



West Virginia

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2011

Staats Mill covered bridge, Cedar Lakes, W.Va.

West Virginia

*Comprehensive Annual
Financial Report
For the Fiscal Year
Ended June 30, 2011*



Earl Ray Tomblin
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*



Governor Earl Ray Tomblin



State of West Virginia
Earl Ray Tomblin
Governor

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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, 2011. 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.

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

Sincerely,

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

Earl Ray Tomblin
Governor

ACKNOWLEDGMENTS

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Special appreciation is given to all personnel throughout the State whose extra effort to contribute accurate, timely financial data for their agencies made this report possible. The technical support of 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 website: www.wvfinance.state.wv.us

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Transmittal Letter

Certificate of
Achievement for
Excellence in
Financial Reporting

Organization Chart

Principal Officials

Introductory Section

Wheeling Suspension Bridge, Wheeling, W.Va.



STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
DIVISION OF FINANCE

EARL RAY TOMBLIN
GOVERNOR

ROBERT W. FERGUSON, JR.
CABINET SECRETARY

February 13, 2012

The Honorable Earl Ray Tomblin, 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, 2011. 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, 2011, 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 requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the report of the independent auditors.

The 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

Maintaining the momentum of fiscal accountability, the State of West Virginia is entering into a new and dynamic chapter of economic growth. The strength, talent, creativity and clarity of our goals and objectives will transition our State into new opportunities.

By staying the course of the efficient business practices, West Virginia closed its 2011 fiscal year with a surplus of nearly \$339 million, the sixth year in a row with a surplus and no tax increases. While most states borrowed federal funds to pay unemployment compensation benefits, West Virginia was one of 18 states that was fiscally able to maintain its benefit structure.

The State of West Virginia's Rainy Day Fund was fourth best in the country, as a percentage of the state's General Revenue appropriations, at 20 percent. Should the Rainy Day Fund balance exceed 10 percent of the General Revenue Fund appropriations as of July 1, 2012, the corporate net income tax rate will fall from 7.75 percent to 7.0 percent in 2013. During the first half of FY 2012, West Virginia had five months of higher than anticipated revenue collection.

West Virginia is currently ahead of revenue projections by \$56 million for the first six months of FY 2012. Payroll employment numbers in the private sector are also on the rise with a growth of more than 2 percent since January of 2010.

The State of West Virginia tops the nation for putting stimulus dollars to work on our highways as well as on our water and sewer line expansion systems. This is the 12th consecutive year that West Virginia budgeted state and federal funds in excess of \$1 billion for our roadway system. The Division of Highways spent more than \$86 million in American Recovery and Reinvestment Act (ARRA) funds during this fiscal year on highway infrastructure investment projects, concurrent with regular programs. These projects would not have been completed without this additional revenue source.

The State completed 35 construction projects and started 22 more, with costs in excess of \$5 million, including portions of the King Coal Highway, West Virginia 10 and Corridor H, as well as, preservation projects on Interstates and WV 34. The 22 new projects have a combined construction cost of \$321 million.

Long-term Financial Planning and Relevant Financial Policies

To sustain financial effectiveness, openness to innovative opportunities was present in the decision-making considerations. Fiscal planning and efficient management relating to these opportunities resulted in positive outcomes.

West Virginia continues to focus on traditional energy and manufacturing industries, such as coal, chemicals and polymers, natural gas, automotive and wood products. All remain valued contributors to the State's economy. The State's economy also includes innovation-driven, technology-based businesses, piloted by a highly skilled West Virginia workforce. Nearly \$17.8 billion in new business investments have been made in West Virginia's economy since 2005. A growing number of companies led the advance in various fields, including biometrics, energy, and technology.

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

- Retail giant Macy's is building a new 1.3 million square foot fulfillment center in Martinsburg;
- Kureha PGA LLC is co-locating on the DuPont site in Belle, for its new polymer plant;
- DirecTV is renovating its call center in Huntington;
- Energy company Dominion is building a \$500 million natural gas processing plant near New Martinsville;
- The U.S. Federal Bureau of Investigation is creating a Biometrics Technology Center in Clarksburg;
- Caiman Energy is increasing the capacity of its Fort Beeler cryogenic gas processing plant by investing more than a quarter of a billion dollars;
- Amazon.com is expanding its customer service center in Huntington and creating 200 new jobs;
- Toyota is planning a \$64 million expansion at its Putnam County plant;
- The Boy Scouts of America are conducting the 2019 World Scout Jamboree in West Virginia, with more than 80,000 scouts and their families from up to 220 countries expected to participate.

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

- A skilled and flexible workforce that has earned a reputation for dedication, loyalty, and low absenteeism;
- One of the nation's lowest costs of doing business;
- A strategic location with overnight delivery to more than half the U.S. population;
- A high quality of life and unparalleled outdoor recreational activities.

Major Initiatives

The State of West Virginia has focused on several major initiatives during FY 2011. Some of these initiatives are outlined below:

Pro-Growth Tax Reforms

From FY 2005 through FY 2010, West Virginia tax reductions removed more than \$100 million of the business tax burden through laws passed since the Manchin and Tomblin Administrations took office. The State is one of only four to be awarded an "A" by the Cato Institute's Fiscal Policy Report Card on America's Governors: 2010. The report found that the West Virginia economy has done well under its fiscal policies of business tax cuts and frugal budgeting.

West Virginia removed approximately \$109 million of business tax burden in FY 2011 and more than \$345 million during the past five years.

The following reduced business taxes help boost investment in the State's economy:

- A series of phased business tax rate reductions has resulted in a current corporate tax rate of 7.75 percent. The tax will be reduced to 6.5% by 2014;
- The business franchise tax rate has been reduced to 0.27 percent. There will be an annual phased reduction in the tax and it will be eliminated in 2015;
- The Commercial Patent Incentives Tax Credit can offset up to 100 percent of the business franchise tax, corporation net income tax, or in the case of individual taxpayers, the personal income tax. The credit is based on a percentage of royalties, license fees and other consideration for developers of a patent or a percentage of net profit attributable to a patent used in a manufacturing process or product;

- Aircraft owned or leased by commercial airlines, charter carriers, private carriers and private companies are valued for property tax purposes at a lower than fair market salvage value or five percent of the original cost of the property;
- The High-Technology Business Property Valuation Act provides special property tax valuation for equipment and tangible personal property. The property tax is reduced to approximately five percent of the tax that would otherwise apply, based on the original cost of the property. In addition, sales tax is eliminated from all purchases of prewritten computer software, computers, computer hardware, servers, building materials and tangible personal property for direct use in a high-technology business or an internet advertising business.

Potential Economic Impact of Marcellus Shale

Vast gas reserves have been discovered in the Marcellus Shale formations beneath West Virginia and other portions of the Appalachian region. The 2011 U.S. Geological Survey report estimates that the eight-state Marcellus Shale region contains approximately 84 trillion cubic feet of undiscovered, recoverable natural gas.

An ethane cracker plant is expected to be built in the region; perhaps even in West Virginia itself. A single cracker plant would create about 500 full-time, high-paying jobs and 10,000 construction jobs. In addition, the low cost of producing natural gas and related by-products from the Marcellus Shale could revitalize the region's chemical industry.

“The American Chemistry Council estimates that for every job created in the U.S. chemical industry, 5.5 jobs are created in other industries,” says Dan Carlson, general manager of new business development for Shell Chemicals.

Workers' Compensation Reforms

Since West Virginia privatized its workers' compensation market in 2006, the loss costs have decreased in the aggregate by 51.8 percent, which includes an aggregate reduction of 8.1 percent in 2011. This action has resulted in significant savings to employers. The workers' compensation market is competitive with more than 220 carriers offering workers' compensation coverage.

At the start of privatization, the unfunded liability for the state workers' compensation fund exceeded \$3 billion. The Governor and the Legislature adopted a plan to eliminate the unfunded liability and dedicated revenues from severance taxes, personal income taxes

and specific lottery proceeds to eliminate the debt. Annually, the State allocates approximately \$247 million to reduce the unfunded liability. For the first time, as of July 1, 2011, the unfunded liability for the Old Fund is less than \$1 billion. Projections show the unfunded liability should be completely eliminated by FY 2016.

A 2.9 percent decrease in Workers' Compensation insurance rates took effect on November 1, 2011. Overall rates will have declined 47 percent since the privatization of the system on January 1, 2006.

Veterans Presence in State

With a budget of approximately \$35 million, the West Virginia Department of Veterans Assistance helped secure nearly \$162 million worth of federal monetary benefits to West Virginia veterans and their families during 2011 fiscal year.

Environment Protection Initiatives

The State Revolving Fund Program loaned more than \$51.7 million to public utilities to assist them with improving or replacing wastewater treatment infrastructure in communities around the State. These loans are usually made at very low interest, and in some cases, with no interest over a 20- to 30-year period to these communities.

The Abandoned Mine Lands (AML) program solicited for 52 AML reclamation projects at a cost of \$23 million and participated in the construction of nine waterline construction projects at a cost of \$12 million. These waterline projects brought drinking water to citizens whose drinking water was affected by mining activity that occurred before the Federal Mining Act in 1977 that requires companies to reclaim the land when mining is ceased.

The State distributed \$1.7 million in rebates to citizens who replaced older, less efficient appliances with newer, EnergyStar-rated ones. Over their lifetimes, the products rebated will save enough energy to power all of the buildings and street lights at West Virginia's Babcock State Park for the next 50 years.

Strong Financial Performance

West Virginia's credit rating on its general obligation debt has been upgraded, enabling the State to borrow money at a lower interest rate. Moody's Investors Service upgraded the credit rating to AA+. Fitch Ratings also raised its rating of the State's general obligation debt from "AA" to "AA+," the second highest rating possible. Fitch's cited "the state's consistently positive financial operations, including the expansion of reserves..." and both agencies cited West Virginia's commitment to reducing long-term liabilities.

West Virginia closed its 2011 fiscal year with a surplus nearing \$339 million; the sixth year in a row with a surplus – without a tax increase. According to State Budget Solutions, a non-partisan organization that monitors state budgets and offers reforms, West Virginia had the third best surplus for all state funds and ranked 15th for best general fund surplus.

Cost of Doing Business in West Virginia

In a recent report, Forbes ranked West Virginia ninth and CNBC ranked the state 15th in regard to the low cost of doing business in West Virginia. Forbes' considers the cost of labor, energy and taxes to determine the state ranking, while CNBC uses tax burden, business taxes, utility costs, wages and rental costs for industrial and office space.

West Virginia's electricity rates remain competitively strong, in all sectors (industrial, commercial, transportation and residential). The State's rates are the second lowest, east of the Mississippi, and 23 percent lower than the national average.

Conclusion

West Virginia continued its upward trend of fiscal management practices during the 2011 fiscal year, setting the State in a positive placement for the upcoming fiscal year. The leadership team of Gov. Earl Ray Tomblin and the members of the State Legislature made wise, yet sometimes difficult, decisions so that the State may continue to accomplish the goals and objectives to keep West Virginia as a competitive state for businesses and jobs, while providing the programs and services of its citizens.

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 2010. 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 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 2012 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,

A handwritten signature in blue ink that reads "Robert W. Ferguson, Jr." in a cursive script.

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, 2010

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.



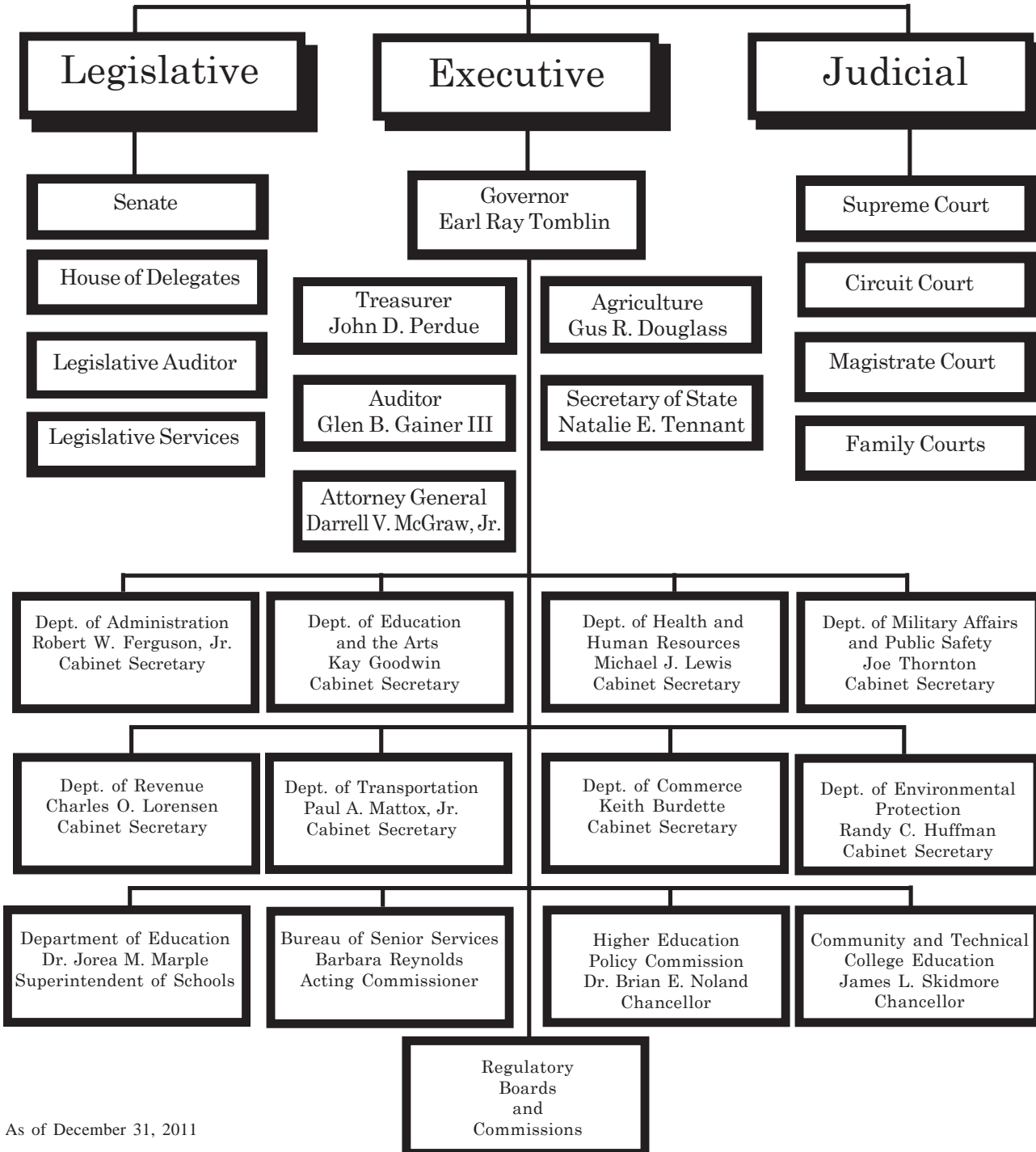
Linda C. Danison

President

Jeffrey R. Emer

Executive Director

ORGANIZATION CHART



State of WEST VIRGINIA

Principal Officials

Executive Branch

Governor
Earl Ray Tomblin

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

Senate President
Jeffrey Kessler

Speaker of the House
Richard Thompson

Chairman
Senate Finance
Roman Prezioso

Chairman
House Finance
Harry Keith White

Judicial Branch

Supreme Court
Chief Justice
Margaret L. Workman

Supreme Court Justice
Robin Jean Davis

Supreme Court Justice
Brent D. Benjamin

Supreme Court Justice
Menis E. Ketchum, II

Supreme Court Justice
Thomas McHugh





Report of
Independent Auditors

Management's
Discussion
and Analysis

Financial Section

Cass Scenic Railroad State Park, Cass, W.Va.

Report of Independent Auditors

The Honorable Earl Ray Tomblin, 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 State of West Virginia (the State) as of and for the year ended June 30, 2011, which collectively comprise 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 58% of total assets, 74% of net assets, and 14% of total revenues for the governmental activities; 82% of total assets, 85% of net assets, and 58% of total revenues for the business-type activities; 100% of total assets, 100% of net assets, and 100% of revenues for the aggregate discretely presented component units; 88% of total assets, 85% of net assets, and 98% of revenues of Transportation; 100% of total assets, 100% of net assets, and 100% of revenues of each of the following major funds – Tobacco Settlement Financing Authority, Water Pollution Control, Workers' Compensation, Unemployment Compensation, and West Virginia Infrastructure and Jobs Development Council; and 87% of total assets, 89% of net assets/fund balance, and 68% 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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. The financial statements of the West Virginia Investment Management Board and the following discretely presented component units of the Higher Education Fund Component Unit: Bluefield State College Foundation, Inc., Bluefield State College Research and Development Corporation, Concord University Foundation, Inc., Fairmont State Foundation, Inc., The Glenville State College Foundation, Inc., New River Community and Technical College Foundation, Inc., Provident-Marshall, L.L.C., The Shepherd University Foundation, Inc., Southern West Virginia Community College Foundation, Inc., West Liberty State University Foundation, Inc., West Virginia Northern Community College Foundation, Inc., West Virginia School of Osteopathic Medicine Foundation, Inc., West Virginia State University Foundation, Inc., and WVU at Parkersburg Foundation, Inc. were audited by other auditors in accordance with auditing standards generally accepted in the United States, but were not audited in accordance with *Government Auditing Standards*. 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.

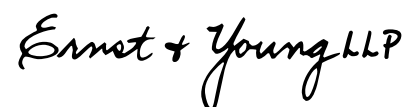
In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of West Virginia as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the financial statements, the State changed the classification of the West Virginia Lottery Commission as of July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2012 on our consideration of the State of West Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 19, the budgetary comparison information on pages 170 through 177, and the pension plans schedule of funding progress on page 178 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 182 through 223 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.

A handwritten signature in black ink that reads 'Ernst & Young LLP'.

February 13, 2012

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, 2011. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

The assets of the primary government exceeded its liabilities at the close of the fiscal year by \$11.2 billion (reported as "net assets"). Governmental activities reported \$10.2 billion in net assets (a \$436 million increase, up 4.47% from last year), while the business-type activities reported net assets of \$989 million, a \$306 million increase, after restatement.

During the fiscal year, the West Virginia Lottery was reclassified from a business-type activity to a discretely presented component unit. Lottery funds, that were previously transfers to other agencies, are now reported as Lottery revenues in the governmental (\$409 million) and business-type activities (\$51 million). Additional information on the reclassification is in Note 2 in the notes to the basic financial statements.

Fund Level:

GASB Statement No. 54, which is required this fiscal year, provides new fund balance classifications for governmental funds. West Virginia early implemented Statement No. 54 in fiscal year 2010. Additional information on the State's fund balances can be found in Note 1 in the notes to the basic financial statements.

At year-end, the governmental funds reported combined ending fund balances of \$2.85 billion, an increase of \$173 million, or 6.4% higher than the prior year. The unrestricted fund balance, including the committed, assigned, and unassigned balances, was \$1.5 billion. The nonspendable balance was \$871 million, and \$452 million was restricted to capital projects, debt service, government operations, development tourism and recreation, education, health and social services, public protection, and transportation. General Revenue surpluses allowed \$151 million to be transferred to the Revenue Shortfall Reserve Fund (Rainy Day Fund), up from the previous year by \$100 million.

Long-Term Obligations:

There was a net increase in the State's long-term obligations of \$61 million. The Governmental Activities increased by \$215 million and the Business-type Activities decreased by \$154 million.

The increase in the Governmental Activities includes new Education, Arts, Sciences, and Tourism (EAST) fund bonds in the amount of \$155.6 million. The 1997 EAST fund bonds were paid off in the current year and new bonds were issued. The bond market has also allowed some refunding of old bonds, including DOH general obligation bonds. Other bond issues have been refunded since year-end, and they are described in Note 16. There were other payments on bonds, capital leases, notes payable and the accretion of capital appreciation bonds, and new capital leases issued.

The West Virginia Infrastructure and Jobs Development Council revenue bonds, reported in the Business-type Activities, had a \$2.3 million reduction in their balance during the current year, bringing the balance to \$116.3 million. The Insurance and Compensation Benefits decreased \$147 million primarily due to the privatization of the workers' compensation fund and the stabilization of revenue to satisfy the declining liability for claims incurred on or before June 30, 2005. For the first time in history, the audited statements present the deficit balance of the Workers' Compensation Fund at less than \$1 billion. This is a significant milestone in the State's goal to effectively manage these long-term liabilities. See Note 14 for a more detailed explanation about the privatization and funding plan.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The basic financial statements include two kinds of statements that present different views of the State. The statement of net 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 Authority; West Virginia Lottery; Parkways Authority; and Higher Education. Separately issued financial statements are also available for these component units.

Fund Financial Statements

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

The State has three kinds of funds:

- *Governmental funds* – Most of the State’s basic services are included in governmental funds, which focus on (1) *cash and other financial assets* that may readily be converted to cash flow in and out and (2) the balances left at year-end available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view to help determine whether there are more or fewer financial resources that may be spent in the near future to finance the State’s programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the pages immediately following each statement, explaining the relationship (or differences) between them and the government-wide statements.
- *Proprietary funds* – Proprietary funds include enterprise funds and internal service funds. They account for state activities that are operated in a manner similar to private-sector businesses. Like the government-wide statements, proprietary fund statements are presented using the accrual basis of accounting and provide both long- and short-term financial information. Services for which the State charges external customers a fee are generally reported in enterprise funds. Activities where customers are mostly other state agencies are accounted for in internal service funds. The internal service funds are consolidated with the governmental activities on the government-wide statements because they predominantly benefit the governmental rather than business-type activities.
- *Fiduciary funds* – Fiduciary funds account for assets held for the benefit of parties outside of state government. The State is the trustee, or *fiduciary*, for its employees’ pension plans and other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the State’s fiduciary activities are reported in a separate statement of fiduciary net 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 \$705 million over the course of this fiscal year's operations. The net assets of the governmental activities increased \$436 million and the net assets of the business-type activities had an increase of \$270 million. The overall increase in the State's net assets is primarily a result of increased tax revenues, interest earnings, capital assets, federal aid, partially from the American Recovery and Reinvestment Act (ARRA), and a reduction 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 | |
|--|----------------------------|---------------------|-----------------------------|-------------------|-----------------------------|---------------------|
| | 2011 | 2010 | 2011 | 2010* | 2011 | 2010* |
| Current and Other Assets | \$ 5,675,395 | \$ 5,154,129 | \$3,552,448 | \$3,411,396 | \$ 9,227,843 | \$ 8,565,525 |
| Capital Assets | <u>9,138,520</u> | <u>8,760,673</u> | <u>6,200</u> | <u>31,428</u> | <u>9,144,720</u> | <u>8,792,101</u> |
| Total Assets | <u>14,813,915</u> | <u>13,914,802</u> | <u>3,558,648</u> | <u>3,442,824</u> | <u>18,372,563</u> | <u>17,357,626</u> |
| Current and Other Liabilities | 1,933,039 | 1,605,828 | 440,141 | 569,338 | 2,373,180 | 2,175,166 |
| Long-term Liabilities | <u>2,692,951</u> | <u>2,556,713</u> | <u>2,129,506</u> | <u>2,154,068</u> | <u>4,822,457</u> | <u>4,710,781</u> |
| Total Liabilities | <u>4,625,990</u> | <u>4,162,541</u> | <u>2,569,647</u> | <u>2,723,406</u> | <u>7,195,637</u> | <u>6,885,947</u> |
| Net Assets: | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 8,288,909 | 7,909,484 | 6,200 | 31,428 | 8,295,109 | 7,940,912 |
| Restricted | 551,892 | 435,296 | 1,551,461 | 1,432,449 | 2,103,353 | 1,867,745 |
| Unrestricted (Deficit) | <u>1,347,124</u> | <u>1,407,481</u> | <u>(568,660)</u> | <u>(744,459)</u> | <u>778,464</u> | <u>663,022</u> |
| Total Net Assets, as Restated | <u>\$10,187,925</u> | <u>\$ 9,752,261</u> | <u>\$ 989,001</u> | <u>\$ 719,418</u> | <u>\$11,176,926</u> | <u>\$10,471,679</u> |

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

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, net of related debt, increased \$354 million primarily due to the acquisition of rights of way and the construction of roads and bridges. The reduction of the Workers' Compensation Fund deficit by \$182 million (see Note 14 for more information) was the primary driver in the increase in unrestricted net assets from \$663 million to \$799 million.

Restricted net assets comprise 19% 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, health and social services, public protection, 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, 2011 and 2010 (expressed in thousands):

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|----------------------------|---------------------|-----------------------------|-------------------|-----------------------------|---------------------|
| | 2011 | 2010* | 2011 | 2010* | 2011 | 2010* |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$ 437,987 | \$ 445,984 | \$1,175,880 | \$2,556,384 | \$ 1,613,867 | \$ 3,002,368 |
| Operating Grants and Contributions | 4,278,895 | 4,067,812 | — | — | 4,278,895 | 4,067,812 |
| Capital Grants and Contributions | 628,978 | 635,147 | — | — | 628,978 | 635,147 |
| General Revenues: | | | | | | |
| Personal Income Tax | 1,657,258 | 1,534,970 | — | — | 1,657,258 | 1,534,970 |
| Consumer Sales Tax | 1,150,887 | 1,131,075 | — | — | 1,150,887 | 1,131,075 |
| Business Taxes | 977,252 | 844,405 | — | — | 977,252 | 844,405 |
| Transportation Taxes | 574,949 | 541,023 | — | — | 574,949 | 541,023 |
| Other Taxes | 437,363 | 435,504 | — | — | 437,363 | 435,504 |
| Lottery Revenue | 408,974 | — | 51,000 | — | 459,974 | — |
| Other Revenues | 258,277 | 253,625 | 168,304 | 244,877 | 426,581 | 498,502 |
| Total Revenues | <u>10,810,820</u> | <u>9,889,545</u> | <u>1,395,184</u> | <u>2,801,261</u> | <u>12,206,004</u> | <u>12,690,806</u> |
| Program Expenses: | | | | | | |
| Legislative | 31,721 | 28,896 | — | — | 31,721 | 28,896 |
| Judicial | 130,104 | 124,627 | — | — | 130,104 | 124,627 |
| Executive | 325,389 | 261,764 | — | — | 325,389 | 261,764 |
| Administration | 260,298 | 163,662 | — | — | 260,298 | 163,662 |
| Commerce | 217,334 | 204,178 | — | — | 217,334 | 204,178 |
| Environmental Protection | 174,211 | 141,279 | — | — | 174,211 | 141,279 |
| Employment Programs | 58,312 | 57,286 | — | — | 58,312 | 57,286 |
| Education | 2,839,216 | 2,850,805 | — | — | 2,839,216 | 2,850,805 |
| Health and Human Resources | 4,317,911 | 4,088,254 | — | — | 4,317,911 | 4,088,254 |
| Military Affairs and Public Safety | 441,523 | 441,068 | — | — | 441,523 | 441,068 |
| Revenue | 82,820 | 270,870 | — | — | 82,820 | 270,870 |
| Transportation | 1,035,601 | 1,064,417 | — | — | 1,035,601 | 1,064,417 |
| Senior Services | 47,186 | 46,671 | — | — | 47,186 | 46,671 |
| Regulatory Board and Commissions | 33,328 | 36,917 | — | — | 33,328 | 36,917 |
| Interest on Long-term Debt | 135,443 | 135,534 | — | — | 135,443 | 135,534 |
| West Virginia Lottery | — | — | — | 899,247 | — | 899,247 |
| Workers' Compensation Fund | — | — | 179,803 | 173,967 | 179,803 | 173,967 |
| Unemployment Compensation | — | — | 444,036 | 605,272 | 444,036 | 605,272 |
| West Virginia Infrastructure and Jobs Development Council | — | — | 16,024 | 22,882 | 16,024 | 22,882 |
| Water Pollution Control Revolving Fund | — | — | 26,723 | 34,796 | 26,723 | 34,796 |
| Public Employees' Insurance Agency | — | — | 527,830 | 437,496 | 527,830 | 437,496 |
| Board of Risk and Insurance Management | — | — | 37,624 | 35,614 | 37,624 | 35,614 |
| Other Nonmajor Business-type | — | — | 101,937 | 97,089 | 101,937 | 97,089 |
| Total Expenses | <u>10,130,397</u> | <u>9,916,228</u> | <u>1,333,977</u> | <u>2,306,363</u> | <u>11,464,374</u> | <u>12,222,591</u> |
| Increase (Decrease) in Net Assets Before Transfers | 680,423 | (26,683) | 61,207 | 494,898 | 741,630 | 468,215 |
| Transfers | (244,759) | 279,309 | 244,759 | (279,309) | — | — |
| Increase in Net Assets | <u>435,664</u> | <u>252,626</u> | <u>305,966</u> | <u>215,589</u> | <u>741,630</u> | <u>468,215</u> |
| Net Assets (Deficit), Beginning of Year | <u>9,752,261</u> | <u>10,076,079</u> | <u>719,418</u> | <u>(83,503)</u> | <u>10,471,679</u> | <u>9,992,576</u> |
| Change in Accounting Principle for GASB 51 and GASB 54 | — | (576,444) | — | 587,332 | — | 10,888 |
| Lottery Reclass | — | — | (36,383) | — | (36,383) | — |
| Net Assets, Beginning of Year, as Restated | <u>9,752,261</u> | <u>9,499,635</u> | <u>683,035</u> | <u>503,829</u> | <u>10,435,296</u> | <u>10,003,464</u> |
| Net Assets, End of Year | <u>\$10,187,925</u> | <u>\$ 9,752,261</u> | <u>\$ 989,001</u> | <u>\$ 719,418</u> | <u>\$11,176,926</u> | <u>\$10,471,679</u> |

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

Governmental Activities

The State's net assets before transfers increased by \$680 million for governmental activities. Revenues were up \$921 million and expenses were up \$214 million. The revenue increase was due partly to higher federal revenues. Operating grants and contributions were up \$211 million, primarily due to Health and Human Resources (DHHR). Medicaid federal medical assistance percentage (FMAP) continued to be higher due to changes in eligibility and benefit rates in the American Recovery and Reinvestment Act (ARRA). Temporary Assistance for Needy Families (TANF) was also higher. The reclassification of the Lottery added \$409 million as revenue instead of transfers.

Overall tax revenue was up \$311 million from the previous year. Business taxes were up \$133 million primarily due to higher corporate profits and much better corporate net equity growth. A very healthy energy sector and an improving manufacturing sector contributed to revenue growth in an atmosphere of significant corporate tax policy change. Revenues were above prior year receipts despite policy changes reducing the business franchise tax rate by 14.6% as of January 1, 2010, and by an additional 17% as of January 1, 2011. In addition, the federal depreciation policy changed in September 2010 to allow 100% bonus depreciation on new investments between mid-September 2010 and the end of CY2011. Personal income taxes were up \$122 million due to significant growth from nonresident withholding, higher annual return payments, and greater than anticipated mining employment. Consumer Sales Tax was up by approximately \$20 million, due to higher than expected economic growth associated with enhanced coal exports.

Program expenses were up approximately \$214 million in total. DHHR expenses were up \$230 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 and funding. DHHR also had health care cost increases, due to increases in rates and individuals served. Executive expenses were up \$63 million, due primarily to ARRA stabilization funding for education. The Department of Administration expenses are up approximately \$97 million due to the purchase of two buildings and \$27 million spent on the ARRA Broadband project.

The charts on the next page depict revenues and expenses, respectively, of the governmental activities for the fiscal year. Approximately 40.3% of the total revenues came from personal income, consumer sales, business taxes, and transportation taxes, while 45.4% was in the form of grants and contributions (see Chart A). The State's governmental activities expenses include 43.2% for health and human resources and 28.4% for education (see Chart B).

Chart A

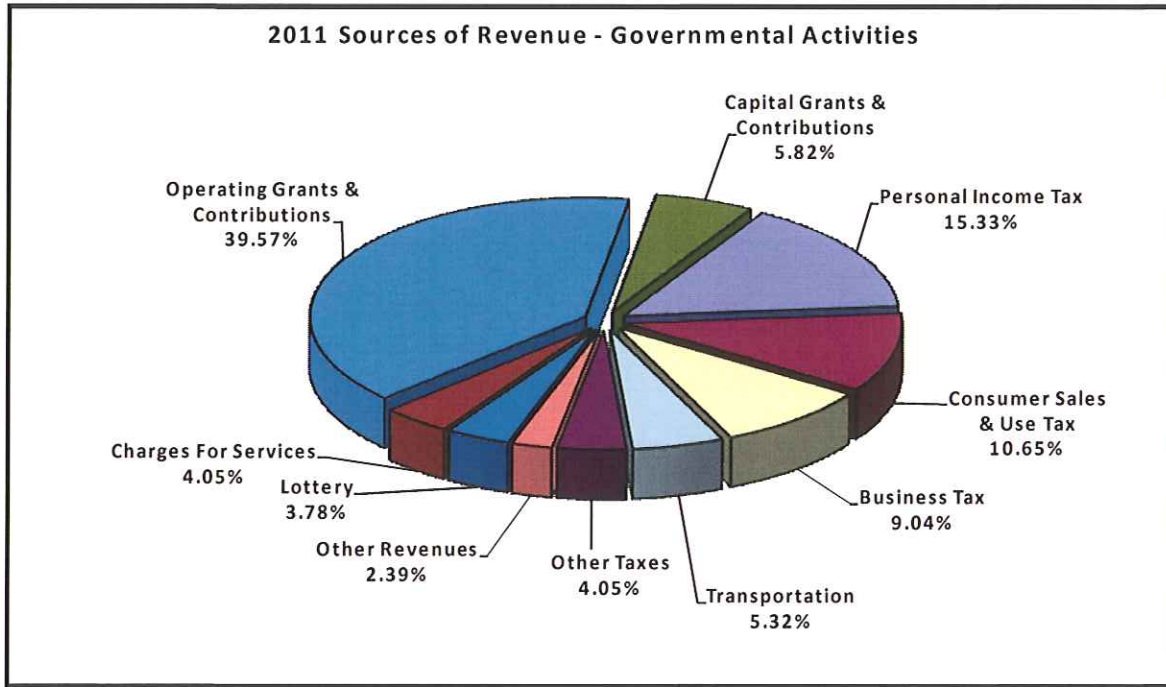
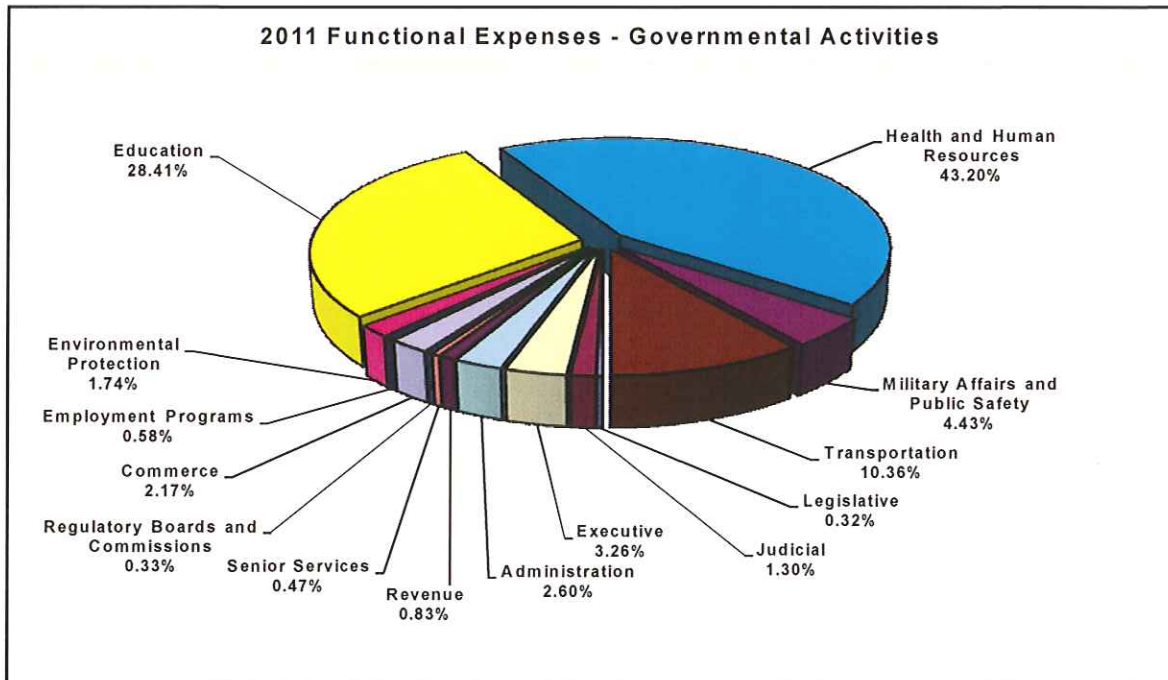


Chart B



Business-type Activities

Business-type activities increased the State's net assets by \$61 million before transfers. Significant contributors to this change were:

- The West Virginia Lottery was moved to the discretely presented component units. See Note 2 for more information.
- The Workers' Compensation Fund's (WCF) revenue stream remained stable while the payment stream declined as claim obligations, incurred prior to July 1, 2005, were satisfied. An aggressive settlement program as part of the strategy to eliminate the WCF deficit was implemented in FY 2011. Full and final settlement agreements were executed in the amount of \$51 million. This initiative is expected to continue in FY 2012. The WCF also recorded a net investment income of \$109 million.
- The Board of Risk and Insurance Management (BRIM) had billed premiums in excess of incurred claims, in the amount of \$12 million. BRIM's net operating revenues decreased by \$5 million. The lower premium revenue reflects the overall improvement in the trend in claims development and a reduction in premiums for the recovery of previously billed premium surcharges.
- Public Employees' Insurance Agency (PEIA) had a \$5 million decrease in net assets resulting from increased expenses of \$91 million, including claim costs up by 10% and increased administrative fees. Revenues increased \$18 million, primarily achieved through increased policy rates of 5%.
- Unemployment Compensation (UC) recorded an increase in net assets of \$26 million primarily due to the reduction in direct benefits of \$161 million. Benefit rates have been frozen at 2008 levels and the taxable wage base has been raised until the UC balance exceeds \$220 million.
- The Water Pollution Control Revolving Fund recorded an increase in net assets of approximately \$20 million, due primarily to an increase in loans receivable.

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.

West Virginia

At the end of the current fiscal year, the State's governmental funds reported an ending fund balance of \$2.85 billion, an increase of \$173 million in comparison with the prior year. There was a net increase in revenue of \$905 million. Total tax revenues increased by \$245 million, including \$122 million in personal income tax. Federal revenue increased \$274 million. Lottery funds that were previously transfers to other agencies are now reported as Lottery revenue, \$399 million. Expenses were up by \$407 million primarily due to the Executive, Education, Health and Human Resources, and Military Affairs and Public Safety functions. The Revenue function decreased its expenses by \$173 million. Net bond proceeds of \$163 million also added to the increase in fund balance.

