authority deposited \$6,776,413 in an irrevocable trust with an escrow agent to provide debt service payments until the bonds mature or are called. The advance refunding meets the requirements of an in-substance defeasance and the defeased bonds will be removed from the Authority's financial statements as of the date of the advance refunding.

On July 23, 2009, the School Building Authority issued \$30,000,000 of Excess Lottery Revenue Bonds (Qualified School Construction Bonds), Series 2009A, which will mature through June 2024, bearing interest at 6.92%, to provide funds to make grants to finance capital improvements to public schools located in the State of West Virginia.

On September 30, 2009, the School Building Authority authorized the issuance of \$48,219,000 of Excess Lottery Revenue Bonds (Qualified School Construction Bonds), Series 2009B, which will mature no later than twenty years from the date of issuance. The Authority issued these bonds on December 15, 2009.

On September 10, 2009, the Economic Development Authority issued \$11,015,000 of Lease Revenue Bonds, Series 2009A, which will mature through 2034. The proceeds of the sale of the bonds will be used to provide funds to finance the acquisition of an office building and related parking lot for leasing to the State.

Fifty of the fifty-five county boards of education filed a complaint for a declaratory judgment in Circuit Court regarding the funding of Other Postemployment Benefits (OPEB). The relief to be sought in the declaratory judgment action would include that the State is legally obligated to fund the OPEB liability on behalf of those employees serving West Virginia county school boards who are covered by the Public School Support Program (PSSP) formula codified in West Virginia Code §18-9A-24(a). The plaintiffs claim that the total OPEB liability for the fifty boards, for the fiscal year ended June 30, 2009, totals approximately \$45 million.



**Required  
Supplementary  
Information  
(RSI)**

**Budgetary Comparison  
Schedule**

**Notes to RSI**

**Budget-to-GAAP  
Reconciliation**

**Pension Information**

*West Virginia*

**Required Supplementary Information  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009  
(Expressed in Thousands)**

	<b>General Revenue Fund</b>			<b>Variance With Final Budget</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
Revenues:				
Taxes:				
Personal Income	\$1,489,900	\$1,489,900	\$1,557,403	\$ 67,503
Consumer Sales	1,180,983	1,180,983	1,110,017	(70,966)
Severance	335,000	335,000	359,578	24,578
Corporate Income/Business Franchise	301,100	301,100	270,237	(30,863)
Business and Occupation	149,700	149,700	150,293	593
Gasoline and Motor Fuel	—	—	—	—
Automobile Privilege	—	—	—	—
Other	245,300	245,300	240,625	(4,675)
Excess Lottery Transfer	127,900	127,900	128,949	1,049
Intergovernmental	—	—	—	—
Licenses, Permits, and Fees	11,450	11,450	11,054	(396)
Departmental Collections	16,300	16,300	14,597	(1,703)
Investment Earnings	28,000	28,000	21,855	(6,145)
Other	17,100	17,100	36,944	19,844
Industrial Access Road Transfer	—	—	—	—
<b>Total Revenue</b>	<b><u>3,902,733</u></b>	<b><u>3,902,733</u></b>	<b><u>3,901,552</u></b>	<b><u>(1,181)</u></b>
Expenditures:				
Legislative	41,941	41,941	22,548	19,393
Judicial	115,817	115,817	98,280	17,537
Executive	48,942	48,972	41,559	7,413
Administration	107,396	107,398	106,620	778
Commerce	68,774	68,824	53,919	14,905
Environmental Protection	8,369	8,369	7,889	480
Employment Programs	—	—	—	—
Education	2,288,436	2,290,539	2,272,970	17,569
Health and Human Resources	859,942	860,191	834,428	25,763
Military Affairs and Public Safety	318,732	318,734	292,179	26,555
Revenue	30,689	30,440	23,993	6,447
Transportation	7,770	7,770	4,423	3,347
Senior Services	—	—	—	—
Regulatory Boards and Commissions	—	—	—	—
<b>Total Expenditures</b>	<b><u>3,896,808</u></b>	<b><u>3,898,995</u></b>	<b><u>3,758,808</u></b>	<b><u>140,187</u></b>
Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	5,925	3,738	142,744	139,006
Expenditures From Prior Year Appropriations	<u>451,456</u>	<u>451,456</u>	<u>142,059</u>	<u>309,397</u>
<b>Total Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(445,531)</b>	<b>(447,718)</b>	<b>685</b>	<b>448,403</b>
Budgetary Fund Balance, Beginning of Year, as Adjusted	<u>454,068</u>	<u>454,068</u>	<u>454,068</u>	—
<b>Budgetary Fund Balance, End of Year</b>	<b><u>\$ 8,537</u></b>	<b><u>\$ 6,350</u></b>	<b><u>\$ 454,753</u></b>	<b><u>\$448,403</u></b>

<u>Federal Revenue</u>				<u>State Road</u>			
<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	380,000	380,000	384,539	4,539
—	—	—	—	166,413	166,413	150,794	(15,619)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
3,396,474	3,714,752	3,029,689	(685,063)	460,000	539,562	459,591	(79,971)
—	—	—	—	90,003	90,003	89,428	(575)
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	32,869	47,796	45,262	(2,534)
—	—	—	—	(3,000)	(3,000)	(3,010)	(10)
<u>3,396,474</u>	<u>3,714,752</u>	<u>3,029,689</u>	<u>(685,063)</u>	<u>1,126,285</u>	<u>1,220,774</u>	<u>1,126,604</u>	<u>(94,170)</u>
1,315	1,663	1,212	451	—	—	—	—
1,500	1,500	830	670	—	—	—	—
44,271	51,198	25,561	25,637	—	—	—	—
38,029	38,030	37,432	598	—	—	—	—
54,108	56,109	35,232	20,877	—	—	—	—
139,010	174,613	53,005	121,608	—	—	—	—
30,044	33,821	18,519	15,302	—	—	—	—
519,464	598,140	388,476	209,664	—	—	—	—
2,369,962	2,549,162	2,339,774	209,388	—	—	—	—
169,388	227,603	88,546	139,057	—	—	—	—
200	200	—	200	—	—	—	—
34,645	39,595	16,202	23,393	1,191,938	1,331,177	1,207,514	123,663
14,515	14,855	13,203	1,652	—	—	—	—
<u>2,749</u>	<u>2,749</u>	<u>1,830</u>	<u>919</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>3,419,200</u>	<u>3,789,238</u>	<u>3,019,822</u>	<u>769,416</u>	<u>1,191,938</u>	<u>1,331,177</u>	<u>1,207,514</u>	<u>123,663</u>
(22,726)	(74,486)	9,867	84,353	(65,653)	(110,403)	(80,910)	29,493
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
(22,726)	(74,486)	9,867	84,353	(65,653)	(110,403)	(80,910)	29,493
<u>32,812</u>	<u>32,812</u>	<u>32,812</u>	<u>—</u>	<u>165,781</u>	<u>208,822</u>	<u>208,822</u>	<u>—</u>
<u>\$ 10,086</u>	<u>\$ (41,674)</u>	<u>\$ 42,679</u>	<u>\$ 84,353</u>	<u>\$ 100,128</u>	<u>\$ 98,419</u>	<u>\$ 127,912</u>	<u>\$ 29,493</u>

(Continued)



**Required Supplementary Information  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2009  
(Expressed in Thousands)  
(Continued)**

	<u>Special Revenue</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:				
Taxes:				
Personal Income	\$ —	\$ —	\$ —	\$ —
Consumer Sales	—	—	—	—
Severance	—	—	—	—
Corporate Income/Business Franchise	—	—	—	—
Business and Occupation	—	—	—	—
Gasoline and Motor Carrier	—	—	—	—
Automobile Privilege	—	—	—	—
Other	—	—	—	—
Excess Lottery Transfer	—	—	—	—
Intergovernmental	—	—	—	—
Licenses, Permits, and Fees	—	—	—	—
Departmental Collections	1,834,876	1,812,122	1,549,211	(262,911)
Investment Earnings	—	—	—	—
Other	—	—	—	—
Industrial Access Road Transfer	—	—	—	—
<b>Total Revenue</b>	<u>1,834,876</u>	<u>1,812,122</u>	<u>1,549,211</u>	<u>(262,911)</u>
Expenditures:				
Legislative	4,693	4,135	1,843	2,292
Judicial	—	—	—	—
Executive	27,332	27,441	19,167	8,274
Administration	59,277	80,277	53,562	26,715
Commerce	103,568	84,650	67,817	16,833
Environmental Protection	58,208	58,746	29,459	29,287
Employment Programs	—	—	—	—
Education	199,386	204,039	176,133	27,906
Health and Human Resources	353,626	355,310	308,412	46,898
Military Affairs and Public Safety	32,034	32,386	20,331	12,055
Revenue	943,946	943,622	522,343	421,279
Transportation	9,900	10,060	4,200	5,860
Senior Services	63,815	64,815	62,576	2,239
Regulatory Boards and Commissions	27,125	46,481	42,335	4,146
<b>Total Expenditures</b>	<u>1,882,910</u>	<u>1,911,962</u>	<u>1,308,178</u>	<u>603,784</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	(48,034)	(99,840)	241,033	340,873
Expenditures From Prior Year Appropriations	<u>250,887</u>	<u>250,887</u>	<u>90,986</u>	<u>159,901</u>
<b>Total Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(298,921)</b>	<b>(350,727)</b>	<b>150,047</b>	<b>500,774</b>
Budgetary Fund Balance, Beginning of Year, as Adjusted	<u>1,346,966</u>	<u>1,346,966</u>	<u>1,346,966</u>	—
<b>Budgetary Fund Balance, End of Year</b>	<u><u>\$1,048,045</u></u>	<u><u>\$ 996,239</u></u>	<u><u>\$1,497,013</u></u>	<u><u>\$500,774</u></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 fifty percent of the General Revenue Fund surplus for a fiscal year is set aside in a reserve or Rainy Day Fund not to exceed ten percent 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 2009, appropriations from General Revenue were increased approximately \$2.2 million for supplemental appropriations. Appropriated Special Revenue and Federal Funds were increased by total supplemental appropriations of \$369.9 million. During the budget process, the Legislature may also decide to reappropriate certain unexpended budgetary activities 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 \$409.6 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 2008 General Revenue were increased approximately \$41.8 million for surplus appropriations. The \$41.8 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 five percent 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.

## 2009 Budgetary Reporting

The State's budgetary General Revenue Fund surplus for the year ended June 30, 2009, is calculated as follows (expressed in thousands):

Preliminary General Revenue Fund current year excess of revenues over expenditures as reflected on Budgetary Comparison Schedule	\$142,744
Less accounts reappropriated for spending in FY 2010	<u>(120,608)</u>
Accumulated surplus	22,136
Less amount to be transferred to Revenue Shortfall Reserve Fund	<u>(11,068)</u>
General Revenue Fund FY 2009 surplus available for appropriation in FY 2010	<u>\$ 11,068</u>

In August 2009 after the close of the fiscal year, \$11,068,000 from the State's General Revenue Fund surplus for the year was transferred to the Reserve Fund, which represents the statutory requirement to transfer 50% of the budgetary surplus at the end of the fiscal year.

The State's budgetary General Revenue Fund and the Appropriated Special Revenue Fund balances at July 1, 2008, have been adjusted as follows (expressed in thousands):

**General Revenue Fund:**

Beginning Fund Balance	\$444,876
Prior Year Refunds	332
Less Transfer to Rainy Day Fund	(17,640)
Other Transfers	<u>26,500</u>
Adjusted Beginning Fund Balance	<u>\$454,068</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, 2009, 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, 2009**  
**(Expressed in Thousands)**

	<b>General Revenue Fund</b>	<b>Federal Fund</b>	<b>Road Fund</b>	<b>Appropriated Special Revenue Fund</b>
<b>SOURCES/INFLOWS OF RESOURCES</b>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 3,901,552	\$ 3,029,689	\$1,126,604	\$ 1,549,211
<b>Differences - Budget to GAAP:</b>				
Intrafund transactions not included in GAAP revenues	(3,572,043)	—	—	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(435,448)	—	36,169	—
Other Basis of Accounting Difference	444,139	—	(545,897)	—
<b>Reclassifications:</b>				
Nonappropriated Budgetary Fund's revenue included as revenue/transfers in the GAAP General, Transportation, West Virginia Infrastructure, and Other Funds	3,705,274	—	486,388	—
Budgetary special revenue funds transferred to GAAP General, Transportation, West Virginia Infrastructure, and Other Funds	632,022	—	9,031	( 1,549,211)
Budgetary federal funds transferred to GAAP General, Transportation, West Virginia Infrastructure, and Other Funds	<u>2,936,021</u>	<u>(3,029,689)</u>	<u>16,174</u>	<u>—</u>
<b>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds</b>	<u>\$ 7,611,517</u>	<u>\$ —</u>	<u>\$1,128,469</u>	<u>\$ —</u>
<b>USES/OUTFLOWS OF RESOURCES</b>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,900,867	\$ 3,019,822	\$1,207,514	\$ 1,399,164
<b>Differences - Budget to GAAP:</b>				
Intrafund transactions not included in GAAP expenditures	(3,572,043)	—	—	—
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(342,925)	—	(1,229)	—
Other Basis of Accounting Difference	519,742	—	(21,336)	—
<b>Reclassifications:</b>				
Nonappropriated Budgetary Fund's expenditures/transfers out included as expense in the GAAP General, Transportation, West Virginia Infrastructure, and Other Funds	3,714,754	—	57,968	—
Budgetary general revenue funds transferred to GAAP General, Transportation, West Virginia Infrastructure, and Other Funds	(10,997)	—	3,947	—
Budgetary special revenue funds transferred to GAAP General, Transportation, West Virginia Infrastructure, and Other Funds	582,487	—	4,200	(1,399,164)
Budgetary federal funds transferred to GAAP General, Transportation, West Virginia Infrastructure, and Other Funds	<u>2,927,699</u>	<u>(3,019,822)</u>	<u>16,202</u>	<u>—</u>
<b>Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds</b>	<u>\$ 7,719,584</u>	<u>\$ —</u>	<u>\$1,267,266</u>	<u>\$ —</u>

**Required Supplementary Information**

**Schedule of Funding Progress**

(Expressed in Thousands)

**Pension Plans**

	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Excess of Assets Over) Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL (Excess) as a Percentage of Covered Payroll</u>
<u>TRS</u>							
	2008	\$4,133,883	\$8,268,578	\$4,134,695	50.0%	\$1,409,437	293.4%
	2007	\$3,665,993	\$7,142,711	\$3,476,718	51.3%	\$ 828,939	419.4%
	2006	\$2,174,464	\$6,877,872	\$4,703,408	31.6%	\$ 759,206	619.5%
<u>PSDDRF</u>							
	2008	\$ 459,182	\$ 547,623	\$ 88,441	83.9%	\$ 10,400	850.4%
	2007	\$ 513,009	\$ 527,393	\$ 14,384	97.3%	\$ 10,997	130.8%
	2006	\$ 452,794	\$ 506,828	\$ 54,034	89.3%	\$ 11,128	485.6%
<u>SPRS</u>							
	2008	\$ 41,564	\$ 51,388	\$ 9,824	80.9%	\$ 20,285	48.4%
	2007	\$ 40,350	\$ 40,786	\$ 436	98.9%	\$ 18,850	2.3%
	2006	\$ 30,747	\$ 33,552	\$ 2,805	91.6%	\$ 15,870	17.7%
<u>JRS</u>							
	2008	\$ 100,186	\$ 97,965	\$ (2,221)	102.3%	\$ 8,261	0.0%
	2007	\$ 104,127	\$ 96,018	\$ (8,109)	108.4%	\$ 8,261	0.0%
	2006	\$ 85,932	\$ 91,820	\$ 5,888	93.6%	\$ 8,029	73.3%



# Combining Financial Statements and Schedules

Nonmajor Funds  
Governmental  
Proprietary  
Fiduciary

Nonmajor  
Component Units





# *GOVERNMENTAL FUND TYPES - NONMAJOR*

## **Special Revenue:**

Special Revenue Funds are used to account for the receipt and use of specific revenues that are legally restricted to expenditures for specified purposes.

## **Debt Service:**

Debt Service Funds are used to account for the accumulation of resources and payment of general long-term debt principal and interest from governmental resources.

## **Capital Projects:**

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds. These funds consist of the following:

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

**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 resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific government programs, for the benefit of the government or its citizenry.