Governmental Fund Balances at June 30, 2011 (Expressed in Thousands)

| | General Fund | Transportation | Tobacco Settlement Finance Authority |
|--------------|-------------------------|-----------------------|---|
| Nonspendable | \$ 163,235 | \$ 40,383 | \$ 666,824 |
| Restricted | 45,029 | 14,584 | 103,094 |
| Unrestricted | | | |
| Committed | 716,873 | — | — |
| Assigned | 47,852 | 113,544 | — |
| Unassigned | <u>427,107</u> | <u>—</u> | <u>—</u> |
| Total | <u>\$1,400,096</u> | <u>\$168,511</u> | <u>\$769,918</u> |

The nonmajor governmental funds had a fund balance net increase of approximately \$150 million. The capital projects funds increased approximately \$120 million due to bond proceeds for projects for the state parks, capital complex, and higher education institutions. The special revenue fund balance increased by a net \$39 million. This increase was partly due to investment gains in the Wildlife Resources fund and stable revenues and expenditures in the Insurance Commission. The Environmental Protection function has general revenue funds as well as a special revenue fund. The expense related to OPEB for Environmental Protection is now being recorded in the general revenue funds, which reduced the special revenue expense by \$8 million. Restricted fund balance is \$290 million, available for debt service (\$70 million), to fund capital projects (\$148 million), \$40 million for development, tourism and recreation, and \$31 million for public protection. Committed fund balance is \$226 million primarily for public protection.

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$427 million, the assigned fund balance was \$48 million, the committed was \$717 million, the restricted was \$45 million, and nonspendable was \$163 million. Total fund balance reached \$1.4 billion. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 4.9% of total General Fund expenditures, while total fund balance represents 16.1% of the same amount.

Cash and investments in the General Fund were up \$398 million, due to increased tax revenues, \$211 million, primarily personal income taxes of \$123 million. Federal revenues were also up \$281 million, partially due to ARRA legislation. Revenues were \$393 million over expenditures allowing surplus funds to be added to the Rainy Day Fund.

Expenses for the executive function were up \$98 million in 2011 primarily due to increased funding ARRA funding which subsidized County Boards of Education and colleges and universities. 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. ARRA also funded the broadband technology opportunities program that included \$27 million for West Virginia.

DHHR expenses were up \$278 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 assigned fund balance of \$114 million and \$15 million restricted fund balance. The nonspendable fund balance of \$40 million is inventory. Total fund balance was down approximately \$74 million from 2010. Transportation revenues were up \$72 million due to the increase in federal aid revenues and an increase in automobile privilege taxes. Road maintenance and road operations expenses were the primary reason for the increased expenditures of \$93 million.

The Tobacco Settlement Finance Authority's fund balance decreased by \$21 million due to amortization of the deferred revenue. Required bond interest of \$60 million was paid. An additional \$7 million from the Master Settlement Agreement revenue was applied to reduce the principal.

Proprietary Funds

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

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

GENERAL REVENUE FUND BUDGETARY HIGHLIGHTS

The revenues of the final amended budget did not change from the original. The general revenue fund budget to actual overall revenue variance was a positive \$322 million due to significant increases in revenue collection in several tax categories. Personal income taxes were higher by \$102 million, severance taxes were up by \$90 million, and corporate income/business franchise taxes were up \$93 million. The increase is largely attributable to renewed income growth and consumption growth in an environment with stabilizing employment. A significant surge in metallurgical coal exports in 2011 was a major boost for the coal industry and severance tax collections. Manufacturing is also benefiting from growth in foreign trade.

The positive variance of the excess of revenues over expenditures was approximately \$441 million which resulted from positive revenue variance above and cautious spending. After expenditures from prior year appropriations, \$151 million was deposited into the State’s Rainy Day Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the State had invested \$9.1 billion, net of accumulated depreciation, in a broad range of capital assets shown below. Depreciation expense for the year totaled \$373 million.

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

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|---------------------------|--------------------------------|--------------------|---------------------------------|-----------------|---------------------------------|--------------------|
| | 2011 | 2010 | 2011 | 2010* | 2011 | 2010* |
| Land and Improvements | \$1,081,208 | \$1,044,960 | \$ 611 | \$ 2,045 | \$1,081,819 | \$1,047,005 |
| Building and Improvements | 697,176 | 662,090 | 858 | 21,123 | 698,034 | 683,213 |
| Equipment | 122,568 | 120,622 | 1,036 | 2,819 | 123,604 | 123,441 |
| Library Holdings | 1,102 | 1,208 | — | — | 1,102 | 1,208 |
| Intangibles | 23,426 | 30,379 | 3,695 | 5,441 | 27,121 | 35,820 |
| Construction in Progress | 1,135,474 | 1,185,984 | — | — | 1,135,474 | 1,185,984 |
| Infrastructure | <u>6,077,566</u> | <u>5,715,430</u> | <u>—</u> | <u>—</u> | <u>6,077,566</u> | <u>5,715,430</u> |
| Totals | <u>\$9,138,520</u> | <u>\$8,760,673</u> | <u>\$6,200</u> | <u>\$31,428</u> | <u>\$9,144,720</u> | <u>\$8,792,101</u> |

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

The total increase, net of disposals and accumulated depreciation, in the State's investment in capital assets for the current fiscal year approximated \$353 million. The most significant changes in capital assets during the year were in the Transportation function. Transportation continues to expand the state road system, focusing primarily on upgrading existing roadways and completion of Appalachian Highway Corridors. Transportation had significant construction projects, resulting in net increases of \$362 million in Infrastructure and \$32 million in Land acquisition. The \$50 million decrease in Construction in Progress was due primarily to the reclassification of complete transportation projects in the net amount of \$144 million offset by additional construction of armory facilities in the amount of \$76 million and renovations to the State museums and parks. The West Virginia Lottery's assets in the amount of \$23 million, were moved from the business-type activities to the discretely presented component units. 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 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, AA+ by Fitch Investors Service, and the Moody's Investors Service rating is Aa1.

The increase in Accrued and Other Liabilities is primarily due to environmental liabilities of \$48 million. Tax refunds payable for personal income tax increased \$23 million and corporate net income tax refunds increased \$40 million.

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.

West Virginia

Outstanding Debt at June 30 (Expressed in Thousands)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|-------------------------------------|----------------------------|--------------------|-----------------------------|--------------------|--------------------------------|--------------------|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| General Obligation Bonds | \$ 580,357 | \$ 622,928 | \$ — | \$ — | \$ 580,357 | \$ 622,928 |
| Revenue Bonds | 1,366,199 | 1,243,106 | 116,319 | 118,612 | 1,482,518 | 1,361,718 |
| Capital Leases | 298,718 | 327,548 | — | — | 298,718 | 327,548 |
| Notes Payable | 32,004 | 8,595 | — | — | 32,004 | 8,595 |
| Accrued and Other Liabilities | 1,066,500 | 948,479 | 100,357 | 104,751 | 1,166,857 | 1,053,230 |
| Insurance and Compensation Benefits | — | — | 2,284,614 | 2,431,223 | 2,284,614 | 2,431,223 |
| Compensated Absences | 98,762 | 98,204 | 586 | 1,149 | 99,348 | 99,353 |
| Pension Obligations | 99,188 | 77,974 | — | — | 99,188 | 77,974 |
| Totals | <u>\$3,541,728</u> | <u>\$3,326,834</u> | <u>\$2,501,876</u> | <u>\$2,655,735</u> | <u>\$6,043,604</u> | <u>\$5,982,569</u> |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

General revenues are predicted to grow 7.3% above the FY 2011 official revenue estimate and Lottery revenues are expected to remain somewhat flat. The increase in revenue is largely attributable to renewed income growth and consumption growth in an environment with stabilizing employment. In addition to a rebound in employment growth and consumer spending, the State is also benefiting from foreign trade and growth in coal prices. Increased development of natural gas from the Marcellus Shale formation is forecast to result in a trend of higher natural gas production and modest rises in price in the next few years. Most sources of revenue are forecast to grow during the next year; however, certain Lottery revenues are anticipated to decline and then stabilize due to additional competition from neighboring states.

The overall FY 2012 General Revenue budget will be funded at about the FY 2008 level. Various onetime supplemental appropriations requested by the Governor will be funded using previous year's cash surpluses currently on hand.

Major budget expenditure drivers for FY 2012 are a proposed onetime salary increase for public school teachers and other state employees costing over \$47 million in General and Lottery funds. Also, the Public Employees' Retirements System's employers' match will increase from 12.5% to 14.5% in FY 2012, to smooth the investment losses that occurred during FY 2009. This will require increased funding in General and Lottery funds of over \$8 million. The Public Education's School Aid Formula will require an estimated \$15 million of state funding to offset decreases in local property valuations, while the Teachers' Retirement required funding will decrease by an estimated \$17.8 million due to investment gains in FY 2010.

The State will continue to focus on controlling the costs of Medicaid and public employees' health insurance expenditures. Controlling the growth of these programs is critical to both the fiscal health of the State and the people who depend on the programs. There is additional funding of \$7.5 million for Child Protection Services, the Foster Care system and other non-Medicaid DHHR programs.

The Public Defender office continues to require increased funding, \$11.5 million in FY 2012 from surplus appropriations. Approximately \$6 million is designated for teacher shortage incentive pay for counties that are having trouble hiring qualified teachers. Other onetime items include \$4 million for Armory projects, \$6 million for Regional Jail payments, \$15 million for Enterprise Resource Planning (ERP) and \$5 million for Higher Education capital and deferred maintenance.

The FY 2012 budget includes a six-year plan showing the projected revenues and expenditures through FY 2016. The goal of the six-year plan is to provide the West Virginia Legislature and citizens a clear understanding of not only the FY 2012 budget, but also the larger implications of today's decisions on the State's future. Careful budgetary planning, with an eye on the future budget requirements, will continue to be a fundamental part of our approach to maintaining balanced budgets while providing necessary services.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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



A large, white, two-story colonial-style house with a central portico and a large tree in the foreground. The house features a prominent central entrance with a pediment and a large window. The house is surrounded by a well-maintained lawn and a large tree on the left side. The sky is clear and blue.

Government-Wide
Major Funds
Notes 1 - 16

Basic Financial Statements

Blennerhassett Island Historical State Park, Parkersburg, W.Va.

West Virginia

Statement of Net Assets June 30, 2011 (Expressed in Thousands)

| | Primary Government | | | Component Units |
|--|----------------------------|-----------------------------|-------------------|--------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets: | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 2,447,192 | \$1,689,077 | \$ 4,136,269 | \$1,007,111 |
| Investments | 861,135 | 105,736 | 966,871 | 333,735 |
| Receivables, Net | 756,024 | 149,159 | 905,183 | 164,908 |
| Due from Other Governments | 221,418 | 1,947 | 223,365 | — |
| Due from Primary Government | — | — | — | 29,978 |
| Due from Fiduciary Funds | — | 20,344 | 20,344 | — |
| Due from Component Units | 207,883 | 2,046 | 209,929 | — |
| Internal Balances | (1,232) | 1,232 | — | — |
| Inventories | 51,223 | 1,798 | 53,021 | 8,869 |
| Other Assets | 8,465 | — | 8,465 | 8,504 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 9,576 | 9,401 | 18,977 | 198,037 |
| Investments | — | — | — | 28,588 |
| Receivables, Net | — | 533 | 533 | 5,921 |
| Other Restricted Assets | — | 189,249 | 189,249 | — |
| Total Current Assets | <u>4,561,684</u> | <u>2,170,522</u> | <u>6,732,206</u> | <u>1,785,651</u> |
| Noncurrent Assets: | | | | |
| Cash and Cash Equivalents | — | — | — | 197,928 |
| Investments | — | 365,462 | 365,462 | 330,746 |
| Receivables, Net | — | 972,703 | 972,703 | 302,448 |
| Other Assets | 5,479 | 1,000 | 6,479 | 58,313 |
| Advance to Component Units | 149,485 | — | 149,485 | — |
| Net Pension Asset | 890,428 | — | 890,428 | — |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 68,319 | 7,739 | 76,058 | 50,569 |
| Investments | — | 35,022 | 35,022 | 133,980 |
| Receivables, Net | — | — | — | 1,035,259 |
| Other Restricted Assets | — | — | — | 7,683 |
| Land and Other Capital Assets Not Being Depreciated | 2,204,015 | 611 | 2,204,626 | 323,203 |
| Capital Assets, Being Depreciated (Net of Accumulated Depreciation) | <u>6,934,505</u> | <u>5,589</u> | <u>6,940,094</u> | <u>2,545,046</u> |
| Total Noncurrent Assets | <u>10,252,231</u> | <u>1,388,126</u> | <u>11,640,357</u> | <u>4,985,175</u> |
| Total Assets | <u>14,813,915</u> | <u>3,558,648</u> | <u>18,372,563</u> | <u>6,770,826</u> |
| Liabilities: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 253,522 | 4,730 | 258,252 | 94,305 |
| Interest Payable | 4,560 | — | 4,560 | 15,243 |
| Accrued Tuition Contract Benefits | — | 13,781 | 13,781 | — |
| Accrued and Other Liabilities | 664,263 | 9,936 | 674,199 | 144,206 |
| Due to Other Governments | 218,843 | 3,583 | 222,426 | — |
| Due to Primary Government | — | — | — | 209,929 |
| Due to Fiduciary Funds | 567,226 | 2,938 | 570,164 | 229,852 |
| Due to Component Units | 29,532 | 446 | 29,978 | — |
| Unearned Revenue | 10,334 | 13,650 | 23,984 | 143,002 |
| Premium Deficiency | — | 32,488 | 32,488 | — |
| Insurance and Compensation Benefits Obligations | — | 356,107 | 356,107 | — |
| General Obligation Debt | 51,056 | — | 51,056 | — |
| Revenue Bonds Payable | 53,540 | 2,369 | 55,909 | 223,752 |
| Capital Leases and Other Debt | 23,558 | — | 23,558 | 20,603 |
| Compensated Absences | <u>56,605</u> | <u>113</u> | <u>56,718</u> | <u>43,420</u> |
| Total Current Liabilities | <u>1,933,039</u> | <u>440,141</u> | <u>2,373,180</u> | <u>1,124,312</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 | — | 86,576 | 86,576 | — |
| Accrued and Other Liabilities | 402,237 | — | 402,237 | 127,895 |
| Due to Other Governments | 245 | — | 245 | — |
| Unearned Revenue | — | — | — | 2,680 |
| Insurance and Compensation Benefits Obligations | — | 1,928,507 | 1,928,507 | — |
| Advances from Primary Government | — | — | — | 149,485 |
| Liabilities Payable from Restricted Assets | — | — | — | 86,206 |
| General Obligation Debt | 529,301 | — | 529,301 | — |
| Revenue Bonds Payable | 1,312,659 | 113,950 | 1,426,609 | 2,236,626 |
| Capital Leases and Other Debt | 307,164 | — | 307,164 | 112,536 |
| Net Pension Obligation | 99,188 | — | 99,188 | — |
| Compensated Absences | 42,157 | 473 | 42,630 | 4,547 |
| Total Noncurrent Liabilities | <u>2,692,951</u> | <u>2,129,506</u> | <u>4,822,457</u> | <u>2,719,975</u> |
| Total Liabilities | <u>4,625,990</u> | <u>2,569,647</u> | <u>7,195,637</u> | <u>3,844,287</u> |
| Net Assets: | | | | |
| Invested in Capital Assets, Net of Related Debt | 8,288,909 | 6,200 | 8,295,109 | 1,858,052 |
| Restricted for: | | | | |
| Capital Projects | 214,713 | — | 214,713 | 74,141 |
| Debt Service | 204,642 | — | 204,642 | 396,062 |
| Government Operations | 5,936 | 324 | 6,260 | — |
| Permanent Funds: | | | | |
| Nonexpendable | 1,000 | — | 1,000 | 176,339 |
| Expendable | 386 | — | 386 | — |
| Lending Activities | — | 1,225,268 | 1,225,268 | 104,035 |
| Insurance Activities | — | 325,869 | 325,869 | — |
| Development, Tourism, and Recreation | 53,272 | — | 53,272 | — |
| Education | 3,582 | — | 3,582 | — |
| Health and Social Services | 14,195 | — | 14,195 | — |
| Public Protection | 39,582 | — | 39,582 | — |
| Transportation | 14,584 | — | 14,584 | — |
| Specific Fund/Component Unit Purposes | — | — | — | 206,958 |
| Unrestricted (Deficit) | <u>1,347,124</u> | <u>(568,660)</u> | <u>778,464</u> | <u>110,952</u> |
| Total Net Assets | <u>\$10,187,925</u> | <u>\$ 989,001</u> | <u>\$11,176,926</u> | <u>\$2,926,539</u> |

West Virginia

Statement of Activities For the Fiscal Year Ended June 30, 2011 (Expressed in Thousands)

| Functions | Expenses | Program Revenues | | |
|--|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| Legislative | \$ 31,721 | \$ 1,571 | \$ 634 | \$ — |
| Judicial | 130,104 | 1,116 | 1,049 | — |
| Executive | 325,389 | 22,868 | 214,224 | 3 |
| Administration | 260,298 | 6,289 | 41,426 | — |
| Commerce | 217,334 | 44,747 | 73,424 | — |
| Environmental Protection | 174,211 | 52,683 | 116,378 | — |
| Employment Programs | 58,312 | — | 58,008 | — |
| Education | 2,839,216 | 4,195 | 444,269 | — |
| Health and Human Resources | 4,317,911 | 88,737 | 3,252,622 | — |
| Military Affairs and Public Safety | 441,523 | 10,019 | 52,057 | 74,581 |
| Revenue | 82,820 | 73,947 | 28 | — |
| Transportation | 1,035,601 | 101,000 | — | 554,394 |
| Senior Services | 47,186 | — | 22,671 | — |
| Regulatory Boards and Commissions | 33,328 | 30,815 | 2,105 | — |
| Interest on Long-Term Debt | 135,443 | — | — | — |
| Total Governmental Activities | 10,130,397 | 437,987 | 4,278,895 | 628,978 |
| Business-type Activities: | | | | |
| Water Pollution Control Revolving Fund | 26,723 | 4,548 | — | — |
| Workers' Compensation Fund | 179,803 | 51,015 | — | — |
| Unemployment Compensation | 444,036 | 467,910 | — | — |
| West Virginia Infrastructure and Jobs Development Council | 16,024 | 3,162 | — | — |
| Public Employees' Insurance Agency | 527,830 | 499,726 | — | — |
| Board of Risk and Insurance Management | 37,624 | 46,376 | — | — |
| Other Activities | 101,937 | 103,143 | — | — |
| Total Business-type Activities | 1,333,977 | 1,175,880 | — | — |
| Total Primary Government | \$11,464,374 | \$4,613,867 | \$4,278,895 | \$628,978 |
| Component Units: | | | | |
| West Virginia Lottery | \$ 1,401,362 | \$1,392,449 | \$ — | \$ — |
| Economic Development Authority | 6,779 | 9,633 | — | — |
| Housing Development Authority | 127,616 | 56,922 | 77,026 | — |
| Parkways Authority | 84,223 | 88,970 | — | — |
| Water Development Authority | 14,653 | 15,274 | — | — |
| Higher Education | 1,806,338 | 756,271 | 487,661 | 102,048 |
| Regional Jail Authority | 91,557 | 85,371 | 3,095 | — |
| School Building Authority | 134,671 | — | 8,528 | — |
| Other Component Units | 42,632 | 10,590 | 7,512 | — |
| Total Component Units | \$ 3,709,831 | \$2,415,480 | \$ 583,822 | \$102,048 |
| General Revenues: | | | | |
| Taxes: | | | | |
| Personal Income | | | | |
| Consumer Sales | | | | |
| Business | | | | |
| Medicaid | | | | |
| Transportation | | | | |
| Other | | | | |
| Grants and Contributions not Restricted to Specific Programs | | | | |
| Entitlements and Grants | | | | |
| Unrestricted Investment Earnings | | | | |
| Tobacco Settlement Revenue | | | | |
| Payments from State of West Virginia | | | | |
| Lottery Revenues | | | | |
| Miscellaneous | | | | |
| Transfers | | | | |
| Total General Revenues and Transfers | | | | |
| Change in Net Assets | | | | |
| Net Assets, Beginning of Year, as Restated | | | | |
| Net Assets, 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 |
| \$ (29,516) | | \$ (29,516) | |
| (127,939) | | (127,939) | |
| (88,294) | | (88,294) | |
| (212,583) | | (212,583) | |
| (99,163) | | (99,163) | |
| (5,150) | | (5,150) | |
| (304) | | (304) | |
| (2,390,752) | | (2,390,752) | |
| (976,552) | | (976,552) | |
| (304,866) | | (304,866) | |
| (8,845) | | (8,845) | |
| (380,207) | | (380,207) | |
| (24,515) | | (24,515) | |
| (408) | | (408) | |
| <u>(135,443)</u> | | <u>(135,443)</u> | |
| <u>(4,784,537)</u> | | <u>(4,784,537)</u> | |
| — | \$ (22,175) | (22,175) | |
| — | (128,788) | (128,788) | |
| — | 23,874 | 23,874 | |
| — | (12,862) | (12,862) | |
| — | (28,104) | (28,104) | |
| — | 8,752 | 8,752 | |
| — | 1,206 | 1,206 | |
| — | <u>(158,097)</u> | <u>(158,097)</u> | |
| <u>(4,784,537)</u> | <u>(158,097)</u> | <u>(4,942,634)</u> | |
| — | — | — | \$ (8,913) |
| — | — | — | 2,854 |
| — | — | — | 6,332 |
| — | — | — | 4,747 |
| — | — | — | 621 |
| — | — | — | (460,358) |
| — | — | — | (3,091) |
| — | — | — | (126,143) |
| — | — | — | <u>(24,530)</u> |
| — | — | — | <u>(608,481)</u> |
| 1,657,258 | — | 1,657,258 | — |
| 1,150,887 | — | 1,150,887 | — |
| 977,252 | — | 977,252 | — |
| 173,103 | — | 173,103 | — |
| 574,949 | — | 574,949 | — |
| 264,260 | — | 264,260 | — |
| — | — | — | 655 |
| 29,995 | — | 29,995 | — |
| 63,821 | 160,942 | 224,763 | 53,424 |
| 61,233 | — | 61,233 | — |
| — | — | — | 526,728 |
| 408,974 | 51,000 | 459,974 | 100,396 |
| 103,228 | 7,362 | 110,590 | 37,424 |
| <u>(244,759)</u> | <u>244,759</u> | <u>—</u> | <u>—</u> |
| <u>5,220,201</u> | <u>464,063</u> | <u>5,684,264</u> | <u>718,627</u> |
| 435,664 | 305,966 | 741,630 | 110,146 |
| <u>9,752,261</u> | <u>683,035</u> | <u>10,435,296</u> | <u>2,816,393</u> |
| <u>\$10,187,925</u> | <u>\$ 989,001</u> | <u>\$11,176,926</u> | <u>\$2,926,539</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.

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 182.

Balance Sheet
Governmental Funds
June 30, 2011
(Expressed in Thousands)

| | <u>Major Special Revenue</u> | | | | <u>Total</u> |
|--|------------------------------|-----------------------|---|---|--------------------|
| | <u>General</u> | <u>Transportation</u> | <u>Tobacco Settlement Finance Authority</u> | <u>Other Governmental Funds</u> | |
| Assets: | | | | | |
| Cash and Cash Equivalents | \$1,721,039 | \$179,962 | \$ 31,913 | \$494,869 | \$2,427,783 |
| Investments | 730,583 | — | 71,181 | 59,371 | 861,135 |
| Receivables, Net | 568,242 | 133,327 | 36,105 | 7,458 | 745,132 |
| Due from Other Governments | 220,628 | — | — | 790 | 221,418 |
| Due from Other Funds | 2,723 | 52 | 666,820 | 135 | 669,730 |
| Due from Component Units | 206,580 | 40 | — | 1,000 | 207,620 |
| Advances to Component Units | 149,485 | — | — | — | 149,485 |
| Inventories | 9,928 | 40,383 | — | 51 | 50,362 |
| Other Assets | 1,238 | 873 | — | — | 2,111 |
| Restricted Assets: | | | | | |
| Cash and Cash Equivalents | — | — | — | 1,810 | 1,810 |
| Total Assets | <u>\$3,610,446</u> | <u>\$354,637</u> | <u>\$806,019</u> | <u>\$565,484</u> | <u>\$5,336,586</u> |
| Liabilities: | | | | | |
| Accounts Payable | \$ 159,120 | \$ 64,818 | \$ — | \$ 15,085 | \$ 239,023 |
| Accrued and Other Liabilities | 608,726 | 20,142 | — | 7,517 | 636,385 |
| Deferred Revenue | 87,238 | 634 | 36,101 | — | 123,973 |
| Due to Other Governments | 201,099 | 3,311 | — | 14,542 | 218,952 |
| Due to Other Funds | 1,124,832 | 97,024 | — | 16,135 | 1,237,991 |
| Due to Component Units | 29,335 | 197 | — | — | 29,532 |
| Total Liabilities | <u>2,210,350</u> | <u>186,126</u> | <u>36,101</u> | <u>53,279</u> | <u>2,485,856</u> |
| Fund Balances: | | | | | |
| Nonspendable: | | | | | |
| Inventories | 9,928 | 40,383 | — | 51 | 50,362 |
| Permanent Fund | — | — | — | 1,000 | 1,000 |
| Receivables | 153,307 | — | 666,824 | — | 820,131 |
| Restricted for: | | | | | |
| Capital Projects | — | — | — | 147,798 | 147,798 |
| Debt Service | — | — | 103,094 | 70,003 | 173,097 |
| Government Operations | 5,936 | — | — | — | 5,936 |
| Development, Tourism, and Recreation | 12,881 | — | — | 40,391 | 53,272 |
| Education | 3,582 | — | — | 386 | 3,968 |
| Health and Social Services | 14,195 | — | — | — | 14,195 |
| Public Protection | 8,435 | — | — | 31,147 | 39,582 |
| Transportation | — | 14,584 | — | — | 14,584 |
| Committed to: | | | | | |
| Government Operations | 421,296 | — | — | 5,843 | 427,139 |
| Development, Tourism, and Recreation | 36,811 | — | — | — | 36,811 |
| Education | 18,376 | — | — | — | 18,376 |
| Health and Social Services | 220,216 | — | — | — | 220,216 |
| Public Protection | 20,174 | — | — | 220,245 | 240,419 |
| Assigned to: | | | | | |
| Government Operations | 22,408 | — | — | — | 22,408 |
| Development, Tourism, and Recreation | 3,412 | — | — | — | 3,412 |
| Education | 2,711 | — | — | — | 2,711 |
| Health and Social Services | 15,926 | — | — | — | 15,926 |
| Public Protection | 3,395 | — | — | 1,739 | 5,134 |
| Transportation | — | 113,544 | — | — | 113,544 |
| Unassigned | 427,107 | — | — | (6,398) | 420,709 |
| Total Fund Balances | <u>1,400,096</u> | <u>168,511</u> | <u>769,918</u> | <u>512,205</u> | <u>2,850,730</u> |
| Total Liabilities and Fund Balances | <u>\$3,610,446</u> | <u>\$ 354,637</u> | <u>\$806,019</u> | <u>\$565,484</u> | <u>\$5,336,586</u> |

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, 2011
(Expressed in Thousands)**

Total Fund Balances - Governmental Funds \$ 2,850,730

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 | \$ 1,055,083 |
| Construction in Progress | 1,122,145 |
| Infrastructure Assets | 10,827,426 |
| Buildings, Equipment, and Other Depreciable Assets | 1,370,427 |
| Intangibles | 20,059 |
| Accumulated Depreciation | <u>(5,380,989)</u> |

Total Capital Assets 9,014,151

The Net Pension Asset is not recognized at the fund level. 890,428

Certain tax and other revenues are earned but not available and therefore are deferred in the funds. 89,366

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. 173,812

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. 11,576

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 | (580,357) |
| Revenue Bonds | (1,366,199) |
| Capital Leases | (295,334) |
| Compensated Absences | (97,071) |
| Net Pension Obligations | (99,188) |
| Accrued Interest Payable and Other Liabilities | <u>(403,989)</u> |

Total Long-Term Liabilities (2,842,138)

Net Assets of Governmental Activities \$10,187,925

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

**Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)**

| | Major Special Revenue | | | | |
|---|------------------------------|-----------------------|---|---|-------------------|
| | General | Transportation | Tobacco Settlement Finance Authority | Other Governmental Funds | Total |
| Revenues: | | | | | |
| Taxes: | | | | | |
| Personal Income | \$1,654,563 | \$ — | \$ — | \$ — | \$ 1,654,563 |
| Consumer Sales and Use | 1,151,363 | — | — | — | 1,151,363 |
| Severance | 571,539 | — | — | — | 571,539 |
| Corporate Net Income | 263,963 | — | — | — | 263,963 |
| Business and Occupation | 127,103 | — | — | — | 127,103 |
| Medicaid | 170,079 | — | — | — | 170,079 |
| Gasoline and Motor Carrier | — | 406,347 | — | — | 406,347 |
| Automobile Privilege | — | 168,602 | — | — | 168,602 |
| Other | 262,694 | 4,029 | — | — | 266,723 |
| Intergovernmental | 3,646,565 | 554,394 | — | 171,949 | 4,372,908 |
| Licenses, Permits, and Fees | 90,439 | 7,083 | — | 120,909 | 218,431 |
| Motor Vehicle Registration | — | 96,504 | — | — | 96,504 |
| Charges for Services | 147,053 | — | — | 89 | 147,142 |
| Lottery Revenues | 390,976 | — | — | 7,998 | 398,974 |
| Food Stamp Revenue | 495,777 | — | — | — | 495,777 |
| Investment Earnings | 62,860 | 519 | 3,931 | 8,284 | 75,594 |
| Other | 72,538 | 34,827 | 62,451 | 6,005 | 175,821 |
| Total Revenues | 9,107,512 | 1,272,305 | 66,382 | 315,234 | 10,761,433 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Legislative | 28,675 | — | — | 3,241 | 31,916 |
| Judicial | 130,574 | — | — | — | 130,574 |
| Executive | 354,357 | — | — | — | 354,357 |
| Administration | 120,532 | — | 27 | 322 | 120,881 |
| Commerce | 226,931 | — | — | — | 226,931 |
| Environmental Protection | 20,545 | — | — | 113,970 | 134,515 |
| Employment Programs | — | — | — | 61,536 | 61,536 |
| Education | 2,855,429 | — | — | 23,257 | 2,878,686 |
| Health and Human Resources | 4,334,453 | — | — | 6 | 4,334,459 |
| Military Affairs and Public Safety | 523,865 | — | — | 3 | 523,868 |
| Revenue | 60,805 | — | — | 29,565 | 90,370 |
| Transportation | — | 741,384 | — | — | 741,384 |
| Senior Services | 47,292 | — | — | — | 47,292 |
| Regulatory Boards and Commissions | 10,988 | — | — | 23,552 | 34,540 |
| Capital Outlay | — | 550,989 | — | 20,045 | 571,034 |
| Debt Service: | | | | | |
| Principal | — | 52,980 | 6,690 | 42,308 | 101,978 |
| Interest | — | 22,829 | 59,925 | 41,087 | 123,841 |
| Total Expenditures | 8,714,446 | 1,368,182 | 66,642 | 358,892 | 10,508,162 |
| Excess of Revenues Over (Under) Expenditures | 393,066 | (95,877) | (260) | (43,658) | 253,271 |
| Other Financing Sources (Uses): | | | | | |
| Face Value of Long-Term Debt Issued | — | 35,135 | — | 155,620 | 190,755 |
| Premiums on Bonds Issued | — | 2,913 | — | 7,379 | 10,292 |
| Capital Lease Acquisition | 805 | — | — | — | 805 |
| Payments to Refunded Bond Escrow Agent | — | (37,730) | — | — | (37,730) |
| Transfers In | 39,696 | 22,032 | — | 72,745 | 134,473 |
| Transfers Out | (315,970) | — | (20,829) | (41,709) | (378,508) |
| Total Other Financing Sources (Uses) | (275,469) | 22,350 | (20,829) | 194,035 | (79,913) |
| Net Change in Fund Balance | 117,597 | (73,527) | (21,089) | 150,377 | 173,358 |
| Fund Balances, Beginning of Year, | 1,282,499 | 242,038 | 791,007 | 361,828 | 2,677,372 |
| Fund Balances, End of Year | \$1,400,096 | \$ 168,511 | \$769,918 | \$512,205 | \$ 2,850,730 |

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

West Virginia

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, 2011 (Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds \$173,358

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 | \$ 704,867 | |
| Depreciation Expense | <u>(329,035)</u> | |
| Excess of Capital Outlay Over Depreciation Expense | | 375,832 |

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. (805)

Amortization of other assets and bond premium/discount associated with long-term debt obligations do not effect current financial resources and are not reported in the governmental funds. (212,827)

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 | 129,305 | |
| Capital Lease Payments | <u>11,629</u> | |
| Total Long-Term Debt Repayment | | 140,934 |

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. (3,631)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred revenues increased by this amount this year. 13,883

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 | (171) | |
| Decrease of Compensated Absences | (522) | |
| Decrease of Accrued and Other Liabilities | (48,752) | |
| Increase of Net Pension Asset | (4,635) | |
| Amortization of Bond Premiums/Discounts and Issuance Costs | <u>3,000</u> | |
| Total Change in Expenditures | | <u>(51,080)</u> |

Change in Net Assets of Governmental Activities \$435,664

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



PROPRIETARY FUNDS

FINANCIAL STATEMENTS

Major Funds

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

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

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

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

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

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

Nonmajor proprietary funds are presented beginning on page 202.

West Virginia

Statement of Net Assets Proprietary Funds June 30, 2011 (Expressed in Thousands)

| | Business-type Activities - Enterprise Funds | | | |
|---|--|----------------------------------|------------------------------|---|
| | Water Pollution Control Revolving Fund | Workers' Compensation Fund | Unemployment Compensation | West Virginia Infrastructure and Jobs Development Council |
| Assets: | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 95,455 | \$1,218,751 | \$101,839 | \$160,530 |
| Investments | — | — | — | 105,736 |
| Receivables, Net | 26,063 | 19,624 | 59,563 | 18,915 |
| Due from Other Governments | — | — | 1,947 | — |
| Due from Other Funds | 8 | — | 452 | — |
| Due from Component Units | — | — | 203 | — |
| Inventories | — | — | — | — |
| Other Assets | — | — | — | — |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | — | — | — | — |
| Receivables, Net | — | — | — | — |
| Other Restricted Assets | — | — | — | — |
| Total Current Assets | 121,526 | 1,238,375 | 164,004 | 285,181 |
| Noncurrent Assets: | | | | |
| Investments | — | — | — | — |
| Receivables, Net | 432,178 | — | — | 460,213 |
| Other Assets | — | — | — | 1,000 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | — | — | — | — |
| Investments | — | — | — | — |
| Capital Assets, Net | — | — | — | — |
| Total Noncurrent Assets | 432,178 | — | — | 461,213 |
| Total Assets | 553,704 | 1,238,375 | 164,004 | 746,394 |
| Liabilities: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 12 | 42 | — | 33 |
| Accrued Tuition Contract Benefits | — | — | — | — |
| Accrued and Other Liabilities | — | 96 | 1,452 | 1,380 |
| Premium Deficiency | — | — | — | — |
| Unearned Revenue | — | — | — | — |
| Due to Other Governments | — | — | 3,583 | — |
| Due to Other Funds | 289 | 351 | — | 1,710 |
| Due to Component Units | 190 | — | — | 181 |
| Insurance and Compensation Benefits Obligations | — | 225,100 | 28,255 | — |
| Revenue Bonds Payable | — | — | — | 2,369 |
| Capital Leases and Other Debt | — | — | — | — |
| Compensated Absences | 79 | — | — | — |
| Total Current Liabilities | 570 | 225,589 | 33,290 | 5,673 |
| Noncurrent Liabilities: | | | | |
| Accrued Tuition Contract Benefits | — | — | — | — |
| Insurance and Compensation Benefits Obligations | — | 1,837,800 | — | — |
| Revenue Bonds Payable | — | — | — | 113,950 |
| Capital Leases and Other Debt | — | — | — | — |
| Compensated Absences | 41 | — | — | — |
| Total Noncurrent Liabilities | 41 | 1,837,800 | — | 113,950 |
| Total Liabilities | 611 | 2,063,389 | 33,290 | 119,623 |
| Net Assets: | | | | |
| Invested in Capital Assets, Net of Related Debt | — | — | — | — |
| Restricted for: | | | | |
| Capital Projects | — | — | — | — |
| Government Operations | — | — | — | — |
| Lending Activities | 553,093 | — | — | 569,240 |
| Insurance Activities | — | 139,574 | 130,714 | — |
| Unrestricted (Deficit) | — | (964,588) | — | 57,531 |
| Total Net Assets (Deficit) | \$553,093 | \$(825,014) | \$130,714 | \$626,771 |

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 |
|------------------------------------|--|------------------------|-------------------|--|
| \$ 52,913 | \$ 13,830 | \$ 45,759 | \$1,689,077 | \$ 19,409 |
| — | — | — | 105,736 | — |
| 18,906 | 394 | 5,694 | 149,159 | 4,920 |
| — | — | — | 1,947 | — |
| 22,588 | 6 | 1,089 | 24,143 | 6,878 |
| 1,772 | 1 | 70 | 2,046 | 263 |
| — | — | 1,798 | 1,798 | 861 |
| — | — | — | — | 255 |
| — | 9,401 | — | 9,401 | 9,170 |
| — | 533 | — | 533 | — |
| — | 189,249 | — | 189,249 | — |
| <u>96,179</u> | <u>213,414</u> | <u>54,410</u> | <u>2,173,089</u> | <u>41,756</u> |
| 175,171 | 105,500 | 84,791 | 365,462 | — |
| — | — | 80,312 | 972,703 | — |
| — | — | — | 1,000 | 2 |
| 7,739 | — | — | 7,739 | 66,915 |
| — | 35,022 | — | 35,022 | — |
| 3,901 | — | 2,299 | 6,200 | 124,369 |
| <u>186,811</u> | <u>140,522</u> | <u>167,402</u> | <u>1,388,126</u> | <u>191,286</u> |
| <u>282,990</u> | <u>353,936</u> | <u>221,812</u> | <u>3,561,215</u> | <u>233,042</u> |
| 51 | 1,087 | 3,505 | 4,730 | 14,499 |
| — | — | 13,781 | 13,781 | — |
| 6,495 | 432 | 81 | 9,936 | 441 |
| 32,488 | — | — | 32,488 | — |
| 7,555 | 6,095 | — | 13,650 | — |
| — | — | — | 3,583 | 136 |
| 1,487 | 192 | 1,476 | 5,505 | 7,075 |
| 75 | — | — | 446 | — |
| 58,773 | 43,259 | 720 | 356,107 | — |
| — | — | — | 2,369 | — |
| — | — | — | — | 11,807 |
| — | — | 34 | 113 | — |
| <u>106,924</u> | <u>51,065</u> | <u>19,597</u> | <u>442,708</u> | <u>33,958</u> |
| — | — | 86,576 | 86,576 | — |
| 7,739 | 82,968 | — | 1,928,507 | — |
| — | — | — | 113,950 | — |
| — | — | — | — | 23,581 |
| — | 75 | 357 | 473 | 1,691 |
| <u>7,739</u> | <u>83,043</u> | <u>86,933</u> | <u>2,129,506</u> | <u>25,272</u> |
| <u>114,663</u> | <u>134,108</u> | <u>106,530</u> | <u>2,572,214</u> | <u>59,230</u> |
| 3,901 | — | 2,299 | 6,200 | 91,449 |
| — | — | — | — | 66,915 |
| — | — | 324 | 324 | — |
| — | — | 102,935 | 1,225,268 | — |
| — | 43,061 | 12,520 | 325,869 | — |
| <u>164,426</u> | <u>176,767</u> | <u>(2,796)</u> | <u>(568,660)</u> | <u>15,448</u> |
| <u>\$168,327</u> | <u>\$219,828</u> | <u>\$115,282</u> | <u>\$ 989,001</u> | <u>\$173,812</u> |

West Virginia

Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds For the Fiscal Year Ended June 30, 2011 (Expressed in Thousands)

| | <u>Business-type Activities - Enterprise Funds</u> | | | |
|---|---|---|--------------------------------------|--|
| | <u>Water Pollution Control Revolving Fund</u> | <u>Workers' Compensation Fund</u> | <u>Unemployment Compensation</u> | <u>West Virginia Infrastructure and Jobs Development Council</u> |
| Operating Revenues: | | | | |
| Charges for Services and Sales | \$ — | \$ — | \$467,910 | \$ 3,162 |
| Insurance Premiums | — | 50,861 | — | — |
| Tuition Contracts | — | — | — | — |
| Investment Earnings | 2,514 | — | — | — |
| Licenses, Permits, and Fees | 2,034 | — | — | — |
| Other | — | 1,325 | — | — |
| Total Operating Revenues | <u>4,548</u> | <u>52,186</u> | <u>467,910</u> | <u>3,162</u> |
| Operating Expenses: | | | | |
| Cost of Sales and Services | — | — | — | — |
| Insurance Claims and Claims Adjustment Provisions | — | 159,997 | — | — |
| Tuition Contract Benefits and Expenses | — | — | — | — |
| Infrastructure and Economic Development | — | — | — | 7,903 |
| General and Administration | 2,223 | 20,066 | — | 1,286 |
| Depreciation and Amortization | — | — | — | — |
| Provisions for Uncollectible Loans | — | — | — | 750 |
| Other | <u>24,500</u> | <u>—</u> | <u>444,041</u> | <u>—</u> |
| Total Operating Expenses | <u>26,723</u> | <u>180,063</u> | <u>444,041</u> | <u>9,939</u> |
| Operating Income (Loss) | (22,175) | (127,877) | 23,869 | (6,777) |
| Nonoperating Revenues (Expenses): | | | | |
| Entitlements and Grants | — | — | — | — |
| Gain (Loss) on Sale of Equipment | — | — | — | — |
| Interest and Other Investment Income | 169 | 109,061 | 3,367 | 574 |
| Interest Expense | — | — | — | (5,638) |
| Lottery Revenues | — | 11,000 | — | 40,000 |
| Other Nonoperating Revenues | — | — | — | — |
| Other Nonoperating Expenses | <u>—</u> | <u>—</u> | <u>—</u> | <u>(447)</u> |
| Total Nonoperating Revenues (Expenses), Net | <u>169</u> | <u>120,061</u> | <u>3,367</u> | <u>34,489</u> |
| Income (Loss) Before Transfers | (22,006) | (7,816) | 27,236 | 27,712 |
| Transfers: | | | | |
| Transfers In | 42,106 | 189,763 | — | 7,186 |
| Transfers Out | <u>—</u> | <u>—</u> | <u>(1,615)</u> | <u>(8,162)</u> |
| Total Transfers | <u>42,106</u> | <u>189,763</u> | <u>(1,615)</u> | <u>(976)</u> |
| Change in Net Assets | 20,100 | 181,947 | 25,621 | 26,736 |
| Net Assets (Deficit), Beginning of Year, as Restated | <u>532,993</u> | <u>(1,006,961)</u> | <u>105,093</u> | <u>600,035</u> |
| Net Assets (Deficit), End of Year | <u>\$553,093</u> | <u>\$ (825,014)</u> | <u>\$130,714</u> | <u>\$626,771</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 |
|---|---|---------------------------------------|-------------------|---|
| \$ — | \$ — | \$ 99,144 | \$ 570,216 | \$ 99,532 |
| 499,996 | 46,463 | — | 597,320 | — |
| — | — | 103 | 103 | — |
| — | — | — | 2,514 | — |
| — | — | 3,908 | 5,942 | — |
| <u>4,810</u> | <u>—</u> | <u>1,149</u> | <u>7,284</u> | <u>—</u> |
| <u>504,806</u> | <u>46,463</u> | <u>104,304</u> | <u>1,183,379</u> | <u>99,532</u> |
| — | — | 69,813 | 69,813 | 112,573 |
| 503,239 | 33,598 | 6,337 | 703,171 | — |
| — | — | 4,179 | 4,179 | — |
| — | — | — | 7,903 | — |
| 16,360 | 4,026 | 10,306 | 54,267 | 8,178 |
| 1,867 | — | 258 | 2,125 | 18,497 |
| — | — | — | 750 | — |
| <u>6,244</u> | <u>—</u> | <u>11,102</u> | <u>485,887</u> | <u>—</u> |
| <u>527,710</u> | <u>37,624</u> | <u>101,995</u> | <u>1,328,095</u> | <u>139,248</u> |
| (22,904) | 8,839 | 2,309 | (144,716) | (39,716) |
| — | — | — | — | 29,995 |
| — | — | — | — | (2,928) |
| 14,127 | 18,782 | 14,862 | 160,942 | 19 |
| — | — | — | (5,638) | (341) |
| — | — | — | 51,000 | 10,000 |
| — | — | 78 | 78 | 64 |
| <u>—</u> | <u>—</u> | <u>(12)</u> | <u>(459)</u> | <u>—</u> |
| <u>14,127</u> | <u>18,782</u> | <u>14,928</u> | <u>205,923</u> | <u>36,809</u> |
| (8,777) | 27,621 | 17,237 | 61,207 | (2,907) |
| 3,500 | — | 27,562 | 270,117 | 4,779 |
| <u>—</u> | <u>—</u> | <u>(15,581)</u> | <u>(25,358)</u> | <u>(5,503)</u> |
| <u>3,500</u> | <u>—</u> | <u>11,981</u> | <u>244,759</u> | <u>(724)</u> |
| (5,277) | 27,621 | 29,218 | 305,966 | (3,631) |
| <u>173,604</u> | <u>192,207</u> | <u>86,064</u> | <u>683,035</u> | <u>177,443</u> |
| <u>\$168,327</u> | <u>\$219,828</u> | <u>\$115,282</u> | <u>\$ 989,001</u> | <u>\$173,812</u> |

**Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)**

| | Business-type Activities - Enterprise Funds | | | |
|---|---|---|--------------------------------------|--|
| | Water Pollution Control Revolving Fund | Workers' Compensation Fund | Unemployment Compensation | West Virginia Infrastructure and Jobs Development Council |
| Cash Flows from Operating Activities: | | | | |
| Receipts from Customers | \$ 28,489 | \$ 53,331 | \$ 245,853 | \$ 19,886 |
| Payments to Suppliers | — | (20,900) | — | — |
| Payments to Employees | (1,200) | (265) | — | (1,901) |
| Payments to Beneficiaries | — | — | — | — |
| Payments for Loans Originated | (39,912) | — | — | (63,337) |
| Payments to Claimants | — | (277,129) | (460,363) | — |
| Other Operating Cash Receipts | — | — | 219,059 | — |
| Other Operating Cash Payments | <u>(25,363)</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Net Cash Provided by (Used for) Operating Activities | <u>(37,986)</u> | <u>(244,963)</u> | <u>4,549</u> | <u>(45,352)</u> |
| Cash Flows from Noncapital Financing Activities: | | | | |
| Repayment of Operating Debt | — | — | — | (2,390) |
| Interest Paid on Operating Debt | — | — | — | (5,563) |
| Transfers In | 6,408 | 189,763 | — | 7,186 |
| Transfers Out | — | — | (1,615) | — |
| Entitlements and Grants | — | — | — | — |
| Distributions or Subsidies to Other Organizations | — | — | — | — |
| Other Nonoperating Receipts | <u>—</u> | <u>11,000</u> | <u>—</u> | <u>40,000</u> |
| Net Cash Provided by (Used for) Noncapital Financing Activities | 6,408 | 200,763 | (1,615) | 39,233 |
| Cash Flows from Capital and Related Financing Activities: | | | | |
| Proceeds from Sale of Capital Bonds and Other Debts | — | — | — | — |
| Repayment of Capital Debt | — | — | — | — |
| Interest Paid on Capital Debt | — | — | — | — |
| Acquisition and Construction of Capital Assets | — | — | — | — |
| Capital Grants and Contributions | <u>35,699</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | <u>35,699</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Cash Flows from Investing Activities: | | | | |
| Purchase of Investments | — | — | — | (2,002) |
| Proceeds from Sale of Investments | — | — | — | — |
| Investment Earnings | <u>169</u> | <u>109,061</u> | <u>3,367</u> | <u>585</u> |
| Net Cash Provided by (Used for) Investing Activities | <u>169</u> | <u>109,061</u> | <u>3,367</u> | <u>(1,417)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 4,290 | 64,861 | 6,301 | (7,536) |
| Cash and Cash Equivalents, Beginning of Year, as Restated | <u>91,165</u> | <u>1,153,890</u> | <u>95,538</u> | <u>168,066</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 95,455</u> | <u>\$ 1,218,751</u> | <u>\$ 101,839</u> | <u>\$ 160,530</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 |
|---|---|------------------------------|--------------------|--|
| \$ 509,820 | \$ 46,309 | \$107,860 | \$1,011,548 | \$100,713 |
| (13,035) | (2,658) | (71,842) | (108,435) | (93,118) |
| (1,442) | (1,541) | (6,625) | (12,974) | (22,946) |
| (488,740) | (42,799) | (8,573) | (540,112) | — |
| — | — | (30,625) | (133,874) | — |
| — | — | — | (737,492) | — |
| 12,307 | — | 1,071 | 232,437 | — |
| — | (4,281) | (7,130) | (36,774) | — |
| <u>18,910</u> | <u>(4,970)</u> | <u>(15,864)</u> | <u>(325,676)</u> | <u>(15,351)</u> |
| — | — | — | (2,390) | — |
| — | — | — | (5,563) | — |
| 3,500 | — | 27,539 | 234,396 | 4,779 |
| — | — | (29,568) | (31,183) | (5,503) |
| — | — | — | — | 29,995 |
| 1,798 | — | — | 1,798 | — |
| — | — | 460 | 51,460 | 10,000 |
| 5,298 | — | (1,569) | 248,518 | 39,271 |
| — | — | — | — | 11,654 |
| — | — | — | — | (10,202) |
| — | — | — | — | (341) |
| (8) | — | (254) | (262) | (23,115) |
| — | — | — | 35,699 | — |
| <u>(8)</u> | <u>—</u> | <u>(254)</u> | <u>35,437</u> | <u>(22,004)</u> |
| (88,193) | (49,968) | (1,372) | (141,535) | (800) |
| 54,333 | 41,503 | 7,000 | 102,836 | 800 |
| 3,944 | 7,053 | 1,732 | 125,911 | 19 |
| <u>(29,916)</u> | <u>(1,412)</u> | <u>7,360</u> | <u>87,212</u> | <u>19</u> |
| (5,716) | (6,382) | (10,327) | 45,491 | 1,935 |
| <u>66,368</u> | <u>29,613</u> | <u>56,086</u> | <u>1,660,726</u> | <u>93,559</u> |
| <u>\$ 60,652</u> | <u>\$ 23,231</u> | <u>\$ 45,759</u> | <u>\$1,706,217</u> | <u>\$ 95,494</u> |

(Continued)

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)
(Continued)

| | Business-type Activities - Enterprise Funds | | | |
|---|---|---|--------------------------------------|--|
| | Water Pollution Control Revolving Fund | Workers' Compensation Fund | Unemployment Compensation | West Virginia Infrastructure and Jobs Development Council |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities: | | | | |
| Operating Income (Loss) | \$(22,175) | \$(127,877) | \$ 23,869 | \$ (6,777) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities: | | | | |
| Depreciation and Amortization | — | — | — | — |
| Provisions for Uncollectible Loans | — | — | — | 750 |
| Changes in Assets and Liabilities: | | | | |
| Receivables | (15,922) | 1,145 | (4,783) | (30,548) |
| Inventories | — | — | — | — |
| Other Assets | — | — | — | — |
| Accounts Payable and Accrued Liabilities | 185 | (117,200) | (14,469) | (8,176) |
| Tuition Contracts Benefits and Expenses | — | — | — | — |
| Unearned Revenue | — | — | — | — |
| Escrow Deposits | — | — | — | — |
| Due to/from Other Funds | (53) | — | (68) | (601) |
| Unpaid Claims Liabilities | — | — | — | — |
| Other Liabilities | — | (1,031) | — | — |
| Compensated Absences | (21) | — | — | — |
| Net Cash Provided by (Used for) Operating Activities | <u>\$(37,986)</u> | <u>\$(244,963)</u> | <u>\$ 4,549</u> | <u>\$(45,352)</u> |
| Schedule of Noncash Capital and Financing Activities: | | | | |
| Unrealized Gain on Investments | \$ — | \$ — | \$ — | \$ — |

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> |
|---|---|---------------------------------------|--------------------|---|
| \$(22,904) | \$ 8,839 | \$ 2,309 | \$(144,716) | \$(39,716) |
| 1,867 | — | 258 | 2,125 | 18,497 |
| — | — | — | 750 | — |
| 4,144 | 415 | (14,896) | (60,445) | 1,181 |
| — | — | (8) | (8) | (185) |
| — | — | — | — | 28 |
| (6,503) | — | 126 | (146,037) | 2,019 |
| — | — | (4,394) | (4,394) | — |
| 6,972 | (534) | — | 6,438 | — |
| — | (4,323) | — | (4,323) | — |
| (1,229) | — | 571 | (1,380) | — |
| — | (9,201) | — | (9,201) | — |
| 36,563 | (166) | 170 | 35,536 | 2,825 |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>(21)</u> | <u>—</u> |
| <u>\$ 18,910</u> | <u>\$ (4,970)</u> | <u>\$(15,864)</u> | <u>\$(325,676)</u> | <u>\$(15,351)</u> |
| \$ 10,184 | \$ 11,726 | \$ 13,136 | \$ 35,046 | \$ — |

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 208.

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011
(Expressed in Thousands)

| | Pension and Other Employee Benefit Trust Funds | Investment Trust Funds | SMART 529 | Agency Funds |
|---------------------------------------|---|---------------------------------------|---------------------------|-------------------------|
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 64,251 | \$293,228 | \$ — | \$59,722 |
| Investments: | | | | |
| Equity Pooled Investments | 10,628,555 | — | — | 6,564 |
| Mutual Funds | 299,580 | — | 1,571,524 | — |
| Receivables, Net: | | | | |
| Contributions | 66,940 | — | 3,146 | — |
| Participant Loans | 9,845 | — | — | — |
| Accounts | 13,412 | — | — | — |
| Due from Other Funds | 180,607 | — | — | — |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | <u>3,926</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Total Assets | <u>11,267,116</u> | <u>293,228</u> | <u>1,574,670</u> | <u>\$66,286</u> |
| Liabilities: | | | | |
| Accounts Payable | — | — | 2,014 | \$ — |
| Accrued and Other Liabilities | 8,295 | — | 26 | — |
| Due to Other Governments | — | — | — | 5,618 |
| Due to Other Funds | 20,344 | — | — | — |
| Insurance Claims Payable | 11,630 | — | — | — |
| Early Retiree Premium Subsidy Funds | 3,926 | — | — | — |
| Agency Liabilities | <u>—</u> | <u>—</u> | <u>—</u> | <u>60,668</u> |
| Total Liabilities | <u>44,195</u> | <u>—</u> | <u>2,040</u> | <u>\$66,286</u> |
| Net Assets: | | | | |
| Held in trust for: | | | | |
| Pension Benefits | 10,750,843 | — | — | |
| Other Postemployment Benefits | 472,078 | — | — | |
| External Investment Pool Participants | — | 293,228 | — | |
| Individuals and Organizations | <u>—</u> | <u>—</u> | <u>1,572,630</u> | |
| Total Net Assets | <u>\$11,222,921</u> | <u>\$293,228</u> | <u>\$1,572,630</u> | |

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, 2011
(Expressed in Thousands)**

| | Pension and Other Employee Benefit Trust Funds | Investment Trust Funds | SMART 529 |
|--|---|---------------------------------------|----------------------|
| Additions: | | | |
| Contributions: | | | |
| Members | \$ 232,724 | \$ — | \$ — |
| Employer | 835,713 | — | — |
| Account Holder Contributions | — | — | 609,922 |
| Deposits, Pool Participants | <u>—</u> | <u>776,524</u> | <u>—</u> |
| Total Contributions | <u>1,068,437</u> | <u>776,524</u> | <u>609,922</u> |
| Investment Income: | | | |
| Net Appreciation in Fair Value of Investments | 1,753,741 | 480 | 243,137 |
| Interest | 82,286 | — | 20,743 |
| Investment Expense | <u>(27,222)</u> | <u>—</u> | <u>(4,889)</u> |
| Net Investment Income | <u>1,808,805</u> | <u>480</u> | <u>258,991</u> |
| Other | <u>87,904</u> | <u>—</u> | <u>—</u> |
| Total Additions | <u>2,965,146</u> | <u>777,004</u> | <u>868,913</u> |
| Deductions: | | | |
| Benefits Expense | 1,063,322 | — | — |
| Payments in Accordance with Trust Agreements | — | — | 486,947 |
| Refunds of Contributions | 28,174 | — | — |
| Withdrawals | — | 734,797 | — |
| Administrative Expenses | <u>19,675</u> | <u>—</u> | <u>3,956</u> |
| Total Deductions | <u>1,111,171</u> | <u>734,797</u> | <u>490,903</u> |
| Change in Net Assets Held in Trust For: | | | |
| Pension Benefits | 1,804,532 | — | — |
| Other Postemployment Benefits | 49,443 | — | — |
| External Investment Pool Participants Individuals and Organizations | — | 42,207 | — |
| | — | — | 378,010 |
| Net Assets, Beginning of Year | <u>9,368,946</u> | <u>251,021</u> | <u>1,194,620</u> |
| Net Assets, End of Year | <u>\$11,222,921</u> | <u>\$293,228</u> | <u>\$1,572,630</u> |

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



DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS

Major Component Units

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

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

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

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

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

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

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

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

Nonmajor component units are presented beginning on page 220.

West Virginia

Combining Statement of Net Assets Discretely Presented Component Units June 30, 2011 (Expressed in Thousands)

| | West Virginia Lottery | Economic Development Authority | Housing Development Fund | Parkways Authority |
|---|-----------------------------|--------------------------------------|--------------------------------|-----------------------|
| Assets: | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$298,968 | \$ 49,896 | \$ 17,199 | \$ 12,294 |
| Investments | — | — | — | — |
| Receivables, Net | 29,778 | 16,861 | 659 | 2,145 |
| Due from Primary Government | 5 | 1 | — | 1 |
| Due from Component Units | — | — | — | — |
| Inventories | 497 | — | — | 2,586 |
| Other Assets | 2,134 | 47 | — | 929 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | — | 289 | 148,375 | 17,380 |
| Investments | — | — | — | 27,056 |
| Receivables, Net | — | — | 4,473 | — |
| Total Current Assets | <u>331,382</u> | <u>67,094</u> | <u>170,706</u> | <u>62,391</u> |
| Noncurrent Assets: | | | | |
| Cash and Cash Equivalents | — | — | — | — |
| Investments | — | 1,867 | 17,850 | — |
| Receivables, Net | — | 188,795 | 45,508 | — |
| Other Assets | — | — | 831 | 5,938 |
| Restricted Assets: | | | | |
| Cash and Cash Equivalents | 4,324 | 9,241 | 15,069 | — |
| Investments | — | — | 125,318 | 8,662 |
| Receivables, Net | — | — | 809,660 | — |
| Other Restricted Assets | — | — | 7,440 | — |
| Capital Assets, Net | <u>30,421</u> | <u>25,749</u> | <u>8,419</u> | <u>466,398</u> |
| Total Noncurrent Assets | <u>34,745</u> | <u>225,652</u> | <u>1,030,095</u> | <u>480,998</u> |
| Total Assets | <u>366,127</u> | <u>292,746</u> | <u>1,200,801</u> | <u>543,389</u> |
| Liabilities: | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 20,337 | — | — | 8,568 |
| Interest Payable | — | — | 4,728 | 473 |
| Accrued and Other Liabilities | 37,478 | 225 | 18,040 | 4,938 |
| Unearned Revenue | 58,863 | — | — | — |
| Due to Primary Government | 209,354 | 50 | — | 7,039 |
| Due to Component Units | 500 | — | — | — |
| Revenue Bonds Payable | — | — | 142,135 | 7,120 |
| Capital Leases and Other Debt | — | 536 | — | 220 |
| Compensated Absences | <u>523</u> | <u>28</u> | <u>540</u> | <u>—</u> |
| Total Current Liabilities | <u>327,055</u> | <u>839</u> | <u>165,443</u> | <u>28,358</u> |
| Noncurrent Liabilities: | | | | |
| Unearned Revenue | — | 2,607 | — | — |
| Advances from Primary Government | — | 149,485 | — | — |
| Liabilities Payable from Restricted Assets | — | — | 54,324 | — |
| Accrued and Other Liabilities | — | 2,952 | — | 5,938 |
| Revenue Bonds Payable | — | — | 558,382 | 55,845 |
| Capital Leases and Other Debt | — | 6,419 | 662 | 66 |
| Compensated Absences | — | 26 | — | — |
| Total Noncurrent Liabilities | <u>—</u> | <u>161,489</u> | <u>613,368</u> | <u>61,849</u> |
| Total Liabilities | <u>327,055</u> | <u>162,328</u> | <u>778,811</u> | <u>90,207</u> |
| Net Assets: | | | | |
| Investment in Capital Assets, Net of Related Debt | 30,421 | 21,832 | 7,506 | 403,146 |
| Restricted for: | | | | |
| Capital Projects | 2,039 | — | — | — |
| Debt Service | — | — | 260,967 | 46,900 |
| Nonexpendable | — | — | — | — |
| Lending Activities | — | — | 73,161 | — |
| Loans Receivable | — | 8,941 | — | — |
| Specific Component Unit Purposes | — | — | — | — |
| Unrestricted | <u>6,612</u> | <u>99,645</u> | <u>80,356</u> | <u>3,136</u> |
| Total Net Assets | <u>\$ 39,072</u> | <u>\$130,418</u> | <u>\$ 421,990</u> | <u>\$453,182</u> |

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

| <u>Water Development Authority</u> | <u>Higher Education</u> | <u>Regional Jail Authority</u> | <u>School Building Authority</u> | <u>Other Component Units</u> | <u>Total</u> |
|--|-----------------------------|--|--|--------------------------------------|--------------------|
| \$ 10,404 | \$ 502,469 | \$ 48,083 | \$ 40,400 | \$ 27,398 | \$1,007,111 |
| — | 19,923 | — | 313,395 | 417 | 333,735 |
| 11,083 | 91,207 | 10,339 | 2,115 | 721 | 164,908 |
| 372 | 29,358 | 4 | — | 237 | 29,978 |
| — | 500 | — | — | — | 500 |
| — | 4,732 | 1,012 | — | 42 | 8,869 |
| — | 5,190 | — | — | 204 | 8,504 |
| — | — | 621 | — | 31,372 | 198,037 |
| 1,532 | — | — | — | — | 28,588 |
| — | — | — | — | 1,448 | 5,921 |
| <u>23,391</u> | <u>653,379</u> | <u>60,059</u> | <u>355,910</u> | <u>61,839</u> | <u>1,786,151</u> |
| — | 197,928 | — | — | — | 197,928 |
| 1,200 | 303,930 | — | — | 5,899 | 330,746 |
| 12,117 | 50,596 | — | — | 5,432 | 302,448 |
| 1,000 | 50,408 | — | — | 136 | 58,313 |
| 19,332 | — | — | — | 2,603 | 50,569 |
| — | — | — | — | — | 133,980 |
| 223,505 | — | — | — | 2,094 | 1,035,259 |
| — | — | — | — | 243 | 7,683 |
| <u>2,586</u> | <u>2,163,088</u> | <u>125,992</u> | <u>829</u> | <u>44,767</u> | <u>2,868,249</u> |
| <u>259,740</u> | <u>2,765,950</u> | <u>125,992</u> | <u>829</u> | <u>61,174</u> | <u>4,985,175</u> |
| <u>283,131</u> | <u>3,419,329</u> | <u>186,051</u> | <u>356,739</u> | <u>123,013</u> | <u>6,771,326</u> |
| 33 | 60,083 | 2,068 | 1,867 | 1,349 | 94,305 |
| 2,446 | 7,596 | — | — | — | 15,243 |
| — | 65,901 | 1,278 | 15,939 | 407 | 144,206 |
| — | 84,120 | — | — | 19 | 143,002 |
| 109 | 200,706 | 16,823 | 162 | 5,538 | 439,781 |
| — | — | — | — | — | 500 |
| 6,148 | 29,099 | 5,270 | 33,980 | — | 223,752 |
| — | 14,039 | — | — | 5,808 | 20,603 |
| — | <u>39,411</u> | <u>1,673</u> | <u>79</u> | <u>1,166</u> | <u>43,420</u> |
| <u>8,736</u> | <u>500,955</u> | <u>27,112</u> | <u>52,027</u> | <u>14,287</u> | <u>1,124,812</u> |
| — | — | — | — | 73 | 2,680 |
| — | — | — | — | — | 149,485 |
| 35 | — | — | — | 31,847 | 86,206 |
| 894 | 117,911 | — | — | 200 | 127,895 |
| 212,428 | 878,412 | 62,040 | 469,519 | — | 2,236,626 |
| — | 89,739 | — | — | 15,650 | 112,536 |
| 32 | 3,480 | — | — | 1,009 | 4,547 |
| <u>213,389</u> | <u>1,089,542</u> | <u>62,040</u> | <u>469,519</u> | <u>48,779</u> | <u>2,719,975</u> |
| <u>222,125</u> | <u>1,590,497</u> | <u>89,152</u> | <u>521,546</u> | <u>63,066</u> | <u>3,844,787</u> |
| 2,586 | 1,288,430 | 58,682 | 829 | 44,620 | 1,858,052 |
| — | 72,102 | — | — | — | 74,141 |
| — | 9,090 | 8,061 | 71,044 | — | 396,062 |
| — | 176,096 | — | — | 243 | 176,339 |
| 30,874 | — | — | — | — | 104,035 |
| — | — | — | — | — | 8,941 |
| — | 163,505 | 30,156 | — | 4,356 | 198,017 |
| <u>27,546</u> | <u>119,609</u> | <u>—</u> | <u>(236,680)</u> | <u>10,728</u> | <u>110,952</u> |
| <u>\$ 61,006</u> | <u>\$1,828,832</u> | <u>\$ 96,899</u> | <u>\$(164,807)</u> | <u>\$ 59,947</u> | <u>\$2,926,539</u> |

**Combining Statement of Activities
Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2011
(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: | | | | | |
| West Virginia Lottery | \$1,401,862 | \$1,392,449 | \$ — | \$ — | \$ (9,413) |
| Economic Development Authority | 6,779 | 9,633 | — | — | 2,854 |
| Housing Development Fund | 127,616 | 56,922 | 77,026 | — | 6,332 |
| Parkways Authority | 84,223 | 88,970 | — | — | 4,747 |
| Water Development Authority | 14,653 | 15,274 | — | — | 621 |
| Higher Education | 1,806,338 | 756,771 | 487,661 | 102,048 | (459,858) |
| Regional Jail Authority | 91,557 | 85,371 | 3,095 | — | (3,091) |
| School Building Authority | 134,671 | — | 8,528 | — | (126,143) |
| Other Component Units | <u>42,632</u> | <u>10,590</u> | <u>7,512</u> | <u>—</u> | <u>(24,530)</u> |
| Total Component Units | <u>\$3,710,331</u> | <u>\$2,415,980</u> | <u>\$583,822</u> | <u>\$102,048</u> | <u>\$(608,481)</u> |

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

General Revenue

| Unrestricted Investment Earnings | Grants and Contributions Not Restricted for Specific Programs | Miscellaneous | Payments from the State of West Virginia | Total General Revenue | Change in Net Assets | Net Assets, (Deficit) Beginning of Year, as Restated | Net Assets, (Deficit) End of Year |
|---|--|----------------------|---|--------------------------------------|---|---|--|
| \$ 297 | \$ — | \$ 11,805 | \$ — | \$ 12,102 | \$ 2,689 | \$ 36,383 | \$ 39,072 |
| 1,138 | — | 321 | — | 1,459 | 4,313 | 126,105 | 130,418 |
| 3,512 | — | — | — | 3,512 | 9,844 | 412,146 | 421,990 |
| 355 | — | 2,834 | — | 3,189 | 7,936 | 445,246 | 453,182 |
| 435 | — | — | — | 435 | 1,056 | 59,950 | 61,006 |
| 49,067 | — | 85,359 | 439,738 | 574,164 | 114,306 | 1,714,526 | 1,828,832 |
| 62 | — | — | 245 | 307 | (2,784) | 99,683 | 96,899 |
| 1,203 | — | 36,998 | 60,532 | 98,733 | (27,410) | (137,397) | (164,807) |
| <u>(2,645)</u> | <u>655</u> | <u>503</u> | <u>26,213</u> | <u>24,726</u> | <u>196</u> | <u>59,751</u> | <u>59,947</u> |
| <u>\$53,424</u> | <u>\$655</u> | <u>\$137,820</u> | <u>\$526,728</u> | <u>\$718,627</u> | <u>\$110,146</u> | <u>\$2,816,393</u> | <u>\$2,926,539</u> |

**STATE OF WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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.

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 major 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.

Tobacco Settlement Finance Authority

The Tobacco Settlement Finance Authority (TSFA) is governed by a five-member board, including the Secretary of Administration, the State Treasurer, and three persons appointed by the Governor. The TSFA was created to issue bonds related to the State's portion of the tobacco receipts from the Master Settlement Agreement between tobacco manufacturers and the covered states. The revenue bonds, secured by the tobacco revenues, are not a general obligation of the State. The TSFA is blended in the special revenue funds of the State, since its activities only benefit the State.

Blended Component Unit Financial Statements

Audited financial statements for these blended component units can be obtained directly from their respective administrative offices.

Administrative Offices:

Transportation
1900 Kanawha Blvd., East
Building 5, Room A-137
Charleston, WV 25305

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

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

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

Discretely Presented Component Units

Discretely presented component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. Because of the nature of the services they provide and the State's ability to impose its will on them, the following component units are discretely presented 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:

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, debt service, the promotion of tourism, and other basic governmental activities. Even though the Lottery was created primarily to generate revenue for the State, the service provided by the Lottery - the opportunity for financial gain - is provided to anyone who chooses to participate. When prizes are awarded to winners and financial gain is achieved, the lottery operation does not exclusively, or almost exclusively, benefit the primary government as an institution, not meeting the criteria for blending and thus requiring discrete component unit presentation.

Economic Development Authority

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

Housing Development Fund

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

Parkways Authority

The Parkways Authority (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 Parkways' revenue refunding bonds payable solely from revenues of the Turnpike. The DOT, as well as the State, is able to impose its will on 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 and the Drinking Water Treatment Revolving Fund, which are enterprise funds.

Higher Education Fund

Each college and university in the Higher Education Fund (the Fund) is governed by a Governing Board, which is responsible for the general determination, control, supervision

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

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

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

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. 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 appropriately not reported because the economic resources held do not entirely or almost entirely benefit West Virginia University. The Bridgemont Community and Technical College Foundation, Inc., the Eastern West Virginia Community and Technical College Foundation Inc. and the Mountwest Foundation, Inc. are not included because they were not significant to their institutions. 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. 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.

West Virginia

Administrative Offices:

West Virginia Lottery
900 Pennsylvania Avenue
Charleston, WV 25302

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

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

Parkways 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 25311

Educational Broadcasting Authority
600 Capitol Street
Charleston, WV 25301

Jobs Investment Trust
1012 Kanawha Boulevard, E.
5th Floor
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 25314

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

Joint Venture

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

Based upon the latest information available, the Project incurred net losses of \$5,531,278 for the year ended December 31, 2010. At December 31, 2010, the Project's current liabilities exceeded its current assets by \$69,636,084, and its total liabilities exceeded its total assets by \$31,909,742. 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, 2009 and 2010, 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. The only collateral pledged under the Indenture is Project revenues. The Bondholders may not, therefore, foreclose upon or liquidate Park facilities or other non-financial Project assets. At this time, the bondholders have formed a committee to explore their options but as yet have generally not exercised their rights nor enforced the remedies with regard to the default.

The losses, negative cash flows from operations, bond covenant violations, and the Project's inability to meet its debt service requirements raise substantial doubt about the Project's ability to continue as a going concern. Furthermore, the independent auditor's report on the Project's financial statements for the year ended December 31, 2010, included a going-concern opinion modification emphasizing that these conditions raised substantial doubt about the Project's ability to continue as a going concern.

The Developer is continuing in its efforts to market the Stonewall Resort for conferences and as a vacation destination to increase revenues, and to monitor its cost of operations. A park foundation has been established to facilitate improving the park programs, amenities and facilities. The Bondholders have approved a 2009 Supplemental Indenture that was designed to facilitate expansion planning for the park. The West Virginia Legislature passed legislation which will allow the addition of privately financed lodging to the park, although the actual additions will require approval of the DNR, the United States Corps of Engineers, and the Bondholders.

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

Basis of Presentation

The accompanying basic financial statements of the State of West Virginia (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 amounts presented for the preceding year have been restated or reclassified. See Note 2 for further explanation.

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

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

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

Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the

State or its citizenry. The Irreducible School Fund was constitutionally established for educational purposes.

The State reports the following major governmental funds:

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

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

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

Proprietary Fund Types

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

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

The State reports the following major enterprise funds:

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

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

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

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

The Public Employees' Insurance Agency and the Board of Risk and Insurance Management are 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.

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.

Major Reserve/Stabilization Funds

The Revenue Shortfall Reserve Fund (Rainy Day Fund) began when West Virginia Code §11B-2-20 was passed on March 11, 1994 with surplus funds available at the close of FY 1994. According to §11B-2-20 the first 50% of all surplus General Revenue funds accrued during the fiscal year just ended must be deposited into the fund until the aggregate amount of the fund exceeds 10% of the total appropriations from the General Revenue Fund for the fiscal year just ended. Effective June 30, 2011, the 10% threshold was increased to 13% of the total appropriations for the General Revenue Fund.

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

Since the fund was created in 1994, \$512.3 million has been deposited into the fund; \$170 million has been appropriated for flood and drought victim assistance, infrastructure, snow removal, and other projects. As of June 30, 2011, the fund contained \$342.3 million, which amounted to 8.5% of FY 2012 total appropriations.

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

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

Expenditures may not be made from the Rainy Day Fund—Part B unless all monies in the Revenue Shortfall Reserve Fund have been first expended. After June 30, 2025, interest and other amounts earned on monies held in the Rainy Day Fund—Part B may be appropriated by the Legislature for continued support of the programs offered by the Public Employees' Insurance Agency; funding for expansion of the federal-state Medicaid program; funding for public health programs, services, and agencies; funding for any State owned or operated health facilities; or in instances of revenue shortfalls or fiscal emergencies of an extraordinary nature. On June 30, 2011, the balance in the Rainy Day Fund—Part B was \$316.8 million.

The Income Tax Refund Reserve Fund was established during FY 1990 by West Virginia Code §11-21-93 to pay personal income tax refunds, interest, and penalties to taxpayers in a timely manner. It may also be used by the Legislature to make appropriations from the fund to address other items as the Legislature so desires. Personal income taxes received by the State can be added to this fund, if the state tax commissioner determines the balance in the fund is not enough to ensure the timely payment of income tax refunds. On June 30, 2011, the balance in the Income Tax Refund Reserve Fund was \$45 million which represents about 1.1% of the total FY 2012 General Revenue Fund.

Assets and Liabilities

Cash and Cash Equivalents - Cash equivalents are short-term investments with maturities, when purchased, of three months or less. The State Treasurer principally deposits the State's cash in investment pools maintained by the BTI and IMB, and such deposits are generally available with overnight notice. Cash deposits in outside bank accounts are considered to be cash and cash equivalents.

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

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

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

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

Accrued Tuition Contract Benefits - An accrued tuition contract benefits liability is recognized based upon the actuarial present value of the future tuition contract obligation. This valuation method reflects the present value of estimated tuition contract benefits that will be paid in future years and is adjusted for the effects of projected tuition and fee increases and termination of contracts. When a beneficiary of the prepaid tuition program is accepted to an eligible college or university, the contract becomes redeemable. Benefits can be transferred to any fully accredited private or out-of-state college or university within

the United States in an amount based on the average cost of tuition and fees then charged by West Virginia public colleges and universities. While a beneficiary has up to ten years after high school to use the plan benefit, four other options are available: 1) the purchaser may transfer the contract benefits to an eligible substitute beneficiary; 2) at any time four years or more after the beneficiary's expected college entrance date, the purchaser may request a refund of the contract benefit value, less a termination fee and an earnings penalty required by federal law; 3) at any time, the purchaser may cancel the contract and receive a refund of payments made, less administrative fees and any benefits already paid; or 4) the purchaser may transfer the prepaid contract value to the West Virginia College Prepaid Tuition and Saving Program in accordance with state and federal regulations.

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

Advances - The amount of Economic Development Authority loans held by the State's General Fund at June 30, 2011, is approximately \$149.5 million and is recorded as Advances to/from Component Units. There is a revolving loan agreement with the BTI to borrow up to \$175 million (\$124.6 million outstanding) to be reloaned for economic development purposes, with interest equal to the twelve-month average of BTI's yield on its cash liquidity pool, adjusted annually. Monthly payments must be sufficient to repay outstanding principal over ten years, secured by a security interest in the investments derived from the loan. There is also a note payable to the BTI, nonrecourse with right of offset against a note receivable, amount not to exceed \$25 million (\$24.9 million outstanding) interest at 3%, principal due in annual installments through June 2022, unsecured. Note repayments are dependent upon the proceeds received from the investments in venture capital funds.

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. 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 using the straight-line method.

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 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 are reported in three categories:

- 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 are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments, and in some cases by legally enforceable enabling legislation or constitution of the State.
- Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

Effective July 1, 2009, the State early adopted GASB 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. The new fund balance classifications are based primarily on the extent to which the State is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. Fund balances are reported in the following categories:

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

specific purpose are also assigned. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the State has assigned those amounts to the purposes of the respective funds.

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

Appropriations in the annual budget bill specify the funding source and therefore the order in which restricted or committed fund balances are spent. Agency level assigned and unassigned fund balance spending is at the discretion of the agency, with approval of the State Budget Office. It is the State's overall policy to use restricted balances first, then unrestricted balances in the following order: committed, assigned, and unassigned.

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

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

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

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

Retiree Drug Subsidies - The retiree drug subsidy (RDS) revenue from the federal government under the provisions of Medicare Part D has been recorded by the Retiree Health Benefit Trust Fund (RHBT). RHBT has accounted for the RDS revenue as voluntary nonexchange transactions 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 are uses of funds that could substantially distort a government's regular operations. They include discounts on debt issued, refunding transactions, and transfers.

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

Future Adoption of Accounting Pronouncements

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, effective in fiscal year 2012, will not have a financial impact on the State.

The GASB recently issued Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements," which establishes recognition, measurement, and disclosure requirements related to service concession arrangements, which are a type of public-private or public-public partnership. This statement is effective for fiscal year 2013, and management has not yet determined the financial statement impact of the pronouncement.

GASB Statement No. 61, "The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34" modifies certain requirements for inclusion of component units in the financial reporting entity. The requirements of this statement

result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This statement is effective for fiscal year 2013, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.” The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement is effective for fiscal year 2013, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,” which will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government’s net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. This statement is effective for fiscal year 2013, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 64, “Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53,” which enhances the comparability and improves financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty’s credit support provider, is replaced. This statement is effective for fiscal year 2012, and management has not yet determined the financial statement impact of the pronouncement.