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

## West Virginia

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### Combining Balance Sheet Nonmajor Governmental Funds June 30, 2009 (Expressed in Thousands)

	<u>Special Revenue</u>	<u>Debt Service</u>
Assets:		
Cash and Cash Equivalents	\$227,994	\$61,828
Investments	29,803	18,990
Receivables, Net	12,619	—
Due from Other Governments	708	—
Due from Other Funds	187	1,000
Inventories	56	—
Restricted Assets:		
Cash and Cash Equivalents	<u>1,733</u>	<u>—</u>
Total Assets	<u>\$273,100</u>	<u>\$81,818</u>
Liabilities:		
Accounts Payable	\$ 7,304	\$ —
Accrued and Other Liabilities	7,775	—
Due to Other Governments	11,061	—
Due to Other Funds	5,725	—
Due to Component Units	<u>57</u>	<u>—</u>
Total Liabilities	<u>31,922</u>	<u>—</u>
Fund Balances:		
Reserved for:		
Inventories	56	—
Capital Projects	—	—
Debt Service	—	81,818
Program Administration	44	—
Permanent Funds	—	—
Unreserved	<u>241,078</u>	<u>—</u>
Total Fund Balances	<u>241,178</u>	<u>81,818</u>
Total Liabilities and Fund Balances	<u>\$273,100</u>	<u>\$81,818</u>

<u>Capital Projects</u>		<u>Permanent Funds</u>	
<u>State Road</u>	<u>Lease Purchase Account</u>	<u>Irreducible School</u>	<u>Total</u>
\$58,773	\$10,302	\$1,309	\$360,206
—	—	—	48,793
—	—	—	12,619
—	—	—	708
—	—	—	1,187
—	—	—	56
<u>—</u>	<u>—</u>	<u>—</u>	<u>1,733</u>
<u>\$58,773</u>	<u>\$10,302</u>	<u>\$1,309</u>	<u>\$425,302</u>
\$ 1,704	\$ 4	\$ —	\$ 9,012
—	—	—	7,775
—	—	—	11,061
127	—	—	5,852
<u>—</u>	<u>—</u>	<u>—</u>	<u>57</u>
<u>1,831</u>	<u>4</u>	<u>—</u>	<u>33,757</u>
—	—	—	56
56,942	10,298	—	67,240
—	—	—	81,818
—	—	—	44
—	—	1,309	1,309
<u>—</u>	<u>—</u>	<u>—</u>	<u>241,078</u>
<u>56,942</u>	<u>10,298</u>	<u>1,309</u>	<u>391,545</u>
<u>\$58,773</u>	<u>\$10,302</u>	<u>\$1,309</u>	<u>\$425,302</u>

## West Virginia

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**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Fiscal Year Ended June 30, 2009  
(Expressed in Thousands)**

	<u>Special Revenue</u>	<u>Debt Service</u>
Revenues:		
Intergovernmental	\$105,602	\$ —
Licenses, Permits, and Fees	120,658	—
Charges for Services	—	—
Investment Earnings	(3,779)	1,167
Other	<u>13,723</u>	<u>—</u>
Total Revenues	<u>236,204</u>	<u>1,167</u>
Expenditures:		
Legislative	3,178	—
Administration	—	10
Environmental Protection	107,562	3
Employment Programs	47,974	—
Health and Human Resources	—	13
Military Affairs and Public Safety	5,350	2
Revenue	28,971	—
Regulatory Boards and Commissions	22,488	1
Capital Outlay	—	—
Debt Service:		
Principal	—	42,731
Interest	<u>—</u>	<u>43,448</u>
Total Expenditures	<u>215,523</u>	<u>86,208</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,681</u>	<u>(85,041)</u>
Other Financing Sources (Uses):		
Face Value of Long-Term Debt Issued	—	—
Premiums on Bonds Issued	—	—
Transfers In	46,590	86,033
Transfers Out	<u>(78,855)</u>	<u>—</u>
Total Other Financing Sources (Uses)	<u>(32,265)</u>	<u>86,033</u>
Net Change in Fund Balances	(11,584)	992
Fund Balances, Beginning of Year	<u>252,762</u>	<u>80,826</u>
Fund Balances, End of Year	<u>\$241,178</u>	<u>\$ 81,818</u>

<u>Capital Projects</u>		<u>Permanent Fund</u>	
<u>State Road</u>	<u>Lease Purchase Account</u>	<u>Irreducible School</u>	<u>Total</u>
\$ 14,692	\$ —	\$ —	\$ 120,294
—	—	—	120,658
—	—	3	3
203	197	9	(2,203)
<u>—</u>	<u>—</u>	<u>295</u>	<u>14,018</u>
<u>14,895</u>	<u>197</u>	<u>307</u>	<u>252,770</u>
—	—	—	3,178
—	6	—	16
—	3	—	107,568
—	—	—	47,974
—	—	—	13
—	—	—	5,352
—	—	—	28,971
—	—	—	22,489
38,018	16,641	—	54,659
10,550	—	—	53,281
<u>4,200</u>	<u>—</u>	<u>—</u>	<u>47,648</u>
<u>52,768</u>	<u>16,650</u>	<u>—</u>	<u>371,149</u>
(37,873)	(16,453)	307	(118,379)
76,835	—	—	76,835
4,129	—	—	4,129
—	9	—	132,632
<u>—</u>	<u>(88)</u>	<u>(669)</u>	<u>(79,612)</u>
<u>80,964</u>	<u>(79)</u>	<u>(669)</u>	<u>133,984</u>
43,091	(16,532)	(362)	15,605
<u>13,851</u>	<u>26,830</u>	<u>1,671</u>	<u>375,940</u>
<u>\$ 56,942</u>	<u>\$ 10,298</u>	<u>\$ 1,309</u>	<u>\$ 391,545</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 non-moving 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.

**Armory Board** The Board is responsible for providing the facilities for the activities of the State's National Guard.

**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, 2009**  
(Expressed in Thousands)

	<b>Environmental Protection</b>	<b>Public Service Commission</b>	<b>Crime Victims' Compensation</b>
Assets:			
Cash and Cash Equivalents	\$171,568	\$17,709	\$5,966
Investments	—	—	—
Receivables, Net	5,799	291	12
Due from Other Governments	—	708	—
Due from Other Funds	20	—	—
Inventories	—	—	—
Restricted Assets:			
Cash and Cash Equivalents	<u>416</u>	<u>1,317</u>	<u>—</u>
<b>Total Assets</b>	<b><u>\$177,803</u></b>	<b><u>\$20,025</u></b>	<b><u>\$5,978</u></b>
Liabilities:			
Accounts Payable	\$ 6,528	\$ 354	\$ —
Accrued and Other Liabilities	5,001	1,641	—
Due to Other Governments	3,820	6,575	—
Due to Other Funds	2,659	957	—
Due to Component Units	<u>19</u>	<u>—</u>	<u>—</u>
<b>Total Liabilities</b>	<b><u>18,027</u></b>	<b><u>9,527</u></b>	<b><u>—</u></b>
Fund Balances (Deficits):			
Reserved for:			
Inventories	—	—	—
Program Administration	—	—	—
Unreserved	<u>159,776</u>	<u>10,498</u>	<u>5,978</u>
<b>Total Fund Balances (Deficits)</b>	<b><u>159,776</u></b>	<b><u>10,498</u></b>	<b><u>5,978</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$177,803</u></b>	<b><u>\$20,025</u></b>	<b><u>\$5,978</u></b>

<u>Insurance Commission</u>	<u>Armory Board</u>	<u>WORKFORCE West Virginia</u>	<u>Wildlife Resources Fund</u>	<u>Total</u>
\$28,799	\$2,336	\$1,611	\$ 5	\$227,994
—	—	—	29,803	29,803
5,990	51	192	284	12,619
—	—	—	—	708
99	—	68	—	187
—	—	56	—	56
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,733</u>
<u>\$34,888</u>	<u>\$2,387</u>	<u>\$1,927</u>	<u>\$30,092</u>	<u>\$273,100</u>
\$ 77	\$ 125	\$ 220	\$ —	\$ 7,304
456	—	677	—	7,775
—	—	666	—	11,061
1,197	99	813	—	5,725
<u>—</u>	<u>—</u>	<u>38</u>	<u>—</u>	<u>57</u>
<u>1,730</u>	<u>224</u>	<u>2,414</u>	<u>—</u>	<u>31,922</u>
—	—	56	—	56
—	—	44	—	44
<u>33,158</u>	<u>2,163</u>	<u>(587)</u>	<u>30,092</u>	<u>241,078</u>
<u>33,158</u>	<u>2,163</u>	<u>(487)</u>	<u>30,092</u>	<u>241,178</u>
<u>\$34,888</u>	<u>\$2,387</u>	<u>\$1,927</u>	<u>\$30,092</u>	<u>\$273,100</u>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Fiscal Year Ended June 30, 2009  
(Expressed in Thousands)**

	<b>Environmental Protection</b>	<b>Public Service Commission</b>	<b>Crime Victims' Compensation</b>
Revenues:			
Intergovernmental	\$ 54,502	\$ 2,445	\$1,212
Licenses, Permits, and Fees	59,544	19,949	1,652
Investment Earnings and Losses	1,521	—	194
Other	<u>13,722</u>	<u>—</u>	<u>—</u>
Total Revenues	<u>129,289</u>	<u>22,394</u>	<u>3,058</u>
Expenditures:			
Legislative	—	—	3,178
Environmental Protection	107,562	—	—
Employment Programs	—	—	—
Military Affairs and Public Safety	—	—	—
Revenue	—	—	—
Regulatory Boards and Commissions	<u>—</u>	<u>22,488</u>	<u>—</u>
Total Expenditures	<u>107,562</u>	<u>22,488</u>	<u>3,178</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>21,727</u>	<u>(94)</u>	<u>(120)</u>
Other Financing Sources (Uses):			
Transfers In	1,590	—	—
Transfers Out	<u>(735)</u>	<u>(119)</u>	<u>(2)</u>
Total Other Financing Sources (Uses)	<u>855</u>	<u>(119)</u>	<u>(2)</u>
Net Change in Fund Balances	22,582	(213)	(122)
Fund Balances, Beginning of Year	<u>137,194</u>	<u>10,711</u>	<u>6,100</u>
Fund Balances, End of Year	<u>\$159,776</u>	<u>\$10,498</u>	<u>\$5,978</u>

<u>Insurance Commission</u>	<u>Armory Board</u>	<u>WORKFORCE West Virginia</u>	<u>Wildlife Resources Fund</u>	<u>Total</u>
\$ —	\$ —	\$ 47,443	\$ —	\$105,602
38,946	—	—	567	120,658
41	(132)	—	(5,403)	(3,779)
<u>—</u>	<u>—</u>	<u>—</u>	<u>1</u>	<u>13,723</u>
<u>38,987</u>	<u>(132)</u>	<u>47,443</u>	<u>(4,835)</u>	<u>236,204</u>
—	—	—	—	3,178
—	—	—	—	107,562
—	—	47,974	—	47,974
—	5,350	—	—	5,350
28,971	—	—	—	28,971
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>22,488</u>
<u>28,971</u>	<u>5,350</u>	<u>47,974</u>	<u>—</u>	<u>215,523</u>
<u>10,016</u>	<u>(5,482)</u>	<u>(531)</u>	<u>(4,835)</u>	<u>20,681</u>
—	5,000	40,000	—	46,590
<u>(40,000)</u>	<u>(15)</u>	<u>(37,984)</u>	<u>—</u>	<u>(78,855)</u>
<u>(40,000)</u>	<u>4,985</u>	<u>2,016</u>	<u>—</u>	<u>(32,265)</u>
(29,984)	(497)	1,485	(4,835)	(11,584)
<u>63,142</u>	<u>2,660</u>	<u>(1,972)</u>	<u>34,927</u>	<u>252,762</u>
<u>\$ 33,158</u>	<u>\$2,163</u>	<u>\$ (487)</u>	<u>\$30,092</u>	<u>\$241,178</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.

**Education, Arts, Sciences, and Tourism Fund** The Fund is established 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 acquisition of capital assets through lease-purchase agreements are properly recorded.

**Economic Development Project Fund** The Fund is established to provide funds to finance a portion of the costs of construction, equipping, improving or maintaining economic development projects, capital improvement projects and infrastructure projects which promote economic development in the State.

**Combining Balance Sheet**  
**Nonmajor Debt Service Funds**  
**June 30, 2009**  
(Expressed in Thousands)

	<b>West Virginia Infrastructure and Jobs Development Council</b>	<b>Education, Arts, Sciences, and Tourism Fund</b>	<b>Lease Purchase Account</b>	<b>Economic Development Project Fund</b>	<b>Total</b>
Assets:					
Cash and Cash Equivalents	\$56	\$27,716	\$12,389	\$21,667	\$61,828
Investments	—	—	—	18,990	18,990
Due from Other Funds	—	1,000	—	—	1,000
<b>Total Assets</b>	<u>\$56</u>	<u>\$28,716</u>	<u>\$12,389</u>	<u>\$40,657</u>	<u>\$81,818</u>
Fund Balances:					
Reserved for Debt Service	\$56	\$28,716	\$12,389	\$40,657	\$81,818
<b>Total Liabilities and Fund Balances</b>	<u>\$56</u>	<u>\$28,716</u>	<u>\$12,389</u>	<u>\$40,657</u>	<u>\$81,818</u>

**Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Debt Service Funds  
For the Fiscal Year Ended June 30, 2009  
(Expressed in Thousands)**

	West Virginia Infrastructure and Jobs Development Council	Education, Arts, Sciences, and Tourism Fund	Lease Purchase Account	Economic Development Project Fund	Total
Revenues:					
Investment Earnings	\$ 149	\$ 49	\$ 104	\$ 865	\$ 1,167
Expenditures:					
Administration	—	3	7	—	10
Environment	—	—	3	—	3
Health and Human Resources	—	—	13	—	13
Military Affairs and Public Safety	—	—	2	—	2
Regulatory Boards and Commissions	—	—	1	—	1
Debt Service:					
Principal	15,035	8,660	11,391	7,645	42,731
Interest	<u>15,361</u>	<u>1,109</u>	<u>15,758</u>	<u>11,220</u>	<u>43,448</u>
Total Expenditures	<u>30,396</u>	<u>9,772</u>	<u>27,175</u>	<u>18,865</u>	<u>86,208</u>
Deficiency of Revenues Under Expenditures	<u>(30,247)</u>	<u>(9,723)</u>	<u>(27,071)</u>	<u>(18,000)</u>	<u>(85,041)</u>
Other Financing Sources:					
Transfers In	<u>30,077</u>	<u>9,997</u>	<u>27,126</u>	<u>18,833</u>	<u>86,033</u>
Total Other Financing Sources	<u>30,077</u>	<u>9,997</u>	<u>27,126</u>	<u>18,833</u>	<u>86,033</u>
Net Change in Fund Balances	(170)	274	55	833	992
Fund Balances, Beginning of Year	<u>226</u>	<u>28,442</u>	<u>12,334</u>	<u>39,824</u>	<u>80,826</u>
Fund Balances, End of Year	<u>\$ 56</u>	<u>\$28,716</u>	<u>\$ 12,389</u>	<u>\$ 40,657</u>	<u>\$ 81,818</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 Purchasing Division of 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 investment vehicle for the operating cash of state agencies and authorities, local governments, and other political subdivisions.



**Combining Statement of Fund Net Assets  
Internal Service Funds  
June 30, 2009  
(Expressed in Thousands)**

	State Building Fund	Information Services and Communications	Travel Management	Investment Management Board	Board of Treasury Investments	Total
Assets:						
Current Assets:						
Cash and Cash Equivalents	\$ 1,776	\$ 6,234	\$ 2,362	\$5,048	\$ 644	\$ 16,064
Receivables, Net	13	564	1	3,850	410	4,838
Due from Other Funds	345	6,905	223	—	—	7,473
Due from Component Units	—	804	13	—	—	817
Inventories	218	420	—	—	—	638
Other Assets	—	—	—	79	—	79
Restricted Assets:						
Cash and Cash Equivalents	—	—	25	—	—	25
<b>Total Current Assets</b>	<u>2,352</u>	<u>14,927</u>	<u>2,624</u>	<u>8,977</u>	<u>1,054</u>	<u>29,934</u>
Noncurrent Assets:						
Other Assets	—	—	—	9	—	9
Restricted Assets:						
Cash and Cash Equivalents	94,504	—	—	—	—	94,504
Capital Assets, Net	<u>78,382</u>	<u>8,477</u>	<u>17,983</u>	<u>36</u>	<u>4</u>	<u>104,882</u>
<b>Total Noncurrent Assets</b>	<u>172,886</u>	<u>8,477</u>	<u>17,983</u>	<u>45</u>	<u>4</u>	<u>199,395</u>
<b>Total Assets</b>	<u>175,238</u>	<u>23,404</u>	<u>20,607</u>	<u>9,022</u>	<u>1,058</u>	<u>229,329</u>
Liabilities:						
Current Liabilities:						
Accounts Payable	3,500	5,506	5	4,715	397	14,123
Accrued and Other Liabilities	117	283	14	—	—	414
Due to Other Governments	36	91	5	—	—	132
Due to Other Funds	396	98	4,020	—	—	4,514
Due to Fiduciary Funds	226	905	40	—	—	1,171
Due to Component Units	—	30	—	—	—	30
Capital Leases and Other Debt	<u>88</u>	<u>3,465</u>	<u>1,500</u>	<u>—</u>	<u>—</u>	<u>5,053</u>
<b>Total Current Liabilities</b>	<u>4,363</u>	<u>10,378</u>	<u>5,584</u>	<u>4,715</u>	<u>397</u>	<u>25,437</u>
Noncurrent Liabilities:						
Capital Leases and Other Debt	3,474	3,677	2,710	—	—	9,861
Compensated Absences	<u>310</u>	<u>1,305</u>	<u>82</u>	<u>—</u>	<u>—</u>	<u>1,697</u>
<b>Total Noncurrent Liabilities</b>	<u>3,784</u>	<u>4,982</u>	<u>2,792</u>	<u>—</u>	<u>—</u>	<u>11,558</u>
<b>Total Liabilities</b>	<u>8,147</u>	<u>15,360</u>	<u>8,376</u>	<u>4,715</u>	<u>397</u>	<u>36,995</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	74,820	1,936	9,788	36	4	86,584
Restricted for Capital Projects	94,504	—	—	—	—	94,504
Unrestricted (Deficit)	<u>(2,233)</u>	<u>6,108</u>	<u>2,443</u>	<u>4,271</u>	<u>657</u>	<u>11,246</u>
<b>Total Net Assets</b>	<u>\$167,091</u>	<u>\$ 8,044</u>	<u>\$12,231</u>	<u>\$4,307</u>	<u>\$ 661</u>	<u>\$192,334</u>

**Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Assets  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2009  
(Expressed in Thousands)**