NOTE 2

RESTATEMENTS AND RESTRICTED BALANCES

Restatement of Beginning Balances

The West Virginia Lottery was reclassified from an Enterprise Fund to a Discretely Presented Component Unit. This decreased the Enterprise Funds' net assets by \$36,383, from \$719,418 to \$683,035, and increased the Component Units' net assets by the same amount, from \$2,780,010 to \$2,816,393. This change was made to comply with question and answer 4.32.5 in the 2011-2012 GASB Comprehensive Implementation Guide (the Implementation Guide) issued in September 2011. The Implementation Guide interpreted existing GASB Statement No. 14 to indicate that the service provided by the Lottery is the opportunity for financial gain to anyone who chooses to participate. Thus, when prizes are awarded to winners and financial gain is achieved, the Lottery operation does not exclusively or almost exclusively benefit the government as an institution. Because the Lottery no longer met the criterion for blending, it was reclassified from a blended component unit to a discretely presented component unit as of July 1, 2010.

The following table summarizes the effect by entity and reporting level of the restatement due to the change in accounting principle at July 1, 2010 (expressed in thousands):

| <u>Entity/Reporting Level</u> | <u>Fund Balance or Net Assets</u> | | |
|--|-----------------------------------|-------------------|-----------------|
| | <u>As Previously Reported</u> | <u>Adjustment</u> | <u>Restated</u> |
| Proprietary Funds: | | | |
| West Virginia Lottery | \$ 36,383 | \$ (36,383) | \$ — |
| Total Business-type Activities - Proprietary Funds | 719,418 | (36,383) | 683,035 |
| Component Units: | | | |
| West Virginia Lottery | — | 36,383 | 36,383 |
| Total Component Units | 2,780,010 | 36,383 | 2,816,393 |
| Government-wide: | | | |
| Business-type Activities | 719,418 | (36,383) | 683,035 |
| Total Primary Government | 10,471,679 | (36,383) | 10,435,296 |
| Total Component Units | 2,780,010 | 36,383 | 2,816,393 |

West Virginia

Restricted Net Assets

The following table summarizes by fund the restricted net assets of each of the funds included in “other” columns at June 30, 2011 (expressed in thousands):

| <u>Fund Type/Fund</u> | <u>Total Reporting Entity</u> | <u>Restricted For</u> | | | | | <u>Other Specific Fund Purposes</u> |
|---|-------------------------------|-------------------------|---------------------------|-----------------------------|------------------------------|----------------------|-------------------------------------|
| | | <u>Capital Projects</u> | <u>Lending Activities</u> | <u>Insurance Activities</u> | <u>Government Operations</u> | <u>Nonexpendable</u> | |
| Enterprise Funds: | | | | | | | |
| Drinking Water Treatment Revolving Fund | \$101,147 | \$ — | \$101,147 | \$ — | \$ — | \$ — | \$ — |
| Alcohol Beverage Control Administration | 1,788 | — | 1,788 | — | — | — | — |
| West Virginia Prepaid College Plan | 324 | — | — | — | 324 | — | — |
| AccessWV | <u>12,520</u> | <u>—</u> | <u>—</u> | <u>12,520</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| | <u>115,779</u> | <u>—</u> | <u>102,935</u> | <u>12,520</u> | <u>324</u> | <u>—</u> | <u>—</u> |
| Internal Service Funds: | | | | | | | |
| State Building Fund | <u>66,915</u> | <u>66,915</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Discretely Presented Component Units: | | | | | | | |
| Educational Broadcasting Authority | 243 | — | — | — | — | 243 | — |
| Solid Waste Management Board | <u>4,356</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>4,356</u> |
| | <u>4,599</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>243</u> | <u>4,356</u> |
| Total | <u>\$187,293</u> | <u>\$66,915</u> | <u>\$102,935</u> | <u>\$12,520</u> | <u>\$324</u> | <u>\$243</u> | <u>\$4,356</u> |

The government-wide Statement of Net Assets reports restricted net assets of \$2,112,039 for the primary government; \$756,801 is restricted by enabling legislation.

Restricted Fund Balance

The following table summarizes, by fund, the restricted fund balance of each of the funds included in “other” columns at June 30, 2011 (expressed in thousands):

| <u>Fund Type/Fund</u> | <u>Total Reporting Entity</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Development, Tourism, and Recreation</u> | <u>Education</u> | <u>Public Protection</u> |
|---|-------------------------------|-------------------------|---------------------|---|------------------|--------------------------|
| Governmental Funds | | | | | | |
| Special Revenue Funds: | | | | | | |
| Environmental Protection | \$ 28,697 | \$ — | \$ — | \$ — | \$ — | \$28,697 |
| Public Service Commission | 2,450 | — | — | — | — | 2,450 |
| Wildlife Resources | <u>40,391</u> | <u>—</u> | <u>—</u> | <u>40,391</u> | <u>—</u> | <u>—</u> |
| | <u>71,538</u> | <u>—</u> | <u>—</u> | <u>40,391</u> | <u>—</u> | <u>31,147</u> |
| Capital Projects Funds: | | | | | | |
| Education, Arts, Sciences, and Tourism Fund | 137,541 | 137,541 | — | — | — | — |
| Lease Purchase Accounts | <u>10,257</u> | <u>10,257</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| | <u>147,798</u> | <u>147,798</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Debt Service: | | | | | | |
| Education, Arts, Sciences, and Tourism Fund | 19,315 | — | 19,315 | — | — | — |
| Lease Purchase Accounts | 8,726 | — | 8,726 | — | — | — |
| Economic Development Project Fund | <u>41,962</u> | <u>—</u> | <u>41,962</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| | <u>70,003</u> | <u>—</u> | <u>70,003</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Permanent Funds: | | | | | | |
| Irreducible School | <u>386</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>386</u> | <u>—</u> |
| Total | <u>\$289,725</u> | <u>\$147,798</u> | <u>\$70,003</u> | <u>\$40,391</u> | <u>\$386</u> | <u>\$31,147</u> |

NOTE 3**FUND DEFICITS**

Individual funds with net asset/fund balance deficits at June 30, 2011, were as follows (expressed in thousands):

| | Net Asset/ Fund Balance Deficit |
|--|--|
| Special Revenue Funds: | |
| WORKFORCE West Virginia | \$ 6,347 |
| Enterprise Funds: | |
| Workers' Compensation Fund | 825,014 |
| West Virginia Prepaid College Plan | 11,539 |
| Discretely Presented Component Units: | |
| School Building Authority | 164,807 |
| West Virginia Jobs Investment Trust | <u>2,524</u> |
| Total Deficits | <u>\$1,010,231</u> |

Special Revenue Funds

WORKFORCE West Virginia is continuing to improve its budgetary process and is looking at various methods to control expenses; including, but not limited to, budget cutbacks, closing of offices, and the reorganization of various job responsibilities. In addition, a more comprehensive oversight program to monitor the seven subrecipient workforce investment boards is being developed in an effort to reduce nonallowable expenditures. New guidelines have been issued and fiscal training is being conducted. 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.

Enterprise Funds

The Workers' Compensation Fund deficit of \$825,014,000 is more fully discussed in Note 14, Risk Management. West Virginia Prepaid College Plan (the Plan) has a net assets deficiency of approximately \$11.5 million as of June 30, 2011. This deficiency was largely caused by investment losses in fiscal years 2002, 2008, and 2009; unexpected tuition increases beginning with the 2002-2003 school year; changes in prior year estimates of future investment rate of return and tuition growth; 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 million each year there is an actuarially determined unfunded liability of the Plan. All earnings on the transferred funds will remain in the Escrow Account. In the event the Plan is unable to cover the amount of money needed to meet its current obligations, funds may be withdrawn from the Escrow Account to meet those obligations. The funds were invested and have had a net investment gain of \$730,870 for the eight years ended June 30, 2011, leaving the account with a balance of \$13,984,878 at June 30, 2011. Because there was an actuarially determined unfunded liability of approximately \$11.5 million in the Plan as of June 30, 2011, an additional \$1 million was transferred from the Fund to the Escrow Account on December 12, 2011, in accordance with the provisions enacted by the Legislature. Funds transferred or to be transferred into the Escrow Account do not affect the actuarial valuation of the Plan and are not included in the Plan's financial statements. Management believes that the Plan will continue to have sufficient liquid resources to meet its obligations as they become due through June 30, 2012. 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, 2011, is \$164.8 million. The deficit arose from the issuance of revenue bonds to replace or improve school facilities in the State of West Virginia and the SBA's policy to grant ownership of these new and renovated buildings to the local county boards of education. The SBA will receive \$23 million per year from an allocation from the West Virginia Department of Education through June 30, 2022, for debt service. At that time, the debt service payments dedicated from Step 7 of the Department of Education's funding formula are to 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 after June 30, 2022, are deemed unconstitutional.

At year-end, the SBA had \$503.5 million in bonds outstanding, compared to \$449.8 million at June 30, 2010, an increase of 11.9%. This increase of \$53.7 million represents the issuance of the Series 2010A Qualified School Construction Bonds with a par value of \$72.3 million and the Series 2010B Qualified School Construction Bonds with a par value of \$25 million less the book value of bonds that matured during the year. 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, 2011, are reported as a deficit of \$2,524,000. This deficit is expected to reverse as the Trust begins selling the nonincentive tax credits of \$6 million during fiscal year 2015, retiring the promissory notes issued under the “new millennium fund.” Management expects the deficit in net assets 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, 2011, the reported amount of the primary government's deposits was \$(80,535,000) and the bank balance was \$213,827,000. Of that bank balance, \$10,629,000 was uninsured and uncollateralized, \$2,385,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State.

Component Units

At June 30, 2011, the reported amount of the component units' deposits was \$449,829,000 and the bank balance was \$224,660,000. Of that bank balance, \$167,000 was uninsured and uncollateralized, \$26,156,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State, and \$12,286,000 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 Coal Workers' Pneumoconiosis funds, and certain other State government funds. The State Treasurer's Office determines which funds to transfer to the IMB and BTI for investment in accordance with West Virginia Code, policies set by the IMB and BTI, and by provisions of bond indentures and trust agreements, when applicable.

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

Investment Valuation

The BTI is an investment vehicle of the State and its component units, all of which are government entities. The investments of the WV Money Market, WV Government Money Market, WV Bank, Loan, Reserve, and Municipal Bond Commission pools and accounts are, as permissible under Governmental Accounting Standards Board (GASB) Statement No. 31, as amended by GASB Statement No. 59, carried at amortized cost. The WV Money Market and WV Government Money Market pools are considered "2a7-like" investment pools and, as such, are reported at amortized cost, which approximates fair value. A 2a7-like pool operates in a manner consistent with the Securities and Exchange Commission (SEC) Rule 2a7 of the Investment Company Act of 1940, which allows money market mutual funds to use amortized cost to report net 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 exceptions to fair value reporting for the other pools as defined in professional standards are as follows:

| <u>Pool</u> | <u>Exception</u> |
|---------------------------|---|
| WV Bank | Nonnegotiable 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 Education, Arts, Sciences, and Tourism Fund; West Virginia Infrastructure and Jobs Development Council; Tobacco Settlement Finance Authority; the Department of Health and Human Resources; and the Department of Administration have investments with bond trustees. The West Virginia Infrastructure and Jobs Development Council enterprise fund also has investments with bond trustees. The following discretely presented component units have reported investments held with third-party trustees: Regional Jail Authority; Educational Broadcasting Authority; Jobs Investment Trust; Housing Development Fund; Parkways Authority; Water Development Authority; School Building Authority; Solid Waste Management Board; and Higher Education Fund. IMB has operating funds in an institutional Treasury Money Market Fund. The Teachers' Defined Contribution Retirement System of the CPRB and the SMART 529 College Savings Plan have their assets held by outside third parties.

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

Derivatives

The State's investment strategy includes the use of derivatives as a tool in managing market risk and providing an opportunity for enhanced return. The IMB invests in derivative financial investments as authorized by its Board of Trustees. As of June 30, 2011, IMB held derivative financial investments that included: Futures Contracts, Option Contracts, Foreign Exchange Forward Contracts, and Interest Rate Swaps. Additionally, the IMB is indirectly exposed to derivative risk through participation in institutional commingled funds. Credit risk and interest rate risk pertaining to Derivatives are disclosed in each participating pool's section in this note. The change in fair value of derivatives is included in the Unrestricted Investment Earnings on the Government-wide Statement of Activities; Interest and Other Investment Income on the Statement of Revenues, Expenses, and Changes in Fund Net Assets Proprietary Funds; and Net Appreciation in Fair Value of Investments on the Statement of Changes in Fiduciary Net Assets Fiduciary Funds. The fair value of derivatives is included in the Investments and Cash Equivalents on the Government-wide Statement of Net Assets; Investments on the Statement of Net Assets Proprietary Funds; and Investments on the Statement of Fiduciary Net Assets, Fiduciary Funds. More details of the changes in fair value may be obtained from the financial statements of the WV Investment Management Board.

Repurchase Agreements

In connection with repurchase agreement transactions, it is the IMB's policy that its designated custodian 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 futures at fair market value as determined by the exchange on which they are traded. Gains or losses on open futures positions are unrealized. The gains and losses become realized when the position is closed. 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. Investment 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. 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 of a counterparty default and generally will require an initial margin deposit of cash or securities.

As of June 30, 2011, the futures contracts had the following open positions denominated in U.S. dollars (summarized and expressed in thousands):

| <u>Open Positions/Pool</u> | <u>Expiration</u> | <u>Value Upon Entering Contract (Notional Value)</u> | <u>Fair Value at June 30, 2011</u> | <u>Change in Fair Value</u> |
|----------------------------|-------------------|--|--|-------------------------------------|
| Long: | | | | |
| Large Cap Domestic Equity | Sept 2011 | \$ 9,855 | \$ 10,195 | \$ 340 |
| Total Return Fixed Income | Dec 2011 | 127,737 | 127,711 | (26) |
| Total Return Fixed Income | Sept 2011 | 130,535 | 129,154 | (1,381) |
| Short: | | | | |
| Total Return Fixed Income | Sept 2011 | (762,942) | (764,069) | (1,127) |
| Total Return Fixed Income | Mar 2012 | (127,583) | (127,628) | (45) |

As of June 30, 2011, the futures contracts had the following open positions denominated in foreign currencies (summarized and expressed in thousands):

| <u>Open Positions/Pool</u> | <u>Expiration</u> | <u>Currency</u> | <u>Initial Value in Local Currency (Notional Value)</u> | <u>Fair Value at June 30, 2011 Local Currency</u> | <u>Change in Fair Value USD</u> |
|--|-------------------|-----------------|---|---|---|
| Long: | | | | | |
| Total Return Fixed Income 430 3MO Euro Euribor | Sept 2011 | Euro | • 152,690 | • 152,788 | \$142 |
| Total Return Fixed Income 66 Euro 90 Day Future Exchange Rate - 1.4499 | Mar 2012 | Euro | • 23,756 | • 23,822 | \$ 95 |

At June 30, 2011, the Large Cap Domestic Equity and the Total Return Fixed Income pools have pledged cash of \$367,000 and \$8,483,000, respectively, and the Total Return Fixed Income Pool had pledged securities of \$8,795,000 to cover initial margin requirements on open futures 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, minus premiums received. Written option contracts are used to enhance investment returns and reduce portfolio convexity when implied volatility is high. Purchased option contracts are used to increase portfolio convexity when implied volatility is low, to implement certain yield curve strategies, or to hedge sector exposure.

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

The fair value of the options contracts written at June 30, 2011 was \$(7,249). Below is a summary of the activity in short (written) option positions in the Total Return Fixed Income Pool (premiums expressed in thousands):

| | <u>Puts</u> | | <u>Calls</u> | |
|--------------------------------------|----------------------------|---------------------------------|----------------------------|---------------------------------|
| | <u>Number of Contracts</u> | <u>Premiums (Received)/Paid</u> | <u>Number of Contracts</u> | <u>Premiums (Received)/Paid</u> |
| Options Outstanding at June 30, 2010 | (1,712) | \$(3,218) | (851) | \$(3,003) |
| Options Written | (9,046) | (4,055) | (3,994) | (1,846) |
| Options Closed | 4,325 | 1,469 | 2,140 | 1,027 |
| Options Expired | <u>4,089</u> | <u>1,686</u> | <u>1,020</u> | <u>515</u> |
| Options Outstanding at June 30, 2011 | <u>(2,344)</u> | <u>\$(4,118)</u> | <u>(1,685)</u> | <u>\$(3,307)</u> |

Foreign Exchange Forward Contracts

A foreign exchange forward contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed-upon future date. The IMB's investment managers enter into such contracts to 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, 2011, the IMB was party to outstanding foreign exchange forward contracts to purchase foreign currencies with contract amounts of \$80.0 million, collectively. The fair values of these outstanding contracts were \$79.8 million resulting in a change in fair value of approximately \$0.2 million. 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, Private Real Estate, 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. Total return swaps represent agreements in which one party makes payments based on a set rate, either fixed or variable, while the other party makes payments based on the return of an underlying asset, which includes the income it generates and any capital gains. In total return swaps, the underlying asset, referred to as the reference asset, is usually an equity index, loans, or bonds. This is owned by the party receiving the set rate payment.

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 their custodial agents, Bank of New York (BNY) Mellon and Clearlend Securities (a division of Wells Fargo), respectively, 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 Clearlend 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. The custodial agents indemnify both the IMB and the BTI against operational errors, 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. 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, 2011, 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 pro rata 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 \$10.1 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, 2011, 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, \$753 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, 2011, the BTI had 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.

| | <u>Fair Value of Securities on Loan</u> | <u>Collateral Held</u> |
|-------------------------------|---|----------------------------|
| Large Cap Domestic Equity | \$174,478 | \$176,002 |
| Non-Large Cap Domestic Equity | 168,554 | 170,555 |
| International Equity | 163,594 | 173,108 |
| Total Return Fixed Income | 226,890 | 228,857 |
| WV Money Market | <u>10,479</u> | <u>10,692</u> |
| Total | <u>\$743,995</u> | <u>\$759,214</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, 2011, the IMB had made commitments to 22 private equity general partnerships totaling \$818 million. The IMB had funded \$248 million of these commitments at June 30, 2011, leaving unfunded commitments of \$570 million. The IMB also committed \$380 million to 12 real estate investment funds/partnerships. At June 30, 2011, the IMB had funded \$170.5 million of these commitments, leaving unfunded commitments of \$209.5 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 a \$17.5 million dividend declared by the pool on the last day of the month and reinvested to the participant's accounts on the first day of the following month. The following schedule details the participation in the various IMB pools exclusive of those pools comprising the Consolidated Fund or Participant Directed Accounts (expressed in thousands):

| | Large Cap Domestic | Non-Large Cap Domestic | International | | |
|---|--------------------------|------------------------------|------------------|-----------------|--------------------|
| | | | Qualified | Nonqualified | Equity |
| Primary Government: | | | | | |
| Revenue Shortfall Reserve Fund | \$ — | \$ — | \$ — | \$ — | \$ — |
| Revenue Shortfall Reserve Fund B | 22,899 | 8,188 | — | 10,707 | 20,234 |
| Workers' Compensation Old Fund | 68,769 | 24,554 | — | 18,982 | 75,727 |
| Workers' Compensation Self-Insured | 701 | 249 | — | 322 | 645 |
| Workers' Compensation Uninsured | 685 | 243 | — | 325 | 597 |
| Pneumoconiosis | 19,263 | 6,895 | — | 9,058 | 16,997 |
| Wildlife Endowment Fund | 7,407 | 2,649 | — | 3,483 | 6,535 |
| Prepaid Tuition Trust Fund | 22,381 | 6,079 | — | 5,257 | 9,985 |
| Board of Risk & Insurance Management | 10,287 | 3,667 | — | 4,781 | 9,091 |
| Public Employees' Insurance Agency | 6,386 | 2,284 | — | 2,993 | 5,639 |
| Access WV | — | — | — | — | — |
| WV DEP Trust | 1,536 | 542 | — | 581 | 1,127 |
| Total Primary Government | 160,314 | 55,350 | — | 56,489 | 146,577 |
| Percentage of Ownership | 7.70% | 7.55% | —% | 82.97% | 7.94% |
| Fiduciary Funds: | | | | | |
| Judges' Retirement System | 23,447 | 8,158 | 11,000 | — | 20,095 |
| Emergency Medical Services Retirement System | 6,037 | 2,173 | 2,732 | — | 5,103 |
| Public Employees' Retirement System | 810,662 | 286,555 | 387,425 | — | 705,905 |
| Teachers' Retirement System | 902,180 | 317,860 | 423,508 | — | 796,380 |
| Municipal Police Officers' and Firefighters' Retirement System | — | — | — | — | — |
| State Police Retirement System | 13,145 | 4,525 | 6,010 | — | 11,230 |
| Public Safety Death, Disability and Retirement Fund | 88,512 | 31,093 | 42,233 | — | 77,543 |
| Retiree Health Benefit Trust | 56,278 | 20,080 | — | 11,593 | 65,772 |
| Deputy Sheriff's Retirement System | 20,972 | 7,329 | 9,955 | — | 18,040 |
| Total Fiduciary Funds | 1,921,233 | 677,773 | 882,863 | 11,593 | 1,700,068 |
| Percentage of Ownership | 92.30% | 92.45% | 100% | 17.03% | 92.06% |
| Total Amount | \$2,081,547 | \$733,123 | \$882,863 | \$68,082 | \$1,846,645 |
| Percentage of Ownership | 100% | 100% | 100% | 100% | 100% |

| Short-Term Fixed Income | Total Return Fixed Income | Core Fixed Income | TIPS | TRS Annuity | Private Equity | Private Real Estate | Hedge Funds | Totals (Memorandum Only) |
|-------------------------------|------------------------------------|-------------------------|------------------|------------------|--------------------|---------------------------|--------------------|--------------------------------|
| \$ — | \$ 78,121 | \$ 42,453 | \$120,967 | \$ — | \$ — | \$ — | \$ — | \$ 241,541 |
| 1,462 | 132,091 | 71,756 | 47,415 | — | — | — | — | 314,752 |
| 84,226 | 364,840 | 198,433 | 95,062 | — | — | — | — | 930,593 |
| 541 | 2,872 | 1,559 | 970 | — | — | — | 1,747 | 9,606 |
| 503 | 2,503 | 1,318 | 916 | — | — | — | 1,802 | 8,892 |
| 12,424 | 76,802 | 41,748 | 26,497 | — | — | — | 51,309 | 260,993 |
| 273 | 6,194 | 2,878 | 2,050 | — | 4,030 | 1,003 | 3,835 | 40,337 |
| 1,005 | — | 39,934 | — | — | — | — | — | 84,641 |
| 7,198 | 42,344 | 23,007 | 14,185 | — | — | — | 25,653 | 140,213 |
| 8,793 | 68,161 | 37,042 | 26,386 | — | — | — | 16,965 | 174,649 |
| — | 801 | 436 | 1,014 | — | — | — | — | 2,251 |
| 666 | 951 | 513 | 591 | — | — | — | — | 6,507 |
| <u>117,091</u> | <u>775,680</u> | <u>461,077</u> | <u>336,053</u> | <u>—</u> | <u>4,030</u> | <u>1,003</u> | <u>101,311</u> | <u>2,214,975</u> |
| 32.64% | 33.24% | 38.75% | 37.69% | —% | 0.39% | 0.40% | 9.44% | 17.26% |
| 1,417 | 18,584 | 8,732 | 6,344 | — | 12,061 | 3,060 | 11,557 | 124,455 |
| 449 | 5,011 | 2,375 | 1,608 | — | 2,938 | 788 | 2,714 | 31,928 |
| 18,733 | 676,368 | 310,473 | 221,754 | — | 442,041 | 107,921 | 386,499 | 4,354,336 |
| 217,903 | 652,082 | 302,689 | 247,655 | 103,850 | 495,625 | 119,095 | 426,630 | 5,005,457 |
| 61 | — | — | — | — | — | — | — | 61 |
| 1,094 | 11,340 | 5,364 | 3,549 | — | 6,340 | 1,683 | 6,398 | 70,678 |
| 1,309 | 77,095 | 36,570 | 24,595 | — | 47,325 | 11,533 | 43,663 | 481,471 |
| 68 | 100,415 | 54,563 | 44,429 | — | — | — | 83,454 | 436,652 |
| 599 | 17,341 | 8,172 | 5,706 | — | 10,808 | 2,748 | 10,697 | 112,367 |
| <u>241,633</u> | <u>1,558,236</u> | <u>728,938</u> | <u>555,640</u> | <u>103,850</u> | <u>1,017,138</u> | <u>246,828</u> | <u>971,612</u> | <u>10,617,405</u> |
| 67.36% | 66.76% | 61.25% | 62.31% | 100% | 99.61% | 99.60% | 90.56% | 82.74% |
| <u>\$358,724</u> | <u>\$2,333,916</u> | <u>\$1,190,015</u> | <u>\$891,693</u> | <u>\$103,850</u> | <u>\$1,021,168</u> | <u>\$247,831</u> | <u>\$1,072,923</u> | <u>\$12,832,380</u> |
| 100% | 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, exchange-traded stock index futures, 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 which is a collective trust fund that invests in equities denominated in foreign currencies. 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. The value of this investment at June 30, 2011, was \$883,266,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

International Nonqualified

Funds of this pool are invested in Silchester International Investors' Value Equity Trust which is a collective trust fund that invests in equities denominated in foreign currencies. 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*). The value of this investment at June 30, 2011, was \$68,084,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

International Equity

This pool invests in the equities of international companies. Axiom International Investors, 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, 2011, consisted of the following (expressed in thousands):

| <u>Currency</u> | <u>Equity Securities</u> | <u>Cash</u> | <u>Total</u> |
|------------------------|--------------------------|-----------------|--------------------|
| Australian Dollar | \$ 57,707 | \$ 4 | \$ 57,711 |
| Brazil Cruzeiros Real | 113,185 | 3,157 | 116,342 |
| British Pound Sterling | 185,203 | 407 | 185,610 |
| Canadian Dollar | 73,646 | 1,172 | 74,818 |
| Czech Koruna | 14,883 | — | 14,883 |
| Danish Krone | 9,198 | 4 | 9,202 |
| Egyptian Pound | — | 1 | 1 |
| Euro Currency Unit | 321,019 | (24) | 320,995 |
| Hong Kong Dollar | 145,395 | 1,722 | 147,117 |
| Hungarian Forint | 13,693 | 6 | 13,699 |
| Indian Rupee | 15,598 | 2 | 15,600 |
| Indonesian Rupian | 7,629 | 15 | 7,644 |
| Israeli Shekel | 16,949 | 140 | 17,089 |
| Japanese Yen | 186,089 | 1,456 | 187,545 |
| Malaysian Ringgit | 8,745 | 57 | 8,802 |
| Mexican New Peso | 30,641 | 200 | 30,841 |
| New Taiwan Dollar | 27,520 | 232 | 27,752 |
| New Turkish Lira | 22,980 | 449 | 23,429 |
| Norwegian Krone | 20,476 | 100 | 20,576 |
| Pakistan Rupee | 2,089 | — | 2,089 |
| Philippine Peso | 6,195 | 2 | 6,197 |
| Polish Zloty | 11,535 | 7 | 11,542 |
| Singapore Dollar | 21,338 | 67 | 21,405 |
| South African Rand | 44,669 | 167 | 44,836 |
| South Korean Won | 134,565 | 1,474 | 136,039 |
| Swedish Krona | 20,743 | 52 | 20,795 |
| Swiss Franc | 68,353 | 40 | 68,393 |
| Thailand Baht | 15,808 | 428 | 16,236 |
| UAE Dirham | 8,092 | — | 8,092 |
| Subtotal | <u>1,603,943</u> | <u>11,337</u> | <u>1,615,280</u> |
| United States Currency | <u>233,335</u> | <u>—</u> | <u>233,335</u> |
| Total Assets | <u>\$1,837,278</u> | <u>\$11,337</u> | <u>\$1,848,615</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 Salomon 90 T-bill index plus 15 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, 2011, 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&P</u> | | | | |
| Repurchase Agreements | — | — | \$ 68,362 | \$(68,362) | \$ — | —% |
| U.S. Treasury Bills | Aaa | AAA | 59,081 | — | 59,081 | 16.4% |
| Agency Discount Notes | P-1 | A-1+ | 168,860 | — | 168,860 | 46.9% |
| Commercial Paper | P-1 | A-1 | 50,493 | — | 50,493 | 14.0% |
| U.S. Treasury Notes | Aaa | AAA | 1,504 | — | 1,504 | .4% |
| Agency Notes | Aaa | AAA | 10,499 | 69,357 | 79,856 | 22.3% |
| Total Rated Investments | | | <u>\$358,799</u> | <u>\$ 995</u> | <u>\$359,794</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 | \$ 68,362 | 1 |
| U.S. Treasury Bills | 59,081 | 52 |
| Commercial Paper | 50,493 | 25 |
| Agency Discount Notes | 168,860 | 59 |
| Agency Notes | 10,499 | 133 |
| U.S. Treasury Notes | 1,504 | 194 |
| Total Assets | <u>\$358,799</u> | 47 |

Total Return Fixed Income

The main objective of the Total Return Fixed Income Pool is to earn superior returns with low volatility by actively investing in the extended fixed income markets. Dodge & Cox and Western Asset Management Company, LLP manage 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, 2011 (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&P</u> | | |
| Rated: | | | | |
| Agency Mortgage-Backed Securities | Aaa | AAA | \$ 443,640 | 19.0% |
| Corporate Bonds and Notes | Baa2 | BBB | 699,706 | 29.9% |
| Corporate Collateralized Mortgage Obligations | B1 | BB | 31,137 | 1.3% |
| Municipal Bonds | A1 | A | 81,354 | 3.5% |
| U.S. Treasury Bonds and Notes* | Aaa | AAA | 367,385 | 15.7% |
| Agency Discount Notes | P-1 | A-1+ | 3,403 | 0.1% |
| Corporate Asset-Backed Securities | Aa3 | AA | 32,194 | 1.4% |
| Agency Collateralized Mortgage Obligations | Aaa | AAA | 37,142 | 1.6% |
| Regulated Investment Companies | Aaa | AAA | 227,854 | 9.7% |
| Corporate Preferred Securities | NR | BB+ | <u>5,778</u> | <u>0.2%</u> |
| Total Rated Assets | | | <u>1,929,593</u> | <u>82.4%</u> |
| Unrated: | | | | |
| Commingled Investment Pools | | | 410,007 | 17.5% |
| Option Contract Purchased Value | | | <u>1,891</u> | <u>0.1%</u> |
| Total Investment Securities at Fair Value | | | <u>\$2,341,491</u> | <u>100%</u> |

* U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

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> |
|---|--------------------|----------------------------------|
| Agency Mortgage-Backed Securities | \$ 443,640 | 3.3 |
| Commingled Investment Pools | 410,007 | 2.0 |
| Corporate Bonds and Notes | 699,706 | 6.3 |
| Corporate Collateralized Mortgage Obligations | 31,137 | 5.4 |
| Municipal Bonds | 81,354 | 14.6 |
| U.S. Treasury Bonds and Notes | 367,385 | 5.6 |
| Agency Discount Notes | 3,403 | 0.5 |
| Corporate Asset-Backed Securities | 32,194 | 16.2 |
| Agency Collateralized Mortgage Obligations | 37,142 | 3.5 |
| Regulated Investment Companies | <u>227,854</u> | 0.0 |
| Total Investments with Interest Rate Risk | <u>2,333,822</u> | 4.6 |
| Investments with no Interest Rate Risk: | | |
| Option Contract Purchased Value | 1,891 | |
| Corporate Preferred Securities | <u>5,778</u> | |
| Total Investments with no Interest Rate Risk | <u>7,669</u> | |
| Total Investment Securities at Fair Value | <u>\$2,341,491</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, 2011, the Total Return Fixed Income pool held \$544,113,000 of these securities. This represents approximately 23% 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, 2011 (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&P</u> | | |
| Rated: | | | | |
| Agency Collateralized Mortgage Obligations | Aaa | AAA | \$ 286,297 | 24.0% |
| Agency Mortgage-Backed Securities | Aaa | AAA | 173,704 | 14.5% |
| U.S. Treasury Bonds and Notes | Aaa | AAA | 312,308 | 26.1% |
| Corporate Bonds and Notes | A2 | A | 200,540 | 16.8% |
| Corporate Collateralized Mortgage Obligations | A1 | AAA | 140,595 | 11.8% |
| Corporate Asset-Backed Securities | Aa1 | AAA | 24,084 | 2.0% |
| Regulated investment companies | Aaa | AAA | 40,883 | 3.4% |
| Agency Bonds and Notes | Aaa | AAA | 14,060 | 1.2% |
| Municipal Bonds | Aa3 | AA- | <u>2,201</u> | <u>0.2%</u> |
| Total Rated Investments | | | <u>\$1,194,672</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> |
|---|--------------------|----------------------------------|
| U.S. Treasury Bonds and Notes | \$ 312,308 | 6.1 |
| Agency Collateralized Mortgage Obligations | 286,297 | 3.6 |
| Corporate Bonds and Notes | 200,540 | 5.6 |
| Agency Mortgage-Backed Securities | 173,704 | 7.1 |
| Corporate Collateralized Mortgage Obligations | 140,595 | 3.6 |
| Regulated investment companies | 40,883 | 0.0 |
| Agency Bonds and Notes | 14,060 | 5.3 |
| Corporate Asset-Backed Securities | 24,084 | 1.6 |
| Municipal Bonds | <u>2,201</u> | 14.6 |
| Total Assets | <u>\$1,194,672</u> | 5.0 |

The Core Fixed Income Pool invests approximately \$624 million in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. At June 30, 2011, this represents approximately 52% of the value of the Pool's securities.

TIPS Pool

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

Credit Risk

The IMB limits the exposure to credit risk in the Pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted-average credit ratings of the rated assets in the pool as of June 30, 2011 (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&P</u> | | |
| Rated: | | | | |
| U.S. Treasury Issues* | Aaa | AAA | \$891,182 | 100% |
| Money Market Funds | Aaa | AAA | <u>259</u> | <u>—</u> % |
| Total Rated Investments | | | <u>\$891,441</u> | <u>100%</u> |

* U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

Interest Rate Risk

The IMB monitors interest rate risk of the pool by evaluating 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 pool as of June 30, 2011 (expressed in thousands):

| <u>Security Type</u> | <u>Fair Value</u> | <u>Modified Duration (Years)</u> |
|----------------------|-------------------|----------------------------------|
| U.S. Treasury Issues | \$891,182 | 7.6 |
| Money Market Funds | <u>259</u> | — |
| Total Assets | <u>\$891,441</u> | 7.6 |

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 \$248,293,000. Effective April 23, 2009, the IMB elected to liquidate this contract and will receive five equal annual payments of \$55,058,000. The first scheduled payments were received on May 4, 2009, 2010 and 2011. The subsequent payments will be received on May 4, 2012 and 2013. The contract and the payments include a guaranteed annual interest yield of 4.5%. VALIC is a wholly-owned subsidiary of American International Group, Inc. (AIG), but is not in bankruptcy.

Private Equity

This pool was established to hold the IMB's investments in various private equity funds. 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 Standards & 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, real estate limited partnerships and real estate investment trusts (REITs). Courtland Partners, Ltd. has been retained by the IMB to provide consulting services for the real estate funds and limited partnerships. The REITs are managed by European Investors, Inc. and ING Clarion Real Estate Securities.

Foreign Currency Risk

The pool has real estate investment trusts, shares of an institutional commingled fund, 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 these securities and cash denominated in foreign currencies as of June 30, 2011, consisted of the following (expressed in thousands):

| <u>Currency</u> | <u>Investments</u> | <u>Total</u> |
|------------------------|--------------------|------------------|
| Australian Dollar | \$ 3,488 | \$ 3,488 |
| Brazil Cruzeiros Real | 136 | 136 |
| British Pound | 6,053 | 6,053 |
| Canadian Dollar | 2,099 | 2,099 |
| Euro Currency Unit | 4,922 | 4,922 |
| Hong Kong Dollar | 7,899 | 7,899 |
| Japanese Yen | 4,955 | 4,955 |
| Singapore Dollar | 2,510 | 2,510 |
| Swedish Krona | 462 | 462 |
| Swiss Franc | 123 | 123 |
| Thailand Baht | <u>428</u> | <u>428</u> |
| Subtotal | <u>33,075</u> | <u>33,075</u> |
| United States Currency | <u>214,669</u> | <u>214,669</u> |
| Total Assets | <u>\$247,744</u> | <u>\$247,744</u> |

Hedge Fund

This pool was established to hold the IMB's investments in hedge funds. Albourne America, LLC has been retained by the IMB to provide consulting services for this investment strategy. This Pool holds shares in various commingled institutional funds and shares of a money market that is rated AAA by Standard & Poor's and Aaa by Moody's. Since certain funds in the pool have funds denominated in foreign currency, approximately 46% of the pool's market value is indirectly exposed to foreign currency risk.

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, 2011, 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&P</u> | | |
| Commercial Paper | P1 | A-1 | \$1,069,576 | 35.43% |
| Corporate Bonds/Notes | Aa1 | AA | 10,000 | 0.33% |
| | Aa2 | AA | 33,000 | 1.09% |
| | Aa3 | AA | 31,000 | 1.03% |
| | Aa3 | A | <u>53,000</u> | <u>1.76%</u> |
| Total Corporate Bonds/Notes | | | <u>127,000</u> | <u>4.21%</u> |
| U.S. Agency Bonds | Aaa | AAA | 170,788 | 5.66% |
| U.S. Treasury Notes* | Aaa | AAA | 298,345 | 9.88% |
| U.S. Treasury Bills* | Aaa | AAA | 231,051 | 7.65% |
| Negotiable Certificates of Deposit | P1 | A-1 | 140,000 | 4.64% |
| U.S. Agency Discount Notes | P1 | A-1 | 697,164 | 23.10% |
| Money Market Funds | Aaa | AAAm | 200,279 | 6.64% |
| Repurchase Agreements (Underlying Securities) | | | | |
| U.S. Treasury Notes* | Aaa | AAA | 69,557 | 2.30% |
| U.S. Agency Notes | Aaa | AAA | <u>14,800</u> | <u>0.49%</u> |
| Total Repurchase Agreements | | | <u>84,357</u> | <u>2.79%</u> |
| Total | | | <u>\$3,018,560</u> | <u>100%</u> |

*U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

Interest Rate Risk

The overall weighted-average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 731 days. 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 | \$1,069,576 | \$ 791,486 | \$23,424 | \$13,691 | \$240,975 | 35 |
| U.S. Treasury Bills | 231,051 | 170,978 | 5,060 | 2,957 | 52,056 | 34 |
| Corporate Bonds/Notes | 127,000 | 93,980 | 2,781 | 1,626 | 28,613 | 20 |
| Negotiable Certificates of Deposit | 140,000 | 103,601 | 3,066 | 1,792 | 31,541 | 58 |
| U.S. Agency Bonds/Notes | 170,788 | 126,383 | 3,740 | 2,186 | 38,479 | 66 |
| U.S. Agency Discount Notes | 697,164 | 515,900 | 15,268 | 8,924 | 157,072 | 45 |
| Money Market Funds | 200,279 | 148,206 | 4,386 | 2,564 | 45,123 | 1 |
| U.S. Treasury Notes | 298,345 | 220,775 | 6,534 | 3,819 | 67,217 | 137 |
| Repurchase Agreements (Underlying Securities): | | | | | | |
| U.S. Treasury Notes | 69,557 | 51,472 | 1,523 | 890 | 15,672 | 1 |
| U.S. Agency Notes | <u>14,800</u> | <u>10,953</u> | <u>324</u> | <u>189</u> | <u>3,334</u> | 1 |
| Total | <u>\$3,018,560</u> | <u>\$2,233,734</u> | <u>\$66,106</u> | <u>\$38,638</u> | <u>\$680,082</u> | 46 |
| Percentage of Ownership | 100% | 74.0% | 2.19% | 1.28% | 22.53% | |

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, 2011, 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&P</u> | | |
| U.S. Agency Bonds | Aaa | AAA | \$ 57,498 | 21.89% |
| U.S. Treasury Notes* | Aaa | AAA | 45,811 | 17.44% |
| U.S. Agency Discount Notes | P1 | A-1 | 60,852 | 23.16% |
| Money Market Funds | Aaa | AAAm | 131 | 0.05% |
| Repurchase Agreements (Underlying Securities): | | | | |
| U.S. Agency Notes | Aaa | AAA | <u>98,400</u> | <u>37.46%</u> |
| Total | | | <u>\$262,692</u> | <u>100%</u> |

* U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

Interest Rate Risk

The overall weighted-average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 731 days. 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 | \$ 60,852 | \$1,394 | \$ 53,872 | \$ 5,586 | 74 |
| U.S. Agency Bonds/Notes | 57,498 | 1,317 | 50,903 | 5,278 | 22 |
| Money Market Funds | 131 | 3 | 116 | 12 | 1 |
| U.S. Treasury Notes | 45,811 | 1,050 | 40,556 | 4,205 | 131 |
| Repurchase Agreements (Underlying Securities) | | | | | |
| U.S. Agency Notes | <u>98,400</u> | <u>2,253</u> | <u>87,114</u> | <u>9,033</u> | 1 |
| Total | <u>\$262,692</u> | <u>\$6,017</u> | <u>\$232,561</u> | <u>\$24,114</u> | 45 |
| Percentage of Ownership | 100% | 2.29% | 88.53% | 9.18% | |

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, 2011, of the WV Short Term Bond Pool's investments (expressed in thousands):

| Security Type | Credit Rating | | Fair Value | Percent of Assets | |
|--|---|------|------------------|-------------------|---------------|
| | Moody's | S&P | | | |
| Corporate Asset-Backed Securities | Aaa | AAA | \$ 87,197 | 18.40% | |
| | Aaa | NR* | 19,891 | 4.20% | |
| | ** Aa3 | AA+ | 454 | 0.10% | |
| | ** B1 | CCC | 885 | 0.19% | |
| | ** B3 | B | 366 | 0.08% | |
| | ** B3 | BBB | 631 | 0.13% | |
| | ** Ca | CCC | 664 | 0.14% | |
| | ** Caa2 | CCC | 473 | 0.10% | |
| | ** Caa3 | CCC | 393 | 0.08% | |
| | ** Caa3 | D | 27 | 0.01% | |
| | | NR* | NR* | <u>4,000</u> | <u>0.84%</u> |
| | Total Corporate Asset-Backed Securities | | | <u>114,981</u> | <u>24.27%</u> |
| Corporate Bonds/Notes | Aaa | AA | 2,043 | 0.43% | |
| | Aa1 | A | 4,143 | 0.87% | |
| | Aa2 | AA | 11,866 | 2.50% | |
| | Aa3 | AA | 7,064 | 1.49% | |
| | Aa3 | A | 13,040 | 2.75% | |
| | A1 | AA | 8,107 | 1.71% | |
| | A1 | A | 22,731 | 4.80% | |
| | A2 | AA | 2,555 | 0.54% | |
| | A2 | A | 23,976 | 5.06% | |
| | A3 | A | <u>8,770</u> | <u>1.85%</u> | |
| Total Corporate Bonds/Notes | | | <u>104,295</u> | <u>22.00%</u> | |
| Commercial Paper | P-1 | A-1 | 15,995 | 3.38% | |
| U.S. Agency Bonds | Aaa | AAA | 20,017 | 4.22% | |
| U.S. Treasury Notes | *** Aaa | AAA | 25,034 | 5.28% | |
| U.S. Agency Mortgage-Backed Securities | **** Aaa | AAA | 97,296 | 20.53% | |
| Money Market Funds | Aaa | AAAm | <u>96,287</u> | <u>20.32%</u> | |
| Total | | | <u>\$473,905</u> | <u>100%</u> | |

* NR = Not Rated

** These securities were not in compliance with BTI Investment Policy at June 30, 2011. 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.

*** U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

**** U.S. Agency Mortgage-Backed securities are explicitly guaranteed by the United States government and are not subject to credit risk.

West Virginia

Interest Rate Risk

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

| <u>Security Type</u> | <u>Total Carrying Value</u> | <u>Primary Government</u> | <u>Investment Trust Funds</u> | <u>Component Units</u> | <u>Effective Duration (Days)</u> |
|--|-----------------------------|---------------------------|-------------------------------|------------------------|----------------------------------|
| Corporate Notes | \$104,295 | \$ 95,138 | \$ 365 | \$ 8,792 | 234 |
| U.S. Agency Bonds/Notes | 20,017 | 18,260 | 70 | 1,687 | 85 |
| U.S. Treasury Bonds/Notes | 25,034 | 22,836 | 88 | 2,110 | 227 |
| Corporate Asset-Backed Securities | 114,981 | 104,886 | 402 | 9,693 | 268 |
| U.S. Agency Mortgage-Backed Securities | 97,296 | 88,753 | 341 | 8,202 | 18 |
| Commercial Paper | 15,995 | 14,591 | 56 | 1,348 | 55 |
| Money Market Funds | <u>96,287</u> | <u>87,833</u> | <u>337</u> | <u>8,117</u> | 1 |
| Total | <u>\$473,905</u> | <u>\$432,297</u> | <u>\$1,659</u> | <u>\$39,949</u> | 138 |
| Percentage of Ownership | 100% | 91.22% | 0.35% | 8.43% | |

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 \$60 million, with maturities ranging from July 2011 to October 2011.

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 \$188,544,000 that matured 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> |
| Primary Government: U.S. Treasury Strip | \$188,544 | \$188,544 | \$— | \$— | \$— |

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 \$151,000 with a weighted-average maturity of one day which is rated AAAM by Standard & Poor's and Aaa by Moody's. The loans are not rated by any nationally recognized statistical rating organization; however, as there is the potential for defaults, they are exposed to credit risk. For financial statement purposes, the intergovernmental loans are reflected in the Advances to Component Units line on the Statement of Net 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 \$19,173,000 in a bank depository. The pool was created to provide an added layer of security for the WV Money Market and WV Government Money Market Pools. The objective of this pool is to provide support for the WV Money Market and WV Government Money Market Pools to ensure their unit net 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, School Fund, and Economic Development Authority–American Woodmark (EDA–AW). Each agency is the sole owner of the investments in its pool and is responsible for the investment decisions in accordance with the legal restrictions applicable to those assets. The BTI serves as custodian of these pools and has no discretion over investment and financial decisions made for them.

Municipal Bond Commission

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

West Virginia

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 Strips | \$3,815 | 874 |
| U.S. Treasury Bonds/Notes | 4,831 | 2,163 |
| State and Local Government Securities | <u>1,312</u> | 660 |
| Total Assets | <u>\$9,958</u> | 1,471 |

School Fund

The School Fund account holds an interest in a money market mutual fund valued at \$1,385,000 with a weighted-average maturity of one day. The mutual fund is rated AAAM by Standard & Poor's and Aaa by Moody's as of June 30, 2011 (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> |
| Governmental Activities: | | | | | |
| Money Market | \$1,385 | \$1,385 | \$— | \$— | \$— |

EDA-AW

This account holds a U.S. Treasury bond valued at \$1,833,000 that matures on August 15, 2023. The Economic Development Authority's investment policy limits this account to holding only U.S. Treasury securities with 20 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> |
| Component Unit Activities: | | | | | |
| U.S. Treasury Bond | \$1,833 | \$— | \$— | \$— | \$1,833 |

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, 2011 (expressed in thousands):

| | Disclosed Value | Pool Receivables/ (Payables) | Net Asset Values |
|--|----------------------------|---|---------------------------------|
| <u>IMB Pools</u> | | | |
| Large Cap Domestic Equity | \$ 2,056,412 | \$ 25,135 | \$ 2,081,547 |
| Non-Large Cap Domestic Equity | 736,715 | (3,592) | 733,123 |
| International Qualified | 883,266 | (403) | 882,863 |
| International Nonqualified | 68,084 | (2) | 68,082 |
| International Equity* | 1,837,614 | 9,031 | 1,846,645 |
| Short-Term Fixed Income | 358,799 | (29) | 358,770 |
| Total Return Fixed Income* | 2,341,491 | (7,575) | 2,333,916 |
| Core Fixed Income | 1,194,672 | (4,657) | 1,190,015 |
| TIPS Pool | 891,441 | 252 | 891,693 |
| TRS Annuity Pool | 103,850 | (5) | 103,845 |
| Private Equity | 1,021,318 | (150) | 1,021,168 |
| Private Real Estate* | 247,744 | 87 | 247,831 |
| Hedge Fund | 992,561 | 80,362 | 1,072,923 |
| <u>BTI Pools</u> | | | |
| WV Money Market Pool | 3,018,560 | 1,318 | 3,019,878 |
| WV Government Money Market Pool | 262,692 | 206 | 262,898 |
| WV Short-Term Bond Pool | 473,905 | 2,282 | 476,187 |
| WV Bank Pool | 60,019 | 48 | 60,067 |
| Loss Amortization Pool | 188,544 | — | 188,544 |
| Loan Pool | 131,965 | 216 | 132,181 |
| Municipal Bond Commission Account | 9,958 | 39 | 9,997 |
| School Fund Account | 1,385 | — | 1,385 |
| Reserve Pool | 19,173 | 6 | 19,179 |
| EDA-AW | <u>1,833</u> | <u>34</u> | <u>1,867</u> |
| Total Pooled Investments | <u>16,902,001</u> | <u>102,603</u> | <u>17,004,604</u> |
| Less EDA | 149,485 | — | 149,485 |
| Less MBC | 9,958 | 39 | 9,997 |
| Less Nonnegotiable Certificates of Deposits | 60,019 | 48 | 60,067 |
| Less Reserve Pool in Depository | <u>19,173</u> | <u>6</u> | <u>19,179</u> |
| Total for Disclosure | <u>\$16,663,366</u> | <u>\$ 102,510</u> | <u>\$16,765,876</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.

West Virginia

Credit Risk

The following table provides information on the credit ratings of the State's third-party trustee investments as of June 30, 2011 (expressed in thousands):

| Security Type | Fair Value | Credit Rating | |
|---|--------------------|---------------|---------|
| | | S&P | Moody's |
| Primary Government: | | | |
| Guaranteed Investment Contracts | \$ 5,758 | AAA | Aa3 |
| | 18,990 | Unrated | Unrated |
| Money Market/Mutual Funds | 237,209 | AAAm | Aaa |
| | 393 | AAAm | Aaa-mf |
| | 1,134 | AAAm-g | Aaa-mf |
| | 160,839 | Unrated | Unrated |
| | 396 | Unrated | A |
| | 6,183 | AAA | Aaa |
| Repurchase Agreement | 71,181 | Unrated | Aaa |
| U.S. Government and Agency Obligations | <u>99,977</u> | AAAm | Aaa |
| | <u>\$ 602,060</u> | | |
| Pension & Private Purpose Trust Funds: | | | |
| Money Market/Mutual Funds | <u>\$1,871,104</u> | Unrated | Unrated |
| Component Units: | | | |
| Common and Preferred Stocks | \$ 107,541 | Unrated | Unrated |
| Corporate Bonds | 22,387 | Unrated | Unrated |
| Corporate Stock | 191 | Unrated | Unrated |
| Fixed Income Fund | 4,534 | AA | Aa2 |
| Money Market/Mutual Funds | 2,772 | A | A |
| | 8,292 | Unrated | AA |
| | 100,196 | AAA | Unrated |
| | 3,454 | AA | Unrated |
| | 88,538 | Unrated | Unrated |
| | 512,431 | AAAm | Aaa |
| | 4,602 | BBB+ | Unrated |
| | 12 | Unrated | AAA |
| Mortgages Held for Investment | 22,749 | Unrated | Unrated |
| Other Investments | 2,146 | AA | Unrated |
| | 26,198 | Unrated | Unrated |
| Repurchase Agreements | 1,532 | AAA | AAA |
| | 14,446 | Unrated | Unrated |
| State and Local Government Securities | 1,300 | AA3 | AA- |
| | 181 | Unrated | A1 |
| | 3,325 | A+ | Aa3 |
| U.S. Government and Agency Obligations | 57,620 | AAA | aaa |
| | 32,456 | AAA | AAA |
| | 48,827 | Unrated | Unrated |
| | <u>13,464</u> | AAA | Unrated |
| | <u>\$1,079,194</u> | | |

Concentration of Credit Risk

As of June 30, 2011, 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> |
|-----------------------------|-------------------|---|------------------------------------|
| Primary Government: | | | |
| Repurchase Agreement | \$71,181 | DEPFA Bank, PLC | 11.8% |
| Component Units: | | | |
| Common and Preferred Stocks | 101,642 | Invested by the Foundations of the Higher Education institutions which are reported under FASB and the information is not available | 9.4% |

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> |
| Primary Government: | | | | | |
| Guaranteed Investment Contracts | \$ 24,748 | \$ — | \$ 2,888 | \$21,860 | \$ — |
| Money Market/Mutual Funds | 406,154 | 406,154 | — | — | — |
| Repurchase Agreements | 71,181 | — | — | — | 71,181 |
| U.S. Government & Agency Obligations | 99,977 | 99,977 | — | — | — |
| Total Primary Government | <u>602,060</u> | <u>506,131</u> | <u>2,888</u> | <u>21,860</u> | <u>71,181</u> |
| Pension & Private Purpose Trust Funds: | | | | | |
| Money Market/Mutual Funds | 1,871,104 | 1,871,104 | — | — | — |
| Component Units: | | | | | |
| Common and Preferred Stocks | 107,541 | 101,642 | — | — | 5,899 |
| Corporate Bonds | 22,387 | 22,387 | — | — | — |
| Corporate Stock | 191 | 191 | — | — | — |
| Fixed Income Fund | 4,534 | 551 | 2,005 | 1,232 | 746 |
| Money Market/Mutual Funds | 720,297 | 697,671 | 15,112 | 3,270 | 4,244 |
| Mortgages Held for Investment | 22,749 | — | — | — | 22,749 |
| Other Investments | 28,344 | 26,198 | 2,146 | — | — |
| Repurchase Agreements | 15,978 | 14,446 | 1,532 | — | — |
| State and Local Government Securities | 4,806 | — | 3,506 | 1,300 | — |
| U.S. Government & Agency Obligations | 152,367 | 41,902 | 55,466 | 8,367 | 46,632 |
| Total Component Units | <u>1,079,194</u> | <u>904,988</u> | <u>79,767</u> | <u>14,169</u> | <u>80,270</u> |
| Total Outside Investments | <u>\$3,552,358</u> | <u>\$3,282,223</u> | <u>\$82,655</u> | <u>\$36,029</u> | <u>\$151,451</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, 2011 (expressed in thousands):

Deposits:

| | |
|---|-------------------|
| Cash and Cash Equivalents as Reported on the Statement of Net Assets | \$ 5,341,308 |
| Cash and Cash Equivalents as Reported on the Statement of Fiduciary Net Assets | 421,127 |
| Add: | |
| Restricted Cash and Cash Equivalents as Reported on the Statement of Net Assets | 343,641 |
| Nonnegotiable Certificates of Deposit Disclosed as Deposits | 71,099 |
| Less: | |
| Cash Equivalents and Restricted Cash Disclosed as Investments | (5,706,752) |
| Cash with U.S. Treasury for Unemployment Programs | <u>(101,129)</u> |
| Reported Value of Deposits as Disclosed in this Footnote | <u>\$ 369,294</u> |

Investments:

| | |
|---|---------------------|
| Investments as Reported on the Statement of Net Assets | \$ 1,996,814 |
| Investments as Reported on the Statement of Fiduciary Net Assets | 12,506,223 |
| Add: | |
| Restricted Investments as Reported on the Statement of Net Assets | 197,590 |
| Cash Equivalents and Restricted Cash Disclosed as Investments | 5,706,752 |
| Less: | |
| Nonnegotiable Certificates of Deposit Disclosed as Deposits | (71,099) |
| Accrued Interest Disclosed as Investments | <u>(18,046)</u> |
| Reported Value of Investments as Disclosed in this Footnote | <u>\$20,318,234</u> |



NOTE 5

RECEIVABLES

(Expressed in Thousands)

Receivables at June 30, 2011, consisted of the following:

| | <u>Governmental Funds</u> | | | | |
|---|---|-----------------------|---|-------------------------------|---|
| | <u>General</u> | <u>Transportation</u> | <u>Tobacco Settlement Finance Authority</u> | <u>Other Governmental</u> | <u>Total Governmental Receivables</u> |
| Taxes | \$460,184 | \$ 57,827 | \$ — | \$ — | \$ 518,011 |
| Accounts | 204,240 | 75,500 | 36,101 | 9,757 | 325,598 |
| Loans | 3,971 | — | — | — | 3,971 |
| Accrued Interest | 315 | — | 4 | 18 | 337 |
| Total Receivables | 668,710 | 133,327 | 36,105 | 9,775 | 847,917 |
| Allowance for Doubtful Accounts | (100,468) | — | — | (2,317) | (102,785) |
| Receivables, Net | <u>\$568,242</u> | <u>\$133,327</u> | <u>\$36,105</u> | <u>\$ 7,458</u> | <u>\$ 745,132</u> |
| As reported on the Fund Financial Statements | | | | | |
| Current Receivables | \$568,242 | \$133,327 | \$36,105 | \$ 7,458 | \$ 745,132 |
| Noncurrent Receivables | — | — | — | — | — |
| Total Receivables, Net | <u>\$568,242</u> | <u>\$133,327</u> | <u>\$36,105</u> | <u>\$ 7,458</u> | <u>\$ 745,132</u> |
| | | | | | |
| | <u>Fiduciary Funds</u> | | | | |
| | <u>Pension and Other Employee Benefit Trust Funds</u> | <u>SMART 529</u> | | | |
| Accounts | \$13,412 | \$ — | | | |
| Loans | 9,845 | — | | | |
| Leases | — | — | | | |
| Contributions Receivable | 67,940 | 3,146 | | | |
| Accrued Interest | — | — | | | |
| Total Receivables | 91,197 | 3,146 | | | |
| Allowance for Doubtful Accounts | (1,000) | — | | | |
| Receivables, Net | <u>\$90,197</u> | <u>\$3,146</u> | | | |
| As reported on the Fund Financial Statements | | | | | |
| Current Receivables, Net | \$90,197 | \$3,146 | | | |
| Noncurrent Receivables, Net | — | — | | | |
| Receivables, Net | <u>\$90,197</u> | <u>\$3,146</u> | | | |

Enterprise Funds

| Water Pollution Control Revolving Fund | Workers' Compensation Fund | Unemployment Compensation | West Virginia Infrastructure and Jobs Development Council | Public Employees' Insurance Agency | Board of Risk and Insurance Management | Other Enterprise | Total Enterprise | Internal Service Funds |
|--|----------------------------------|------------------------------|---|---|---|---------------------|---------------------|------------------------------|
| \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| 380 | 19,624 | 59,563 | 19 | 21,467 | 1,314 | 1,854 | 104,221 | 4,920 |
| 457,861 | — | — | 477,874 | — | — | 84,022 | 1,019,757 | — |
| — | — | — | 1,235 | — | — | 130 | 1,365 | — |
| 458,241 | 19,624 | 59,563 | 479,128 | 21,467 | 1,314 | 86,006 | 1,125,343 | 4,920 |
| — | — | — | — | (2,561) | (387) | — | (2,948) | — |
| <u>\$458,241</u> | <u>\$19,624</u> | <u>\$59,563</u> | <u>\$479,128</u> | <u>\$18,906</u> | <u>\$ 927</u> | <u>\$86,006</u> | <u>\$1,122,395</u> | <u>\$4,920</u> |
| \$ 26,063 | \$19,624 | \$59,563 | \$ 18,915 | \$18,906 | \$ 927 | \$ 5,694 | \$ 149,692 | \$4,920 |
| 432,178 | — | — | 460,213 | — | — | 80,312 | 972,703 | — |
| <u>\$458,241</u> | <u>\$19,624</u> | <u>\$59,563</u> | <u>\$479,128</u> | <u>\$18,906</u> | <u>\$ 927</u> | <u>\$86,006</u> | <u>\$1,122,395</u> | <u>\$4,920</u> |

Discretely Presented Component Units

| West Virginia Lottery | Economic Development Authority | Housing Development Fund | Parkways Authority | Water Development Authority | Higher Education | Regional Jail Authority | School Building Authority | Other Component Units | Total Discretely Presented Component Units |
|-----------------------------|--------------------------------------|--------------------------------|-----------------------|-----------------------------------|---------------------|-------------------------------|---------------------------------|-----------------------------|--|
| \$29,778 | \$ — | \$870,768 | \$2,108 | \$ 117 | \$101,045 | \$10,339 | \$1,846 | \$ 721 | \$1,016,722 |
| — | 165,220 | 60,971 | — | 243,009 | 69,218 | — | — | 8,974 | 547,392 |
| — | 39,525 | — | — | — | — | — | — | — | 39,525 |
| — | — | — | — | — | — | — | — | — | — |
| — | 6,711 | 275 | 37 | 3,579 | — | — | 269 | — | 10,871 |
| 29,778 | 211,456 | 932,014 | 2,145 | 246,705 | 170,263 | 10,339 | 2,115 | 9,695 | 1,614,510 |
| — | (5,800) | (71,714) | — | — | (28,460) | — | — | — | (105,974) |
| <u>\$29,778</u> | <u>\$205,656</u> | <u>\$860,300</u> | <u>\$2,145</u> | <u>\$246,705</u> | <u>\$141,803</u> | <u>\$10,339</u> | <u>\$2,115</u> | <u>\$9,695</u> | <u>\$1,508,536</u> |
| \$29,778 | \$ 16,861 | \$ 5,132 | \$2,145 | \$ 11,083 | \$ 91,207 | \$10,339 | \$2,115 | \$2,169 | \$ 170,829 |
| — | 188,795 | 855,168 | — | 235,622 | 50,596 | — | — | 7,526 | 1,337,707 |
| <u>\$29,778</u> | <u>\$205,656</u> | <u>\$860,300</u> | <u>\$2,145</u> | <u>\$246,705</u> | <u>\$141,803</u> | <u>\$10,339</u> | <u>\$2,115</u> | <u>\$9,695</u> | <u>\$1,508,536</u> |

Taxes Receivable

Taxes receivable at June 30, 2011, consisted of the following:

| | <u>Governmental Funds</u> | | |
|----------------------------|---------------------------|-----------------------|------------------|
| | <u>General</u> | <u>Transportation</u> | <u>Total</u> |
| Taxes Receivable: | | | |
| Consumer Sales & Use | \$127,362 | \$ — | \$127,362 |
| Personal Income | 155,795 | — | 155,795 |
| Severance | 72,245 | — | 72,245 |
| Business & Occupation | 9,009 | — | 9,009 |
| Automobile Privilege Taxes | — | 15,609 | 15,609 |
| Gasoline Excise | — | 38,851 | 38,851 |
| Registration Fees | — | 3,367 | 3,367 |
| Insurance | 35,478 | — | 35,478 |
| Corporate Net Income | 34,273 | — | 34,273 |
| Medicaid | 18,985 | — | 18,985 |
| Other | <u>7,037</u> | <u>—</u> | <u>7,037</u> |
| | 460,184 | 57,827 | 518,011 |
| Refunds Allowance | <u>(25,536)</u> | <u>—</u> | <u>(25,536)</u> |
| Total | <u>\$434,648</u> | <u>\$57,827</u> | <u>\$492,475</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> |
|---|--|
| 2012 | \$ 4,383 |
| 2013 | 4,420 |
| 2014 | 4,420 |
| 2015 | 3,600 |
| 2016 | 3,013 |
| 2017-2034 | <u>33,666</u> |
| Total Minimum Amount Due | 53,502 |
| Less Amount Representing Interest | <u>(13,976)</u> |
| Present Value of Minimum Lease Amount Due | <u>\$ 39,526</u> |



NOTE 6

INTERFUND BALANCES

The following table details the interfund balances and activity as of and for the year ended June 30, 2011 (expressed in thousands):

| | <u>Due From</u> | | |
|--|---------------------|-----------------------|-----------------------|
| | <u>Governmental</u> | | |
| <u>Due To</u> | <u>General</u> | <u>Transportation</u> | <u>Other Nonmajor</u> |
| Governmental Funds: | | | |
| General | \$ — | \$ 447 | \$ 121 |
| Transportation | 30 | — | — |
| Tobacco Settlement Finance Authority | 666,820 | — | — |
| Other Nonmajor Governmental | <u>41</u> | <u>1</u> | <u>—</u> |
| Total Governmental Funds | <u>666,891</u> | <u>448</u> | <u>121</u> |
| Proprietary Funds: | | | |
| Water Pollution Control Revolving Fund | — | — | 8 |
| Unemployment Compensation | 385 | 67 | — |
| Public Employees' Insurance Agency | 2,078 | 6 | 3 |
| Board of Risk and Insurance Management | 6 | — | — |
| Other Nonmajor Enterprise | 796 | 176 | 101 |
| Internal Service Funds | <u>5,390</u> | <u>699</u> | <u>366</u> |
| Total Proprietary Funds | <u>8,655</u> | <u>948</u> | <u>478</u> |
| Fiduciary Funds: | | | |
| Pension and Other Employee Benefit Trust Funds | <u>449,286</u> | <u>95,628</u> | <u>15,536</u> |
| <u>Discretely Presented Component Units</u> | | | |
| Major: | | | |
| West Virginia Lottery | — | — | — |
| Economic Development Authority | — | — | — |
| Parkways Authority | — | — | — |
| Water Development Authority | — | — | — |
| Higher Education | 29,096 | 197 | — |
| Regional Jail Authority | 4 | — | — |
| Nonmajor: | | | |
| Educational Broadcasting Authority | 221 | — | — |
| State Rail Authority | <u>14</u> | <u>—</u> | <u>—</u> |
| Total Discretely Presented Component Units | <u>29,335</u> | <u>197</u> | <u>—</u> |
| Total | <u>\$1,154,167</u> | <u>\$97,221</u> | <u>\$16,135</u> |

The General Fund Due To Other Funds includes \$180 million to the Public Employees' Retirement System (see the Commitments section of Note 15) and \$26.1 million to Higher Education for educational programs.

The Public Employees' Insurance Agency includes \$20.3 million due from the RHBT for benefits paid on its behalf.

The Tobacco Settlement Finance Authority records a Due From the General Fund for the deferred revenue related to the sale of MSA tobacco revenues.

Due From

| Proprietary | | | | | | | | | |
|--|----------------------------------|---|---|---|---------------------------------|------------------------------|---|---|--------------------|
| Water Pollution Control Revolving Fund | Workers' Compensation Fund | West Virginia Infrastructure and Jobs Development Council | Public Employees' Insurance Agency | Board of Risk and Insurance Management | Other Nonmajor Enterprise | Internal Service Funds | Pension and Other Employee Benefit Trust Funds | Discretely Presented Component Units | Total |
| \$ — | \$186 | \$1,710 | \$ 236 | \$ — | \$ 5 | \$ 18 | \$ — | \$206,580 | \$ 209,303 |
| — | — | — | 20 | — | — | 2 | — | 40 | 92 |
| — | — | — | — | — | — | — | — | — | 666,820 |
| — | — | — | 93 | — | — | — | — | 1,000 | 1,135 |
| — | 186 | 1,710 | 349 | — | 5 | 20 | — | 207,620 | 877,350 |
| — | — | — | — | — | — | — | — | — | 8 |
| — | — | — | — | — | — | — | — | 203 | 655 |
| — | 159 | — | — | — | — | — | 20,342 | 1,772 | 24,360 |
| — | — | — | — | — | — | — | — | 1 | 7 |
| — | — | — | 2 | — | 1 | 11 | 2 | 70 | 1,159 |
| — | — | — | 122 | 10 | 23 | 268 | — | 263 | 7,141 |
| — | 159 | — | 124 | 10 | 24 | 279 | 20,344 | 2,309 | 33,330 |
| 289 | 6 | — | 1,014 | 182 | 1,447 | 6,776 | — | 229,852 | 800,016 |
| — | — | — | 5 | — | — | — | — | — | 5 |
| — | — | — | 1 | — | — | — | — | — | 1 |
| — | — | — | 1 | — | — | — | — | — | 1 |
| 190 | — | 181 | 1 | — | — | — | — | — | 372 |
| — | — | — | 65 | — | — | — | — | 500 | 29,858 |
| — | — | — | — | — | — | — | — | — | 4 |
| — | — | — | 2 | — | — | — | — | — | 223 |
| — | — | — | — | — | — | — | — | — | 14 |
| 190 | — | 181 | 75 | — | — | — | — | 500 | 30,478 |
| <u>\$479</u> | <u>\$351</u> | <u>\$1,891</u> | <u>\$1,562</u> | <u>\$192</u> | <u>\$1,476</u> | <u>\$7,075</u> | <u>\$20,344</u> | <u>\$440,281</u> | <u>\$1,741,174</u> |

Due From discretely presented component units includes \$205 million from the Lottery, of which \$81 million was designated to unappropriated surplus funds. Subsequent to year-end, the Legislature also approved Lottery money for the following: School Building Authority (\$3.7 million); Senior Services (\$19 million); Teachers' Retirement Savings (\$32.7 million); Higher Education (\$42 million); and other various general purposes.

*The 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. The agencies have recorded a Due To RHBT of \$619 million related to these receivables and obligations.

NOTE 7

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2011, consisted of the following (expressed in thousands):

| | <u>Transfers From</u> | | |
|--|-----------------------|---|---------------------------|
| | <u>Governmental</u> | | |
| <u>Transfers To</u> | <u>General</u> | <u>Tobacco Settlement Finance Authority</u> | <u>Other Nonmajor</u> |
| Governmental Funds: | | | |
| General | \$ — | \$20,829 | \$ 3,266 |
| Transportation | 22,032 | — | — |
| Other Nonmajor Governmental | 64,800 | — | 847 |
| Total Governmental Funds | <u>86,832</u> | <u>20,829</u> | <u>4,113</u> |
| Proprietary Funds: | | | |
| Water Pollution Control Revolving Fund | — | — | 35,573 |
| Workers' Compensation Fund | 189,763 | — | — |
| West Virginia Infrastructure and Jobs Development Council | 5,163 | — | 2,023 |
| Public Employees' Insurance Agency | 3,500 | — | — |
| Other Nonmajor Enterprise | 25,933 | — | — |
| Internal Service Funds | 4,779 | — | — |
| Total Proprietary Funds | <u>229,138</u> | <u>—</u> | <u>37,596</u> |
| Total | <u>\$315,970</u> | <u>\$20,829</u> | <u>\$41,709</u> |

The deferred charge of the amortization of the future tobacco settlement revenue of the Tobacco Settlement Finance Authority resulted in a transfer of \$20.8 million to the General Fund. The General Fund transferred \$24 million to the West Virginia Infrastructure and Jobs Development Council and \$19 million to the Economic Development Project Fund for bond debt service. The General Fund also transferred certain dedicated taxes, in the amount of \$189.8 million, to the Workers' Compensation Fund to reduce the unfunded liability for

Transfers From

Proprietary

| <u>Unemployment Compensation</u> | <u>West Virginia Infrastructure and Jobs Development Council</u> | <u>Other Nonmajor Enterprise</u> | <u>Internal Service Funds</u> | <u>Total</u> |
|--------------------------------------|--|--|---------------------------------------|------------------|
| \$ — | \$ — | \$15,581 | \$ 20 | \$ 39,696 |
| — | — | — | — | 22,032 |
| <u>1,615</u> | — | — | <u>5,483</u> | <u>72,745</u> |
| <u>1,615</u> | — | <u>15,581</u> | <u>5,503</u> | <u>134,473</u> |
| — | 6,533 | — | — | 42,106 |
| — | — | — | — | 189,763 |
| — | — | — | — | 7,186 |
| — | — | — | — | 3,500 |
| — | 1,629 | — | — | 27,562 |
| — | — | — | — | <u>4,779</u> |
| — | <u>8,162</u> | — | — | <u>274,896</u> |
| <u>\$1,615</u> | <u>\$8,162</u> | <u>\$15,581</u> | <u>\$5,503</u> | <u>\$409,369</u> |

claims prior to June 30, 2005. Of the \$22 million transferred from the General Fund to Transportation, \$14 million is allocated sales tax and the balance is miscellaneous legislative appropriations. The Water Pollution Revolving fund received \$35.6 million in ARRA grants from the West Virginia Department of Environmental Protection. All other transfers are made to finance various programs as authorized by the Legislature.

NOTE 8

RESTRICTED ASSETS

Restricted assets are held by special revenue funds, 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, 2011, are as follows (expressed in thousands):

| | <u>Cash</u> | <u>Investments</u> | <u>Other</u> | <u>Totals</u> |
|--|------------------|--------------------|--------------------|--------------------|
| Special Revenue: | | | | |
| Environmental Programs | \$ 406 | \$ — | \$ — | \$ 406 |
| Public Service Commission | <u>1,404</u> | <u>—</u> | <u>—</u> | <u>1,404</u> |
| | <u>1,810</u> | <u>—</u> | <u>—</u> | <u>1,810</u> |
| Enterprise: | | | | |
| Public Employees' Insurance Agency | 7,739 | — | — | 7,739 |
| Board of Risk and Insurance Management | <u>9,401</u> | <u>35,022</u> | <u>189,782</u> | <u>234,205</u> |
| | <u>17,140</u> | <u>35,022</u> | <u>189,782</u> | <u>241,944</u> |
| Internal Service: | | | | |
| State Building Fund | 66,915 | — | — | 66,915 |
| Travel Management | <u>9,170</u> | <u>—</u> | <u>—</u> | <u>9,170</u> |
| | <u>76,085</u> | <u>—</u> | <u>—</u> | <u>76,085</u> |
| Fiduciary Funds: | | | | |
| Retiree Health Benefit Trust | <u>3,926</u> | <u>—</u> | <u>—</u> | <u>3,926</u> |
| Discretely Presented Component Units: | | | | |
| WV Lottery | 4,324 | — | — | 4,324 |
| Economic Development Authority | 9,530 | — | — | 9,530 |
| Housing Development Fund | 163,444 | 125,318 | 821,573 | 1,110,335 |
| Parkways Authority | 17,380 | 35,718 | — | 53,098 |
| Water Development Authority | 19,332 | 1,532 | 223,505 | 244,369 |
| Regional Jail Authority | 621 | — | — | 621 |
| Educational Broadcasting Authority | — | — | 243 | 243 |
| Solid Waste Management Board | 2,128 | — | 2,427 | 4,555 |
| Racing Commission | <u>31,847</u> | <u>—</u> | <u>1,115</u> | <u>32,962</u> |
| | <u>248,606</u> | <u>162,568</u> | <u>1,048,863</u> | <u>1,460,037</u> |
| Total | <u>\$347,567</u> | <u>\$197,590</u> | <u>\$1,238,645</u> | <u>\$1,783,802</u> |

Special Revenue Funds

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

Enterprise Funds

The Public Employees’ Insurance Agency’s restricted assets are the premium stabilization fund consisting of accumulated dividends and interest on optional life insurance policies to defray future premium increases. The Board of Risk and Insurance Management’s (BRIM) cash and investment assets include funds to provide mine subsidence, medical malpractice, and general liability insurance coverage. BRIM’s other restricted assets include advance deposits with insurance companies of \$189 million and \$533 thousand in receivables.

Internal Service Funds

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

Fiduciary Fund

Effective June 1, 2010, the Affordable Care Act established the Early Retiree Reinsurance Program (ERRP), earmarking \$5 billion in financial assistance to health plans providing insurance coverage for early retirees age 55 to 65. RHBT received \$3.9 million in fiscal year 2011 from ERRP. RHBT will use the funds to reduce member premiums in 2013.

Discretely Presented Component Units

The West Virginia Lottery’s assets are restricted to pay the deferred prize claims awarded on an annuity basis and for the renovation of the recently purchased Lottery building. The Economic Development Authority’s assets are restricted to provide assurance that adequate amounts will be available to repay notes secured by the real estate being leased and to guarantee portions of certain loans made for economic development purposes. The Housing Development Fund’s cash and cash equivalents assets are restricted on behalf of mortgagors and for payments collected on mortgages for which the fund acts as servicer

only. The investments are primarily United States government and agency obligations, investment agreements, and certificates of deposit with maturities greater than 90 days to meet the requirements of bond resolutions. Other restricted assets for the Housing Development Fund of \$822 million include certain foreclosed properties, properties developed for flood activities, other land for restricted housing purposes, and miscellaneous receivables. These assets are restricted subject to the provisions of bond resolutions, or state or federal regulations. The Parkways Authority's assets are restricted for construction, turnpike maintenance and operation, and debt service. The cash and investment assets of the Water Development Authority are restricted as part of applicable bond covenants and the other restricted assets are \$224 million restricted for revenue bonds receivable net of unamortized discount and accrued interest receivable. The Regional Jail 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)

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|--------------------|--------------------|---------------------------|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 1,034,456 | \$ 34,494 | \$ (409) | \$ 1,068,541 |
| Construction in Progress | <u>1,185,984</u> | <u>636,300</u> | <u>(686,810)</u> | <u>1,135,474</u> |
| Total Capital Assets, Not Being Depreciated | <u>2,220,440</u> | <u>670,794</u> | <u>(687,219)</u> | <u>2,204,015</u> |
| Capital Assets, Being Depreciated: | | | | |
| Building and Improvements | 1,063,409 | 78,099 | (18,081) | 1,123,427 |
| Equipment | 391,631 | 39,091 | (20,262) | 410,460 |
| Infrastructure | 10,177,218 | 650,208 | — | 10,827,426 |
| Library Holdings | 17,432 | 454 | (43) | 17,843 |
| Land Improvements | 18,576 | 3,104 | — | 21,680 |
| Intangibles | <u>42,201</u> | <u>418</u> | <u>—</u> | <u>42,619</u> |
| Total Capital Assets, Being Depreciated | <u>11,710,467</u> | <u>771,374</u> | <u>(38,386)</u> | <u>12,443,455</u> |
| Less Accumulated Depreciation for: | | | | |
| Building and Improvements | (401,319) | (38,446) | 13,514 | (426,251) |
| Equipment | (271,009) | (35,958) | 19,075 | (287,892) |
| Infrastructure | (4,461,788) | (288,072) | — | (4,749,860) |
| Library Holdings | (16,224) | (559) | 42 | (16,741) |
| Land Improvements | (8,072) | (941) | — | (9,013) |
| Intangibles | <u>(11,822)</u> | <u>(7,371)</u> | <u>—</u> | <u>(19,193)</u> |
| Total Accumulated Depreciation | <u>(5,170,234)</u> | <u>(371,347)</u> | <u>32,631</u> | <u>(5,508,950)</u> |
| Total Capital Assets Being Depreciated, Net | <u>6,540,233</u> | <u>400,027</u> | <u>(5,755)</u> | <u>6,934,505</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 8,760,673</u> | <u>\$1,070,821</u> | <u>\$(692,974)</u> | <u>\$ 9,138,520</u> |

Depreciation expense was charged to functions as follows:

| | |
|---|----------------------|
| Legislative | \$ 6 |
| Judicial | 257 |
| Executive | 2,504 |
| Administration | 36,655 |
| Commerce | 4,098 |
| Environmental Protection | 92 |
| Employment Programs | 81 |
| Education | 2,392 |
| Health and Human Resources | 3,424 |
| Military Affairs and Public Safety | 10,672 |
| Revenue | 1,413 |
| Transportation | 309,601 |
| Regulatory Boards and Commissions | <u>152</u> |
| Total Governmental Activities Depreciation Expense | <u>\$371,347</u> |

Business-type Activities

(Expressed in Thousands)

| | Beginning Balance as Restated | Increases | Decreases | Ending Balance |
|--|--|------------------|------------------|---------------------------|
| Business-type Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 611 | \$ — | \$ — | \$ 611 |
| Total Capital Assets, Not Being Depreciated | <u>611</u> | <u>—</u> | <u>—</u> | <u>611</u> |
| Capital Assets, Being Depreciated: | | | | |
| Buildings and Improvements | 1,661 | — | — | 1,661 |
| Equipment | 6,226 | 229 | (301) | 6,154 |
| Intangibles | <u>8,730</u> | <u>—</u> | <u>—</u> | <u>8,730</u> |
| Total Capital Assets, Being Depreciated | <u>16,617</u> | <u>229</u> | <u>(301)</u> | <u>16,545</u> |
| Less Accumulated Depreciation for: | | | | |
| Buildings and Improvements | (751) | (52) | — | (803) |
| Equipment | (5,109) | (251) | 242 | (5,118) |
| Intangibles | <u>(3,289)</u> | <u>(1,746)</u> | <u>—</u> | <u>(5,035)</u> |
| Total Accumulated Depreciation | <u>(9,149)</u> | <u>(2,049)</u> | <u>242</u> | <u>(10,956)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>7,468</u> | <u>(1,820)</u> | <u>(59)</u> | <u>5,589</u> |
| Business-type Activities Capital Assets, Net | <u>\$ 8,079</u> | <u>\$(1,820)</u> | <u>\$ (59)</u> | <u>\$ 6,200</u> |

Depreciation expense was charged to functions as follows:

| | |
|--|----------------|
| Public Employees' Insurance Agency | \$1,867 |
| Alcohol Beverage Control Administration | 155 |
| Correctional Industries | <u>27</u> |
| Total Business-type Activities Depreciation Expense | <u>\$2,049</u> |

Note: The restatement of beginning balances in this note relates to recording the West Virginia Lottery as a discretely presented component unit instead of a business-type activity as in previous years.