	<u>State Building Fund</u>	<u>Information Services and Communications</u>	<u>Travel Management</u>	<u>Investment Management Board</u>	<u>Board of Treasury Investments</u>	<u>Total</u>
Operating Revenues:						
Charges for Services	\$ 13,923	\$36,013	\$ 7,362	\$24,014	\$2,453	\$ 83,765
Operating Expenses:						
Cost of Sales and Services	16,411	30,847	1,696	20,831	2,315	72,100
General and Administration	371	2,491	553	3,083	231	6,729
Depreciation and Amortization	<u>4,152</u>	<u>4,398</u>	<u>4,987</u>	<u>1</u>	<u>6</u>	<u>13,544</u>
Total Operating Expenses	<u>20,934</u>	<u>37,736</u>	<u>7,236</u>	<u>23,915</u>	<u>2,552</u>	<u>92,373</u>
Operating Income (Loss)	<u>(7,011)</u>	<u>(1,723)</u>	<u>126</u>	<u>99</u>	<u>(99)</u>	<u>(8,608)</u>
Nonoperating Revenues (Expenses):						
Gain on Sale of Equipment	—	—	632	3	—	635
Investment Income	134	—	—	27	—	161
Interest Expense	(185)	(6)	(180)	—	—	(371)
Other Nonoperating Revenues	<u>461</u>	<u>31</u>	<u>96</u>	<u>—</u>	<u>—</u>	<u>588</u>
Total Nonoperating Revenues, Net	<u>410</u>	<u>25</u>	<u>548</u>	<u>30</u>	<u>—</u>	<u>1,013</u>
Income (Loss) Before Transfers	(6,601)	(1,698)	674	129	(99)	(7,595)
Transfers In	33,254	—	—	—	—	33,254
Transfers Out	<u>(4,418)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(4,418)</u>
Total Transfers	<u>28,836</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>28,836</u>
Change in Net Assets	22,235	(1,698)	674	129	(99)	21,241
Net Assets, Beginning of Year	<u>144,856</u>	<u>9,742</u>	<u>11,557</u>	<u>4,178</u>	<u>760</u>	<u>171,093</u>
Net Assets, End of Year	<u>\$167,091</u>	<u>\$ 8,044</u>	<u>\$12,231</u>	<u>\$ 4,307</u>	<u>\$ 661</u>	<u>\$192,334</u>

**Combining Statement of Cash Flows  
Internal Service Funds  
For the Fiscal Year Ended June 30, 2009  
(Expressed in Thousands)**

	<b>State Building Fund</b>	<b>Information Services and Communications</b>	<b>Travel Management</b>	<b>Investment Management Board</b>	<b>Board of Treasury Investments</b>	<b>Total</b>
Cash Flows from Operating Activities:						
Receipts from Customers	\$ 14,147	\$ 34,120	\$ 7,456	\$ 25,000	\$ 2,421	\$ 83,144
Payments to Suppliers	(10,373)	(15,671)	(2,051)	(22,780)	(2,671)	(53,546)
Payments to Employees	<u>(5,531)</u>	<u>(14,571)</u>	<u>(1,103)</u>	<u>(2,333)</u>	—	<u>(23,538)</u>
Net Cash Provided by (Used for) Operating Activities	<u>(1,757)</u>	<u>3,878</u>	<u>4,302</u>	<u>(113)</u>	<u>(250)</u>	<u>6,060</u>
Cash Flows from Noncapital Financing Activities:						
Transfers In	33,254	—	—	—	—	33,254
Transfers Out	(4,418)	—	—	—	—	(4,418)
Other Nonoperating Receipts	<u>78</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>78</u>
Net Cash Provided by Noncapital Financing Activities	<u>28,914</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>28,914</u>
Cash Flows from Capital and Related Financing Activities:						
Repayment of Capital Debt	(296)	(3,613)	(3,931)	—	—	(7,840)
Interest Paid on Capital Debt	(186)	(6)	(188)	—	—	(380)
Acquisition and Construction of Capital Assets	(21,823)	(442)	(2,038)	(34)	—	(24,337)
Proceeds from Sale of Capital Assets	<u>—</u>	<u>—</u>	<u>681</u>	<u>3</u>	<u>—</u>	<u>684</u>
Net Cash Used for Capital and Related Financing Activities	<u>(22,305)</u>	<u>(4,061)</u>	<u>(5,476)</u>	<u>(31)</u>	<u>—</u>	<u>(31,873)</u>
Cash Flows from Investing Activities:						
Purchase of Investments	(850)	—	—	—	—	(850)
Proceeds from Sale of Investments	850	—	—	—	—	850
Investment Earnings	<u>134</u>	<u>—</u>	<u>8</u>	<u>35</u>	<u>—</u>	<u>177</u>
Net Cash Provided by Investing Activities	<u>134</u>	<u>—</u>	<u>8</u>	<u>35</u>	<u>—</u>	<u>177</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,986	(183)	(1,166)	(109)	(250)	3,278
Cash and Cash Equivalents, Beginning of Year	<u>91,294</u>	<u>6,417</u>	<u>3,553</u>	<u>5,157</u>	<u>894</u>	<u>107,315</u>
Cash and Cash Equivalents, End of Year	<u>\$ 96,280</u>	<u>\$ 6,234</u>	<u>\$ 2,387</u>	<u>\$ 5,048</u>	<u>\$ 644</u>	<u>\$110,593</u>

	<u>State Building Fund</u>	<u>Information Services and Communications</u>	<u>Travel Management</u>	<u>Investment Management Board</u>	<u>Board of Treasury Investments</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for)						
Operating Activities:						
Operating Income (Loss)	\$(7,011)	\$(1,723)	\$ 126	\$ 99	\$ (99)	\$(8,608)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Depreciation and Amortization	4,152	4,398	4,987	1	6	13,544
Changes in Assets and Liabilities:						
Receivables	224	(1,893)	94	986	(33)	(622)
Inventories	(156)	(52)	—	—	—	(208)
Other Assets	7	—	—	9	—	16
Accounts Payable and Accrued Liabilities	796	2,423	(902)	(1,208)	(124)	985
Other Liabilities	<u>231</u>	<u>725</u>	<u>(3)</u>	<u>—</u>	<u>—</u>	<u>953</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$(1,757)</u></u>	<u><u>\$ 3,878</u></u>	<u><u>\$4,302</u></u>	<u><u>\$ (113)</u></u>	<u><u>\$(250)</u></u>	<u><u>\$ 6,060</u></u>
Schedule of Non-Cash Capital and Financing Activities:						
Incurred Capital Leases On Behalf OPEB Payments	\$ — 78	\$10,517 —	\$ — —	\$ — —	\$ — —	\$10,517 78

# *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.

**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.

**Combining Statement of Net Assets  
Nonmajor Proprietary Funds  
June 30, 2009  
(Expressed in Thousands)**

	<b>Business-type Activities Enterprise Funds</b>				
	<b>Drinking Water Treatment Revolving Fund</b>	<b>Alcohol Beverage Control Administration</b>	<b>West Virginia Prepaid College Plan</b>	<b>AccessWV</b>	<b>Total</b>
<b>Assets:</b>					
<b>Current Assets:</b>					
Cash and Cash Equivalents	\$19,095	\$4,825	\$ 2,626	\$11,502	\$ 38,048
Receivables, Net	2,394	—	932	—	3,326
Due from Other Funds	—	—	62	—	62
Inventories	—	33	—	—	33
Other Assets	—	505	—	—	505
<b>Total Current Assets</b>	<b>21,489</b>	<b>5,363</b>	<b>3,620</b>	<b>11,502</b>	<b>41,974</b>
<b>Noncurrent Assets:</b>					
Investments	—	—	73,291	—	73,291
Receivables, Net	52,529	—	2,237	—	54,766
Capital Assets, Net	—	1,931	—	—	1,931
<b>Total Noncurrent Assets</b>	<b>52,529</b>	<b>1,931</b>	<b>75,528</b>	<b>—</b>	<b>129,988</b>
<b>Total Assets</b>	<b>74,018</b>	<b>7,294</b>	<b>79,148</b>	<b>11,502</b>	<b>171,962</b>
<b>Liabilities:</b>					
<b>Current Liabilities:</b>					
Accounts Payable	—	3,389	16	—	3,405
Accrued Tuition Contract Benefits	—	—	12,130	—	12,130
Accrued and Other Liabilities	—	—	—	30	30
Due to Other Funds	—	175	12	—	187
Insurance Claims Obligations	—	—	—	310	310
Compensated Absences	—	—	36	—	36
<b>Total Current Liabilities</b>	<b>—</b>	<b>3,564</b>	<b>12,194</b>	<b>340</b>	<b>16,098</b>
<b>Noncurrent Liabilities:</b>					
Accrued Tuition Contract Benefits	—	—	93,126	—	93,126
Compensated Absences	—	359	—	—	359
<b>Total Noncurrent Liabilities</b>	<b>—</b>	<b>359</b>	<b>93,126</b>	<b>—</b>	<b>93,485</b>
<b>Total Liabilities</b>	<b>—</b>	<b>3,923</b>	<b>105,320</b>	<b>340</b>	<b>109,583</b>
<b>Net Assets (Deficit):</b>					
Invested in Capital Assets	—	1,931	—	—	1,931
<b>Restricted for:</b>					
Lending Activities	74,018	—	—	—	74,018
Insurance Activities	—	—	—	11,162	11,162
Education	—	—	976	—	976
Unrestricted (Deficit)	—	1,440	(27,148)	—	(25,708)
<b>Total Net Assets (Deficit)</b>	<b>\$74,018</b>	<b>\$3,371</b>	<b>\$ (26,172)</b>	<b>\$11,162</b>	<b>\$ 62,379</b>

## West Virginia

### Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Nonmajor Proprietary Funds For the Fiscal Year Ended June 30, 2009 (Expressed in Thousands)

	<b>Business-type Activities Enterprise Funds</b>				
	<b>Drinking Water Treatment Revolving Fund</b>	<b>Alcohol Beverage Control Administration</b>	<b>West Virginia Prepaid College Plan</b>	<b>AccessWV</b>	<b>Total</b>
Operating Revenues:					
Charges for Services and Sales	\$ 596	\$ 80,497	\$ —	\$ 5,962	\$ 87,055
Tuition Contracts	—	—	(44)	—	(44)
Licenses, Permits, and Fees	—	3,427	—	—	3,427
Other	—	249	609	109	967
Total Operating Revenues	<u>596</u>	<u>84,173</u>	<u>565</u>	<u>6,071</u>	<u>91,405</u>
Operating Expenses:					
Cost of Sales and Services	—	62,759	—	—	62,759
Insurance Claims and Claims Adjustment Provisions	—	—	—	3,165	3,165
Tuition Contract Benefits and Expenses	—	—	(3,940)	—	(3,940)
General and Administration	—	6,318	895	365	7,578
Depreciation and Amortization	—	142	—	—	142
Total Operating Expenses	<u>—</u>	<u>69,219</u>	<u>(3,045)</u>	<u>3,530</u>	<u>69,704</u>
Operating Income	596	14,954	3,610	2,541	21,701
Nonoperating Revenues (Expenses):					
Interest and Other Investment Income	208	—	(12,631)	128	(12,295)
Other Nonoperating Revenues	—	16	9	—	25
Total Nonoperating Revenues (Expenses), Net	<u>208</u>	<u>16</u>	<u>(12,622)</u>	<u>128</u>	<u>(12,270)</u>
Income (Loss) Before Transfers	804	14,970	(9,012)	2,669	9,431
Transfers:					
Transfers In	6,391	200	157	—	6,748
Transfers Out	—	(17,265)	—	—	(17,265)
Total Transfers	<u>6,391</u>	<u>(17,065)</u>	<u>157</u>	<u>—</u>	<u>(10,517)</u>
Change in Net Assets	7,195	(2,095)	(8,855)	2,669	(1,086)
Net Assets (Deficit), Beginning of Year	<u>66,823</u>	<u>5,466</u>	<u>(17,317)</u>	<u>8,493</u>	<u>63,465</u>
Net Assets (Deficit), End of Year	<u>\$74,018</u>	<u>\$ 3,371</u>	<u>\$(26,172)</u>	<u>\$11,162</u>	<u>\$ 62,379</u>

**Combining Statement of Cash Flows  
Nonmajor Proprietary Funds  
For the Fiscal Year Ended June 30, 2009  
(Expressed in Thousands)**

	<b>Business-type Activities Enterprise Funds</b>				
	<b>Drinking Water Treatment Revolving Fund</b>	<b>Alcohol Beverage Control Administration</b>	<b>West Virginia Prepaid College Plan</b>	<b>AccessWV</b>	<b>Total</b>
Cash Flows From Operating Activities:					
Receipts from Customers	\$ 2,695	\$ 84,105	\$ 924	\$ 6,071	\$ 93,795
Payments to Suppliers	—	(63,790)	(508)	(3,672)	(67,970)
Payments to Employees	—	(4,601)	(413)	(39)	(5,053)
Payments to Beneficiaries	—	—	(8,214)	—	(8,214)
Payments for Loans Originated	(7,079)	—	—	—	(7,079)
Other Operating Cash Receipts	—	154	647	—	801
Net Cash Provided by (Used for) Operating Activities	<u>(4,384)</u>	<u>15,868</u>	<u>(7,564)</u>	<u>2,360</u>	<u>6,280</u>
Cash Flows from Noncapital Financing Activities:					
Transfers In	6,391	200	112	—	6,703
Transfers Out	—	(17,264)	—	—	(17,264)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>6,391</u>	<u>(17,064)</u>	<u>112</u>	<u>—</u>	<u>(10,561)</u>
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	—	(148)	—	—	(148)
Proceeds from Sale of Capital Assets	—	16	—	—	16
Net Cash Used for Capital and Related Financing Activities	<u>—</u>	<u>(132)</u>	<u>—</u>	<u>—</u>	<u>(132)</u>
Cash Flows from Investing Activities:					
Purchase of Investments	—	—	(10,112)	—	(10,112)
Proceeds from Sale of Investments	—	—	7,600	—	7,600
Investment Earnings	208	—	10,132	128	10,468
Net Cash Provided by Investing Activities	<u>208</u>	<u>—</u>	<u>7,620</u>	<u>128</u>	<u>7,956</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,215	(1,328)	168	2,488	3,543
Cash and Cash Equivalents, Beginning of Year	<u>16,880</u>	<u>6,153</u>	<u>2,458</u>	<u>9,014</u>	<u>34,505</u>
Cash and Cash Equivalents, End of Year	<u>\$19,095</u>	<u>\$ 4,825</u>	<u>\$ 2,626</u>	<u>\$11,502</u>	<u>\$ 38,048</u>

(Continued)



**Combining Statement of Cash Flows  
Nonmajor Proprietary Funds  
For the Fiscal Year Ended June 30, 2009  
(Expressed in Thousands)  
(Continued)**

	<b>Business-type Activities Enterprise Funds</b>				
	<b>Drinking Water Treatment Revolving Fund</b>	<b>Alcohol Beverage Control Administration</b>	<b>West Virginia Prepaid College Plan</b>	<b>AccessWV</b>	<b>Total</b>
Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:					
Operating Income	\$ 596	\$14,954	\$ 3,610	\$2,541	\$ 21,701
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used for) Operating Activities:					
Depreciation and Amortization	—	142	—	—	142
Changes in Assets and Liabilities:					
Receivables	(4,980)	86	1,005	—	(3,889)
Inventories	—	(16)	—	—	(16)
Accounts Payable and Accrued Liabilities	—	702	(38)	(191)	473
Tuition Contracts Benefits and Expenses	—	—	(12,154)	—	(12,154)
Other Liabilities	—	—	—	10	10
Compensated Absences	—	—	13	—	13
Net Cash Provided by (Used for) Operating Activities	<u>\$(4,384)</u>	<u>\$15,868</u>	<u>\$(7,564)</u>	<u>\$2,360</u>	<u>\$ 6,280</u>
Schedule of Noncash Capital and Financing Activities:					
Unrealized Gain on Investments On Behalf OPEB Payments	\$ —	\$ —	\$(22,764) 9	\$ — —	\$(22,764) 9



# *PENSION 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 seven plans. There are six defined benefit plans as follows: The Public Employees' Retirement System (PERS) plan is a multiple-employer defined benefit, cost-sharing public employee retirement system. This plan covers substantially all employees of the State and its component units, as well as employees of participating non-State governmental entities who are not participants of another State or municipal retirement system. The Deputy Sheriff Retirement System (DSRS) plan is a multiple-employer defined benefit, cost-sharing public employee retirement system. This plan covers all deputy sheriffs hired on or after July 1, 1998, as well as eligible transferees from PERS. The Emergency Medical Services Retirement System (EMSRS) is a multiple-employer, cost-sharing public employee retirement system which was established for eligible emergency medical service officers. Participation is voluntary. The Teachers' Retirement System (TRS) plan is a multiple-employer defined benefit, cost-sharing public employee retirement system. This plan covers all full-time employees of the public school systems in the State, as well as certain personnel of the State-supported institutions of higher education, State Department of Education, and Boards of higher education. The Public Safety Death, Disability and Retirement Fund (PSDDRF) plan is a single-employer defined benefit public employee retirement system. This plan covers all West Virginia State Police hired before July 1, 1994. The State Police Retirement System (SPRS) was implemented to cover all State Police employees hired on or after July 1, 1994. The Judges Retirement System (JRS) plan is a single-employer defined benefit public employee retirement system. This plan covers the State's judges who elect to participate. The Teachers' Defined Contribution Retirement System (TDCRS) plan is a multiple-employer defined contribution retirement system. This plan primarily covers full-time employees of the State's county public school systems.

***Other Employee Benefit Trust Fund*** This fund type is used to report a trust arrangement and is accounted for in essentially the same manner as proprietary funds.

**The West Virginia Retiree Health Benefit Trust Fund** The West Virginia Retiree Health Benefit Trust Fund (RHBT), an irrevocable trust, was established under West Virginia Code 5-16D and is administered by the West Virginia Public Employees Insurance Agency (PEIA) and the PEIA Finance Board. The RHBT is a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. It provides the following basic retiree benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, dental, and prescription drug coverage for retired employees of the State of West Virginia and various non-State agencies and their dependents. All premium rates for plan members and employers are established based upon actuarially determined projected coverage costs as reviewed and approved by the Finance Board of PEIA.