Discretely Presented Component Units

(Expressed in Thousands)

| | Beginning Balance, as Restated | Increases | Decreases | Ending Balance |
|---|--------------------------------------|-------------------|--------------------|---------------------|
| Discrete Component Unit Activities: | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 167,538 | \$ 25,569 | \$ (5,622) | \$ 187,485 |
| Construction in Progress | <u>112,623</u> | <u>136,461</u> | <u>(113,366)</u> | <u>135,718</u> |
| Total Capital Assets, Not Being Depreciated | <u>280,161</u> | <u>162,030</u> | <u>(118,988)</u> | <u>323,203</u> |
| Capital Assets, Being Depreciated: | | | | |
| Building and Improvements | 2,515,940 | 125,170 | (2,920) | 2,638,190 |
| Equipment | 397,780 | 44,005 | (27,017) | 414,768 |
| Infrastructure | 1,160,244 | 28,574 | (3,507) | 1,185,311 |
| Library Holdings | 151,943 | 9,091 | (401) | 160,633 |
| Land Improvements | 63,337 | 6,899 | (1,736) | 68,500 |
| Intangibles | <u>80,075</u> | <u>3,124</u> | <u>(287)</u> | <u>82,912</u> |
| Total Capital Assets, Being Depreciated | <u>4,369,319</u> | <u>216,863</u> | <u>(35,868)</u> | <u>4,550,314</u> |
| Less Accumulated Depreciation for: | | | | |
| Building & Improvements | (707,711) | (54,469) | 1,977 | (760,203) |
| Equipment | (277,477) | (27,925) | 26,019 | (279,383) |
| Infrastructure | (706,330) | (35,463) | 3,495 | (738,298) |
| Library Holdings | (121,905) | (7,872) | 549 | (129,228) |
| Land Improvements | (22,786) | (4,031) | 111 | (26,706) |
| Intangibles | <u>(66,272)</u> | <u>(5,306)</u> | <u>128</u> | <u>(71,450)</u> |
| Total Accumulated Depreciation | <u>(1,902,481)</u> | <u>(135,066)</u> | <u>32,279</u> | <u>(2,005,268)</u> |
| Total Capital Assets Being Depreciated, Net | <u>2,466,838</u> | <u>81,797</u> | <u>(3,589)</u> | <u>2,545,046</u> |
| Discrete Component Unit Activities | | | | |
| Capital Assets, Net | <u>\$ 2,746,999</u> | <u>\$ 243,827</u> | <u>\$(122,577)</u> | <u>\$ 2,868,249</u> |
| Depreciation expense charged to functions as follows: | | | | |
| Economic Development Authority | \$ 1,044 | | | |
| Parkways Authority | 32,227 | | | |
| Water Development Authority | 32 | | | |
| Higher Education | 92,786 | | | |
| Educational Broadcasting Authority | 925 | | | |
| Jobs Investment Trust | 26 | | | |
| State Rail Authority | 1,643 | | | |
| Solid Waste Management Board | 2 | | | |
| Regional Jail Authority | 4,770 | | | |
| Racing Commission | 1 | | | |
| Lottery | 1,501 | | | |
| Public Defenders Corporation | 83 | | | |
| School Building Authority | <u>26</u> | | | |
| Total Discrete Component Unit Depreciation Expense | <u>\$ 135,066</u> | | | |

Note: The restatement of beginning balances in this note relates to recording the West Virginia Lottery as a discretely presented component unit instead of a business-type activity as in previous years.

NOTE 10

LONG-TERM OBLIGATIONS

Primary Government:

Long-term obligations at June 30, 2011, and changes for the fiscal year then ended are as follows (expressed in thousands):

| Governmental Activities | Balance June 30, 2010 | Additions | Reductions | Other Changes | Balance June 30, 2011 | Amount Due Within One Year |
|---|--------------------------|------------------|--------------------|------------------|--------------------------|-------------------------------------|
| General Obligation Bonds: | | | | | | |
| Transportation | \$ 339,515 | \$ 35,135 | \$ (69,190) | \$ — | \$ 305,460 | \$ 34,865 |
| Premium/(Discount) | <u>22,551</u> | <u>2,913</u> | <u>(1,794)</u> | <u>—</u> | <u>23,670</u> | <u>1,768</u> |
| Total Transportation | <u>362,066</u> | <u>38,048</u> | <u>(70,984)</u> | <u>—</u> | <u>329,130</u> | <u>36,633</u> |
| WV Infrastructure and Jobs Development Council | 260,141 | 4,501 | (14,125) | — | 250,517 | 14,412 |
| Premium/(Discount) | <u>721</u> | <u>—</u> | <u>(11)</u> | <u>—</u> | <u>710</u> | <u>11</u> |
| Total WV Infrastructure and Jobs Development Council | <u>260,862</u> | <u>4,501</u> | <u>(14,136)</u> | <u>—</u> | <u>251,227</u> | <u>14,423</u> |
| Total General Obligation Bonds | <u>622,928</u> | <u>42,549</u> | <u>(85,120)</u> | <u>—</u> | <u>580,357</u> | <u>51,056</u> |
| Revenue Bonds: | | | | | | |
| Transportation | 144,315 | — | (21,520) | — | 122,795 | 22,425 |
| Premium/(Discount) | <u>6,116</u> | <u>—</u> | <u>(1,019)</u> | <u>—</u> | <u>5,097</u> | <u>1,019</u> |
| Total Transportation | <u>150,431</u> | <u>—</u> | <u>(22,539)</u> | <u>—</u> | <u>127,892</u> | <u>23,444</u> |
| Tobacco Settlement Authority | 887,373 | 7,279 | (6,690) | — | 887,962 | 18,740 |
| Economic Development Project Fund | 198,590 | — | (8,175) | — | 190,415 | 8,495 |
| Premium/(Discount) | <u>(978)</u> | <u>—</u> | <u>70</u> | <u>—</u> | <u>(908)</u> | <u>(70)</u> |
| Total Economic Development Project Fund | <u>197,612</u> | <u>—</u> | <u>(8,105)</u> | <u>—</u> | <u>189,507</u> | <u>8,425</u> |
| Education, Arts, Sciences, & Tourism Fund | 7,690 | 155,620 | (9,605) | — | 153,705 | 2,685 |
| Premium/(Discount) | <u>—</u> | <u>7,379</u> | <u>(246)</u> | <u>—</u> | <u>7,133</u> | <u>246</u> |
| Total Education, Arts, Sciences, & Tourism Fund | <u>7,690</u> | <u>162,999</u> | <u>(9,851)</u> | <u>—</u> | <u>160,838</u> | <u>2,931</u> |
| Total Revenue Bonds | <u>1,243,106</u> | <u>170,278</u> | <u>(47,185)</u> | <u>—</u> | <u>1,366,199</u> | <u>53,540</u> |
| Capital Leases - Governmental | 306,158 | 805 | (11,629) | — | 295,334 | 11,751 |
| Capital Leases - Internal Service Funds | <u>21,390</u> | <u>—</u> | <u>(90)</u> | <u>(17,916)</u> | <u>3,384</u> | <u>97</u> |
| Total Capital Leases (see Note 11) | <u>327,548</u> | <u>805</u> | <u>(11,719)</u> | <u>(17,916)</u> | <u>298,718</u> | <u>11,848</u> |
| Notes Payable | <u>8,595</u> | <u>14,285</u> | <u>(8,792)</u> | <u>17,916</u> | <u>32,004</u> | <u>11,710</u> |
| Other Obligations: | | | | | | |
| Accrued and Other Liabilities (see Note 15) | 948,479 | 451,136 | (333,115) | — | 1,066,500 | 664,263 |
| Compensated Absences | 98,204 | 2,166 | (1,608) | — | 98,762 | 56,605 |
| Net Pension Obligation (see Note 12) | <u>77,974</u> | <u>21,214</u> | <u>—</u> | <u>—</u> | <u>99,188</u> | <u>—</u> |
| Total Other Obligations | <u>1,124,657</u> | <u>474,516</u> | <u>(334,723)</u> | <u>—</u> | <u>1,264,450</u> | <u>720,868</u> |
| Total Governmental Activities Long-Term Obligations | <u>\$3,326,834</u> | <u>\$702,433</u> | <u>\$(487,539)</u> | <u>\$ —</u> | <u>\$3,541,728</u> | <u>\$849,022</u> |

| Business-type Activities | Balance June 30, 2010 | Additions | Reductions | Balance June 30, 2011 | Amount Due Within One Year |
|---|----------------------------------|-------------------------|---------------------------|----------------------------------|---|
| WV Infrastructure and Jobs | | | | | |
| Development Council Revenue Bonds | \$ 120,565 | \$ — | \$ (2,390) | \$ 118,175 | \$ 2,465 |
| Premium/(Discount) | (1,953) | — | 97 | (1,856) | (96) |
| Total WV Infrastructure and Jobs | | | | | |
| Development Council Revenue Bonds | 118,612 | — | (2,293) | 116,319 | 2,369 |
| Accrued Tuition Contract Benefits | \$ 104,751 | \$ — | \$ (4,394) | \$ 100,357 | \$ 13,781 |
| Insurance and Compensation Benefits | 2,431,223 | 670,683 | (817,292) | 2,284,614 | 356,107 |
| Compensated Absences | 1,149 | 37 | (600) | 586 | 113 |
| Total Business-type Activities Long-Term | <u>\$2,655,735</u> | <u>\$670,720</u> | <u>\$(824,579)</u> | <u>\$2,501,876</u> | <u>\$372,370</u> |

The assets of the general, special revenue, and internal service funds are used to liquidate the capital lease obligations and accrued and other liabilities of their respective fund types. Compensated absences liabilities are liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. The net pension 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, 2011, the debt service reserve funds approximated \$85 million, and the maintenance reserve funds approximated \$10 million.

General Obligation Bonds – The State has constitutionally limited its ability to incur debt. The State’s general obligation debt must be authorized by constitutional amendment. A proposed amendment must be approved by two-thirds of both the Senate and the House of Delegates before it can be ratified or rejected by the voters. Once the amendment has voter approval, the Legislature must pass specific legislation authorizing the issuance of

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general obligation debt. Bonds for veterans' bonuses were authorized in 1973, 1992, and 2004. The bonds authorized were \$40 million, \$4 million, and \$8 million, respectively. General revenue funds were available for these bonuses; therefore, none of these bonds were issued. General obligation bonds outstanding at June 30, 2011, were as follows (expressed in thousands):

| | Final Maturity Date | Interest Rate(s)% | Balance |
|--|------------------------------------|------------------------------|------------------|
| Transportation Bonds: | | | |
| Payable from State Road Fund to build roads, issued under: | | | |
| 1996 SAFE Roads Amendment | 2025 | 3.00-5.50% | \$329,130 |
| Infrastructure Bonds: | | | |
| Payable from dedicated severance tax revenues to fund water, wastewater, and economic development projects | | | |
| | 2027 | 4.00-7.625% | <u>251,227</u> |
| Total | | | <u>\$580,357</u> |

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2011, were as follows (expressed in thousands):

| Year Ended June 30 | Principal | Interest | Total |
|---------------------------|------------------|------------------|------------------|
| 2012 | \$ 42,420 | \$ 23,401 | \$ 65,821 |
| 2013 | 33,035 | 21,235 | 54,270 |
| 2014 | 33,090 | 19,543 | 52,633 |
| 2015 | 34,860 | 17,840 | 52,700 |
| 2016 | 36,705 | 16,037 | 52,742 |
| 2017-2021 | 136,060 | 56,482 | 192,542 |
| 2022-2026 | 141,920 | 21,466 | 163,386 |
| 2027-2031 | <u>13,235</u> | <u>327</u> | <u>13,562</u> |
| | <u>471,325</u> | <u>176,331</u> | <u>647,656</u> |
| Premium | <u>24,380</u> | — | <u>24,380</u> |
| Total | <u>495,705</u> | <u>\$176,331</u> | <u>\$672,036</u> |

Capital Appreciation Bonds

| Year Ended June 30 | Principal Net of Accreted Amounts | Future Accreted Amounts | Total |
|---------------------------------------|--|--|------------------|
| 2012 | 6,857 | \$ 118 | \$ 6,975 |
| 2013 | 6,677 | 473 | 7,150 |
| 2014 | 6,335 | 815 | 7,150 |
| 2015 | 5,964 | 1,136 | 7,100 |
| 2016 | 5,620 | 1,430 | 7,050 |
| 2017-2021 | 25,780 | 12,645 | 38,425 |
| 2022-2026 | 23,307 | 22,168 | 45,475 |
| 2027-2031 | <u>4,112</u> | <u>5,338</u> | <u>9,450</u> |
| Total | <u>84,652</u> | <u>\$44,123</u> | <u>\$128,775</u> |
| Total General Obligation Bonds | <u>\$580,357</u> | | |

Revenue Bonds – Revenue bonds are issued by various state departments, agencies and authorities, and economic development projects. Revenue bonds are issued pursuant to specific statutory provisions enacted by the Legislature primarily for the purpose of financing capital construction. Principal and interest payments are made from specifically dedicated fees and other revenues. Revenue bonds do not constitute a general obligation of the State. The Division of Highways has been authorized to issue revenue bonds in the amount of \$200 million by constitutional amendment. The Division has issued \$186 million, leaving \$14 million in bonds authorized but not issued. The following describes the purpose and dedicated revenue source of revenue bonds outstanding at June 30, 2011:

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

The Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007 are comprised of two series of turbo term bonds, the Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007A, which are current interest bonds issued in the amount of \$845,810,000, and the Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007B, which are capital appreciation bonds in the amount of \$65,331,503. The Series 2007 Bonds are secured by and are payable solely from the right, title, and interest of the Authority of 100% of the Tobacco Receipts, and investment earnings on the accounts with the trustee under the Indenture. The tobacco receipts through 2039 have been estimated to be approximately \$2.4 billion, using 85% (the percentage actually received 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 million. During FY 2011, \$66.6 million was paid for interest and principal. Actual tobacco receipts of \$66 million and interest earnings were used for the payments.

Economic Development Grants Fund

The Economic Development Project Fund bonds, issued by EDA in FY 2004 in the amount of \$249.9 million to provide financing for various economic development project grants, are payable through 2027. The State has committed to appropriate each year, from the West Virginia Lottery net profits, amounts sufficient to cover the principal and interest requirements on the EDA debt. EDA has pledged these revenues as the sole security for the bonds. Total principal and interest remaining on the debt is \$291.9 million with annual requirements ranging from \$19.0 million in FY 2012 to \$7.1 million in the final year. For the current year, principal and interest paid were \$18.8 million and the net profits of the Lottery committed to the debt were \$18.8 million.

EAST Fund

New Education, Arts, Sciences, and Tourism Fund (EAST) bonds were issued by the Economic Development Authority (EDA) in FY 2011 in the amount of \$155.6 million to provide financing for capital projects which promote education, and tourism, payable through 2040. The State has committed to appropriate each year, from 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 new debt is \$289.9 million. For the current year, principal and interest paid were \$15.9 million and the net profits of the Lottery committed to the debt were \$8 million. The 1997 EAST bonds were paid off during FY 2011, \$7.7 million in principal and \$202 thousand in interest.

Revenue bonds outstanding at June 30, 2011, were as follows (expressed in thousands):

| | Issue Date | Final Maturity Date | Interest Rate(s)% | Balance |
|---|-----------------------|------------------------------------|------------------------------|--------------------|
| Transportation | 2006-2009 | 2016 | 3.75-5.00 | \$ 127,892 |
| Tobacco Settlement Finance Authority | 2007 | 2047 | 7.47-8.50 | 887,962 |
| Economic Development Project Fund | 2004 | 2027 | 1.20-6.07 | 189,507 |
| Education, Arts, Sciences, and Tourism Fund | 2010 | 2040 | 2.00-5.00 | <u>160,838</u> |
| Subtotal Governmental | | | | 1,366,199 |
| WV Infrastructure and Jobs Development Council | 2003-2007 | 2046 | 2.62-5.50 | <u>116,319</u> |
| Total | | | | <u>\$1,482,518</u> |

Future amounts required to pay principal and interest on revenue bonds at June 30, 2011, were as follows (expressed in thousands):

| <u>Year Ended June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------|------------------|--------------------|--------------------|
| 2012 | \$ 54,810 | \$ 87,243 | \$ 142,053 |
| 2013 | 57,965 | 84,263 | 142,228 |
| 2014 | 61,630 | 80,930 | 142,560 |
| 2015 | 65,520 | 77,326 | 142,846 |
| 2016 | 69,635 | 73,503 | 143,138 |
| 2017-2021 | 223,525 | 322,465 | 545,990 |
| 2022-2026 | 318,945 | 235,804 | 554,749 |
| 2027-2031 | 393,310 | 112,888 | 506,198 |
| 2032-2036 | 72,795 | 24,717 | 97,512 |
| 2037-2041 | 56,020 | 8,417 | 64,437 |
| 2042-2046 | <u>7,755</u> | <u>799</u> | <u>8,554</u> |
| | <u>1,381,910</u> | <u>1,108,355</u> | <u>2,490,265</u> |
| Discount | <u>9,466</u> | — | <u>9,466</u> |
| Total | <u>1,391,376</u> | <u>\$1,108,355</u> | <u>\$2,499,731</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> |
| 2012 | — | \$ 7,911 | \$ 7,911 |
| 2013 | — | 8,598 | 8,598 |
| 2014 | — | 9,344 | 9,344 |
| 2015 | — | 10,155 | 10,155 |
| 2016 | — | 11,037 | 11,037 |
| 2017-2021 | — | 71,328 | 71,328 |
| 2022-2026 | — | 108,146 | 108,146 |
| 2027-2031 | — | 163,968 | 163,968 |
| 2032-2036 | — | 149,684 | 149,684 |
| 2037-2041 | <u>91,142</u> | <u>31,748</u> | <u>122,890</u> |
| Total | <u>91,142</u> | <u>\$571,919</u> | <u>\$663,061</u> |
| Total Revenue Bonds | <u>\$1,482,518</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.

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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).

| | Final Maturity Date | Interest Rate(s)% | Balance |
|---|---------------------------|----------------------|-----------------|
| Information Services and Communications | 2014 | 3.93 | \$15,339 |
| Travel Management | 2012-2015 | 2.29-3.24 | <u>16,665</u> |
| Total Notes Payable | | | <u>\$32,004</u> |

Future amounts required to pay principal and interest on notes payable at June 30, 2011, were as follows (expressed in thousands):

| <u>Year Ended June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------|------------------|-----------------|-----------------|
| 2012 | \$11,711 | \$ 481 | \$12,192 |
| 2013 | 10,176 | 282 | 10,458 |
| 2014 | 7,411 | 130 | 7,541 |
| 2015 | <u>2,706</u> | <u>37</u> | <u>2,743</u> |
| Total Notes Payable | <u>\$32,004</u> | <u>\$930</u> | <u>\$32,934</u> |

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

| | Balance June 30, 2010 | Debt Issued | Debt Paid | Other Changes | Balance June 30, 2011 | Amount Due Within One Year |
|---|-----------------------------|------------------|--------------------|-------------------|-----------------------------|-------------------------------------|
| Revenue Bonds: | | | | | | |
| Housing Development Fund | \$ 750,931 | \$130,870 | \$(180,795) | \$ (489) | \$ 700,517 | \$142,135 |
| Parkways Authority | 69,389 | — | (7,310) | 886 | 62,965 | 7,120 |
| Water Development Authority | 224,953 | — | (7,160) | 783 | 218,576 | 6,148 |
| Higher Education | 844,231 | 227,076 | (162,124) | (1,672) | 907,511 | 29,099 |
| Regional Jail Authority | 72,325 | — | (5,015) | — | 67,310 | 5,270 |
| School Building Authority | <u>449,830</u> | <u>97,280</u> | <u>(31,620)</u> | <u>(11,991)</u> | <u>503,499</u> | <u>33,980</u> |
| Total Discretely Presented Component Unit Revenue Bonds | <u>\$2,411,659</u> | <u>\$455,226</u> | <u>\$(394,024)</u> | <u>\$(12,483)</u> | <u>\$2,460,378</u> | <u>\$223,752</u> |
| Capital Leases: | | | | | | |
| Parkways Authority | \$ 634 | \$ — | \$ (348) | \$ — | \$ 286 | \$ 220 |
| Higher Education | <u>81,077</u> | <u>1,516</u> | <u>(14,301)</u> | <u>—</u> | <u>68,292</u> | <u>12,417</u> |
| Total Discretely Presented Component Unit Capital Leases (see Note 11) | <u>\$ 81,711</u> | <u>\$ 1,516</u> | <u>\$(14,649)</u> | <u>\$ —</u> | <u>\$ 68,578</u> | <u>\$ 12,637</u> |
| Notes Payable: | | | | | | |
| Housing Development Fund | \$ 461 | \$ 250 | \$ (49) | \$ — | \$ 662 | \$ — |
| Economic Development Authority | 8,651 | — | (1,696) | — | 6,955 | 536 |
| Higher Education | 43,869 | — | (10,055) | 1,672 | 35,486 | 1,622 |
| Job Investment Trust | 25,640 | 1,670 | (6,000) | — | 21,310 | 5,783 |
| Public Defender Corporation | <u>170</u> | <u>—</u> | <u>(22)</u> | <u>—</u> | <u>148</u> | <u>25</u> |
| Total Discretely Presented Component Unit Notes Payable | <u>\$ 78,791</u> | <u>\$ 1,920</u> | <u>\$(17,822)</u> | <u>\$ 1,672</u> | <u>\$ 64,561</u> | <u>\$ 7,966</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).

| | Issue Date | Final Maturity Date | Interest Rate(s)% | Balance |
|-----------------------------|-----------------------|------------------------------------|------------------------------|--------------------|
| Housing Development Fund | 1997-2010 | 2040 | 1.30-6.00 | \$ 700,517 |
| Parkways Authority | 1993-2008 | 2019 | 3.50-5.25 | 62,965 |
| Water Development Authority | 2000-2006 | 2044 | 2.40-6.375 | 218,576 |
| Higher Education | 1998-2011 | 2040 | 4.18-7.65 | 907,511 |
| Regional Jail Authority | 1998 | 2021 | 5.12-5.35 | 67,310 |
| School Building Authority | 2002-2010 | 2028 | 2.00-6.92 | <u>503,499</u> |
| Total Revenue Bonds | | | | <u>\$2,460,378</u> |

Future amounts required to pay principal and interest on revenue bonds of the discretely presented component units at June 30, 2011, were as follows (expressed in thousands):

| Year Ended June 30 | Principal | Interest | Total |
|---------------------------|--------------------|--------------------|--------------------|
| 2012 | \$ 224,472 | \$ 119,229 | \$ 343,701 |
| 2013 | 110,391 | 120,448 | 230,839 |
| 2014 | 111,355 | 115,708 | 227,063 |
| 2015 | 105,832 | 110,999 | 216,831 |
| 2016 | 97,489 | 106,663 | 204,152 |
| 2017-2021 | 577,494 | 452,206 | 1,029,700 |
| 2022-2026 | 423,364 | 343,726 | 767,090 |
| 2027-2031 | 478,286 | 232,962 | 711,248 |
| 2032-2036 | 251,855 | 80,108 | 331,963 |
| 2037-2041 | 94,180 | 20,753 | 114,933 |
| 2042-2046 | <u>9,470</u> | <u>1,231</u> | <u>10,701</u> |
| | <u>2,484,188</u> | <u>1,704,033</u> | <u>4,188,221</u> |
| Discount | (35,066) | — | (35,066) |
| Premium | <u>11,256</u> | — | <u>11,256</u> |
| Total | <u>\$2,460,378</u> | <u>\$1,704,033</u> | <u>\$4,164,411</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, 2011 (expressed in thousands):

| | Issue Date | Final Maturity Date | Interest Rate(s)% | Balance |
|--------------------------------|-----------------------|------------------------------------|------------------------------|-----------------|
| Housing Development Fund | 2008-2009 | N/A | 0.00 | \$ 662 |
| Economic Development Authority | 2007 | 2029 | 3.00 | 6,955 |
| Higher Education | 1997-2010 | 2028 | 3.00-6.30 | 35,486 |
| Jobs Investment Trust | 2001-2004 | 2014 | 5.40-6.95 | 21,310 |
| Public Defender Corporation | 2008-2010 | 2020 | 6.00-6.99 | <u>148</u> |
| Total Notes Payable | | | | <u>\$64,561</u> |

Future amounts required to pay principal and interest on notes payable of the discretely presented component units at June 30, 2011, were as follows (expressed in thousands):

| Year Ended June 30 | Principal | Interest | Total |
|---------------------------|------------------|-----------------|-----------------|
| 2012 | \$ 7,965 | \$ 2,765 | \$10,730 |
| 2013 | 8,428 | 2,517 | 10,945 |
| 2014 | 7,685 | 1,822 | 9,507 |
| 2015 | 7,416 | 1,334 | 8,750 |
| 2016 | 2,583 | 1,216 | 3,799 |
| 2017-2021 | 17,182 | 4,514 | 21,696 |
| 2022-2026 | 12,405 | 1,652 | 14,057 |
| 2027-2031 | <u>897</u> | <u>108</u> | <u>1,005</u> |
| Total | <u>\$64,561</u> | <u>\$15,928</u> | <u>\$80,489</u> |

Parkways Authority

In July 2008, the Parkways Authority (Parkways) issued \$54,800,000 of Variable Rate Demand Revenue Refunding Bonds for the express purpose of refunding \$54,800,000 of the Parkways Series 2003 Bonds. This refunding resulted in a \$5,972,000 deferred loss arising from the difference between the reacquisition price and the net carrying amount of the refunded debt. Amortization of this deferral, charged annually to interest expense through 2019, approximated \$569,000 in 2011. 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 2008 bonds for the year ended June 30, 2011, was \$6,893,817, and the total pledged revenues were approximately all toll revenues of the Parkways.

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

| | |
|-----------------|--|
| Type | Pay-fixed interest rate swap |
| Objective | Hedge changes in cash flows on the Series 2008 Refunding Variable Rate Bonds |
| Notional Amount | \$63,900,000 |
| Effective Date | July 2, 2008 |
| Maturity Date | May 1, 2019 |
| Terms | Pay 4.387%, receive 67% of One-Month LIBOR |

The fair value of this interest rate swap is estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming 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.

The fair value balance for the hedging derivative instrument outstanding at June 30, 2011, and the change in fair value of the instrument for the year ended June 30, 2011, were immaterial to the financial statements.

The credit ratings of the counterparty to the interest rate swap are A1 from Moody's, A+ from Standard & Poor's, and A+ from Fitch. The interest rate swap agreement requires certain collateralization if the credit rating of the counterparty falls below specific levels. As of June 30, 2011, no collateralization was required by the agreement.

Parkways is exposed to basis risk on the fixed interest rate swap because the variable-rate payments received on this hedging derivative instrument are based on an index other than interest rates Parkways pays on the hedged variable-rate debt, which are remarketed every week. As of June 30, 2011, the weighted-average interest rate on this debt was 3%, while 67% of the one-month LIBOR was .12%.

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

at least three reference market makers. Parkways has the right to optionally terminate the swap agreement at any time. The termination amount owed by either Parkways or the counterparty may be determined by market quotation. If at the time of termination the swap has a negative fair value, Parkways would owe the counterparty a payment equal to the swap's fair value.

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

Using rates as of June 30, 2011, debt service requirements of the variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (expressed in thousands). As rates vary, variable rate bond interest payments and net swap payments will vary.

| <u>Year Ended June 30</u> | <u>Variable-Rate Bonds</u> | | <u>Interest Rate</u> | <u>Total</u> |
|---------------------------|----------------------------|-----------------|----------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Swap, Net</u> | |
| 2012 | \$ 4,700 | \$106 | \$1,922 | \$ 6,728 |
| 2013 | 5,200 | 95 | 1,725 | 7,020 |
| 2014 | 5,200 | 83 | 1,506 | 6,789 |
| 2015 | 5,600 | 71 | 1,288 | 6,959 |
| 2016 | 5,900 | 58 | 1,053 | 7,011 |
| 2017-2019 | <u>19,200</u> | <u>90</u> | <u>1,636</u> | <u>20,926</u> |
| | <u>\$45,800</u> | <u>\$503</u> | <u>\$9,130</u> | <u>\$55,433</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, 2011, 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 special limited obligations on behalf of third parties that in no way obligate 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, 2011, is approximately \$1.5 billion, \$73.5 million, and \$1.7 billion for HFA, PEA, and EDA, respectively.

Included in the EDA's \$1.7 billion current value is \$294 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 special 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 an unused \$15 million line of credit with the Federal Home Loan Bank that is available as a warehouse line for the purchase of single-family, multifamily, and secondary market loans. This line of credit is secured by investments of the Bond Insurance Fund and is a general obligation of the HDF. At June 30, 2011, 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 \$164,250,000 at redemption prices that approximated their carrying value. The impact of these early redemptions on their financial statements was not material.

The Education, Arts, Sciences, and Tourism Fund (EAST) bonds issued by the Economic Development Authority (EDA) in FY 1997 were paid off on July 1, 2010, in the amount of \$7,690,000.

The Division of Highways issued on behalf of the State of West Virginia, \$35,135,000 in General Obligation State Road Refunding Bonds, Series 2010A on July 22, 2010, resulting in proceeds of \$38,048,000. This bond issue refunds Series 1998 and Series 2001 General Obligation State Road Bonds with cumulative outstanding principal of \$37,730,000 and will result in a net present value savings of \$4,265,000 over the life of the bond issue. The bonds that were refunded were called on June 1, 2011, and are no longer outstanding. The refunding resulted in an economic gain of approximately \$4 million.

In November 2010, Marshall University sold \$37,140,000 of University Refunding Revenue Bonds, Series 2010 (the 2010 Bonds). The proceeds of the 2010 Bonds were used to (1) advance refund \$40,690,000 of the State of West Virginia, Higher Education Interim Governing Board, University Facilities Revenue Bonds, Series 2001A and (2) pay the cost of issuance of the 2010 Bonds. The refunding resulted in an economic gain of approximately \$1.8 million.

In May 2011, Glenville State College sold \$4,245,000 of Commercial Development Refunding Revenue Bonds, Series 2011A which was used to refund the Student Housing Bonds, Series 2000A. It is estimated that the refunding of the 2000 Series A Bonds will result in a reduction in the College's total debt service payments over the next 20 years of approximately \$725,000. The refunding resulted in an economic gain of approximately \$565,000.

Prior Defeasances

In prior years, the State defeased certain revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payment on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements. At June 30, 2011, the following outstanding bonds are considered defeased (expressed in thousands):

| <u>Outstanding Amount</u> | |
|--------------------------------------|-----------------|
| Primary Government | \$20,461 |
| Discretely Presented Component Units | <u>3,990</u> |
| Total | <u>\$24,451</u> |

NOTE 11

LEASES

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

The State has also entered into lease/purchase agreements with the Economic Development Authority (EDA) which issued bonds to finance construction and acquisition of various capital assets as well as an energy savings project. The State becomes the tenant of the facility under a lease/purchase agreement which provides for the payment of rentals sufficient to cover the related bond debt service and for the passage of title to the State after the bonds have been repaid. The governmental activities capital leases obligation includes approximately \$294 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 capital assets acquired under capital leases by asset category at June 30, 2011 (expressed in thousands):

| | Primary Government Governmental Activities | |
|----------------------------|---|-------------------------------------|
| <u>Asset Type</u> | <u>Assets Acquired by Capital Lease</u> | <u>Accumulated Depreciation</u> |
| Land | \$ 2,362 | \$ — |
| Buildings and Improvements | 336,393 | 69,099 |
| Infrastructure | <u>1,175</u> | <u>793</u> |
| Total | <u>\$339,930</u> | <u>\$69,892</u> |

West Virginia

Future minimum commitments under capital leases as of June 30, 2011, were as follows (expressed in thousands):

| Year Ended June 30 | Capital Leases | | |
|---|----------------------------|---|-------------------|
| | Governmental Activities | Discretely Presented Component Units | Total |
| 2012 | \$ 26,743 | \$ 15,455 | \$ 42,198 |
| 2013 | 26,172 | 6,144 | 32,316 |
| 2014 | 26,406 | 6,118 | 32,524 |
| 2015 | 26,544 | 6,089 | 32,633 |
| 2016 | 26,677 | 5,583 | 32,260 |
| 2017-2021 | 134,331 | 28,109 | 162,440 |
| 2022-2026 | 114,250 | 17,915 | 132,165 |
| 2027-2031 | 67,201 | 5,599 | 72,800 |
| 2032-2036 | 7,319 | — | 7,319 |
| 2037-2041 | 84 | — | 84 |
| Total Minimum Lease Payments | 455,727 | 91,012 | 546,739 |
| Less: Interest | (157,009) | (22,434) | (179,443) |
| Present Value of Future Minimum Lease Payments | <u>\$ 298,718</u> | <u>\$ 68,578</u> | <u>\$ 367,296</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, 2011, was \$31.6 million. Future minimum commitments under operating leases as of June 30, 2011, were as follows (expressed in thousands):

| Year Ended June 30 | Operating Leases | | | |
|------------------------------|----------------------------|-----------------------------|---|------------------|
| | Governmental Activities | Business-type Activities | Discretely Presented Component Units | Total |
| 2012 | \$15,251 | \$244 | \$10,341 | \$ 25,836 |
| 2013 | 12,272 | 133 | 7,534 | 19,939 |
| 2014 | 10,400 | — | 6,396 | 16,796 |
| 2015 | 8,157 | — | 5,194 | 13,351 |
| 2016 | 6,617 | — | 4,209 | 10,826 |
| 2017-2021 | 16,342 | — | 11,476 | 27,818 |
| 2022-2026 | 7,016 | — | 9,880 | 16,896 |
| 2027-2031 | 5,077 | — | 9,880 | 14,957 |
| 2032-2036 | 3,796 | — | — | 3,796 |
| 2037-2041 | 3,796 | — | — | 3,796 |
| Total Minimum Lease Payments | <u>\$88,724</u> | <u>\$377</u> | <u>\$64,910</u> | <u>\$154,011</u> |

NOTE 12

RETIREMENT SYSTEMS

Plan Description

The West Virginia State Legislature has established eight defined benefit plans (the Plans) and a defined contribution plan to provide retirement benefits for eligible employees. The Plans are a group of defined benefit public employee retirement systems. The Consolidated Public Retirement Board (CPRB) administers the Plans under the direction of its Board of Trustees, 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, 2011, amounted to approximately \$99 million, which is an increase of approximately \$21 million from the prior year's obligation. The net pension asset at June 30, 2011, was approximately \$890 million, which is an increase of approximately \$16.5 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, 2011, was 530, including 105 cities and towns, 370 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 Municipal Police Officers and Firefighters Retirement System (MPFRS) is a multiple-employer, cost-sharing public employee retirement system which was established for any municipality or municipal subdivision employing municipal police officers or firefighters. Participation is voluntary. The MPFRS had two participating employers as of June 30, 2011. If there are fewer than 100 members on January 1, 2014, all members will be merged into the Emergency Medical Services Retirement System. The State makes no employer contributions to MPFRS.
- The Teachers' Retirement System (TRS) is a multiple-employer, cost-sharing, public employee retirement system. Fifty-five county public school systems, certain personnel of the thirteen State-supported institutions of higher education, West Virginia Department of Education, and boards of higher education participate in the TRS plan. 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, 2011:

Statutory Contribution Rates as a Percent of Covered Payroll

| <u>System</u> | <u>Member</u> | <u>Employer</u> |
|---------------|---------------|--|
| PERS | 4.5% | 12.5% |
| TRS | 6.0% | 15.0% State 15.0% Counties 15.0% Other Employers |
| PSDDRF | 9.0% | 15.0% |
| SPRS | 13.0% | 19.5% |
| JRS | 10.5% | Appropriated by the Legislature |

The State Supreme Court has required the State to fund the TRS in an actuarially sound manner to eliminate the unfunded liability over a 40-year period beginning on July 1, 1994, and to meet the cash flow requirements of the TRS in fulfilling its future anticipated obligations to its members. The State Supreme Court has further ordered the State, through the Governor, to require the appropriate funding should the State Legislature fail to do so. Since this ruling, the Legislature has supplemented the funding of the TRS to meet this requirement.