**Combining Statement of Plan Net Assets  
Pension Trust and Other Employee  
Benefit Trust Funds  
June 30, 2009  
(Expressed in Thousands)**

	<b>Public Employees' Retirement System</b>	<b>Teachers' Retirement System</b>	<b>Public Safety Death, Disability, and Retirement Fund</b>	<b>State Police Retirement System</b>
Assets:				
Cash and Cash Equivalents	\$ 24	\$ 2,283	\$ 3	\$ —
Investments:				
Equity in Pooled Investments	3,243,754	3,513,007	362,924	40,321
Mutual Funds	—	—	—	—
Receivables, Net:				
Contributions	3,215	30,407	—	—
Participant Loans	—	8,826	—	—
Accounts	—	—	—	—
Due from Other Funds	1,307	356	—	—
Due from Component Units	<u>156</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Assets	<u>3,248,456</u>	<u>3,554,879</u>	<u>362,927</u>	<u>40,321</u>
Liabilities:				
Accrued and Other Liabilities	115	108	—	—
Due to Other Funds	71	—	—	—
Insurance Claims Payable	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total Liabilities	<u>186</u>	<u>108</u>	<u>—</u>	<u>—</u>
Net Assets Held in trust for Pension and Other Postemployment Benefits	<u>\$3,248,270</u>	<u>\$3,554,771</u>	<u>\$362,927</u>	<u>\$40,321</u>

<u>Judges' Retirement System</u>	<u>Teachers' Defined Contribution Retirement System</u>	<u>Deputy Sheriff Retirement System</u>	<u>Emergency Medical Services Retirement System</u>	<u>Total Pension Trust Funds</u>	<u>Other Employee Benefit Trust Fund</u>	<u>Total Pension and Other Employee Benefit Trust Funds</u>
\$ —	\$ 3,142	\$ 4	\$ —	\$ 5,456	\$190,805	\$ 196,261
88,310	—	77,050	16,870	7,342,236	200,538	7,542,774
—	222,407	—	—	222,407	—	222,407
—	2,156	540	303	36,621	12,130	48,751
—	201	517	—	9,544	—	9,544
—	—	—	—	—	974	974
—	—	120	—	1,783	1,537	3,320
—	—	—	—	156	—	156
<u>88,310</u>	<u>227,906</u>	<u>78,231</u>	<u>17,173</u>	<u>7,618,203</u>	<u>405,984</u>	<u>8,024,187</u>
—	201	11	—	435	910	1,345
—	—	—	—	71	—	71
—	—	—	—	—	7,660	7,660
—	<u>201</u>	<u>11</u>	—	<u>506</u>	<u>8,570</u>	<u>9,076</u>
<u>\$88,310</u>	<u>\$227,705</u>	<u>\$78,220</u>	<u>\$17,173</u>	<u>\$7,617,697</u>	<u>\$397,414</u>	<u>\$8,015,111</u>

**Combining Statement of Changes in Plan Net Assets  
Pension Trust and Other Employee  
Benefit Trust Funds  
For the Fiscal Year Ended June 30, 2009  
(Expressed in Thousands)**

	<b>Public Employees' Retirement System</b>	<b>Teachers' Retirement System</b>	<b>Public Safety Death, Disability, and Retirement Fund</b>	<b>State Police Retirement System</b>
Additions:				
Contributions:				
Members	\$ 56,360	\$ 115,925	\$ 968	\$ 2,594
Employers	<u>131,143</u>	<u>368,330</u>	<u>1,688</u>	<u>2,594</u>
Total Contributions	<u>187,503</u>	<u>484,255</u>	<u>2,656</u>	<u>5,188</u>
Investment Income (Loss):				
Net Appreciation (Depreciation) in Fair Value of Investments	(885,571)	(639,403)	(103,695)	(9,193)
Interest	277,604	75,260	32,066	3,224
Investment Expense	<u>(11,050)</u>	<u>(11,453)</u>	<u>(1,253)</u>	<u>(138)</u>
Net Investment Income (Loss)	<u>(619,017)</u>	<u>(575,596)</u>	<u>(72,882)</u>	<u>(6,107)</u>
Transfers to (from) Plans	56	698,268	—	—
Other	<u>4,118</u>	<u>41,963</u>	<u>1,917</u>	<u>176</u>
Total Additions	<u>(427,340)</u>	<u>648,890</u>	<u>(68,309)</u>	<u>(743)</u>
Deductions:				
Benefit Expense	248,770	463,528	27,823	298
Refunds of Contributions	10,422	5,143	72	168
Administrative Expenses	<u>4,257</u>	<u>3,964</u>	<u>51</u>	<u>34</u>
Total Deductions	<u>263,449</u>	<u>472,635</u>	<u>27,946</u>	<u>500</u>
Change in Net Assets Held in Trust for Pension and Other Postemployment Benefits	(690,789)	176,255	(96,255)	(1,243)
Net Assets, Beginning of Year	<u>3,939,059</u>	<u>3,378,516</u>	<u>459,182</u>	<u>41,564</u>
Net Assets, End of Year	<u>\$3,248,270</u>	<u>\$3,554,771</u>	<u>\$362,927</u>	<u>\$ 40,321</u>

<b>Judges' Retirement System</b>	<b>Teachers' Defined Contribution Retirement System</b>	<b>Deputy Sheriff Retirement System</b>	<b>Emergency Medical Services Retirement System</b>	<b>Total Pension Trust Funds</b>	<b>Other Employee Benefit Trust Fund</b>	<b>Total Pension and Other Employee Benefit Trust Funds</b>
\$ 748	\$ 6,250	\$ 3,160	\$ 1,749	\$ 187,754	\$ 63,655	\$ 251,409
<u>6,034</u>	<u>10,342</u>	<u>3,962</u>	<u>2,030</u>	<u>526,123</u>	<u>235,137</u>	<u>761,260</u>
<u>6,782</u>	<u>16,592</u>	<u>7,122</u>	<u>3,779</u>	<u>713,877</u>	<u>298,792</u>	<u>1,012,669</u>
(21,580)	(29,743)	(20,029)	(3,309)	(1,712,523)	(2,324)	(1,714,847)
6,956	—	6,714	1,212	403,036	5,456	408,492
<u>(303)</u>	<u>—</u>	<u>(265)</u>	<u>(57)</u>	<u>(24,519)</u>	<u>—</u>	<u>(24,519)</u>
<u>(14,927)</u>	<u>(29,743)</u>	<u>(13,580)</u>	<u>(2,154)</u>	<u>(1,334,006)</u>	<u>3,132</u>	<u>(1,330,874)</u>
(5)	(698,347)	—	28	—	—	—
<u>—</u>	<u>—</u>	<u>555</u>	<u>—</u>	<u>48,729</u>	<u>1,267</u>	<u>49,996</u>
<u>(8,150)</u>	<u>(711,498)</u>	<u>(5,903)</u>	<u>1,653</u>	<u>(571,400)</u>	<u>303,191</u>	<u>(268,209)</u>
3,719	—	5,018	—	749,156	157,282	906,438
—	6,480	633	127	23,045	—	23,045
<u>7</u>	<u>986</u>	<u>78</u>	<u>28</u>	<u>9,405</u>	<u>3,312</u>	<u>12,717</u>
<u>3,726</u>	<u>7,466</u>	<u>5,729</u>	<u>155</u>	<u>781,606</u>	<u>160,594</u>	<u>942,200</u>
(11,876)	(718,964)	(11,632)	1,498	(1,353,006)	142,597	(1,210,409)
<u>100,186</u>	<u>946,669</u>	<u>89,852</u>	<u>15,675</u>	<u>8,970,703</u>	<u>254,817</u>	<u>9,225,520</u>
<u>\$ 88,310</u>	<u>\$ 227,705</u>	<u>\$ 78,220</u>	<u>\$17,173</u>	<u>\$ 7,617,697</u>	<u>\$397,414</u>	<u>\$ 8,015,111</u>



# *INVESTMENT TRUST FUNDS*

**Investment Trust Funds** The investment trust funds account for the external portion of the State's external investment pools. The State maintains two external investment pools, the West Virginia Money Market and West Virginia Government Money Market pools. The external portion belongs to local governments and municipalities. These Funds are accounted for in essentially the same manner as proprietary funds.

**Combining Statement of Fiduciary Net Assets  
Investment Trust Funds  
June 30, 2009  
(Expressed in Thousands)**

	<b>West Virginia Money Market</b>	<b>West Virginia Government Money Market</b>	<b>Total</b>
Assets:			
Cash and Cash Equivalents	\$85,892	\$176,397	\$262,289
Total Assets	<u>\$85,892</u>	<u>\$176,397</u>	<u>\$262,289</u>
Net Assets:			
Held in Trust for External Investment Pool Participants	\$85,892	\$176,397	\$262,289
Total Net Assets	<u>\$85,892</u>	<u>\$176,397</u>	<u>\$262,289</u>

**Combining Statement of Changes in Fiduciary Net Assets  
Investment Trust Funds  
For the Fiscal Year Ended June 30, 2009  
(Expressed in Thousands)**

	<b>West Virginia Money Market</b>	<b>West Virginia Government Money Market</b>	<b>Total</b>
Additions:			
Deposits, Pool Participants	\$328,342	\$417,232	\$745,574
Investment Income:			
Net Appreciation in Fair Value of Investments	<u>1,070</u>	<u>1,992</u>	<u>3,062</u>
Total Additions	<u>329,412</u>	<u>419,224</u>	<u>748,636</u>
Deductions:			
Withdrawals	<u>334,369</u>	<u>403,586</u>	<u>737,955</u>
Change in Net Assets Held in Trust for External Investment Pool Participants	(4,957)	15,638	10,681
Net Assets, Beginning of Year	<u>90,849</u>	<u>160,759</u>	<u>251,608</u>
Net Assets, End of Year	<u>\$ 85,892</u>	<u>\$176,397</u>	<u>\$262,289</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 the Division of Highways, and other restricted assets held by the Governor's Office of Community and Industrial Development and the Department of Natural Resources. 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**  
**June 30, 2009**  
(Expressed in Thousands)

	<u>Local Government</u>		<u>Other Agency</u>			<u>Total</u>
	<u>Local Government</u>	<u>Municipal Bond Commission</u>	<u>Consolidated Investment Pool</u>	<u>Patient Injury Compensation Fund</u>	<u>Other Agency Funds</u>	
Assets:						
Current Assets:						
Cash and						
Cash Equivalents	\$772	\$8,720	\$25,494	\$5,418	\$22,962	\$63,366
Receivables, Net	—	—	4	1	1	6
Total Assets	<u>\$772</u>	<u>\$8,720</u>	<u>\$25,498</u>	<u>\$5,419</u>	<u>\$22,963</u>	<u>\$63,372</u>
Liabilities:						
Current Liabilities:						
Accounts Payable	\$ 5	\$ —	\$ —	\$ —	\$ 1,819	\$ 1,824
Due to Other Governments	767	8,720	—	—	—	9,487
Agency Liabilities	—	—	25,498	5,419	21,144	52,061
Total Liabilities	<u>\$772</u>	<u>\$8,720</u>	<u>\$25,498</u>	<u>\$5,419</u>	<u>\$22,963</u>	<u>\$63,372</u>

**Combining Statement of Changes in Assets and Liabilities  
Agency Funds  
For the Fiscal Year Ended June 30, 2009  
(Expressed in Thousands)**

	<b>Balance July 1, 2008, as Restated</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2009</b>
<b>Local Government</b>				
Assets:				
Cash	\$ 391	\$1,579,128	\$1,578,747	\$ 772
Total Assets	<u>\$ 391</u>	<u>\$1,579,128</u>	<u>\$1,578,747</u>	<u>\$ 772</u>
Liabilities:				
Accounts Payable	\$ —	\$ 8,060	\$ 8,055	\$ 5
Due to Other Governments	391	1,587,183	1,586,807	767
Total Liabilities	<u>\$ 391</u>	<u>\$1,595,243</u>	<u>\$1,594,862</u>	<u>\$ 772</u>
<b>Municipal Bond Commission</b>				
Assets:				
Cash	\$11,644	\$ 399,397	\$ 402,321	\$ 8,720
Total Assets	<u>\$11,644</u>	<u>\$ 399,397</u>	<u>\$ 402,321</u>	<u>\$ 8,720</u>
Liabilities:				
Accounts Payable	\$ —	\$ 146,161	\$ 146,161	\$ —
Due to Other Governments	11,644	545,558	548,482	8,720
Total Liabilities	<u>\$11,644</u>	<u>\$ 691,719</u>	<u>\$ 694,643</u>	<u>\$ 8,720</u>
<b>Consolidated Investment Pool</b>				
Assets:				
Cash	\$ 5,792	\$ 41,780	\$ 40,277	\$ 7,295
Equity in Pooled Cash Equivalents	19,842	14,641	16,284	18,199
Accrued Interest Receivable	34	4	34	4
Total Assets	<u>\$25,668</u>	<u>\$ 56,425</u>	<u>\$ 56,595</u>	<u>\$25,498</u>
Liabilities:				
Accounts Payable	\$ —	\$ 8	\$ 8	\$ —
Agency Liabilities	25,668	56,433	56,603	25,498
Total Liabilities	<u>\$25,668</u>	<u>\$ 56,441</u>	<u>\$ 56,611</u>	<u>\$25,498</u>
<b>Patient Injury Compensation Fund</b>				
Assets:				
Cash and Cash Equivalents	\$ 43	\$ 72	\$ 72	\$ 43
Equity in Pooled Cash Equivalents	5,303	72	—	5,375
Accrued Interest Receivable	10	1	10	1
Total Assets	<u>\$ 5,356</u>	<u>\$ 145</u>	<u>\$ 82</u>	<u>\$ 5,419</u>
Liabilities:				
Agency Liabilities	\$ 5,356	\$ 145	\$ 82	\$ 5,419
Total Liabilities	<u>\$ 5,356</u>	<u>\$ 145</u>	<u>\$ 82</u>	<u>\$ 5,419</u>

	<b>Balance July 1, 2008, as Restated</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2009</b>
<b>Other Agency Funds</b>				
Assets:				
Cash and Cash Equivalents	\$19,727	\$ 217,868	\$ 218,923	\$18,672
Equity in Pooled Cash Equivalents	4,491	381	582	4,290
Accrued Interest Receivable	<u>8</u>	<u>1</u>	<u>8</u>	<u>1</u>
Total Assets	<u>\$24,226</u>	<u>\$ 218,250</u>	<u>\$ 219,513</u>	<u>\$22,963</u>
Liabilities:				
Accounts Payable	\$ 1,559	\$ 3,330	\$ 3,070	\$ 1,819
Agency Liabilities	<u>22,667</u>	<u>221,320</u>	<u>222,843</u>	<u>21,144</u>
Total Liabilities	<u>\$24,226</u>	<u>\$ 224,650</u>	<u>\$ 225,913</u>	<u>\$22,963</u>
<b>Total - All Agency Funds</b>				
Assets:				
Cash and Cash Equivalents	\$37,597	\$2,238,245	\$2,240,340	\$35,502
Equity in Pooled Cash Equivalents	29,636	15,094	16,866	27,864
Accrued Interest Receivable	<u>52</u>	<u>6</u>	<u>52</u>	<u>6</u>
Total Assets	<u>\$67,285</u>	<u>\$2,253,345</u>	<u>\$2,257,258</u>	<u>\$63,372</u>
Liabilities:				
Accounts Payable	\$ 1,559	\$ 157,559	\$ 157,294	\$ 1,824
Due to Other Governments	12,035	2,132,741	2,135,289	9,487
Agency Liabilities	<u>53,691</u>	<u>277,898</u>	<u>279,528</u>	<u>52,061</u>
Total Liabilities	<u>\$67,285</u>	<u>\$2,568,198</u>	<u>\$2,572,111</u>	<u>\$63,372</u>



# *DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS*

## *Nonmajor Component Units*

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

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

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

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

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

**Public Defenders Corporation** The Corporation is responsible for fulfilling the State's obligation to provide legal representation to eligible clients. Funding of the individual public defender corporations is by appropriation determined by the executive director of the Public Defender Services.



## West Virginia

### Combining Statement of Net Assets Nonmajor Discretely Presented Component Units June 30, 2009 (Expressed in Thousands)

	Educational Broadcasting Authority	Jobs Investment Trust	WV State Rail Authority
Assets:			
Current Assets:			
Cash and Cash Equivalents	\$2,306	\$ 9,865	\$3,186
Investments	120	—	—
Receivables, Net	286	—	88
Due from Primary Government	346	—	33
Inventories	—	—	45
Other Assets	107	—	1
Restricted Assets:			
Cash and Cash Equivalents	—	—	—
Receivables, Net	—	—	—
Total Current Assets	<u>3,165</u>	<u>9,865</u>	<u>3,353</u>
Noncurrent Assets:			
Investments	—	7,897	—
Receivables, Net	—	4,324	—
Other Assets	—	572	—
Restricted Assets:			
Receivables, Net	—	—	—
Other Restricted Assets	260	—	—
Capital Assets, Net	<u>6,021</u>	<u>601</u>	<u>37,352</u>
Total Noncurrent Assets	<u>6,281</u>	<u>13,394</u>	<u>37,352</u>
Total Assets	<u>9,446</u>	<u>23,259</u>	<u>40,705</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	291	1	32
Accrued and Other Liabilities	—	28	42
Unearned Revenue	86	—	3
Due to Primary Government	181	—	68
Capital Leases and Other Debt	—	—	—
Compensated Absences	<u>226</u>	<u>—</u>	<u>52</u>
Total Current Liabilities	<u>784</u>	<u>29</u>	<u>197</u>
Noncurrent Liabilities:			
Accrued and Other Liabilities	—	—	—
Unearned Revenue	—	—	80
Liabilities Payable from Restricted Assets	—	—	—
Capital Leases and Other Debt	—	24,059	—
Compensated Absences	<u>109</u>	<u>—</u>	<u>—</u>
Total Noncurrent Liabilities	<u>109</u>	<u>24,059</u>	<u>80</u>
Total Liabilities	<u>893</u>	<u>24,088</u>	<u>277</u>
Net Assets:			
Investment in Capital Assets, Net of Related Debt Restricted for Specific Component Unit Purposes	6,021	601	37,352
Unrestricted	<u>2,272</u>	<u>(1,430)</u>	<u>3,076</u>
Total Net Assets	<u>\$8,553</u>	<u>\$ (829)</u>	<u>\$ 40,428</u>

<b>Solid Waste Management Board</b>	<b>Racing Commission</b>	<b>Public Defender Corporation</b>	<b>Total</b>
\$2,288	\$ 7,415	\$2,924	\$ 27,984
—	—	—	120
234	818	—	1,426
—	3	—	382
—	—	—	45
1	—	56	165
1,373	36,178	—	37,551
<u>371</u>	<u>—</u>	<u>—</u>	<u>371</u>
<u>4,267</u>	<u>44,414</u>	<u>2,980</u>	<u>68,044</u>
—	—	—	7,897
—	—	—	4,324
—	—	—	572
2,750	—	—	2,750
—	—	—	260
<u>9</u>	<u>14</u>	<u>603</u>	<u>44,600</u>
<u>2,759</u>	<u>14</u>	<u>603</u>	<u>60,403</u>
<u>7,026</u>	<u>44,428</u>	<u>3,583</u>	<u>128,447</u>
156	815	26	1,321
—	30	223	323
—	—	2	91
41	452	713	1,455
—	—	16	16
—	—	—	278
<u>197</u>	<u>1,297</u>	<u>980</u>	<u>3,484</u>
200	—	—	200
—	—	—	80
—	36,178	—	36,178
—	—	95	24,154
—	104	673	886
<u>200</u>	<u>36,282</u>	<u>768</u>	<u>61,498</u>
<u>397</u>	<u>37,579</u>	<u>1,748</u>	<u>64,982</u>
9	14	488	44,485
4,295	—	—	4,555
<u>2,325</u>	<u>6,835</u>	<u>1,347</u>	<u>14,425</u>
<u>\$6,629</u>	<u>\$ 6,849</u>	<u>\$1,835</u>	<u>\$ 63,465</u>

**Combining Statement of Activities  
Nonmajor Discretely Presented Component Units  
For the Fiscal Year Ended June 30, 2009  
(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	\$11,196	\$ 2,008	\$1,474	\$ (7,714)
Jobs Investment Trust	2,174	238	—	(1,936)
WV State Rail Authority	4,110	2,153	—	(1,957)
Solid Waste Management Board	2,299	2,270	—	(29)
Racing Commission	3,365	3,941	—	576
Public Defender Corporation	<u>16,201</u>	<u>—</u>	<u>—</u>	<u>(16,201)</u>
Total Component Units	<u>\$39,345</u>	<u>\$10,610</u>	<u>\$1,474</u>	<u>\$(27,261)</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	Change in Net Assets	Net Assets, Beginning of Year, as Restated	Net Assets, End of Year
\$ —	\$983	\$492	\$ 6,760	\$ 8,235	\$ 521	\$ 8,032	\$ 8,553
158	—	—	2,000	2,158	222	(1,051)	(829)
34	—	16	3,146	3,196	1,239	39,189	40,428
15	—	—	—	15	(14)	6,643	6,629
—	—	12	—	12	588	6,261	6,849
<u>4</u>	<u>—</u>	<u>6</u>	<u>16,474</u>	<u>16,484</u>	<u>283</u>	<u>1,552</u>	<u>1,835</u>
<u>\$211</u>	<u>\$983</u>	<u>\$526</u>	<u>\$28,380</u>	<u>\$30,100</u>	<u>\$2,839</u>	<u>\$60,626</u>	<u>\$63,465</u>





# Statistical Section

Financial Trends

Revenue Capacity

Debt Capacity

Demographics and  
Economic Information

Operating Information

Miscellaneous



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

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Sources: Unless otherwise noted, the information in the following schedules is derived from the State's Comprehensive Annual Financial Reports.



**Schedule 1**  
**Net Assets by Component**  
**Last Eight Fiscal Years**  
**(Expressed in Thousands)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Governmental Activities</b>			
Invested in Capital Assets, Net of Related Debt	\$ 7,532,883	\$ 7,230,626	\$6,934,539
Restricted	817,524	926,541	861,508
Unrestricted Assets (Deficit)	<u>1,725,672</u>	<u>1,402,670</u>	<u>846,987</u>
<b>Total Governmental Activities</b>			
<b>Net Assets</b>	<u>\$10,076,079</u>	<u>\$ 9,559,837</u>	<u>\$8,643,034</u>
<b>Business-type Activities</b>			
Invested in Capital Assets, Net of Related Debt	\$ 11,732	\$ 12,330	\$ 4,049
Restricted	1,000,274	1,074,139	1,026,973
Unrestricted Assets (Deficit)	<u>(1,095,509)</u>	<u>(1,329,576)</u>	<u>(1,704,657)</u>
<b>Total Business-type Activities</b>			
<b>Net Assets (Deficit)</b>	<u>\$ (83,503)</u>	<u>\$ (243,107)</u>	<u>\$ ( 673,635)</u>
<b>Primary Government</b>			
Invested in Capital Assets, Net of Related Debt	\$ 7,544,615	\$ 7,242,956	\$6,938,588
Restricted	1,817,798	2,000,680	1,888,481
Unrestricted Assets (Deficit)	<u>630,163</u>	<u>73,094</u>	<u>(857,670)</u>
<b>Total Primary Government</b>			
<b>Net Assets</b>	<u>\$ 9,992,576</u>	<u>\$ 9,316,730</u>	<u>\$7,969,399</u>

Note: The State implemented Governmental Accounting Standards Boards Statement No. 34 during fiscal year 2002; the relevant government-wide schedules are effective beginning in fiscal year 2002.

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

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

<b>2006</b>	<b>2005 Restated</b>	<b>2004 Restated</b>	<b>2003</b>	<b>2002</b>
\$ 6,771,494	\$ 6,448,005	\$ 6,196,704	\$ 5,910,605	\$ 5,424,495
714,802	1,262,989	1,078,859	772,580	523,238
<u>91,573</u>	<u>(817,257)</u>	<u>(667,181)</u>	<u>(548,510)</u>	<u>(549,510)</u>
<u>\$ 7,577,869</u>	<u>\$ 6,893,737</u>	<u>\$ 6,608,382</u>	<u>\$ 6,134,675</u>	<u>\$ 5,398,223</u>
\$ 2,775	\$ 9,361	\$ 9,372	\$ 10,900	\$ 10,169
944,256	775,140	687,891	809,685	821,418
<u>(2,017,602)</u>	<u>(2,224,984)</u>	<u>(2,897,674)</u>	<u>(3,256,853)</u>	<u>(2,645,138)</u>
<u>\$(1,070,571)</u>	<u>\$(1,440,483)</u>	<u>\$(2,200,411)</u>	<u>\$(2,436,268)</u>	<u>\$(1,813,551)</u>
\$ 6,774,269	\$ 6,457,366	\$ 6,206,076	\$ 5,921,505	\$ 5,434,664
1,659,058	2,038,129	1,766,750	1,582,265	1,344,656
<u>(1,926,029)</u>	<u>(3,042,241)</u>	<u>(3,564,855)</u>	<u>(3,805,363)</u>	<u>(3,194,648)</u>
<u>\$ 6,507,298</u>	<u>\$ 5,453,254</u>	<u>\$ 4,407,971</u>	<u>\$ 3,698,407</u>	<u>\$ 3,584,672</u>

**Schedule 2**  
**Changes in Net Assets**  
**Last Eight Fiscal Years**  
**(Expressed in Thousands)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Governmental Activities</b>			
Expenses:			
Legislative	\$ 29,552	\$ 28,027	\$ 26,154
Judicial	106,933	102,738	88,209
Executive	143,872	128,261	114,547
Administration	201,469	213,546	153,677
Commerce	201,901	204,448	218,610
Environmental Protection	110,652	74,827	225,458
Employment Programs	45,000	56,122	53,617
Education	2,821,883	2,646,434	2,454,835
Health and Human Resources	3,737,102	3,451,206	3,254,172
Military Affairs and Public Safety	427,575	381,104	360,443
Revenue	83,458	51,242	70,148
Transportation	977,616	876,073	778,817
Senior Services	43,729	43,701	32,195
Regulatory Boards and Commissions	35,079	35,168	34,212
Interest on Long-Term Debt	<u>141,756</u>	<u>140,208</u>	<u>94,475</u>
Total Expenses	<u>9,107,577</u>	<u>8,433,105</u>	<u>7,959,569</u>
Program Revenues:			
Charges for Services:			
Legislative	1,644	1,654	1,757
Judicial	907	1,014	869
Executive	17,365	15,248	12,024
Administration	28,337	29,115	24,812
Commerce	48,685	45,684	44,114
Environmental Protection	56,016	44,720	56,621
Employment Programs	—	—	—
Education	3,096	1,698	3,008
Health and Human Resources	81,230	74,960	83,230
Military Affairs and Public Safety	12,957	11,097	10,165
Revenue	45,944	62,352	65,364
Transportation	91,669	102,561	96,068
Senior Services	—	4	—
Regulatory Boards and Commissions	<u>26,121</u>	<u>27,897</u>	<u>21,638</u>
Total Charges for Services	<u>413,971</u>	<u>418,004</u>	<u>419,670</u>
Operating Grants and Contributions:			
Legislative	1,212	255	1,269
Judicial	850	813	380
Executive	40,551	35,615	38,249
Administration	37,716	36,670	37,945
Commerce	34,220	38,138	47,463
Environmental Protection	67,529	50,090	53,301
Employment Programs	46,804	55,839	54,690
Education	377,749	380,708	388,305
Health and Human Resources	2,783,872	2,365,068	2,235,552
Military Affairs and Public Safety	67,269	95,331	52,708
Revenue	156	—	66,214
Senior Services	14,310	21,244	11,637
Regulatory Boards and Commissions	<u>2,598</u>	<u>2,937</u>	<u>2,267</u>
Total Operating Grants and Contributions	<u>3,474,836</u>	<u>3,082,708</u>	<u>2,989,980</u>
Capital Grants and Contributions:			
Administration	—	28	4,001
Education	—	1,027	31
Executive	—	41	—
Military Affairs and Public Safety	11,518	4,743	5,423
Transportation	<u>476,779</u>	<u>419,810</u>	<u>410,669</u>
Total Capital Grants and Contributions	<u>488,297</u>	<u>425,649</u>	<u>420,124</u>
Total Program Revenues	<u>4,377,104</u>	<u>3,926,361</u>	<u>3,829,774</u>
Total Governmental Activities Net Program Expenses	<u>(4,730,473)</u>	<u>(4,506,744)</u>	<u>(4,129,795)</u>

Note: This information was not available prior to GASB 34 implementation in 2002. In FY 2008, the School Building Authority was removed from the Governmental Funds. It is now accounted for as a discretely presented component unit. The 2002-2007 amounts above have not been restated to reflect this change in presentation because the necessary information is not readily available.

<u>2006</u>	<u>2005</u> <u>Restated</u>	<u>2004</u> <u>Restated</u>	<u>2003</u>	<u>2002</u>
\$ 25,345	\$ 27,558	\$ 30,623	\$ 28,009	\$ 19,742
77,789	77,668	83,653	77,487	72,387
104,726	134,506	115,413	127,350	121,744
147,774	210,434	136,960	148,812	139,177
235,749	229,216	259,071	225,886	193,483
125,216	267,544	1,410	71,278	110,661
72,069	31,445	39,007	35,115	47,520
2,669,307	2,418,672	2,399,688	2,373,873	2,299,817
3,119,005	3,221,458	3,056,163	2,683,578	2,605,461
417,606	588,409	324,636	296,165	253,806
71,158	32,718	68,596	39,705	27,240
780,950	835,813	753,901	755,565	1,056,651
30,115	29,373	29,271	28,523	30,538
33,082	25,671	45,145	30,177	24,376
93,401	85,402	76,406	74,027	75,553
<u>8,003,292</u>	<u>8,215,887</u>	<u>7,419,943</u>	<u>6,995,550</u>	<u>7,078,156</u>
1,824	1,859	1,806	1,763	1,956
919	901	925	929	916
15,872	1,223	5,274	251	7,286
49,492	12,390	25,606	6,692	17,435
41,885	42,115	40,658	37,688	43,772
54,877	55,254	46,730	50,326	41,911
—	—	283	—	—
4,465	4,133	3,846	3,383	4,791
84,428	82,325	73,150	56,631	72,335
5,317	8,884	6,679	5,957	6,636
44,229	26,303	26,683	25,089	20,249
97,064	99,532	88,777	93,569	95,673
—	—	—	—	285
26,789	23,017	31,641	27,033	26,077
<u>427,161</u>	<u>357,936</u>	<u>352,058</u>	<u>309,311</u>	<u>339,322</u>
545	646	749	525	5,008
436	—	156	(35)	136
27,138	45,805	39,587	46,974	34,205
56,748	52,316	46,288	34,987	27,146
32,749	76,340	74,990	82,009	63,335
44,255	88,395	88,183	71,934	70,221
65,303	30,805	36,995	35,594	48,331
369,428	358,853	324,292	311,847	310,091
2,224,260	2,285,865	2,179,003	1,998,922	1,869,026
60,756	95,874	81,767	65,847	92,131
214	200	30	9	46
11,594	12,634	12,148	11,664	12,178
4,376	8,306	7,460	2,045	1,484
<u>2,897,802</u>	<u>3,056,039</u>	<u>2,891,648</u>	<u>2,662,322</u>	<u>2,533,338</u>
—	—	213	19	130
233	217	99	—	—
—	—	—	—	—
10,127	26,255	38,731	11,303	—
447,727	453,719	438,974	411,280	424,558
<u>458,087</u>	<u>480,191</u>	<u>478,017</u>	<u>422,602</u>	<u>424,688</u>
<u>3,783,050</u>	<u>3,894,166</u>	<u>3,721,723</u>	<u>3,394,235</u>	<u>3,297,348</u>
<u>(4,220,242)</u>	<u>(4,321,721)</u>	<u>(3,698,220)</u>	<u>(3,601,315)</u>	<u>(3,780,808)</u>

(Continued)

**Schedule 2**  
**Changes in Net Assets**  
**Last Eight Fiscal Years**  
**(Expressed in Thousands)**  
**(Continued)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>
General Revenues and Other Changes in Net Assets			
Taxes:			
Personal Income	1,630,492	1,557,957	1,372,646
Consumer Sales	1,088,901	990,051	1,020,128
Business	912,252	1,040,604	906,022
Medicaid	165,759	161,896	162,692
Transportation	533,833	564,736	535,979
Other	297,644	394,798	393,400
Entitlements and Grants	—	—	—
Unrestricted Investment Earnings	(33,983)	89,581	105,317
Tobacco Settlement Revenues	81,703	73,079	48,294
Federal Appropriations - Jobs Growth Tax Relief	—	—	—
Miscellaneous	96,098	128,940	111,277
Special Item	—	—	—
Transfers	206,287	214,864	539,205
Excess Reserve Transfer to RHBT	—	(108,168)	—
Total General Revenue, Special Item, and Transfers	<u>4,978,986</u>	<u>5,108,338</u>	<u>5,194,960</u>
<b>Total Governmental Activities Changes in Net Assets</b>	<u>\$ 248,513</u>	<u>\$ 601,594</u>	<u>\$1,065,165</u>
<b>Business-type Activities</b>			
Expenses:			
West Virginia Lottery	\$1,022,747	\$1,087,321	\$1,081,336
Water Pollution Control Revolving Fund	1,905	1,651	1,630
Workers' Compensation Fund	36,252	(161,079)	81,459
Unemployment Compensation	356,715	175,107	153,663
Public Employees' Insurance Agency	394,616	444,380	379,742
Board of Risk and Insurance Management	40,498	47,229	39,441
Other Business-type Activities	<u>69,184</u>	<u>77,329</u>	<u>76,785</u>
Total Expenses	1,921,917	1,671,938	1,814,056
Program Revenues:			
Charges for Services:			
West Virginia Lottery	1,493,036	1,523,457	1,562,259
Water Pollution Control Revolving Fund	4,154	3,819	3,744
Workers' Compensation Fund	49,921	44,073	235,664
Unemployment Compensation	249,996	141,921	147,091
Public Employees' Insurance Agency	402,377	360,564	406,311
Board of Risk and Insurance Management	56,337	66,592	74,097
Other Business-type Activities	<u>90,438</u>	<u>83,542</u>	<u>77,553</u>
Total Charges for Services	2,346,259	2,223,968	2,506,719
Operating Grants and Contributions:			
Unemployment Compensation	—	—	—
Total Operating Grants and Contributions	—	—	—
Capital Contributions:			
Water Pollution Control Revolving Fund	11,384	20,788	12,627
West Virginia Lottery	—	—	—
Total Capital Grants and Contributions	<u>11,384</u>	<u>20,788</u>	<u>12,627</u>
Total Revenues	<u>2,357,643</u>	<u>2,244,756</u>	<u>2,519,346</u>
Total Business-type Activities Net Program Expenses	<u>435,726</u>	<u>572,818</u>	<u>705,290</u>
Business-type Activities General Revenues and Other Changes in Net Assets			
Unrestricted Investment Earnings	(86,937)	38,441	189,761
Tobacco Settlement Revenue	—	—	15,000
Miscellaneous	17,102	32,022	26,090
Transfers	<u>(206,287)</u>	<u>(214,864)</u>	<u>(539,205)</u>
Total Business-type Activities General Revenues and Other Changes in Net Assets	<u>(276,122)</u>	<u>(144,401)</u>	<u>(308,354)</u>
<b>Total Business-type Activities Changes in Net Assets</b>	<u>\$ 159,604</u>	<u>\$ 428,417</u>	<u>\$ 396,936</u>
<b>Total Primary Government Change in Net Assets</b>	<u>\$ 408,117</u>	<u>\$1,030,011</u>	<u>\$1,462,101</u>