Annual Pension Cost, Funding and Net Pension Obligation

The State's contributions to PERS for the years ended June 30, 2011, 2010, and 2009, were \$109,416,277, \$95,914,587, and \$89,705,976, 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):

| | <u>TRS</u> | <u>PSDDRF</u> | <u>SPRS</u> | <u>JRS</u> |
|---|--------------------|-----------------|------------------|-------------------|
| Annual required contribution (ARC) | \$ 471,171 | \$25,940 | \$ 4,770 | \$ 2,385 |
| Interest on net pension obligation | (64,434) | 5,848 | (168) | (937) |
| Adjustment to ARC | <u>78,222</u> | <u>(9,185)</u> | <u>220</u> | <u>1,819</u> |
| Annual pension cost (APC) | <u>\$ 484,959</u> | <u>\$22,603</u> | <u>\$ 4,822</u> | <u>\$ 3,267</u> |
| ARC related contributions and appropriations | <u>\$ 501,103</u> | <u>\$ 1,389</u> | <u>\$ 4,570</u> | <u>\$ 3,954</u> |
| Percentage of APC contributed | 103.33% | 6.15% | 94.77% | 121.03% |
| Net pension obligation (asset), July 1, 2010 | \$(859,121) | \$77,974 | \$(2,240) | \$(12,488) |
| Increase (decrease) in net pension obligation (asset) | <u>(16,144)</u> | <u>21,214</u> | <u>252</u> | <u>(687)</u> |
| Net pension obligation (asset), June 30, 2011 | <u>\$(875,265)</u> | <u>\$99,188</u> | <u>\$(1,988)</u> | <u>\$(13,175)</u> |

Three-Year Trend Information

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

| | Year Ended June 30 | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation (Asset) |
|---------------|-------------------------------|--|--|---|
| <u>TRS</u> | | | | |
| | 2011 | \$484,959 | 103.33% | \$(875,265) |
| | 2010 | \$501,766 | 83.19% | \$(859,121) |
| | 2009 | \$417,949 | 88.13% | \$(943,484) |
| <u>PSDDRF</u> | | | | |
| | 2011 | \$ 22,603 | 6.15% | \$ 99,188 |
| | 2010 | \$ 9,746 | 15.53% | \$ 77,974 |
| | 2009 | \$ 2,167 | 77.90% | \$ 69,742 |
| <u>SPRS</u> | | | | |
| | 2011 | \$ 4,822 | 94.77% | \$ (1,988) |
| | 2010 | \$ 3,588 | 94.65% | \$ (2,240) |
| | 2009 | \$ 2,645 | 98.07% | \$ (2,432) |
| <u>JRS</u> | | | | |
| | 2011 | \$ 3,267 | 121.03% | \$ (13,175) |
| | 2010 | \$ 3,303 | 119.71% | \$ (12,488) |
| | 2009 | \$ 3,074 | 196.29% | \$ (11,837) |

Funded Status and Funding Progress

The funded status of each plan as of July 1, 2010, the most recent actuarial valuation date, is as follows (expressed in thousands):

| | TRS | PSDDRF | SPRS | JRS |
|---|-------------|---------------|-------------|------------|
| Actuarial Value of Plan Assets | \$4,143,540 | \$404,444 | \$52,735 | \$102,814 |
| Actuarial Accrued Liability (AAL) | \$8,904,312 | \$590,729 | \$69,171 | \$ 96,008 |
| Unfunded AAL (UAAL) | \$4,760,772 | \$186,285 | \$16,436 | \$ (6,806) |
| Funded Ratio | 46.5% | 68.5% | 76.2% | 107.1% |
| Annual Covered Payroll | \$1,500,761 | \$ 8,960 | \$23,635 | \$ 8,256 |
| UAAL as a Percentage of Covered Payroll | 317.2% | 2079.1% | 69.5% | 0.0% |

The schedule of funding progress, presented as Required Supplementary Information (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, 2010 | July 1, 2010 | July 1, 2010 | July 1, 2010 |
| 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 | Through FY 2021, closed |
| Actuarial assumptions: | | | | |
| Investment rate of return | 7.50% | 7.50% | 7.50% | 7.50% |
| Projected salary increases | 3.50%-5.50% | 4.75%-6.50% | 4.75%-6.50% | 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, 2011 (expressed in thousands):

| | <u>PERS</u> | <u>TRS</u> | <u>PSDDRF</u> | <u>SPRS</u> | <u>DSRS</u> | <u>JRS</u> | <u>EMSRS</u> | <u>MPFRS</u> |
|---------------------------|--------------------|--------------------|------------------|-----------------|------------------|------------------|-----------------|--------------|
| Large Cap Equity | \$ 810,662 | \$ 902,180 | \$ 88,512 | \$13,145 | \$ 20,972 | \$ 23,447 | \$ 6,037 | \$— |
| Non-Large Cap Equity | 286,555 | 317,860 | 31,093 | 4,525 | 7,329 | 8,158 | 2,173 | — |
| International Qualified | 387,425 | 423,508 | 42,233 | 6,010 | 9,955 | 11,000 | 2,732 | — |
| International Equity | 705,905 | 796,380 | 77,543 | 11,230 | 18,040 | 20,095 | 5,103 | — |
| Private Equity | 442,041 | 495,625 | 47,325 | 6,340 | 10,808 | 12,061 | 2,938 | — |
| Private Real Estate | 107,921 | 119,095 | 11,533 | 1,683 | 2,748 | 3,060 | 788 | — |
| Total Return Fixed Income | 678,400 | 654,040 | 77,327 | 11,374 | 17,393 | 18,640 | 5,026 | — |
| Core Fixed Income | 311,640 | 303,827 | 36,707 | 5,384 | 8,203 | 8,765 | 2,384 | — |
| Hedge Fund | 386,499 | 426,630 | 43,663 | 6,398 | 10,697 | 11,557 | 2,714 | — |
| TRS Annuity | — | 103,845 | — | — | — | — | — | — |
| Short Term Fixed Income | 18,733 | 217,903 | 1,309 | 1,094 | 599 | 1,417 | 449 | 61 |
| TIPS | 223,244 | 249,320 | 24,760 | 3,573 | 5,744 | 6,387 | 1,619 | — |
| Total | <u>\$4,359,025</u> | <u>\$5,010,213</u> | <u>\$482,005</u> | <u>\$70,756</u> | <u>\$112,488</u> | <u>\$124,587</u> | <u>\$31,963</u> | <u>\$61</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, 2011 (expressed in thousands):

| | |
|------------------------------------|-----------|
| John Hancock Large Cap Equity | \$ 43,611 |
| Orchard Secure Foundation Balanced | 28,232 |
| PIMCO Total Return Fund | 19,772 |
| Putnam Equity Income | 22,123 |
| Valic Fixed Annuity Option | 86,269 |
| Vanguard Large Cap Index | 21,494 |

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 5,346 and 5,583 members in the TDCRS plan at June 30, 2011 and 2010, respectively. TDCRS retirement benefits depend solely on amounts contributed to the plan plus investment earnings. TDCRS closed participation to new members effective June 30, 2005.

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

The TDCRS investments are held and managed by an investment company as the third-party administrator for the plan. As prescribed by West Virginia Code, the TDCRS investments are placed in participant accounts and the participants direct the investment of their account by selecting from a list of plan mutual funds or a long-term fixed investment option. The TDCRS provides members with a choice of 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 (bank balances) with financial institutions were approximately \$287,000 at June 30, 2011, and 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, 2011, 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 | \$299,580 | \$299,580 | \$— | \$— |

For the year ended June 30, 2011, the approximate payroll of state employees covered by TDCRS was \$150 million, and total covered payroll for both the TDCRS and TRS was approximately \$1.7 billion. Both the employees and employers made the required contributions amounting to \$6.8 million and \$10.6 million, respectively, or approximately 4.52% and 7.10% 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, 2011, contributions were approximately \$38.5 million from the covered employees and approximately \$38.4 million from the 13 participating institutions from the State of West Virginia.

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

Great-West Retirement Services

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, 2011, contributions were approximately \$546 thousand from the covered employees and \$546 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 36,500 retirees and 76,000 active plan members met those eligibility requirements at June 30, 2011.

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 698 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 employers. Members' contributions are recognized in the period in which the contributions are due. Employers' contributions to the RHBT are recognized pursuant to a formal commitment from the employer or statutory contractual requirement, when there is a reasonable expectation of collection. Benefits and refunds are recognized when due and payable. RHBT cash and cash equivalents principally consist of the deposits in the BTI pooled funds recorded at fair value as more fully described in Note 4.

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 OPEB liability to RHBT at June 30, 2011, is \$619 million. The Governmental portion on the Balance Sheet is recorded in the Due to Other Funds. The Proprietary portion on the Statement of Net Assets is also recorded in the Due to Other Funds. The liability is included in the Due to Fiduciary Funds on the government-wide Statement of Net 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 31% 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 \$235 to \$1,051 per month for retiree-only coverage, and from \$475 to \$2,506 per month for retiree and spouse coverage. Medicare covered retirees are charged health care premiums ranging from \$48 to \$397 per month for retiree-only coverage, and from \$259 to \$1,339 per month for retiree and spouse coverage. Monthly premiums vary based on years of service and choice of coverage. The PEIA Finance Board has taken the first steps in addressing the OPEB problem by requiring any employees hired after July 1, 2010, to pay the full cost of premiums when they retire. This change will not have a substantial impact on the unfunded liability in the short-term but will virtually eliminate the unfunded liability in the long-run.

Revenues collected by RHBT will be used to fund current OPEB health care claims and administrative expenses with residual funds held in trust for future OPEB costs. The rates charged must generate sufficient revenues to not only meet all expected expenses, including insurance, administrative expenses, and incurred but unreported claims of the RHBT, but also include the amounts necessary to fund the unfunded obligation of the plan over an amortization period not to exceed 30 years. The total CRC for the years ended June 30, 2011, June 30, 2010, and June 30, 2009, were approximately \$816 million, \$792 million, and \$342 million, respectively. The percentages contributed were 18%, 16%, and 69%, 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 2011, 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 years ended June 30, 2011, June 30, 2010, and June 30, 2009, were approximately \$73 million, \$67 million, and \$102 million, respectively; 22.3%, 19.3%, and 69%, of the required amount, respectively. These contributions were approximately \$254 million, \$280.7 million, and \$46 million, respectively, less than the required contributions for each year.

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

NOTE 14

RISK MANAGEMENT

The State is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and life coverage; and natural disasters. The State of West Virginia operates three significant insurance enterprise funds: Board of Risk and Insurance Management (BRIM), Public Employees' Insurance Agency (PEIA), and Workers' Compensation Fund (WCF). 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, 2011, was \$720,000. The State also has a Patient Injury Compensation Fund (PICF), an agency fund of the State, administered by BRIM. The balance of the PICF does not reflect claims until an award becomes final and all reasonable means of recovery have been exhausted. The PICF works on a "claims filed" basis and a \$470,000 claim was filed and paid in fiscal year 2011. There were no claims pending as of June 30, 2011; accordingly the actuarial estimate of the claims reserve at such date is zero. Since the inception of the PICF, there have been approximately \$1.4 million in payments through June 30, 2011. The amount of settlements in the major insurance enterprise funds have not exceeded insurance coverage in the past three years.

Description of the Funds

Board of Risk and Insurance Management

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

Underwriting and rate-setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be paid by the participants. The BRIM risk pool retains a \$1 million per occurrence coverage maximum on all third-party liability claims. In

the normal course of business, BRIM seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable operating results by reinsuring levels of risk in various areas of exposure with other insurance enterprises or reinsurers. Excess coverage under this program is limited to \$400 million per event, subject to limits on certain property. Reinsurance permits recovery of a portion of losses from reinsurers; however, it does not discharge the primary liability of BRIM as direct insurer of the risks insured. BRIM did not have any reinsurance recoveries at June 30, 2011. 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 \$1.5 million lifetime for certain health plans and unlimited for other health plans. Life insurance coverage is limited to \$500,000. Premiums are established by PEIA at varying rates dependent upon, among other things, coverage required, number of dependents, state vs. 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 180,000 individuals, including participants and dependents.

Workers' Compensation Fund

The Workers' Compensation Commission (WCC) was an agency of the State of West Virginia from 1913 until 2005, which provided for the payment of benefits to all employees sustaining personal injuries in the course of, and as a result of, their covered employment. On February 16, 2005, the West Virginia legislature enacted "Senate Bill 1004" which established a framework for the privatization of the State's monopolistic workers' compensation system and created the means to transition the 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>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Unpaid claims and claims adjustments expense liabilities, at beginning of year | \$ <u>135,428</u> | \$ <u>152,733</u> | \$ <u>64,455</u> | \$ <u>56,462</u> | \$ <u>2,180,100</u> | \$ <u>2,315,900</u> |
| Incurred claims and claims adjustment expense: | | | | | | |
| Provision for insured events of the current fiscal year | 53,728 | 51,388 | 472,001 | 427,392 | 420 | 1,480 |
| Increase (decrease) in provision for insured events of prior fiscal years | (20,130) | (19,720) | (1,250) | 530 | 57,417 | 43,702 |
| Amortization of discount | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>102,160</u> | <u>108,646</u> |
| Total incurred claims and claims adjustment expense | <u>33,598</u> | <u>31,668</u> | <u>470,751</u> | <u>427,922</u> | <u>159,997</u> | <u>153,828</u> |
| Payments: | | | | | | |
| Claims and claims adjustment expense attributable to insured events of the current fiscal year | 10,757 | 9,965 | 420,768 | 375,571 | 33 | 147 |
| Claims and claims adjustment expense attributable to insured events of the prior fiscal years | <u>32,042</u> | <u>39,008</u> | <u>55,665</u> | <u>44,358</u> | <u>277,164</u> | <u>289,481</u> |
| Total payments | <u>42,799</u> | <u>48,973</u> | <u>476,433</u> | <u>419,929</u> | <u>277,197</u> | <u>289,628</u> |
| Total unpaid claims and claims adjustment expense liability, end of year | <u>\$126,227</u> | <u>\$135,428</u> | <u>\$ 58,773</u> | <u>\$ 64,455</u> | <u>\$2,062,900</u> | <u>\$2,180,100</u> |

The above PEIA payments are net of pharmacy rebates of \$11,141,990 and \$13,738,251 for the years ended June 30, 2011 and 2010, 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 2011 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 \$12 million for fiscal year 2011. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense. At June 30, 2011, the total undiscounted claims liability for WCF approximated \$3.3 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 \$1.01 billion to a claims liability of approximately \$3.07 billion, and the total deficit would have increased to approximately \$1.83 billion at June 30, 2011.

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 \$46 million annually. The net proceeds from collection of these monies are to be dedicated to paying

the unfunded liability in the Workers' Compensation Fund until fully paid or paying debt service on bonds sold to raise funds to pay the unfunded liability in the Workers' Compensation Fund.

Required Supplementary Information

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

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

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

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

Workers' Compensation Fund
c/o 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.

Management has estimated the total cost of remediation efforts to approximate \$293.8 million at June 30, 2011. Approximately \$3 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 \$290.7 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, 2011 (expressed in thousands):

| | |
|--|------------------|
| Mine Reclamation Program | \$204,769 |
| Oil and Gas Well Program | 240 |
| Landfill Closure Assistance Program | 80,381 |
| Underground Storage Tanks | <u>8,365</u> |
| Total Environmental Liability | 293,755 |
| Less Current Portion | <u>(28,078)</u> |
| Environmental Liability, Net of Current Portion | <u>\$265,677</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.

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, 2011, the liability is estimated at \$80 million and is projected to be paid through fiscal year 2047. 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 12 of 58 sites insured have been issued “no further action” letters, meaning they have been cleaned up to the required standards and will no longer incur additional cost. DEP believes requiring these sites to participate in an approved plan that requires the most cost-effective method of cleanup will result in an overall cost savings to the State and still protect the public health and environment. In the spring of 2008, the Legislature appropriated \$4 million for the UST program. DEP has maintained an inventory of claims submitted that have not been approved for payment by the Underground Storage Tank Advisory Committee and DEP, and these invoices will be reviewed by a consultant before payment. DEP notified tank owners that it would reimburse owners for all approved past costs and reimburse the seven priority sites for any ongoing work. DEP has entered into formal agreements with 20 of the 48 site owners. The fund balance at June 30, 2011, was \$3 million and there were claims paid from the fund in fiscal year 2011 of approximately \$1.8 million. As of June 30, 2011, \$8.4 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 \$293.8 million in environmental protection claims, the State has recorded an obligation in the amount of \$126 million, of which \$19.7 million is a current obligation, for the payment of other contingencies. Such other contingencies include, but are not limited to, claims assessed against the State for property damage and personal injury, alleged torts, alleged breaches of contract, and other alleged violations of state and federal laws and regulations. These claims are based on management’s evaluation of the nature of such claims and consideration of historical loss experience for the respective types of action. Certain other claims may be covered by the State’s insurance carrier under its general liability or medical malpractice coverage.

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

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

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

Federal Grants

Payments received under the reimbursement arrangements with agencies of the federal government are subject to retroactive audit and adjustment. Management believes that adequate provisions have been made for reasonable adjustments that may result from regulatory reviews and disallowed costs. However, laws and regulations governing these programs are extremely complex and subject to different interpretation. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount. Management believes it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and exclusions. As of June 30, 2011, the State has accrued \$80.2 million related to such matters.

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: | | |
| General Fund | \$180,000 | PERS Settlement |
| Transportation | 644,492 | Construction |
| Enterprise Funds: | | |
| Water Pollution Control Revolving Fund | 50,400 | Committed for loans |
| West Virginia Infrastructure and Jobs Development Council | 80,423 | Funding of water and economic development projects |
| Drinking Water Treatment Revolving Fund | 14,279 | Lending consistent with Safe Drinking Water Act |
| Discretely Presented Component Units: | | |
| West Virginia Lottery | 14,712 | Capital assets and construction |
| Economic Development Authority | 64,114 | Committed for loans |
| Housing Development Fund | 6,501 | Committed for loans |
| Parkways Authority | 24,425 | Turnpike improvements |
| Higher Education | 80,942 | Construction |
| School Building Authority | 9,495 | 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 University has signed an agreement providing for the purchase of steam for a remaining period of 19 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 \$7.7 million in 2011. 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 \$1.7 million at June 30, 2011, to fund the program obligations. Subsequent to year-end, the program received \$29 million from the Lottery and \$7 million in general revenue.

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 plus interest 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. On January 10, 2010, a settlement agreement was reached and the State has agreed to contribute \$20 million per year, in quarterly installments, for nine years to the PERS. As of June 30, 2011, a \$180 million Due To Fiduciary Funds related to this matter has been recorded. The first two payments were made subsequent to year-end.

NOTE 16

SUBSEQUENT EVENTS

On September 28, 2011, the State issued infrastructure general obligation refunding bonds, series 2011 A in the amount of \$18,615,000 to partially refund series: 1996B, 1998B and 1999B. The proceeds of this issuance will be held in escrow by an escrow agent until the scheduled date of the refunding payment.

The Board of Treasury Investments (BTI) exited its securities lending program in July 2011. The BTI directed the securities lending agent to liquidate the collateral reinvestment pool and recall all loans with the securities lending program. The BTI was required to fund the difference between the sale proceeds and the amount of cash collateral received from the borrowers. Subsequent to June 30, 2011, BTI recorded the realized loss on the transaction of \$215,000. In planning for the exit from securities lending activities, the BTI had approximately \$1.7 million of reserves set aside to cover potential losses from the securities lending program.

On August 15, 2011, the U.S. Treasury Principal Strip held in the Loss Amortization Pool matured. The Loss Amortization Pool was created in the late 1980s to account for participant claims against the general operating funds of the State which resulted when participant deposits exceeded the underlying assets of certain funds in the former West Virginia Board of Investments. At maturity, the proceeds from the investment, approximately \$188,557,000, were transferred to the State Participation Account in the WV Money Market Pool in satisfaction of the amounts provided from general operating funds of the State.

On August 5, 2011, Standard and Poor's (S&P) downgraded the rating on the United States of America Long-Term debt from AAA to AA+. At the same time, S&P downgraded the rating on U.S. government agencies debt to AA+. Various investment pools managed by the BTI include obligations of the United States and U.S. government agencies, such as the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. Investment pools of the BTI which include these obligations are the WV Money Market, WV Government Money Market, WV Short Term Bond, and Loss Amortization Pools, and the Municipal Bond Commission and EDA-AW Accounts.

The BTI holds short-term securities and long-term securities with short duration and maintains two funds with a principal stability fund rating (AAAm) by S&P. On August 8, 2011, S&P issued a press release stating that the funds to which it has assigned principal stability fund ratings are unaffected by the lowering of the long-term rating on the United States of America. The lowering of the long-term debt rating also does not directly affect the rating of short-term securities. The impact of the downgrade, if any, to the accompanying financial statements has not been determined by management.

On August 5, 2011, S&P downgraded the U.S. Government credit rating from AAA to AA+. It is unclear what if any impact this downgrade will have on the overall rating of the Investment Management Board's (IMB) cash equivalents which are reported in an institutional Treasury Money Market Fund. The investment fund was rated AAA by S&P.

IMB performed an evaluation of events regarding S&P's downgrade mentioned above subsequent to June 30, 2011, through September 12, 2011, the date all of the Pools' financial statements were available for issuance. The remaining two rating agencies, Moody's Inc. and Fitch, continue to rate U.S. Treasury debt, Federal National Mortgage Association debt and Federal Home Loan Mortgage Corporation debt at the highest ratings. The long-term impact on the investments of all of the Pools cannot be determined with certainty at this time.

On July 1, 2011, the Housing Development Fund (HDF) redeemed various Housing Finance Bonds in advance of the scheduled maturities at a par amount of \$10,360,000.

On September 1, 2011, the HDF redeemed various Housing Finance Bonds in advance of the scheduled maturities at a par amount of \$3,185,000.

On August 1, 2011, West Virginia University issued improvement revenue bonds (2011A Bonds) in the amount of \$12.7 million to finance the purchase of real and personal property, consisting of a multistory apartment complex and the related costs of issuance. The 2011A Bonds are payable from the same pledged revenues as the West Virginia University 2004 revenue bonds.

The West Virginia University Board and the Higher Education Policy Commission approved separate resolutions at their June 3, 2011, and August 5, 2011 meetings, respectively, to issue improvement revenue bonds (the WVU 2011 Bonds), in the aggregate principal amount of \$250.0 million. The proceeds from the WVU 2011 Bonds are intended to finance a portion of the costs of certain improvements at West Virginia University including reimbursement to West Virginia University for certain capital expenditures made prior to the issuance of the WVU 2011 Bonds and refinance certain tax-exempt lease purchase agreements entered into by West Virginia University. The WVU 2011 Bonds will be equally secured by the same pledged revenues as the West Virginia University 2004 Revenue Bonds.

In November 2011, the Board of Governors of Marshall University issued \$51,910,000 of University Revenue Bonds Series 2011 (the MU 2011 Bonds) for the purpose of financing various capital improvement projects, paying capitalized interest on the MU 2011 Bonds, and paying related costs of issuance.

On July 26, 2011, the Parkways Authority converted the Series 2008 Variable Rate Demand Revenue Refunding Bonds to a LIBOR Index rate and placed the bonds with a direct purchaser. The new supplemental indenture establishes eight distinct registered bonds which mature on the identical schedule as the previous bonds. The Indenture establishes an applicable factor ranging from 67% to 82% of the one-month LIBOR Index with an additional spread ranging from 70 to 110 basis points on each bond. The Interest Rate Swap associated with the Series 2008 Variable Rate Bonds was amended to relate to the new index rate bonds under substantially similar terms.

On November 17, 2011, the WV Economic Development Authority (EDA) issued Lease Revenue Refunding Bonds totaling \$90 million and \$25 million. The Correctional, Juvenile and Public Safety Facilities Series 2011 Series C totaling \$90 million was issued to refund parts of the Series 2002 A, Series 2002 B, and Series 2003 A related to Juvenile and Correctional facilities. The DEP Building Series 2011 Series D totaling \$25 million was issued to refund parts of the Series 2002 A used to construct the building.

On November 30, 2011, the EDA issued Lease Revenue Refunding Bonds totaling \$3.7 million and \$8.3 million. The Capitol Parking Garage Series 2011 A totaling \$3.7 million was issued to refund the Series 1999 Lease Revenue Refunding Bonds. The Huntington Office Building Series 2011 B totaling \$8.3 million was issued to refund the Series 2001 A Lease Revenue Refunding Bonds.

A photograph of the State Capitol Building in Charleston, West Virginia, featuring a prominent golden dome and classical architecture. In the foreground, there is a field of red and white tulips. A green vertical bar on the right side of the image contains white text.

Budgetary Comparison
Schedule

Notes to RSI

Budget-to-GAAP
Reconciliation

Pension Information

*Required Supplementary
Information (RSI)*

State Capitol Building, Charleston, W. Va.

**Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)**

| | General Revenue Fund | | | |
|--|-----------------------------|-------------------------|--------------------------|---|
| | Original Budget | Final Budget | Actual | Variance With Final Budget |
| Revenues: | | | | |
| Taxes: | | | | |
| Personal Income | \$1,491,000 | \$1,491,000 | \$1,593,169 | \$102,169 |
| Consumer Sales | 1,125,000 | 1,125,000 | 1,148,244 | 23,244 |
| Severance | 351,080 | 351,080 | 440,875 | 89,795 |
| Corporate Income/Business Franchise | 209,500 | 209,500 | 302,978 | 93,478 |
| Business and Occupation | 127,000 | 127,000 | 127,591 | 591 |
| Gasoline and Motor Fuel | — | — | — | — |
| Automobile Privilege | — | — | — | — |
| Other | 239,600 | 239,600 | 241,812 | 2,212 |
| Excess Lottery Transfer | 127,900 | 127,900 | 128,428 | 528 |
| Intergovernmental | — | — | — | — |
| License, Permits, and Fees | 15,900 | 15,900 | 25,349 | 9,449 |
| Departmental Collections | 14,500 | 14,500 | 15,840 | 1,340 |
| Investment Earnings | 16,000 | 16,000 | 12,043 | (3,957) |
| Other | 24,200 | 24,200 | 27,457 | 3,257 |
| Industrial Access Road Transfer | — | — | — | — |
| Total Revenue | <u>3,741,680</u> | <u>3,741,680</u> | <u>4,063,786</u> | <u>322,106</u> |
| Expenditures: | | | | |
| Legislative | 26,699 | 26,699 | 24,354 | 2,345 |
| Judicial | 118,906 | 118,906 | 97,784 | 21,122 |
| Executive | 42,493 | 43,391 | 36,377 | 7,014 |
| Administration | 70,218 | 72,456 | 69,850 | 2,606 |
| Commerce | 64,494 | 65,859 | 52,864 | 12,995 |
| Environmental Protection | 7,925 | 7,926 | 7,920 | 6 |
| Employment Programs | 95 | 95 | 95 | — |
| Education | 2,232,036 | 2,233,542 | 2,218,723 | 14,819 |
| Health and Human Resources | 783,721 | 790,889 | 764,260 | 26,629 |
| Military Affairs and Public Safety | 340,987 | 343,006 | 323,321 | 19,685 |
| Revenue | 29,536 | 29,303 | 22,810 | 6,493 |
| Transportation | 8,127 | 8,128 | 3,447 | 4,681 |
| Senior Services | — | — | — | — |
| Regulatory Boards and Commission | 86 | 86 | 20 | 66 |
| Total Expenditures | <u>3,725,323</u> | <u>3,740,286</u> | <u>3,621,825</u> | <u>118,461</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year | 16,357 | 1,394 | 441,961 | 440,567 |
| Expenditures From Prior Year Appropriations | <u>463,509</u> | <u>463,509</u> | <u>147,935</u> | <u>315,574</u> |
| Total Excess (Deficiency) of Revenues Over (Under) Expenditures | (447,152) | (462,115) | 294,026 | 756,141 |
| Budgetary Fund Balance, Beginning of Year, as Adjusted | <u>470,320</u> | <u>470,320</u> | <u>470,320</u> | — |
| Budgetary Fund Balance, End of Year | <u>\$ 23,168</u> | <u>\$ 8,205</u> | <u>\$ 764,346</u> | <u>\$756,141</u> |

| Federal Revenue | | | | State Road | | | |
|----------------------------|-------------------------|------------------|---|----------------------------|-------------------------|-------------------|---|
| Original Budget | Final Budget | Actual | Variance With Final Budget | Original Budget | Final Budget | Actual | Variance With Final Budget |
| \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — | \$ — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | 380,000 | 380,000 | 397,749 | 17,749 |
| — | — | — | — | 155,492 | 155,492 | 172,453 | 16,961 |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| 4,349,449 | 4,912,557 | 3,858,203 | (1,054,354) | 669,500 | 581,000 | 503,818 | (77,182) |
| — | — | — | — | 88,995 | 88,995 | 91,195 | 2,200 |
| — | — | — | — | — | — | — | — |
| — | — | — | — | — | — | — | — |
| — | — | — | — | 34,819 | 34,819 | 29,097 | (5,722) |
| — | — | — | — | (3,000) | (3,000) | (3,000) | — |
| <u>4,349,449</u> | <u>4,912,557</u> | <u>3,858,203</u> | <u>(1,054,354)</u> | <u>1,325,806</u> | <u>1,237,306</u> | <u>1,191,312</u> | <u>(45,994)</u> |
| 3,000 | 3,000 | 634 | 2,366 | — | — | — | — |
| 5,500 | 5,500 | 871 | 4,629 | — | — | — | — |
| 456,070 | 511,510 | 210,077 | 301,433 | — | — | — | — |
| 38,029 | 43,030 | 42,358 | 672 | — | — | — | — |
| 114,942 | 126,347 | 60,390 | 65,957 | — | — | — | — |
| 202,281 | 219,680 | 111,520 | 108,160 | — | — | — | — |
| 37,599 | 42,599 | 17,737 | 24,862 | — | — | — | — |
| 641,943 | 665,211 | 443,919 | 221,292 | — | — | — | — |
| 2,726,310 | 3,041,385 | 2,790,382 | 251,003 | — | — | — | — |
| 191,057 | 191,058 | 112,194 | 78,864 | — | — | — | — |
| 4,210 | 11,910 | 112 | 11,798 | — | — | — | — |
| 43,149 | 44,193 | 19,128 | 25,065 | 1,392,290 | 1,327,489 | 1,220,047 | 107,442 |
| 14,515 | 14,515 | 13,402 | 1,113 | — | — | — | — |
| 3,290 | 3,291 | 1,232 | 2,059 | — | — | — | — |
| <u>4,481,895</u> | <u>4,923,229</u> | <u>3,823,956</u> | <u>1,099,273</u> | <u>1,392,290</u> | <u>1,327,489</u> | <u>1,220,047</u> | <u>107,442</u> |
| (132,446) | (10,672) | 34,247 | 44,919 | (66,484) | (90,183) | (28,735) | 61,448 |
| — | — | — | — | — | — | — | — |
| (132,446) | (10,672) | 34,247 | 44,919 | (66,484) | (90,183) | (28,735) | 61,448 |
| 49,343 | 49,343 | 49,343 | — | 154,628 | 154,628 | 154,628 | — |
| <u>\$ (83,103)</u> | <u>\$ 38,671</u> | <u>\$ 83,590</u> | <u>\$ 44,919</u> | <u>\$ 88,144</u> | <u>\$ 64,445</u> | <u>\$ 125,893</u> | <u>\$ 61,448</u> |

(Continued)

West Virginia

**Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)
(Continued)**

| | <u>Special Revenue</u> | | | <u>Variance With Final Budget</u> |
|--|----------------------------|---------------------------|---------------------------|---|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</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 | 1,936,023 | 2,057,293 | 1,646,684 | (410,609) |
| Investment Earnings | — | — | — | — |
| Other | — | — | — | — |
| Industrial Access Road Transfer | — | — | — | — |
| Total Revenue | <u>1,936,023</u> | <u>2,057,293</u> | <u>1,646,684</u> | <u>(410,609)</u> |
| Expenditures: | | | | |
| Legislative | 4,010 | 3,928 | 2,870 | 1,058 |
| Judicial | 1,000 | 1,000 | 1,000 | — |
| Executive | 32,139 | 32,525 | 23,491 | 9,034 |
| Administration | 88,119 | 88,118 | 47,281 | 40,837 |
| Commerce | 108,778 | 51,678 | 31,218 | 20,460 |
| Environmental Protection | 64,103 | 64,104 | 30,860 | 33,244 |
| Employment Programs | — | — | — | — |
| Education | 296,074 | 301,076 | 273,592 | 27,484 |
| Health and Human Resources | 347,500 | 347,500 | 280,078 | 67,422 |
| Military Affairs and Public Safety | 30,140 | 30,449 | 24,358 | 6,091 |
| Revenue | 932,200 | 922,941 | 535,934 | 387,007 |
| Transportation | 12,207 | 14,033 | 4,762 | 9,271 |
| Senior Services | 72,181 | 73,181 | 71,515 | 1,666 |
| Regulatory Boards and Commissions | 28,758 | 88,428 | 84,244 | 4,184 |
| Total Expenditures | <u>2,017,209</u> | <u>2,018,961</u> | <u>1,411,203</u> | <u>607,758</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year | (81,186) | 38,332 | 235,481 | 197,149 |
| Expenditures From Prior Year Appropriations | <u>291,812</u> | <u>291,812</u> | <u>66,781</u> | <u>225,031</u> |
| Total Excess (Deficiency) of Revenues Over (Under) Expenditures | (372,998) | (253,480) | 168,700 | 422,180 |
| Budgetary Fund Balance, Beginning of Year, as Adjusted | <u>1,661,877</u> | <u>1,661,877</u> | <u>1,661,877</u> | — |
| Budgetary Fund Balance, End of Year | <u><u>\$1,288,879</u></u> | <u><u>\$1,408,397</u></u> | <u><u>\$1,830,577</u></u> | <u><u>\$422,180</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 50% of the General Revenue Fund surplus for a fiscal year is set aside in a reserve or Rainy Day Fund not to exceed 10% 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. Appropriated Special Revenue and Federal Funds were increased by total supplemental appropriations of \$313.7 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 \$411.6 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 2010 General Revenue were increased approximately \$51.9 million for surplus appropriations. The \$51.9 million surplus appropriations are also reported as “Expenditures From Prior Year Appropriations.”

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

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

Budgetary Control

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

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

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

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

Budgetary Funds

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

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

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

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

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

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

2011 Budgetary Reporting

The State's budgetary General Revenue Fund surplus for the year ended June 30, 2011, is calculated as follows (expressed in thousands):

| | |
|--|------------------|
| Preliminary General Revenue Fund current year excess of revenues over expenditures as reflected on Budgetary Comparison Schedule | \$441,961 |
| Less accounts reappropriated for spending in FY 2012 | <u>(140,625)</u> |
| Accumulated surplus | 301,336 |
| Less amount to be transferred to Revenue Shortfall Reserve Fund | <u>(150,668)</u> |
| General Revenue Fund FY 2011 surplus available for appropriation in FY 2012 | <u>\$150,668</u> |

In August 2011 after the close of the fiscal year, \$150.7 million 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 balance at July 1, 2010, has been adjusted as follows (expressed in thousands):

General Revenue Fund:

| | |
|---------------------------------|------------------|
| Beginning Fund Balance | \$521,286 |
| Prior Year Refunds | 348 |
| Less Transfer to Rainy Day Fund | <u>(51,314)</u> |
| Adjusted Beginning Fund Balance | <u>\$470,320</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, 2011, 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, 2011
(Expressed in Thousands)

| | General Revenue Fund | Federal Fund | Road Fund | Appropriated Special Revenue Fund |
|--|-------------------------------------|-------------------------|----------------------|--|
| SOURCES/INFLOWS OF RESOURCES | | | | |
| Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule | \$ 4,063,786 | \$ 3,858,203 | \$1,191,312 | \$ 1,646,684 |
| Differences - Budget to GAAP: | | | | |
| Intrafund transactions not included in GAAP revenues | (3,815,617) | — | — | — |
| Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes | (39,696) | — | (22,032) | — |
| Other Basis of Accounting Difference | 97,244 | — | (343,484) | — |
| Reclassifications: | | | | |
| Nonappropriated Budgetary Fund's revenue included as revenue/transfers in the GAAP General, Transportation, and Other Funds | 4,168,028 | — | 415,993 | — |
| Budgetary special revenue funds transferred to GAAP General, Transportation, and Other Funds | 928,483 | — | 11,396 | (1,646,684) |
| Budgetary federal funds transferred to GAAP General, Transportation, and Other Funds | <u>3,705,284</u> | <u>(3,858,203)</u> | <u>19,120</u> | <u>—</u> |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds | <u>\$ 9,107,512</u> | <u>\$ —</u> | <u>\$1,272,305</u> | <u>\$ —</u> |
| USES/OUTFLOWS OF RESOURCES | | | | |
| Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule | \$ 3,769,760 | \$ 3,823,956 | \$1,220,047 | \$ 1,477,984 |
| Differences - Budget to GAAP: | | | | |
| Intrafund transactions not included in GAAP expenditures | (3,815,617) | — | — | — |
| Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes | (315,970) | — | — | — |
| Other Basis of Accounting Difference | 389,556 | — | 76,866 | — |
| Reclassifications: | | | | |
| Nonappropriated Budgetary Fund's expenditures/transfers out included as expense in the GAAP General, Transportation, and Other Funds | 4,132,017 | — | 41,818 | — |
| Budgetary general revenue funds transferred to GAAP General, Transportation, and Other Funds | (9,997) | — | 3,561 | — |
| Budgetary special revenue funds transferred to GAAP General, Transportation, and Other Funds | 891,683 | — | 6,762 | (1,477,984) |
| Budgetary federal funds transferred to GAAP General, Transportation, and Other Funds | <u>3,673,014</u> | <u>(3,823,956)</u> | <u>19,128</u> | <u>—</u> |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds | <u>\$ 8,714,446</u> | <u>\$ —</u> | <u>\$1,368,182</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 as a Percentage of Covered Payroll</u> |
|---------------|---|---|--|--|-------------------------|---------------------------------------|--|
| <u>TRS</u> | | | | | | | |
| | 2010 | \$4,143,540 | \$8,904,312 | \$4,760,772 | 46.5% | \$1,500,761 | 317.2% |
| | 2009 | \$3,554,771 | \$8,607,869 | \$5,053,098 | 41.3% | \$1,499,232 | 337.0% |
| | 2008 | \$4,133,883 | \$8,268,578 | \$4,134,695 | 50.0% | \$1,409,437 | 293.4% |
| <u>PSDDRF</u> | | | | | | | |
| | 2010 | \$ 404,444 | \$ 590,729 | \$ 186,285 | 68.5% | \$ 8,960 | 2079.1% |
| | 2009 | \$ 362,927 | \$ 573,579 | \$ 210,652 | 63.3% | \$ 10,215 | 2062.2% |
| | 2008 | \$ 459,182 | \$ 547,623 | \$ 88,441 | 83.9% | \$ 10,400 | 850.4% |
| <u>SPRS</u> | | | | | | | |
| | 2010 | \$ 52,735 | \$ 69,171 | \$ 16,436 | 76.2% | \$ 23,635 | 69.5% |
| | 2009 | \$ 40,321 | \$ 61,628 | \$ 21,307 | 65.4% | \$ 22,382 | 95.2% |
| | 2008 | \$ 41,564 | \$ 51,388 | \$ 9,824 | 80.9% | \$ 20,285 | 48.4% |
| <u>JRS</u> | | | | | | | |
| | 2010 | \$ 102,814 | \$ 96,008 | \$ (6,806) | 107.1% | \$ 8,256 | 0.0% |
| | 2009 | \$ 88,310 | \$ 93,185 | \$ 4,875 | 94.8% | \$ 8,140 | 59.9% |
| | 2008 | \$ 100,186 | \$ 97,965 | \$ (2,221) | 102.3% | \$ 8,261 | 0.0% |



Nonmajor Funds
Governmental
Proprietary
Fiduciary

Nonmajor
Component Units

*Combining Financial Statements
and Schedules*

Droop Mountain Battlefield State Park, Droop, W.Va.