<b>2006</b>	<b>2005 Restated</b>	<b>2004 Restated</b>	<b>2003</b>	<b>2002</b>
1,330,913	1,163,211	1,073,512	1,048,172	1,052,023
981,536	979,357	965,378	917,072	925,317
920,940	726,878	554,734	551,910	585,182
169,866	154,070	150,335	143,036	146,812
501,022	502,659	477,159	466,273	481,436
382,718	377,878	359,341	291,776	263,966
229	912	—	—	—
71,233	54,240	15,753	52,446	55,038
33,137	56,825	53,850	32,521	32,430
—	—	30,746	30,747	—
74,047	93,281	52,123	127,287	93,988
—	—	—	—	(85,262)
438,733	484,308	411,164	355,533	267,446
—	—	—	—	—
<u>4,904,374</u>	<u>4,593,619</u>	<u>4,144,095</u>	<u>4,016,773</u>	<u>3,818,376</u>
<u>\$ 684,132</u>	<u>\$ 271,898</u>	<u>\$ 445,875</u>	<u>\$ 415,458</u>	<u>\$ 37,568</u>
\$1,096,893	\$ 839,241	\$ 776,124	\$ 670,041	\$ 563,078
1,718	1,786	1,914	1,752	1,821
392,975	189,753	579,433	1,276,891	1,148,221
147,308	143,989	195,359	224,897	173,934
545,384	506,837	449,905	410,413	395,743
41,256	60,969	96,658	82,591	71,706
66,631	58,910	62,202	55,082	74,681
<u>2,292,165</u>	<u>1,801,485</u>	<u>2,161,595</u>	<u>2,721,667</u>	<u>2,429,184</u>
1,522,532	1,399,073	1,303,434	1,081,894	848,598
3,383	2,953	2,843	2,862	2,369
524,269	718,382	628,682	549,742	539,402
148,731	144,030	137,872	133,840	138,210
567,107	525,130	505,995	438,056	366,701
78,787	85,123	105,435	73,281	46,670
73,155	67,553	63,754	62,088	63,171
<u>2,917,964</u>	<u>2,942,244</u>	<u>2,748,015</u>	<u>2,341,763</u>	<u>2,005,121</u>
—	—	21,681	30,733	48,613
—	—	21,681	30,733	48,613
20,241	—	—	—	—
—	—	—	—	5,250
<u>20,241</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,250</u>
<u>2,938,205</u>	<u>2,942,244</u>	<u>2,769,696</u>	<u>2,372,496</u>	<u>2,058,984</u>
646,040	1,140,759	608,101	(349,171)	(370,200)
65,758	104,011	51,190	75,250	3,204
45,000	—	—	—	—
51,847	(534)	(12,270)	6,737	83,448
<u>(438,733)</u>	<u>(484,308)</u>	<u>(411,164)</u>	<u>(355,533)</u>	<u>(267,446)</u>
<u>(276,128)</u>	<u>(380,831)</u>	<u>(372,244)</u>	<u>(273,546)</u>	<u>(180,794)</u>
<u>\$ 369,912</u>	<u>\$ 759,928</u>	<u>\$ 235,857</u>	<u>\$ (622,717)</u>	<u>\$ (550,994)</u>
<u>\$1,054,044</u>	<u>\$1,031,826</u>	<u>\$ 681,732</u>	<u>\$ (207,259)</u>	<u>\$ (513,426)</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>General Fund</b>			
Reserved	\$ 400,816	\$ 346,377	\$ 343,380
Unreserved	<u>767,100</u>	<u>822,579</u>	<u>697,704</u>
<b>Total General Fund</b>	<u>1,167,916</u>	<u>1,168,956</u>	<u>1,041,084</u>
<b>Other Governmental Funds</b>			
Reserved:			
Special Revenue Funds	\$ 508,529	\$ 457,501	\$ 457,109
Permanent Funds	1,309	1,671	1,762
Capital Projects	67,240	40,681	264,836
Debt Service	185,540	183,548	228,699
Unreserved, Reported in:			
Special Revenue Funds	1,415,461	1,610,996	1,488,498
Capital Projects	<u>—</u>	<u>—</u>	<u>—</u>
Debt Service	<u>—</u>	<u>—</u>	<u>—</u>
<b>Total Other Governmental Funds</b>	<u>2,178,079</u>	<u>2,294,397</u>	<u>2,440,904</u>
<b>Total Fund Balances, Governmental Funds</b>	<u>\$3,345,995</u>	<u>\$3,463,353</u>	<u>\$3,481,988</u>

Note: GASB 34 was implemented in fiscal year 2002. This Standard required the reclassification of certain funds.

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

<b>2006</b>	<b>2005 Restated</b>	<b>2004 Restated</b>	<b>2003</b>	<b>2002</b>
\$ 328,482	\$ 486,474	\$ 529,986	\$ 316,594	\$ 335,866
<u>1,079,851</u>	<u>391,457</u>	<u>293,847</u>	<u>312,519</u>	<u>251,520</u>
<u>1,408,333</u>	<u>877,931</u>	<u>823,833</u>	<u>629,113</u>	<u>587,386</u>
\$ 410,115	\$ 363,526	\$ 338,275	\$ 291,364	\$ 397,894
1,886	235,210	187,736	141,903	—
236,561	—	136,845	192,967	201,682
131,765	—	131,787	96,072	93,423
562,996	539,296	471,373	414,765	347,034
—	276,443	—	—	—
<u>—</u>	<u>124,910</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>1,343,323</u>	<u>1,539,385</u>	<u>1,266,016</u>	<u>1,137,071</u>	<u>1,040,033</u>
<u>\$2,751,656</u>	<u>\$2,417,316</u>	<u>\$2,089,849</u>	<u>\$1,766,184</u>	<u>\$1,627,419</u>



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

<b>Revenues</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Taxes:</b>				
Personal Income	\$1,612,897	\$1,557,352	\$1,370,566	\$1,329,796
Consumer Sales and Use	1,087,130	989,517	1,019,631	989,642
Severance	470,266	518,724	340,544	355,680
Corporate Net Income	256,389	373,180	384,440	380,287
Business and Occupation	148,247	147,989	180,527	184,364
Medicaid	165,759	161,896	162,692	169,866
Business Franchise	—	—	—	—
Gasoline and Motor Carrier	391,903	395,641	364,550	330,538
Automobile Privilege	141,930	169,095	171,429	170,484
Wholesale Motor Fuel	—	—	—	—
Other	293,654	396,772	393,210	380,711
Intergovernmental	3,552,545	3,183,463	3,033,765	3,037,432
Licenses, Permits, and Fees	211,932	214,655	216,504	194,681
Motor Vehicle Registration	91,667	96,592	92,422	92,681
Charges for Services	126,317	117,360	117,970	121,420
Investment Earnings	(38,440)	91,030	184,957	101,736
Food Stamp Revenue	372,270	293,439	273,227	265,344
Other	<u>197,669</u>	<u>205,820</u>	<u>136,117</u>	<u>121,654</u>
<b>Total Revenues</b>	<b><u>9,082,135</u></b>	<b><u>8,912,525</u></b>	<b><u>8,442,551</u></b>	<b><u>8,226,316</u></b>
<b>Expenditures</b>				
<b>Current:</b>				
Legislature	29,622	28,163	26,389	25,322
Judicial	110,410	108,075	90,829	82,381
Executive	146,181	131,404	118,550	122,576
Administration	127,517	111,866	106,020	95,227
Commerce	214,767	214,102	228,570	243,092
Environmental Protection	117,402	69,882	114,482	109,829
Employment Programs	47,974	58,563	58,488	75,438
Education	2,789,173	2,688,399	3,616,732	2,690,459
Health and Human Resources	3,767,274	3,472,108	3,251,403	3,135,884
Military Affairs and Public Safety	425,488	382,372	353,445	389,909
Revenue	89,042	86,496	76,257	42,725
Transportation	695,354	579,982	520,281	531,848
Senior Services	43,841	43,719	32,315	30,118
Regulatory Boards and Commissions	35,917	36,469	34,691	33,345
Capital Outlay	579,722	535,538	502,232	550,415
Debt Service	—	—	—	—
Principal	103,276	92,338	134,464	74,427
Interest	<u>129,795</u>	<u>129,705</u>	<u>86,237</u>	<u>89,788</u>
<b>Total Expenditures</b>	<b><u>9,452,755</u></b>	<b><u>8,769,181</u></b>	<b><u>9,351,385</u></b>	<b><u>8,322,783</u></b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(370,620)</b>	<b>143,344</b>	<b>(908,834)</b>	<b>(96,467)</b>
<b>Other Financing Sources (Uses):</b>				
Face Value of Long-Term Debt Issued	76,835	—	1,349,893	54,800
Premiums on Bonds Issued	4,129	—	5,126	697
Discounts on Bonds Issued	—	—	—	—
Capital Lease Acquisition	1,115	3,235	190	13,359
Proceeds from Long-Term Obligations	—	—	—	—
Payments to Refunded Bonds Escrow Agents	—	—	(242,616)	(56,062)
Transfers In	653,249	497,811	749,215	875,203
Transfer from Component Unit	—	—	—	—
Transfers Out	(475,798)	(347,579)	(222,642)	(457,190)
Transfers to Component Units	—	—	—	—
Other	—	—	—	—
Excess Reserve Transfer to RHBT	—	(108,168)	—	—
<b>Total Other Financing Sources (Uses)</b>	<b><u>259,530</u></b>	<b><u>45,299</u></b>	<b><u>1,639,166</u></b>	<b><u>430,807</u></b>
<b>Net Changes in Fund Balances</b>	<b><u>\$ (111,090)</u></b>	<b><u>\$ 188,643</u></b>	<b><u>\$ 730,332</u></b>	<b><u>\$ 334,340</u></b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>2.64%</b>	<b>2.70%</b>	<b>2.50%</b>	<b>2.12%</b>

Note: The State implemented Governmental Accounting Standards Board Statement No. 34 during fiscal year 2002; the relevant government-wide schedules are effective beginning in fiscal year 2002. In FY 2008, the School Building Authority was removed from the Governmental

<u>2005</u>	<u>2004</u> <u>(Restated)</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$1,170,202	\$1,070,282	\$1,038,181	\$1,049,532	\$1,023,536	\$ 985,976
978,115	963,327	917,072	922,882	878,355	878,690
287,774	211,236	193,680	187,287	194,223	169,914
255,772	166,511	83,311	93,846	106,974	123,271
182,090	176,987	178,364	173,839	178,860	166,883
154,070	150,335	143,036	146,812	146,053	134,274
—	—	96,555	129,457	100,551	100,465
320,891	275,471	227,793	229,650	227,805	224,029
3,005	173,225	169,431	180,472	155,623	153,927
178,763	28,463	69,049	71,314	71,521	68,373
371,667	359,341	291,776	263,717	250,316	235,471
3,235,199	3,119,073	2,868,461	2,733,567	2,527,788	2,284,824
173,181	176,513	157,864	149,124	215,365	243,393
93,144	84,977	88,967	91,373	—	—
120,759	108,387	90,817	106,596	145,835	175,683
79,534	40,562	67,843	63,188	99,720	85,879
252,097	228,000	211,218	195,245	176,884	189,960
<u>156,780</u>	<u>112,585</u>	<u>151,272</u>	<u>132,025</u>	<u>94,735</u>	<u>99,522</u>
<u>8,013,043</u>	<u>7,445,275</u>	<u>7,044,690</u>	<u>6,919,926</u>	<u>6,594,144</u>	<u>6,320,534</u>
27,594	30,634	28,901	19,740	37,860	20,056
84,283	81,577	77,816	73,824	65,270	60,326
122,415	115,418	113,661	125,116	110,349	108,915
150,333	87,834	87,109	75,563	75,329	49,602
224,147	273,748	234,672	207,759	173,114	171,260
98,576	118,592	103,566	109,677	110,616	55,949
36,609	40,183	38,401	49,146	40,101	91,720
2,423,094	2,323,733	2,316,665	1,822,346	1,775,773	1,721,402
3,237,580	3,056,762	2,709,057	2,612,846	2,322,313	2,276,733
609,215	338,907	293,611	280,315	238,627	216,189
60,630	44,765	40,845	26,862	100,551	82,994
573,184	531,214	541,219	825,011	407,736	400,893
29,455	29,230	28,676	30,584	—	—
27,561	44,680	31,213	24,878	46,975	44,829
490,195	573,295	535,008	447,941	814,191	725,123
—	—	—	124,576	115,687	123,080
95,400	65,780	64,176	—	—	—
<u>80,777</u>	<u>74,386</u>	<u>72,678</u>	<u>—</u>	<u>—</u>	<u>—</u>
<u>8,371,048</u>	<u>7,830,738</u>	<u>7,317,274</u>	<u>6,856,184</u>	<u>6,434,492</u>	<u>6,149,071</u>
(358,005)	(385,463)	(272,584)	63,742	159,652	171,463
463,005	294,895	32,370	110,000	—	—
73,388	—	—	4,172	—	—
—	(1,719)	(1,039)	—	—	—
—	15,050	60,428	177,270	—	—
—	—	—	—	155,830	153,082
(321,405)	—	(31,325)	—	—	—
667,841	589,701	517,171	472,711	359,243	293,713
—	—	—	—	1,000	—
(197,357)	(188,799)	(166,256)	(660,834)	(190,152)	(178,731)
—	—	—	—	(435,682)	(370,020)
—	—	—	—	—	413
—	—	—	—	—	—
<u>685,472</u>	<u>709,128</u>	<u>411,349</u>	<u>103,319</u>	<u>(109,761)</u>	<u>(101,543)</u>
<u>\$ 327,467</u>	<u>\$ 323,665</u>	<u>\$ 138,765</u>	<u>\$ 167,061</u>	<u>\$ 49,891</u>	<u>\$ 69,920</u>
2.22%	1.93%	2.01%	1.92%	2.06%	2.27%

Funds. It is now accounted for as a discretely presented component unit. The 2002-2007 amounts above have not been restated to reflect this change in presentation because the necessary information is not readily available.

**Schedule 5**

**Revenue Base**

**Last Ten Years**

(Expressed in Thousands)

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Personal Income by Industry - (Calendar Year)</b>				
Farm Earnings	\$ (134,000)	\$ (78,000)	\$ (61,000)	\$ (24,000)
Agricultural/Forestry, Fishing, and Other	111,000	118,000	123,000	116,000
Mining	3,410,000	2,871,000	2,682,000	2,363,000
Construction	2,453,000	2,362,000	2,393,000	2,079,000
Manufacturing	3,919,000	3,925,000	3,951,000	3,932,000
Transportation, Warehousing, and Public Utilities	1,989,000	1,856,000	1,813,000	1,722,000
Wholesale Trade	1,513,000	1,478,000	1,453,000	1,327,000
Retail Trade	2,720,000	2,658,000	2,611,000	2,493,000
Finance, Insurance, and Real Estate	1,619,000	1,551,000	1,492,000	1,409,000
Service Industries	11,998,000	11,272,000	11,041,000	10,362,000
Federal, Civilian	2,181,000	2,100,000	1,956,000	1,892,000
Military	436,000	405,000	419,000	436,000
State and Local Government	6,082,000	5,763,000	5,368,000	5,182,000
<b>Tax Revenue - (Fiscal Year)</b>				
Consumer Sales	1,109,800	1,129,500	1,125,800	960,200
Personal Income	1,518,700	1,360,500	1,297,700	1,170,100
Severance	338,200	312,200	314,700	248,100
Corporate Income and Business Franchise	388,000	358,400	347,600	280,800
Motor Fuel	404,200	349,200	320,700	311,600
Automobile Privilege	169,095	171,429	170,484	178,763

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 2008.

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

This schedule has been revised.

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<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
\$ (2,000)	\$ (24,000)	\$ (8,000)	\$ 28,000	\$ 8,000	\$ (11,000)
112,000	117,000	147,000	142,000	114,000	107,000
2,050,000	1,784,000	1,626,000	1,619,000	1,368,000	1,440,000
1,868,000	1,676,000	1,752,000	1,819,000	1,438,000	1,351,000
3,917,000	3,776,000	3,720,000	3,786,000	3,525,000	3,360,000
1,672,000	1,588,000	1,578,000	1,611,000	1,798,000	1,781,000
1,223,000	1,122,000	1,118,000	1,098,000	1,145,000	1,123,000
2,417,000	2,307,000	2,268,000	2,206,000	2,325,000	2,219,000
1,355,000	1,323,000	1,340,000	1,258,000	1,076,000	1,040,000
9,914,000	9,250,000	8,988,000	8,509,000	6,417,000	6,054,000
1,794,000	1,646,000	1,561,000	1,483,000	1,366,000	1,273,000
367,000	334,000	158,000	180,000	168,000	155,000
4,987,000	4,788,000	4,660,000	4,450,000	3,902,000	3,706,000
928,000	894,500	885,900	852,500	845,800	829,000
1,068,200	1,055,500	1,034,700	1,020,700	965,700	919,900
184,400	162,300	166,500	163,200	148,700	148,400
181,500	181,200	220,200	214,300	217,800	263,100
309,300	289,200	230,100	224,400	224,300	227,100
173,225	169,431	180,472	155,623	153,927	143,356

**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)**

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Less than \$10,000 .....	3% of the taxable income
At least —	But less than —
\$10,000	\$25,000 .....
\$25,000	\$40,000 .....
\$40,000	\$60,000 .....
\$60,000	.....

	\$ 300.00	plus 4.0%	of excess over \$10,000
	\$ 900.00	plus 4.5%	of excess over \$25,000
	\$1,575.00	plus 6.0%	of excess over \$40,000
	\$2,775.00	plus 6.5%	of excess over \$60,000

**Business**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Corporate Net Income	8.50%	8.75%	8.75%	9%
Severance Tax:				
Timber	1.22%	1.22%	1.22%	3.22%
Oil/Gas	5%	5%	5%	5%
Coal	Various	Various	Various	Various
Consumer Sales Tax	6%	6%	6%	6%
Food Tax - Ended June 30	3%	4%	5%	5%
Started July 1	—	3%	4%	—
Motor Fuel Excise and Sales Tax* (cents per gallon)	32.2	32.2	31.5	27.0
Automobile Privilege Tax	5%	5%	5%	5%

\*On January 1, 2004, the gasoline and special fuels excise tax was repealed, and the motor fuel excise tax was imposed on motor fuel. The motor fuel excise tax is the combination of a flat 20.5 cents per invoiced gallon rate and a variable sales and use tax rate of 11.7 cents per invoiced gallon as of January 1, 2008.

All rates are set by the Legislature.

Sources: State Tax Department, Department of Highways, and Division of Motor Vehicles.

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

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

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

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
9%	9%	9%	9%	9%	9%
3.22%	3.22%	3.22%	3.22%	3.22%	3.22%
5%	5%	5%	5%	5%	5%
Various	Various	Various	Various	Various	Various
6%	6%	6%	6%	6%	6%
6%	6%	6%	6%	6%	6%
—	—	—	—	—	—
27.0	20.5	20.5	20.5	20.5	20.5
5%	5%	5%	5%	5%	5%

**Schedule 7**  
**Revenue Payers by Industry/Category**  
**Most Current Available Year and**  
**Historical Comparison**  
 (Expressed in Thousands)

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

<b>Tax Year 2008</b>				
<b>Industry</b>	<b>Remittance</b>	<b>Percent of Total</b>	<b>Accounts</b>	<b>Percent of Total</b>
Agriculture, Forestry, Fishing and Hunting	\$ 1,742	0.2%	726	1.6%
Mining, Quarrying, and Oil and Gas Extraction	8,362	0.7%	349	0.8%
Construction	31,309	2.6%	4,528	10.1%
Manufacturing	60,054	4.9%	2,684	6.0%
Wholesale Trade	80,696	6.6%	2,297	5.1%
Retail Trade	650,612	53.5%	11,044	24.7%
Finance and Insurance	3,590	0.3%	366	0.8%
Services	309,223	25.4%	19,801	44.2%
Other	<u>71,149</u>	<u>5.8%</u>	<u>2,981</u>	<u>6.7%</u>
Total	<u>\$1,216,737</u>	<u>100%</u>	<u>44,776</u>	<u>100%</u>

<b>Tax Year 1999</b>				
<b>Industry</b>	<b>Remittance</b>	<b>Percent of Total</b>	<b>Accounts</b>	<b>Percent of Total</b>
Agriculture, Forestry, Fishing and Hunting	\$ 5,022	0.6%	1,794	2.4%
Mining, Quarrying, and Oil and Gas Extraction	4,953	0.5%	1,783	2.3%
Construction	26,016	2.8%	12,580	16.6%
Manufacturing	50,042	5.5%	4,885	6.4%
Wholesale Trade	70,810	7.7%	3,793	5.0%
Retail Trade	500,911	54.5%	18,778	24.7%
Finance and Insurance	2,847	0.3%	526	0.7%
Services	213,615	23.3%	26,951	35.5%
Other	<u>44,359</u>	<u>4.8%</u>	<u>4,866</u>	<u>6.4%</u>
Total	<u>\$918,575</u>	<u>100%</u>	<u>75,956</u>	<u>100%</u>

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

Source: West Virginia State Tax Department.

**Personal Income Tax**

**Tax Year 2007**

<b><u>Income Level</u></b>	<b><u>Tax Liability</u></b>	<b><u>Percent of Total</u></b>	<b><u>Returns</u></b>	<b><u>Percent of Total</u></b>
\$0 - \$10,000	\$ 2,252	0.17%	155,469	19.72%
\$10,000 - \$20,000	35,589	2.51%	142,441	18.07%
\$20,000 - \$40,000	146,299	10.32%	181,734	23.06%
\$40,000 - \$60,000	195,308	13.78%	114,313	14.50%
Over \$60,000	<u>1,037,516</u>	<u>73.22%</u>	<u>194,278</u>	<u>24.65%</u>
Total	<u>\$1,416,964</u>	<u>100%</u>	<u>788,235</u>	<u>100%</u>

**Tax Year 1998**

<b><u>Income Level</u></b>	<b><u>Tax Liability</u></b>	<b><u>Percent of Total</u></b>	<b><u>Returns</u></b>	<b><u>Percent of Total</u></b>
\$0 - \$10,000	\$ 3,800	0.44%	176,282	24.20%
\$10,000 - \$20,000	45,560	5.22%	160,167	21.99%
\$20,000 - \$40,000	149,026	17.09%	184,502	25.33%
\$40,000 - \$60,000	176,982	20.30%	104,488	14.35%
Over \$60,000	<u>496,650</u>	<u>56.95%</u>	<u>102,871</u>	<u>14.13%</u>
Total	<u>\$872,018</u>	<u>100%</u>	<u>728,310</u>	<u>100%</u>



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

**Governmental Activities - Primary Government - Debt**

<u>Year</u>	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Total Capital Leases and Notes Payable</u>	<u>Total</u>
2009	\$665,294	\$1,405,645	\$322,776	\$2,393,715
2008	705,955	1,362,022	338,603	2,406,580
2007	744,790	1,742,647	343,813	2,831,250
2006	772,912	726,249	354,000	1,853,161
2005	798,490	763,761	354,337	1,916,588
2004**	774,660	670,789	300,227	1,745,676
2003	804,635	409,106	300,899	1,514,640
2002	833,494	439,011	252,107	1,524,612
2001	748,459	464,587	61,865	1,274,911
2000	666,544	445,691	64,252	1,176,487

Note: Details regarding the State's debt can be found in Note 10 to the basic financial statements. There is no business-type activities debt.

**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>
2009	\$1,630,492	\$1,088,901	\$ 912,252	\$533,833	\$297,644	\$4,463,122
2008	1,557,957	990,051	1,040,604	564,736	394,798	4,548,146
2007	1,372,646	1,020,128	906,022	535,979	393,400	4,228,175
2006	1,330,913	981,536	920,940	501,022	382,718	4,117,129
2005	1,163,211	979,357	726,878	502,659	377,878	3,749,983
2004**	1,073,512	965,378	554,734	477,159	359,341	3,430,124
2003	1,048,172	917,072	551,910	466,273	291,776	3,275,203
2002	1,052,023	925,317	585,182	481,436	263,966	3,307,924
2001	1,023,536	878,355	580,608	454,949	250,316	3,187,764
2000	985,976	878,690	560,533	446,329	235,471	3,106,999

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 requirement on all Safe Roads Bonds.

\*\*Restated

**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>
2009	\$665,294	14.91%	1.19%	\$0.37
2008	705,955	15.52%	1.33%	0.39
2007	744,790	17.61%	1.48%	0.41
2006	772,912	18.77%	1.62%	0.43
2005	798,490	21.29%	1.75%	0.44
2004**	774,660	22.58%	1.77%	0.43
2003	804,635	24.57%	1.86%	0.45
2002	833,494	25.20%	1.99%	0.46
2001	748,459	23.48%	1.90%	0.41
2000	666,544	21.45%	1.78%	0.37

**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>
2009	\$2,393,715	53.63%	4.28%	\$1.32
2008	2,406,580	52.91%	4.53%	1.33
2007	2,831,250	66.96%	5.61%	1.56
2006	1,853,161	45.01%	3.90%	1.02
2005	1,916,588	51.11%	4.20%	1.06
2004**	1,745,676	50.89%	3.98%	0.96
2003	1,514,640	46.25%	3.50%	0.84
2002	1,524,612	46.09%	3.64%	0.85
2001	1,274,911	39.99%	3.23%	0.71
2000	1,176,487	37.87%	3.14%	0.65

\*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.

\*\*Restated

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

**Schedule 9**  
**Pledged Revenue Coverage**  
**Last Ten Fiscal Years**  
 (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
2009	\$14,692	\$—	\$14,692	\$10,550	\$4,200	\$14,750	1.00
2008	14,745	—	14,745	10,285	4,460	14,745	1.00
2007	1,207	—	1,207	—	1,207	1,207	1.00

**WV Infrastructure and Jobs Development Council**

The primary source of repayment for the revenue and refunding bonds is the receipt of payments of principal and interest on a set of loans, known as defined loans, previously made to projects from general obligation and revenue bond proceeds. New bonds were issued in 2006 and 2007 to refund earlier bond issues. There were no revenue bonds for this agency prior to 2000.

2009	\$79,414	\$16,309	\$63,105	\$15,035	\$19,987	\$35,022	1.80
2008	78,698	18,988	59,710	14,625	20,492	35,117	1.70
2007	78,363	17,121	61,242	14,600	20,636	35,236	1.74
2006	89,442	20,041	69,401	8,150	19,822	27,972	2.48
2005	24,150	18,759	5,391	840	4,517	5,357	1.01
2004	24,082	21,323	2,759	315	2,456	2,771	1.00
2003	24,143	21,609	2,534	135	2,466	2,601	0.97
2002	24,280	21,994	2,286	—	2,470	2,470	0.93
2001	24,500	23,383	1,117	—	1,063	1,063	1.05
2000	24,470	24,271	199	—	—	—	—

**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.

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.

<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>
2009	\$19,698	\$ —	\$19,698	\$ 7,645	\$11,220	\$18,865	1.04
2008	20,560	—	20,560	7,440	11,446	18,886	1.09
2007	19,888	—	19,888	7,275	11,629	18,904	1.05
2006	22,627	100	22,527	7,165	11,767	18,932	1.19
2005	20,461	—	20,461	13,890	11,009	24,899	0.82
2004	19,019	—	19,019	—	—	—	—

**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 1994.

2009	\$10,046	\$ 3	\$10,043	\$8,660	\$1,109	\$9,769	1.03
2008	10,601	3	10,598	8,210	1,563	9,773	1.08
2007	11,002	3	10,999	7,780	2,002	9,782	1.12
2006	10,860	—	10,860	7,375	2,421	9,796	1.11
2005	10,404	—	10,404	7,025	2,803	9,828	1.06
2004	10,196	—	10,196	6,690	3,140	9,830	1.04
2003	10,271	—	10,271	6,370	3,470	9,840	1.04
2002	10,291	—	10,291	6,070	3,781	9,851	1.04
2001	11,841	120	11,721	5,750	4,091	9,841	1.19
2000	13,685	—	13,685	5,450	4,402	9,852	1.39

**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.

2009	\$136,802	\$ 7,367	\$129,435	\$21,816	\$37,681	\$59,497	2.18
2008	146,744	7,230	139,514	23,521	39,135	62,656	2.23
2007	154,643	8,123	146,520	20,180	36,402	56,582	2.59
2006	154,190	9,783	144,407	19,560	33,896	53,456	2.70
2005	185,696	7,448	178,248	20,050	34,595	54,645	3.26
2004	236,521	7,491	229,030	19,885	38,695	58,580	3.91
2003	205,965	10,391	195,574	19,550	47,320	66,870	2.92
2002	172,139	7,434	164,705	21,595	53,329	74,924	2.20
2001	138,058	6,743	131,315	19,185	48,359	67,544	1.94
2000	127,463	6,477	120,986	16,805	46,777	63,582	1.90

(Continued)

**Schedule 9**  
**Pledged Revenue Coverage**  
**Last Ten Fiscal Years**  
 (Expressed in Thousands)  
 (Continued)

**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 \$440 million, the Legislature must pass a resolution authorizing this action. 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. 2002 and 2004 include retirement of revenue bonds.

<b>Fiscal Year</b>	<b>Operating Revenue</b>	<b>Direct Operating Expense</b>	<b>Net Revenue Available for Debt Service</b>	<b>Current Year Debt Service Requirements</b>			
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Coverage</b>
2009	\$15,731	\$809	\$14,922	\$ 6,685	\$12,110	\$ 18,795	0.79
2008	15,882	620	15,262	6,330	12,326	18,656	0.82
2007	15,829	502	15,327	6,585	12,537	19,122	0.80
2006	16,334	569	15,765	5,120	12,123	17,243	0.91
2005	14,304	650	13,654	4,065	11,025	15,090	0.90
2004	15,540	615	14,925	109,965	12,435	122,400	0.12
2003	14,817	688	14,129	3,645	12,525	16,170	0.87
2002	19,225	629	18,596	49,340	14,028	63,368	0.29
2001	22,525	513	22,012	3,645	15,293	18,938	1.16
2000	21,154	462	20,692	3,120	13,773	16,893	1.22

**Higher Education Fund**

Various individual institutions, as well as the Fund, have issued bonds which are generally payable from tuition and registration fees. The 2004 refunding bonds are to be repaid using certain Lottery funds. During fiscal years 2004 and 2005, Higher Education had a series of revenue bond refinancings that resulted in an increase in principal and interest payments. Prior to 2002, compiled debt information was not available.

2009	\$1,447,422	\$1,409,047	\$ 38,375	\$24,169	\$31,745	\$ 55,914	0.69
2008	1,508,466	1,317,474	190,992	24,006	31,650	55,656	3.43
2007	1,333,158	1,217,652	115,506	46,439	32,636	79,075	1.46
2006	1,254,971	1,147,583	107,388	20,527	33,149	53,676	2.00
2005	1,196,325	1,055,456	140,869	94,782	17,976	112,758	1.25
2004	1,113,067	988,177	124,890	97,911	18,813	116,724	1.07
2003	1,068,798	981,130	87,668	11,740	16,475	28,215	3.11
2002	1,000,040	913,409	86,631	10,957	11,677	22,634	3.83

**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. The bonds were issued in 2002.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2009	\$97,048	\$79,508	\$17,540	\$4,550	\$4,320	\$8,870	1.98
2008	85,688	70,194	15,494	4,335	4,533	8,868	1.75
2007	84,597	69,267	15,330	4,130	4,735	8,865	1.73
2006	85,389	67,623	17,766	3,940	4,926	8,866	2.00
2005	76,522	57,650	18,872	3,760	5,110	8,870	2.13
2004	63,390	54,475	8,915	3,585	5,284	8,869	1.01
2003	62,294	60,220	2,074	3,420	5,449	8,869	0.23
2002	63,188	57,796	5,392	3,110	5,606	8,716	0.62

**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. Only total debt service was available prior to 2002.

2009	\$47,636	\$ —	\$47,636	\$14,940	\$16,743	\$31,683	1.50
2008	43,166	17,891	25,275	23,725	13,584	37,309	0.68
2007	43,359	2,367	40,992	22,760	18,383	41,143	0.99
2006	42,754	1,252	41,502	20,030	19,349	39,379	1.05
2005	41,099	1,124	39,975	31,585	17,321	48,906	0.82
2004	42,501	1,854	40,647	24,490	15,498	39,988	1.02
2003	42,460	2,071	40,389	23,405	17,010	40,415	1.00
2002	43,449	2,591	40,858	19,465	18,523	37,988	1.08
2001	41,597	2,768	38,829	—	—	40,041	0.97
2000	42,983	2,709	40,274	—	—	40,127	1.00

**Parkways, Economic Development and Tourism Authority**

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

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Total Debt Service	Coverage
2009	\$53,541	\$30,908	\$22,633	\$12,218	1.85
2008	56,690	31,183	25,507	11,852	2.15
2007	58,219	32,606	25,613	10,876	2.36
2006	61,806	31,478	30,328	10,801	2.81
2005	58,152	30,258	27,894	10,505	2.66
2004	57,826	28,706	29,120	12,439	2.34
2003	54,850	27,583	27,267	12,693	2.15
2002	54,821	27,366	27,455	11,240	2.44
2001	54,116	26,292	27,824	11,176	2.49
2000	54,410	26,211	28,199	11,249	2.51

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

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, Economic Development and Tourism Authority; Tobacco Settlement Finance Authority; and bond indentures.

This schedule has been revised.

## West Virginia

### Schedule 10 Demographics and Economic Indicators

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Population</b>				
West Virginia	1,814,468	1,812,035	1,818,470	1,814,083
Change	0.13%	(.35%)	0.24%	0.08%
National	305,529,237	302,785,808	300,304,181	298,024,822
Change	0.91%	0.83%	0.76%	1.49%
<b>Total Personal Income (Dollars in Millions)</b>				
West Virginia	\$55,941	\$53,181	\$50,472	\$47,565
Change	5.19%	5.37%	6.11%	4.11%
National	\$12,086,534	\$11,634,322	\$10,978,053	\$10,252,973
Change	3.89%	5.98%	7.07%	5.58%
<b>Per Capita Personal Income* (In Dollars)</b>				
West Virginia	\$30,831	\$29,349	\$27,755	\$26,220
Change	5.05%	5.74%	5.86%	4.02%
National	\$39,559	\$38,424	\$36,556	\$34,403
Change	2.95%	5.11%	6.26%	4.03%
<b>Median Age</b>	40.6	40.4	40.7	40.7
<b>Educational Attainment</b>				
9th Grade or Less	6.6%	7.0%	7.1%	10.0%
Some High School, No Diploma	11.1%	11.8%	11.9%	14.8%
High School Diploma	40.9%	41.1%	42.7%	39.4%
Some College, No Degree	18.5%	16.7%	16.1%	16.6%
Associate, Bachelor's or Graduate Degree	22.9%	23.4%	22.2%	19.2%
<b>Labor Force and Employment (People in Thousands)</b>				
Civilian Labor Force	806.0	813.0	810.0	798.0
Employed	772.0	778.0	773.0	759.0
Unemployed	34.0	35.0	37.0	39.0
Unemployment Rate	4.3%	4.3%	4.6%	4.9%
Nonfarm Wage and Salary Workers Employed in West Virginia Goods Producing Industries:				
Mining	30.7	27.5	28.1	25.9
Construction	38.4	38.7	39.2	36.8
Manufacturing-Durable Goods	35.2	37.2	38.4	38.8
Manufacturing-Nondurable Goods	<u>21.1</u>	<u>21.8</u>	<u>22.6</u>	<u>23.0</u>
Total Goods Producing Industries	125.4	125.2	128.3	124.5
Non-Goods Producing Industries:				
Trade	114.4	116.2	115.5	113.6
Service	374.0	369.5	367.8	364.9
State and Local Government	123.7	122.6	122.4	121.7
Federal Government	<u>22.9</u>	<u>22.5</u>	<u>22.1</u>	<u>21.9</u>
Total Non-Goods Producing Industries	635.0	630.8	627.8	622.1
Total Nonfarm Wage and Salary Employment	760.4	756.0	756.1	746.6

The most current period available is 2008.

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

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

This schedule has been revised.

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
1,812,548	1,810,347	1,804,529	1,801,438	1,807,442	1,811,799
0.12%	0.32%	0.17%	(0.33)%	(0.24)%	(0.21)%
293,656,842	290,850,005	287,984,799	285,107,923	282,193,477	279,731,000
0.97%	0.99%	1.01%	1.03%	0.88%	1.15%
\$45,686	\$43,841	\$43,312	\$41,902	\$39,438	\$37,472
4.21%	1.22%	3.36%	6.25%	5.25%	2.00%
\$9,711,363	\$9,150,320	\$8,872,871	\$8,716,992	\$8,398,871	\$7,779,521
6.13%	3.13%	1.79%	3.79%	7.96%	4.87%
\$25,205	\$24,217	\$24,002	\$23,260	\$21,820	\$20,682
4.08%	0.90%	3.19%	6.60%	5.50%	2.21%
\$33,070	\$31,461	\$30,810	\$30,574	\$29,763	\$27,811
5.12%	2.11%	0.77%	2.73%	7.02%	3.68%
40.2	39.9	39.5	39.3	39.0	38.9
10.0%	10.0%	10.0%	10.0%	10.0%	16.8%
14.8%	14.8%	14.8%	14.8%	14.8%	17.3%
39.4%	39.4%	39.4%	39.4%	39.4%	36.6%
16.6%	16.6%	16.6%	16.6%	16.6%	13.2%
19.2%	19.2%	19.2%	19.2%	19.2%	16.1%
788.0	790.0	796.0	801.0	809.0	813.0
747.0	742.0	749.0	759.0	765.0	762.0
41.0	47.0	47.0	42.0	44.0	51.0
5.3%	6.0%	5.9%	5.2%	5.5%	6.3%
23.8	22.0	23.1	23.5	21.4	22.3
34.6	32.7	33.4	34.9	34.0	33.8
39.2	39.7	42.2	44.5	46.6	46.7
<u>23.8</u>	<u>24.9</u>	<u>26.5</u>	<u>27.7</u>	<u>29.2</u>	<u>30.2</u>
121.4	119.3	125.2	130.6	131.2	133.0
111.9	110.4	111.3	113.7	117.4	117.0
360.5	355.5	353.7	350.0	344.1	335.1
121.4	120.6	120.9	119.2	120.6	119.2
<u>21.8</u>	<u>21.9</u>	<u>21.9</u>	<u>21.8</u>	<u>22.5</u>	<u>21.7</u>
615.6	608.4	607.8	604.7	604.6	593.0
737.0	727.7	733.0	735.3	735.8	726.0



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

**Estimated as of June 30, 2009**

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<b>Major West Virginia Employers</b>	<b>Number of Employees</b>
Local Government	75,000 - 79,999
State Government	40,000 - 44,999
Federal Government	20,000 - 24,999
Wal-Mart Associates, Inc.	10,000 - 13,000
West Virginia United Health System	7,000 - 9,999
Charleston Area Medical Center	5,000 - 6,999
Kroger	3,000 - 4,999
American Electric Power	1,000 - 2,999
Eldercare Resources Corporation	1,000 - 2,999
Lowe's Home Centers, Inc.	1,000 - 2,999
Consolidation Coal Company	1,000 - 2,299
St. Mary's Hospital	1,000 - 2,999
Res-Care	1,000 - 2,999

**As of June 30, 2000**

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<b>Major West Virginia Employers</b>	<b>Number of Employees</b>
Local Government	70,000 - 74,999
State Government	25,000 - 39,999
Federal Government	20,000 - 24,999
Wal-Mart Stores, Inc.	6,000 - 9,999
Charleston Area Medical Center	3,000 - 5,999
Kroger	3,000 - 5,999
Weirton Steel Corporation	3,000 - 5,999
CSX	3,000 - 5,999
E I DuPont De Nemours & Company	3,000 - 5,999
Hospital Corporation of America, Inc.	3,000 - 5,999
Bell Atlantic	3,000 - 5,999
Union Carbide Corporation	1,000 - 2,999
West Virginia University Hospitals	1,000 - 2,999

**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>
2008-09	157,520	124,388	281,908
2007-08	155,832	125,903	281,735
2006-07	154,479	126,818	281,297
2005-06	152,969	126,819	279,788
2004-05	152,470	126,987	279,457
2003-04	153,616	126,945	280,561
2002-03	155,144	126,447	281,591
2001-02	155,635	126,597	282,232
2000-01	156,975	128,810	285,785
1999-00	157,972	132,972	290,944

**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>
2008-09	87,803	14,917	11,279	2,560
2007-08	87,066	15,040	11,131	2,686
2006-07	86,088	14,733	10,639	2,682
2005-06	84,713	14,206	10,811	2,575
2004-05	82,845	13,963	11,650	2,462
2003-04	80,837	13,141	11,625	2,357
2002-03	78,976	12,839	11,034	2,337
2001-02	78,315	12,302	10,066	2,021
2000-01	76,050	12,264	9,808	1,925
1999-00	76,751	12,108	9,837	1,923

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

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Executive*	927	916	896	881
Legislative	216	213	208	204
Judicial	961	912	936	882
Administration	696	659	663	573
Commerce				
Natural Resources (Parks)	836	844	844	813
Tourism and Development	162	164	166	182
Other	790	776	736	758
Environmental Protection	804	821	820	843
Education and the Arts				
Department of Education	579	560	519	511
School for the Deaf and the Blind	202	192	192	204
Rehabilitation Services	542	518	544	694
Higher Education	10,762	10,383	10,165	9,959
Other	286	272	261	272
Revenue	1,057	1,087	1,042	1,024
Health and Human Resources	5,495	5,556	5,596	5,588
Military Affairs and Public Safety				
Corrections	1,692	1,684	1,648	1,632
Juvenile Services	640	610	615	601
State Police	1,026	1,011	1,011	987
Regional Jail Authority	896	903	938	869
All Other	667	686	584	520
Transportation	5,658	5,499	5,490	5,296
Miscellaneous	<u>488</u>	<u>490</u>	<u>496</u>	<u>503</u>
Total	<u>35,382</u>	<u>34,756</u>	<u>34,370</u>	<u>33,796</u>

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

N/A = Not Available

Notes:

Separately audited agencies under Administration are not included prior to 2001.

The Workers' Compensation Commission was included under Commerce - Other in 2001 to 2005. In 2006, the Workers' Compensation Commission was privatized and approximately 300 of the employees moved to the Insurance Commission under Tax and Revenue.

Juvenile Services added 134 employees between 2003 and 2004 to staff new facilities.

The 1999 - 2000 employees for Transportation are Department of Highways only.

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

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
902	898	889	863	799	803
203	201	200	202	190	201
876	876	884	848	841	812
598	620	540	539	527	151
812	816	830	824	823	817
218	212	195	201	156	164
1,513	1,630	1,696	1,624	1,640	366
862	851	852	763	758	767
531	516	504	503	470	447
193	200	204	218	205	210
721	716	723	715	699	720
9,746	9,450	9,432	9,643	9,457	9,463
267	265	284	288	265	136
774	768	762	739	648	620
5,771	5,524	5,593	5,545	5,538	5,478
1,592	1,555	1,562	1,505	1,375	1,397
601	565	431	424	286	208
980	972	949	934	975	1,005
876	858	760	740	604	N/A
491	482	477	441	393	342
5,767	5,836	5,983	6,358	6,977	4,975
<u>530</u>	<u>529</u>	<u>450</u>	<u>396</u>	<u>386</u>	<u>380</u>
<u>34,824</u>	<u>34,340</u>	<u>34,200</u>	<u>34,313</u>	<u>34,012</u>	<u>29,462</u>

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

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Transportation</b>				
Total highway construction projects authorized	717	1,169	874	1,105
Number of roadway resurfacing projects	208	527	324	481
Number of roadway miles resurfaced	479	1,557	944	1,239
<b>WORKFORCE West Virginia (Employment Programs)</b>				
Applications for job search services (in thousands)	150	141	128	100
Filled job openings	7,003	8,380	9,517	11,069
<b>Education</b>				
Schools receiving exemplary accreditation status	<b>10%</b>	10%	10%	17%
Schools receiving full accreditation status	<b>90%</b>	80%	80%	68%
School districts receiving full approval status	<b>96%</b>	96%	93%	93%
<b>Health and Human Resources</b>				
Number of food stamp recipients	288,500	245,931	235,772	261,577
Number of food stamps issued	31,098,046	24,555,462	22,869,066	21,982,039
Medicaid enrollees	393,187	307,686	305,054	311,289
Counties enrolled in managed care*	95%	93%	89%	89%
Child support collections (in millions)	\$204	\$201	\$192	\$188
Students served by school-based health clinics	20,380	20,224	26,800	25,950
<b>Natural Resources</b>				
Attendance at State Parks (in millions)	<b>6.7</b>	<b>6.7</b>	6.5	6.7
Hunting and Fishing License Sales (calendar year)	N/A	983,544	955,737	968,954
Individuals whitewater rafting on rivers (calendar year)	164,301	184,968	170,266	201,358
<b>Environmental Protection</b>				
<b>Division of Air Quality</b>				
Number of air quality inspections	612	756	669	852
Response rate of air pollution-related complaints (goal is 90% or greater)	93%	94%	99%	99%
<b>Division of Land Restoration Programs</b>				
Organizations that adopted highways	1,802	1,834	1,882	1,891
<b>Division of Mining and Reclamation</b>				
Surface mine blasting examinations and certifications	149	123	159	191
Surface mine mineral extraction inspections	13,391	21,183	22,092	21,891
Number of acres reclaimed through reclamation and restoration of land	2,298	2,483	7,261	12,655
<b>Office of Miners Health and Safety (calendar year)</b>				
Total safety inspections	<b>5,547</b>	5,709	5,508	5,816
Violations issued by mine inspectors	<b>13,531</b>	16,130	12,488	12,258
Lost time injuries of mining personnel**	<b>831</b>	973	929	1,089
<b>Military Affairs and Public Safety</b>				
<b>Division of Corrections</b>				
Adult inmate housing capacity	<b>5,113</b>	5,017	4,931	4,520
Inmate employment (Prison Industries)	247	245	238	230
Youth successfully completed programs/returned to community	159	156	115	160
<b>Veterans' Home</b>				
Average daily number of residents	97	95	89	96
Average daily cost per resident	\$70.78	\$71.19	\$68.74	\$64.00
<b>Senior Services</b>				
Persons served under Medicaid aged and disabled waiver	<b>5,300</b>	4,655	4,737	4,571

Items in bold are estimated figures; N/A = Not Available.

\*There are 55 counties in West Virginia.

\*\*Occasions when mining personnel were unable to work their next shift due to injuries.

Source: Agencies and Executive Budget document.

This schedule has been revised.

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
1,232	1,165	1,064	1,499	1,396	1,746
490	488	384	534	580	616
1,208	1,070	1,040	1,071	1,545	2,325
97	152	163	152	154	152
20,511	24,400	27,072	27,072	26,450	25,500
4%	7%	10%	7%	N/A	N/A
76%	85%	77%	74%	77%	75%
96%	93%	82%	82%	71%	73%
255,281	249,227	235,420	223,047	N/A	N/A
20,986,880	20,563,342	19,266,926	17,892,030	N/A	N/A
321,158	316,668	306,185	294,661	344,296	337,433
85%	62%	42%	42%	42%	42%
\$187	\$177	\$179	\$167	\$160	\$145
25,780	24,155	23,826	23,627	23,350	23,348
7.3	6.4	7.6	7.2	8.0	7.9
1,058,821	1,151,623	1,418,479	1,222,357	1,074,438	1,131,019
209,542	227,752	218,444	228,169	246,846	231,559
625	913	778	404	643	667
97%	90%	89%	98%	97%	90%
1,456	1,518	1,481	1,966	1,513	1,476
144	94	151	54	24	40
20,085	20,193	18,885	18,887	20,412	25,178
10,963	9,893	9,470	9,292	8,654	7,679
5,727	5,984	5,787	4,764	4,098	4,261
10,749	8,454	6,539	7,956	8,933	8,893
965	875	1,129	1,232	1,154	1,020
4,070	4,070	3,880	3,696	3,390	3,246
260	259	244	270	233	300
180	196	148	159	160	185
95	79	112	125	115	103
\$61.54	\$60.28	\$57.36	\$48.20	\$47.12	\$48.91
4,901	5,760	5,760	5,315	4,175	4,121

**Schedule 15**  
**Capital Assets Statistics by Function**  
**Last Ten Fiscal Years**  
**(Expressed in Thousands)**

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Vehicles				
Executive	160	158	160	129
Judicial	12	10	10	5
Administration				
Agency-Owned	6	4	4	5
Leased to other agencies	<u>1,685</u>	<u>1,648</u>	<u>1,857</u>	<u>1,623</u>
Total Administration	1,691	1,652	1,861	1,628
Revenue	2	3	3	3
Commerce				
Division of Natural Resources (Parks)	584	570	581	581
Division of Forestry	133	130	135	137
Others	<u>7</u>	<u>7</u>	<u>5</u>	<u>6</u>
Total Commerce	724	707	721	724
Environmental Protection	11	11	13	12
Education	49	41	40	40
Health and Human Services	72	68	69	68
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	1,000	1,111	917	812
Division of Corrections	38	38	28	25
Veterans Affairs	57	54	49	51
Regional Jail	99	104	90	87
Others	<u>33</u>	<u>32</u>	<u>30</u>	<u>26</u>
Total MAPS	1,227	1,339	1,114	1,001
Regulatory Boards and Commissions	2	2	2	2
Boats				
Commerce	95	94	93	92
Environmental Protection	6	5	5	4
Buildings				
Executive	28	28	28	28
Administration	69	67	66	60
Revenue	2	2	2	2
Commerce				
Division of Natural Resources (Parks)	884	879	880	888
Division of Forestry	5	5	4	4
Others	<u>8</u>	<u>8</u>	<u>7</u>	<u>6</u>
Total Commerce	897	892	891	898
Environmental Protection	7	7	7	7
Education	92	90	90	90
Health and Human Services	109	109	157	147
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	85	83	82	81
Division of Corrections	55	54	53	53
Armory Board	167	165	167	171
Others	<u>53</u>	<u>51</u>	<u>48</u>	<u>39</u>
Total MAPS	360	353	350	344
Regulatory Boards and Commissions	3	3	3	3

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

This schedule has been revised.

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
112	107	112	102	96	94
6	4	4	4	3	3
6	6	6	6	6	6
<u>1,588</u>	<u>1,455</u>	<u>1,570</u>	<u>1,678</u>	<u>1,580</u>	<u>1,493</u>
1,594	1,461	1,576	1,684	1,586	1,499
3	3	3	1	2	2
572	543	557	582	583	573
137	137	137	129	119	101
<u>6</u>	<u>5</u>	<u>14</u>	<u>17</u>	<u>23</u>	<u>26</u>
715	685	708	728	725	700
12	10	9	17	24	25
43	43	43	47	46	52
65	58	59	62	62	62
953	961	940	990	999	987
21	21	23	22	22	20
32	32	21	15	7	—
67	67	71	58	58	64
<u>23</u>	<u>23</u>	<u>17</u>	<u>15</u>	<u>12</u>	<u>10</u>
1,096	1,104	1,072	1,100	1,098	1,081
2	—	—	—	—	—
93	89	89	90	85	82
4	3	3	3	3	3
28	28	28	28	28	28
52	50	46	44	44	43
2	2	2	1	1	1
883	882	876	875	871	869
4	4	4	4	4	3
<u>6</u>	<u>6</u>	<u>6</u>	<u>5</u>	<u>3</u>	<u>3</u>
893	892	886	884	878	875
7	4	4	4	4	4
90	89	88	88	88	87
147	145	144	144	144	144
81	80	78	76	72	68
50	47	46	45	45	45
171	168	167	167	167	166
<u>38</u>	<u>36</u>	<u>33</u>	<u>33</u>	<u>25</u>	<u>22</u>
340	331	324	321	309	301
2	2	2	2	1	1



**Schedule 16**  
**Miscellaneous Statistics**  
**June 30, 2009**

Date of Statehood	June 20, 1863
<p>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.</p>	
Form of Government	Constitutional Representative Government
Branches of Government	Legislative - Executive - Judicial
Area (Land and Water)	24,231 square miles (approximately)
Highest Elevation Point	Spruce Knob - 4,863 feet above sea level
Lowest Elevation Point	Harpers Ferry - 240 feet above sea level
Miles of Public Roads and Streets	38,452
Miles Maintained by the State	34,359
State Police Protection:	
Number of State Police Detachments	60
Number of State Police Troopers	651
Higher Education (State Supported):	
Number of Campuses	20
Number of Students	93,712
Recreation:	
Number of State Parks	35
Area of State Parks	76,949 acres
Number of State Forests	8
Area of State Forests	71,392 acres
Number of Rail Trails	2
Distance of Rail Trails	150 miles
Wildlife Fish and Game Management Areas	103
Acreage of Wildlife Management Areas (Owned and Leased)	375,647 acres

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