GOVERNMENTAL FUND TYPES - NONMAJOR

Special Revenue:

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

Debt Service:

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

Capital Projects:

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

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

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

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

Permanent Funds:

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

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

West Virginia

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011
(Expressed in Thousands)**

| | <u>Special Revenue</u> | <u>Debt Service</u> |
|--------------------------------------|----------------------------|-------------------------|
| Assets: | | |
| Cash and Cash Equivalents | \$291,666 | \$50,013 |
| Investments | 40,381 | 18,990 |
| Receivables, Net | 7,456 | — |
| Due from Other Governments | 790 | — |
| Due from Other Funds | 135 | — |
| Due from Component Units | — | 1,000 |
| Inventories | 51 | — |
| Restricted Assets: | | |
| Cash and Cash Equivalents | <u>1,810</u> | <u>—</u> |
| Total Assets | <u>\$342,289</u> | <u>\$70,003</u> |
| Liabilities: | | |
| Accounts Payable | \$ 11,077 | \$ — |
| Accrued and Other Liabilities | 7,517 | — |
| Due to Other Governments | 14,542 | — |
| Due to Other Funds | <u>16,135</u> | <u>—</u> |
| Total Liabilities | <u>49,271</u> | <u>—</u> |
| Fund Balances: | | |
| Nonspendable: | | |
| Inventories | 51 | — |
| Permanent Fund | — | — |
| Restricted for: | | |
| Capital Projects | — | — |
| Debt Service | — | 70,003 |
| Development, Tourism, and Recreation | 40,391 | — |
| Education | — | — |
| Public Protection | 31,147 | — |
| Committed to: | | |
| Government Operations | 5,843 | — |
| Public Protection | 220,245 | — |
| Assigned to: | | |
| Public Protection | 1,739 | — |
| Unassigned | <u>(6,398)</u> | <u>—</u> |
| Total Fund Balances | <u>293,018</u> | <u>70,003</u> |
| Total Liabilities and Fund Balances | <u>\$342,289</u> | <u>\$70,003</u> |

| Capital Projects | | Permanent Fund | |
|---|---------------------------------------|-------------------------------|------------------|
| Education Arts, Sciences, and Tourism Fund | Lease Purchase Account | Irreducible School | Total |
| \$141,547 | \$10,257 | \$1,386 | \$494,869 |
| — | — | — | 59,371 |
| 2 | — | — | 7,458 |
| — | — | — | 790 |
| — | — | — | 135 |
| — | — | — | 1,000 |
| — | — | — | 51 |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>1,810</u> |
| <u>\$141,549</u> | <u>\$10,257</u> | <u>\$1,386</u> | <u>\$565,484</u> |
| \$ 4,008 | \$ — | \$ — | \$ 15,085 |
| — | — | — | 7,517 |
| — | — | — | 14,542 |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>16,135</u> |
| <u>4,008</u> | <u>—</u> | <u>—</u> | <u>53,279</u> |
| — | — | — | 51 |
| — | — | 1,000 | 1,000 |
| 137,541 | 10,257 | — | 147,798 |
| — | — | — | 70,003 |
| — | — | — | 40,391 |
| — | — | 386 | 386 |
| — | — | — | 31,147 |
| — | — | — | 5,843 |
| — | — | — | 220,245 |
| — | — | — | 1,739 |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>(6,398)</u> |
| <u>137,541</u> | <u>10,257</u> | <u>1,386</u> | <u>512,205</u> |
| <u>\$141,549</u> | <u>\$10,257</u> | <u>\$1,386</u> | <u>\$565,484</u> |

West Virginia

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2011 (Expressed in Thousands)

| | <u>Special Revenue</u> | <u>Debt Service</u> |
|--|----------------------------|-------------------------|
| Revenues: | | |
| Intergovernmental | \$171,949 | \$ — |
| Licenses, Permits, and Fees | 120,909 | — |
| Charges for Services | 87 | — |
| Lottery Revenue | — | 7,998 |
| Investment Earnings | 7,552 | 592 |
| Other | <u>5,621</u> | <u>—</u> |
| Total Revenues | <u>306,118</u> | <u>8,590</u> |
| Expenditures: | | |
| Legislative | 3,241 | — |
| Administration | — | 322 |
| Environmental Protection | 113,969 | 1 |
| Employment Programs | 61,536 | — |
| Education | — | — |
| Health and Human Resources | — | 6 |
| Military Affairs and Public Safety | — | 3 |
| Revenue | 29,565 | — |
| Regulatory Boards and Commissions | 23,551 | 1 |
| Capital Outlay | — | — |
| Debt Service: | | |
| Principal | — | 42,308 |
| Interest | <u>—</u> | <u>41,087</u> |
| Total Expenditures | <u>231,862</u> | <u>83,728</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>74,256</u> | <u>(75,138)</u> |
| Other Financing Sources (Uses): | | |
| Face Value of Long-Term Debt | — | 322 |
| Premiums on Bond Issuance | — | — |
| Transfers In | 3,113 | 69,632 |
| Transfers Out | <u>(38,446)</u> | <u>(2,870)</u> |
| Total Other Financing Sources (Uses) | <u>(35,333)</u> | <u>67,084</u> |
| Net Change in Fund Balances | 38,923 | (8,054) |
| Fund Balances, Beginning of Year | <u>254,095</u> | <u>78,057</u> |
| Fund Balances, End of Year | <u>\$293,018</u> | <u>\$ 70,003</u> |

| Capital Projects | | | Permanent Fund | |
|------------------|--|------------------------|--------------------|------------------|
| State Road | Education Arts, Sciences, and Tourism Fund | Lease Purchase Account | Irreducible School | Total |
| \$ — | \$ — | \$ — | \$ — | \$171,949 |
| — | — | — | — | 120,909 |
| — | — | — | 2 | 89 |
| — | — | — | — | 7,998 |
| 8 | 130 | 2 | — | 8,284 |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>384</u> | <u>6,005</u> |
| <u>8</u> | <u>130</u> | <u>2</u> | <u>386</u> | <u>315,234</u> |
| — | — | — | — | 3,241 |
| — | — | — | — | 322 |
| — | — | — | — | 113,970 |
| — | — | — | — | 61,536 |
| — | 23,257 | — | — | 23,257 |
| — | — | — | — | 6 |
| — | — | — | — | 3 |
| — | — | — | — | 29,565 |
| — | — | — | — | 23,552 |
| 18,036 | 2,009 | — | — | 20,045 |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>42,308</u> |
| <u>18,036</u> | <u>25,266</u> | <u>—</u> | <u>—</u> | <u>358,892</u> |
| (18,028) | (25,136) | 2 | 386 | (43,658) |
| — | 155,298 | — | — | 155,620 |
| — | 7,379 | — | — | 7,379 |
| — | — | — | — | 72,745 |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>(393)</u> | <u>(41,709)</u> |
| <u>—</u> | <u>162,677</u> | <u>—</u> | <u>(393)</u> | <u>194,035</u> |
| (18,028) | 137,541 | 2 | (7) | 150,377 |
| <u>18,028</u> | <u>—</u> | <u>10,255</u> | <u>1,393</u> | <u>361,828</u> |
| <u>\$ —</u> | <u>\$137,541</u> | <u>\$10,257</u> | <u>\$1,386</u> | <u>\$512,205</u> |

SPECIAL REVENUE FUNDS

Nonmajor Funds

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

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

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

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

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

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

**Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2011
(Expressed in Thousands)**

| | Environmental Protection | Public Service Commission | Crime Victims' Compensation |
|--|-------------------------------------|--|--|
| Assets: | | | |
| Cash and Cash Equivalents | \$200,449 | \$24,355 | \$5,845 |
| Investments | — | — | — |
| Receivables, Net | 1,918 | 57 | — |
| Due from Other Funds | 1 | 9 | — |
| Due from Other Governments | — | 790 | — |
| Inventories | — | — | — |
| Restricted Assets: | | | |
| Cash and Cash Equivalents | <u>406</u> | <u>1,404</u> | <u>—</u> |
| Total Assets | <u>\$202,774</u> | <u>\$26,615</u> | <u>\$5,845</u> |
| Liabilities: | | | |
| Accounts Payable | \$ 10,544 | \$ 282 | \$ 2 |
| Accrued and Other Liabilities | 4,334 | 1,741 | — |
| Due to Other Governments | 5,340 | 6,969 | — |
| Due to Other Funds | <u>124</u> | <u>4,904</u> | <u>—</u> |
| Total Liabilities | <u>20,342</u> | <u>13,896</u> | <u>2</u> |
| Fund Balances (Deficits): | | | |
| Nonspendable: | | | |
| Inventories | — | — | — |
| Restricted for: | | | |
| Development, Tourism, and Recreation | — | — | — |
| Public Protection | 28,697 | 2,450 | — |
| Committed to: | | | |
| Government Operations | — | — | 5,843 |
| Public Protection | 152,031 | 10,234 | — |
| Assigned to: | | | |
| Public Protection | 1,704 | 35 | — |
| Unassigned | <u>—</u> | <u>—</u> | <u>—</u> |
| Total Fund Balances (Deficits) | <u>182,432</u> | <u>12,719</u> | <u>5,843</u> |
| Total Liabilities and Fund Balances | <u>\$202,774</u> | <u>\$26,615</u> | <u>\$5,845</u> |

| Insurance Commission | WORKFORCE West Virginia | Wildlife Resources Fund | Total |
|---------------------------------|------------------------------------|--|------------------|
| \$59,240 | \$ 1,767 | \$ 10 | \$291,666 |
| — | — | 40,381 | 40,381 |
| 5,372 | 109 | — | 7,456 |
| 84 | 41 | — | 135 |
| — | — | — | 790 |
| — | 51 | — | 51 |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>1,810</u> |
| <u>\$64,696</u> | <u>\$ 1,968</u> | <u>\$40,391</u> | <u>\$342,289</u> |
| \$ — | \$ 249 | \$ — | \$ 11,077 |
| 670 | 772 | — | 7,517 |
| — | 2,233 | — | 14,542 |
| <u>6,046</u> | <u>5,061</u> | <u>—</u> | <u>16,135</u> |
| <u>6,716</u> | <u>8,315</u> | <u>—</u> | <u>49,271</u> |
| — | 51 | — | 51 |
| — | — | 40,391 | 40,391 |
| — | — | — | 31,147 |
| — | — | — | 5,843 |
| 57,980 | — | — | 220,245 |
| — | — | — | 1,739 |
| <u>—</u> | <u>(6,398)</u> | <u>—</u> | <u>(6,398)</u> |
| <u>57,980</u> | <u>(6,347)</u> | <u>40,391</u> | <u>293,018</u> |
| <u>\$64,696</u> | <u>\$ 1,968</u> | <u>\$40,391</u> | <u>\$342,289</u> |

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)**

| | Environmental Protection | Public Service Commission | Crime Victims' Compensation |
|--|-------------------------------------|--|--|
| Revenues: | | | |
| Intergovernmental | \$110,774 | \$ 2,107 | \$ 634 |
| Licenses, Permits, and Fees | 53,478 | 23,201 | 1,580 |
| Charges for Services | 23 | 64 | — |
| Investment Earnings | 299 | — | 109 |
| Other | <u>5,621</u> | <u>—</u> | <u>—</u> |
| Total Revenues | <u>170,195</u> | <u>25,372</u> | <u>2,323</u> |
| Expenditures: | | | |
| Legislative | — | — | 3,241 |
| Environmental Protection | 113,969 | — | — |
| Employment Programs | — | — | — |
| Revenue | — | — | — |
| Regulatory Boards and Commissions | <u>—</u> | <u>23,551</u> | <u>—</u> |
| Total Expenditures | <u>113,969</u> | <u>23,551</u> | <u>3,241</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>56,226</u> | <u>1,821</u> | <u>(918)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers In | 1,498 | — | — |
| Transfers Out | <u>(36,158)</u> | <u>(115)</u> | <u>(3)</u> |
| Total Other Financing Sources (Uses) | <u>(34,660)</u> | <u>(115)</u> | <u>(3)</u> |
| Net Change in Fund Balances | 21,566 | 1,706 | (921) |
| Fund Balances, Beginning of Year | <u>160,866</u> | <u>11,013</u> | <u>6,764</u> |
| Fund Balances, End of Year | <u>\$182,432</u> | <u>\$12,719</u> | <u>\$5,843</u> |

| <u>Insurance Commission</u> | <u>WORKFORCE West Virginia</u> | <u>Wildlife Resources Fund</u> | <u>Total</u> |
|---------------------------------|------------------------------------|--|------------------|
| \$ — | \$ 58,434 | \$ — | \$171,949 |
| 42,104 | — | 546 | 120,909 |
| — | — | — | 87 |
| 6 | — | 7,138 | 7,552 |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>5,621</u> |
| <u>42,110</u> | <u>58,434</u> | <u>7,684</u> | <u>306,118</u> |
| — | — | — | 3,241 |
| — | — | — | 113,969 |
| — | 61,536 | — | 61,536 |
| 29,565 | — | — | 29,565 |
| <u>—</u> | <u>—</u> | <u>—</u> | <u>23,551</u> |
| <u>29,565</u> | <u>61,536</u> | <u>—</u> | <u>231,862</u> |
| <u>12,545</u> | <u>(3,102)</u> | <u>7,684</u> | <u>74,256</u> |
| — | 1,615 | — | 3,113 |
| <u>—</u> | <u>—</u> | <u>(2,170)</u> | <u>(38,446)</u> |
| <u>—</u> | <u>1,615</u> | <u>(2,170)</u> | <u>(35,333)</u> |
| 12,545 | (1,487) | 5,514 | 38,923 |
| <u>45,435</u> | <u>(4,860)</u> | <u>34,877</u> | <u>254,095</u> |
| <u>\$57,980</u> | <u>\$ (6,347)</u> | <u>\$40,391</u> | <u>\$293,018</u> |

DEBT SERVICE FUNDS

Nonmajor Funds

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

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

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

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

Combining Balance Sheet
Nonmajor Debt Service Funds
June 30, 2011
(Expressed in Thousands)

| | Education, Arts, Sciences, and Tourism Fund | Lease Purchase Account | Economic Development Project Fund | Total |
|-----------------------------|--|---------------------------------------|--|-----------------|
| Assets: | | | | |
| Cash and Cash Equivalents | \$18,315 | \$8,726 | \$22,972 | \$50,013 |
| Investments | — | — | 18,990 | 18,990 |
| Due from Other Funds | <u>1,000</u> | <u>—</u> | <u>—</u> | <u>1,000</u> |
| Total Assets | <u>\$19,315</u> | <u>\$8,726</u> | <u>\$41,962</u> | <u>\$70,003</u> |
| Fund Balances: | | | | |
| Restricted for Debt Service | \$19,315 | \$8,726 | \$41,962 | \$70,003 |
| Total Fund Balances | <u>\$19,315</u> | <u>\$8,726</u> | <u>\$41,962</u> | <u>\$70,003</u> |

**Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Fiscal Year Ended June 30, 2011
(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: | | | | | |
| Lottery Revenues | \$ — | \$ 7,998 | \$ — | \$ — | \$ 7,998 |
| Investment Earnings | <u>9</u> | <u>3</u> | <u>1</u> | <u>579</u> | <u>592</u> |
| Total Revenues | <u>9</u> | <u>8,001</u> | <u>1</u> | <u>579</u> | <u>8,590</u> |
| Expenditures: | | | | | |
| Administration | — | 315 | 7 | — | 322 |
| Environmental Protection | — | — | 1 | — | 1 |
| Health and Human Resources | — | — | 6 | — | 6 |
| Military Affairs and Public Safety | — | — | 3 | — | 3 |
| Regulatory Boards and Commissions | — | — | 1 | — | 1 |
| Debt Service: | | | | | |
| Principal | 14,125 | 9,605 | 10,403 | 8,175 | 42,308 |
| Interest | <u>8,896</u> | <u>6,285</u> | <u>15,251</u> | <u>10,655</u> | <u>41,087</u> |
| Total Expenditures | <u>23,021</u> | <u>16,205</u> | <u>25,672</u> | <u>18,830</u> | <u>83,728</u> |
| Deficiency of Revenues Under Expenditures | <u>(23,012)</u> | <u>(8,204)</u> | <u>(25,671)</u> | <u>(18,251)</u> | <u>(75,138)</u> |
| Other Financing Sources (Uses): | | | | | |
| Face Value of Long-Term Debt Issued | — | 322 | — | — | 322 |
| Transfers In | 24,000 | — | 26,642 | 18,990 | 69,632 |
| Transfers Out | <u>(2,023)</u> | <u>—</u> | <u>(847)</u> | <u>—</u> | <u>(2,870)</u> |
| Total Other Financing Sources | <u>21,977</u> | <u>322</u> | <u>25,795</u> | <u>18,990</u> | <u>67,084</u> |
| Net Change in Fund Balances | (1,035) | (7,882) | 124 | 739 | (8,054) |
| Fund Balances, Beginning of Year | <u>1,035</u> | <u>27,197</u> | <u>8,602</u> | <u>41,223</u> | <u>78,057</u> |
| Fund Balances, End of Year | <u>\$ —</u> | <u>\$19,315</u> | <u>\$ 8,726</u> | <u>\$ 41,962</u> | <u>\$ 70,003</u> |

INTERNAL SERVICE FUNDS FINANCIAL STATEMENTS

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

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

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

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

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

Board of Treasury Investments The BTI serves as 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, 2011
(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 | \$ 1,468 | \$ 8,854 | \$ 2,176 | \$6,183 | \$ 728 | \$ 19,409 |
| Receivables, Net | — | 442 | 4 | 4,026 | 448 | 4,920 |
| Due from Other Funds | 193 | 6,465 | 220 | — | — | 6,878 |
| Due from Component Units | 102 | 150 | 11 | — | — | 263 |
| Inventories | 268 | 593 | — | — | — | 861 |
| Other Assets | 142 | — | — | 113 | — | 255 |
| Restricted Assets: | | | | | | |
| Cash and Cash Equivalents | — | — | 9,170 | — | — | 9,170 |
| Total Current Assets | <u>2,173</u> | <u>16,504</u> | <u>11,581</u> | <u>10,322</u> | <u>1,176</u> | <u>41,756</u> |
| Noncurrent Assets: | | | | | | |
| Other Assets | — | — | — | 2 | — | 2 |
| Restricted Assets: | | | | | | |
| Cash and Cash Equivalents | 66,915 | — | — | — | — | 66,915 |
| Capital Assets, Net | <u>88,773</u> | <u>17,058</u> | <u>18,492</u> | <u>40</u> | <u>6</u> | <u>124,369</u> |
| Total Noncurrent Assets | <u>155,688</u> | <u>17,058</u> | <u>18,492</u> | <u>42</u> | <u>6</u> | <u>191,286</u> |
| Total Assets | <u>157,861</u> | <u>33,562</u> | <u>30,073</u> | <u>10,364</u> | <u>1,182</u> | <u>233,042</u> |
| Liabilities: | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts Payable | 2,285 | 4,859 | 912 | 6,022 | 421 | 14,499 |
| Accrued and Other Liabilities | 127 | 300 | 14 | — | — | 441 |
| Due to Other Governments | 38 | 93 | 5 | — | — | 136 |
| Due to Other Funds | 170 | 71 | 58 | — | — | 299 |
| Due to Fiduciary Funds | 1,724 | 4,832 | 220 | — | — | 6,776 |
| Capital Leases and Other Debt | <u>97</u> | <u>6,041</u> | <u>5,669</u> | <u>—</u> | <u>—</u> | <u>11,807</u> |
| Total Current Liabilities | <u>4,441</u> | <u>16,196</u> | <u>6,878</u> | <u>6,022</u> | <u>421</u> | <u>33,958</u> |
| Noncurrent Liabilities: | | | | | | |
| Capital Leases and Other Debt | 3,287 | 9,298 | 10,996 | — | — | 23,581 |
| Compensated Absences | <u>365</u> | <u>1,245</u> | <u>81</u> | <u>—</u> | <u>—</u> | <u>1,691</u> |
| Total Noncurrent Liabilities | <u>3,652</u> | <u>10,543</u> | <u>11,077</u> | <u>—</u> | <u>—</u> | <u>25,272</u> |
| Total Liabilities | <u>8,093</u> | <u>26,739</u> | <u>17,955</u> | <u>6,022</u> | <u>421</u> | <u>59,230</u> |
| Net Assets: | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 85,389 | 4,572 | 1,442 | 40 | 6 | 91,449 |
| Restricted for Capital Projects | 66,915 | — | — | — | — | 66,915 |
| Unrestricted (Deficit) | <u>(2,536)</u> | <u>2,251</u> | <u>10,676</u> | <u>4,302</u> | <u>755</u> | <u>15,448</u> |
| Total Net Assets | <u>\$149,768</u> | <u>\$ 6,823</u> | <u>\$12,118</u> | <u>\$4,342</u> | <u>\$ 761</u> | <u>\$173,812</u> |

**Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(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 | \$ 15,724 | \$42,165 | \$ 7,108 | \$31,950 | \$2,585 | \$ 99,532 |
| Operating Expenses: | | | | | | |
| Cost of Sales and Services | 24,415 | 55,863 | 1,599 | 28,163 | 2,533 | 112,573 |
| General and Administration | 969 | 2,180 | 1,046 | 3,766 | 217 | 8,178 |
| Depreciation and Amortization | <u>3,743</u> | <u>9,095</u> | <u>5,640</u> | <u>17</u> | <u>2</u> | <u>18,497</u> |
| Total Operating Expenses | <u>29,127</u> | <u>67,138</u> | <u>8,285</u> | <u>31,946</u> | <u>2,752</u> | <u>139,248</u> |
| Operating Income (Loss) | <u>(13,403)</u> | <u>(24,973)</u> | <u>(1,177)</u> | <u>4</u> | <u>(167)</u> | <u>(39,716)</u> |
| Nonoperating Revenues (Expenses): | | | | | | |
| Entitlements, Grants, and Shared Revenues | 2,896 | 27,099 | — | — | — | 29,995 |
| Loss on Sale of Equipment | (2,882) | (42) | (4) | — | — | (2,928) |
| Investment Income | 18 | — | — | 1 | — | 19 |
| Interest Expense | (182) | (146) | (13) | — | — | (341) |
| Lottery Revenues | 10,000 | — | — | — | — | 10,000 |
| Other Nonoperating Revenues | <u>—</u> | <u>—</u> | <u>64</u> | <u>—</u> | <u>—</u> | <u>64</u> |
| Total Nonoperating Revenues (Expenses), Net | <u>9,850</u> | <u>26,911</u> | <u>47</u> | <u>1</u> | <u>—</u> | <u>36,809</u> |
| Income (Loss) Before Transfers | (3,553) | 1,938 | (1,130) | 5 | (167) | (2,907) |
| Transfers In | 3,068 | — | 1,711 | — | — | 4,779 |
| Transfers Out | <u>(5,503)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(5,503)</u> |
| Total Transfers | <u>(2,435)</u> | <u>—</u> | <u>1,711</u> | <u>—</u> | <u>—</u> | <u>(724)</u> |
| Change in Net Assets | (5,988) | 1,938 | 581 | 5 | (167) | (3,631) |
| Net Assets, Beginning of Year | <u>155,756</u> | <u>4,885</u> | <u>11,537</u> | <u>4,337</u> | <u>928</u> | <u>177,443</u> |
| Net Assets, End of Year | <u>\$149,768</u> | <u>\$ 6,823</u> | <u>\$12,118</u> | <u>\$ 4,342</u> | <u>\$ 761</u> | <u>\$173,812</u> |

**Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)**

| | State Building Fund | Information Services and Communications | Travel Management | Investment Management Board | Board of Treasury Investments | Total |
|---|------------------------------------|--|------------------------------|--|--|------------------|
| Cash Flows from Operating Activities: | | | | | | |
| Receipts from Customers | \$ 15,588 | \$ 42,217 | \$ 8,062 | \$ 32,239 | \$ 2,607 | \$100,713 |
| Payments to Suppliers | (19,352) | (41,386) | (1,265) | (28,342) | (2,773) | (93,118) |
| Payments to Employees | <u>(5,800)</u> | <u>(13,243)</u> | <u>(902)</u> | <u>(3,001)</u> | — | <u>(22,946)</u> |
| Net Cash Provided by (Used for) Operating Activities | <u>(9,564)</u> | <u>(12,412)</u> | <u>5,895</u> | <u>896</u> | <u>(166)</u> | <u>(15,351)</u> |
| Cash Flows from Noncapital Financing Activities: | | | | | | |
| Transfers In | 3,068 | — | 1,711 | — | — | 4,779 |
| Transfers Out | (5,503) | — | — | — | — | (5,503) |
| Other Nonoperating Receipts | 10,000 | — | — | — | — | 10,000 |
| Entitlements and Grants | <u>2,896</u> | <u>27,099</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>29,995</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>10,461</u> | <u>27,099</u> | <u>1,711</u> | <u>—</u> | <u>—</u> | <u>39,271</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | | | |
| Proceeds from Sale of Capital Bonds and Other Debts | — | — | 11,654 | — | — | 11,654 |
| Repayment of Capital Debt | (91) | (5,275) | (4,836) | — | — | (10,202) |
| Interest Paid on Capital Debt | (182) | (146) | (13) | — | — | (341) |
| Acquisition and Construction of Capital Assets | <u>(8,100)</u> | <u>(6,928)</u> | <u>(8,046)</u> | <u>(34)</u> | <u>(7)</u> | <u>(23,115)</u> |
| Net Cash Used for Capital and Related Financing Activities | <u>(8,373)</u> | <u>(12,349)</u> | <u>(1,241)</u> | <u>(34)</u> | <u>(7)</u> | <u>(22,004)</u> |
| Cash Flows from Investing Activities: | | | | | | |
| Purchase of Investments | (800) | — | — | — | — | (800) |
| Proceeds from Sale of Investments | 800 | — | — | — | — | 800 |
| Investment Earnings | <u>18</u> | <u>—</u> | <u>—</u> | <u>1</u> | <u>—</u> | <u>19</u> |
| Net Cash Provided by Investing Activities | <u>18</u> | <u>—</u> | <u>—</u> | <u>1</u> | <u>—</u> | <u>19</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (7,458) | 2,338 | 6,365 | 863 | (173) | 1,935 |
| Cash and Cash Equivalents, Beginning of Year | <u>75,841</u> | <u>6,516</u> | <u>4,981</u> | <u>5,320</u> | <u>901</u> | <u>93,559</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 68,383</u> | <u>\$ 8,854</u> | <u>\$11,346</u> | <u>\$ 6,183</u> | <u>\$ 728</u> | <u>\$ 95,494</u> |

| | State Building Fund | Information Services and Communications | Travel Management | Investment Management Board | Board of Treasury Investments | Total |
|---|------------------------------------|--|------------------------------|--|--|-------------------|
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) | | | | | | |
| Operating Activities: | | | | | | |
| Operating Income (Loss) | \$(13,403) | \$(24,973) | \$(1,177) | \$ 4 | \$(167) | \$(39,716) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities: | | | | | | |
| Depreciation and Amortization | 3,743 | 9,095 | 5,640 | 17 | 2 | 18,497 |
| Changes in Assets and Liabilities: | | | | | | |
| Receivables | (136) | 53 | 955 | 289 | 20 | 1,181 |
| Inventories | 5 | (190) | — | — | — | (185) |
| Other Assets | — | — | — | 28 | — | 28 |
| Accounts Payable and Accrued Liabilities | (561) | 1,672 | 371 | 558 | (21) | 2,019 |
| Other Liabilities | <u>788</u> | <u>1,931</u> | <u>106</u> | <u>—</u> | <u>—</u> | <u>2,825</u> |
| Net Cash Provided by (Used for) Operating Activities | <u>\$ (9,564)</u> | <u>\$(12,412)</u> | <u>\$ 5,895</u> | <u>\$896</u> | <u>\$(166)</u> | <u>\$(15,351)</u> |

PROPRIETARY FUNDS - NONMAJOR

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

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

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

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

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

**Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2011
(Expressed in Thousands)**

| | Business-type Activities - Enterprise Funds | | | | | |
|--|---|--|--|--|-----------------|------------------|
| | Drinking Water Treatment Revolving Fund | Alcohol Beverage Control Administration | West Virginia Prepaid College Plan | West Virginia Correctional Industries | AccessWV | Total |
| Assets: | | | | | | |
| Current Assets: | | | | | | |
| Cash and Cash Equivalents | \$ 18,829 | \$ 8,547 | \$ 2,523 | \$2,537 | \$13,323 | \$ 45,759 |
| Receivables, Net | 4,997 | 70 | 577 | 50 | — | 5,694 |
| Due from Other Funds | — | 2 | 36 | 1,051 | — | 1,089 |
| Due from Component Units | — | — | — | 70 | — | 70 |
| Inventories | — | 7 | — | 1,791 | — | 1,798 |
| Total Current Assets | <u>23,826</u> | <u>8,626</u> | <u>3,136</u> | <u>5,499</u> | <u>13,323</u> | <u>54,410</u> |
| Noncurrent Assets: | | | | | | |
| Investments | — | — | 84,791 | — | — | 84,791 |
| Receivables, Net | 77,321 | 1,876 | 1,115 | — | — | 80,312 |
| Capital Assets, Net | — | 1,968 | — | 331 | — | 2,299 |
| Total Noncurrent Assets | <u>77,321</u> | <u>3,844</u> | <u>85,906</u> | <u>331</u> | <u>—</u> | <u>167,402</u> |
| Total Assets | <u>101,147</u> | <u>12,470</u> | <u>89,042</u> | <u>5,830</u> | <u>13,323</u> | <u>221,812</u> |
| Liabilities: | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts Payable | — | 3,161 | 83 | 261 | — | 3,505 |
| Accrued Tuition Contract Benefits | — | — | 13,781 | — | — | 13,781 |
| Accrued and Other Liabilities | — | — | — | 20 | 61 | 81 |
| Due to Other Funds | — | 1,346 | 107 | 1 | 22 | 1,476 |
| Insurance Claims Obligations | — | — | — | — | 720 | 720 |
| Compensated Absences | — | — | 34 | — | — | 34 |
| Total Current Liabilities | <u>—</u> | <u>4,507</u> | <u>14,005</u> | <u>282</u> | <u>803</u> | <u>19,597</u> |
| Noncurrent Liabilities: | | | | | | |
| Accrued Tuition Contract Benefits | — | — | 86,576 | — | — | 86,576 |
| Compensated Absences | — | 243 | — | 114 | — | 357 |
| Total Noncurrent Liabilities | <u>—</u> | <u>243</u> | <u>86,576</u> | <u>114</u> | <u>—</u> | <u>86,933</u> |
| Total Liabilities | <u>—</u> | <u>4,750</u> | <u>100,581</u> | <u>396</u> | <u>803</u> | <u>106,530</u> |
| Net Assets (Deficit): | | | | | | |
| Invested in Capital Assets, Net of Related Debt | — | 1,968 | — | 331 | — | 2,299 |
| Restricted for: | | | | | | |
| Government Operations | — | — | 324 | — | — | 324 |
| Lending Activities | 101,147 | 1,788 | — | — | — | 102,935 |
| Insurance Activities | — | — | — | — | 12,520 | 12,520 |
| Unrestricted (Deficit) | — | 3,964 | (11,863) | 5,103 | — | (2,796) |
| Total Net Assets (Deficit) | <u>\$101,147</u> | <u>\$ 7,720</u> | <u>\$ (11,539)</u> | <u>\$5,434</u> | <u>\$12,520</u> | <u>\$115,282</u> |

**Combining Statement of Revenues, Expenses,
and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)**

| | Business-type Activities - Enterprise Funds | | | | | Total |
|--|---|--|--|--|-----------------|------------------|
| | Drinking Water Treatment Revolving Fund | Alcohol Beverage Control Administration | West Virginia Prepaid College Plan | West Virginia Correctional Industries | AccessWV | |
| Operating Revenues: | | | | | | |
| Charges for Services and Sales | \$ 691 | \$ 84,268 | \$ — | \$7,762 | \$ 6,423 | \$ 99,144 |
| Tuition Contracts | — | — | 103 | — | — | 103 |
| Licenses, Permits, and Fees | — | 3,908 | — | — | — | 3,908 |
| Other | — | 60 | 947 | — | 142 | 1,149 |
| Total Operating Revenues | <u>691</u> | <u>88,236</u> | <u>1,050</u> | <u>7,762</u> | <u>6,565</u> | <u>104,304</u> |
| Operating Expenses: | | | | | | |
| Cost of Sales and Services | — | 65,716 | — | 4,097 | — | 69,813 |
| Insurance Claims and Claims Adjustment Provisions | — | — | — | — | 6,337 | 6,337 |
| Tuition Contract Benefits and Expenses | — | — | 4,179 | — | — | 4,179 |
| General and Administration | — | 5,745 | 905 | 3,279 | 377 | 10,306 |
| Depreciation and Amortization | — | 156 | — | 102 | — | 258 |
| Other | <u>11,102</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>11,102</u> |
| Total Operating Expenses | <u>11,102</u> | <u>71,617</u> | <u>5,084</u> | <u>7,478</u> | <u>6,714</u> | <u>101,995</u> |
| Operating Income (Loss) | (10,411) | 16,619 | (4,034) | 284 | (149) | 2,309 |
| Nonoperating Revenues (Expenses): | | | | | | |
| Interest and Other Investment Income | 35 | — | 14,511 | — | 316 | 14,862 |
| Other Nonoperating Revenues | — | 78 | — | — | — | 78 |
| Other Nonoperating Expenses | — | (12) | — | — | — | (12) |
| Total Nonoperating Revenues, Net | <u>35</u> | <u>66</u> | <u>14,511</u> | <u>—</u> | <u>316</u> | <u>14,928</u> |
| Income (Loss) Before Transfers | (10,376) | 16,685 | 10,477 | 284 | 167 | 17,237 |
| Transfers: | | | | | | |
| Transfers In | 27,218 | 200 | 144 | — | — | 27,562 |
| Transfers Out | — | (15,581) | — | — | — | (15,581) |
| Total Transfers | <u>27,218</u> | <u>(15,381)</u> | <u>144</u> | <u>—</u> | <u>—</u> | <u>11,981</u> |
| Change in Net Assets | 16,842 | 1,304 | 10,621 | 284 | 167 | 29,218 |
| Net Assets (Deficit), Beginning of Year | <u>84,305</u> | <u>6,416</u> | <u>(22,160)</u> | <u>5,150</u> | <u>12,353</u> | <u>86,064</u> |
| Net Assets (Deficit), End of Year | <u>\$101,147</u> | <u>\$ 7,720</u> | <u>\$(11,539)</u> | <u>\$5,434</u> | <u>\$12,520</u> | <u>\$115,282</u> |

West Virginia

Combining Statement of Cash Flows Nonmajor Proprietary Funds For the Fiscal Year Ended June 30, 2011 (Expressed in Thousands)

| | Business-type Activities - Enterprise Funds | | | | | Total |
|--|---|--|--|--|----------|-----------|
| | Drinking Water Treatment Revolving Fund | Alcohol Beverage Control Administration | West Virginia Prepaid College Plan | West Virginia Correctional Industries | AccessWV | |
| Cash Flows From Operating Activities: | | | | | | |
| Receipts from Customers | \$ 3,897 | \$ 88,371 | \$ 663 | \$ 8,364 | \$ 6,565 | \$107,860 |
| Payments to Suppliers | — | (66,847) | (451) | (4,178) | (366) | (71,842) |
| Payments to Employees | — | (3,858) | (401) | (2,317) | (49) | (6,625) |
| Payments to Beneficiaries | — | — | (8,573) | — | — | (8,573) |
| Payments for Loans Originated | (30,625) | — | — | — | — | (30,625) |
| Other Operating Cash Receipts | — | — | 1,071 | — | — | 1,071 |
| Other Operating Cash Payments | — | — | — | (972) | (6,158) | (7,130) |
| Net Cash Provided by (Used for) Operating Activities | (26,728) | 17,666 | (7,691) | 897 | (8) | (15,864) |
| Cash Flows from Noncapital Financing Activities: | | | | | | |
| Transfers In | 27,218 | 200 | 121 | — | — | 27,539 |
| Transfers Out | — | (29,568) | — | — | — | (29,568) |
| Other Nonoperating Receipts | — | 460 | — | — | — | 460 |
| Net Cash Provided by (Used for) Noncapital Financing Activities | 27,218 | (28,908) | 121 | — | — | (1,569) |
| Cash Flows from Capital and Related Financing Activities: | | | | | | |
| Acquisition and Construction of Capital Assets | — | (221) | — | (33) | — | (254) |
| Net Cash Used for Capital and Related Financing Activities | — | (221) | — | (33) | — | (254) |
| Cash Flows from Investing Activities: | | | | | | |
| Purchase of Investments | — | — | (1,372) | — | — | (1,372) |
| Proceeds from Sale of Investments | — | — | 7,000 | — | — | 7,000 |
| Investment Earnings | 35 | — | 1,381 | — | 316 | 1,732 |
| Net Cash Provided by Investing Activities | 35 | — | 7,009 | — | 316 | 7,360 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 525 | (11,463) | (561) | 864 | 308 | (10,327) |
| Cash and Cash Equivalents, Beginning of Year | 18,304 | 20,010 | 3,084 | 1,673 | 13,015 | 56,086 |
| Cash and Cash Equivalents, End of Year | \$18,829 | \$ 8,547 | \$ 2,523 | \$ 2,537 | \$13,323 | \$ 45,759 |

**Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)
(Continued)**

| | Business-type Activities - Enterprise Funds | | | | | Total |
|---|--|--|---|--|-----------------|-------------------|
| | Drinking Water Treatment Revolving Fund | Alcohol Beverage Control Administration | West Virginia Prepaid College Plan | West Virginia Correctional Industries | AccessWV | |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) | | | | | | |
| Operating Activities: | | | | | | |
| Operating Income (Loss) | \$(10,411) | \$16,619 | \$ (4,034) | \$284 | \$(149) | \$ 2,309 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities: | | | | | | |
| Depreciation and Amortization | — | 156 | — | 102 | — | 258 |
| Changes in Assets and Liabilities: | | | | | | |
| Receivables | (16,317) | 135 | 684 | 602 | — | (14,896) |
| Inventories | — | 12 | — | (20) | — | (8) |
| Accounts Payable and Accrued Liabilities | — | 199 | 1 | (45) | (29) | 126 |
| Tuition Contracts Benefits and Expenses | — | — | (4,394) | — | — | (4,394) |
| Due to/from Other Funds | — | 571 | — | — | — | 571 |
| Other Liabilities | — | — | — | — | 170 | 170 |
| Compensated Absences | — | (26) | 52 | (26) | — | — |
| Net Cash Provided by (Used for) Operating Activities | <u>\$(26,728)</u> | <u>\$17,666</u> | <u>\$ (7,691)</u> | <u>\$897</u> | <u>\$ (8)</u> | <u>\$(15,864)</u> |
| Schedule of Noncash Capital and Financing Activities: | | | | | | |
| Unrealized Gain on Investments | \$ — | \$ — | \$13,136 | \$ — | \$ — | \$ 13,136 |

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 nine plans. There are eight defined benefit plans as follows: The Public Employees' Retirement System (PERS) plan is a multiple-employer defined benefit, cost-sharing public employee retirement system. This plan covers substantially all employees of the State and its component units, as well as employees of participating 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. The Municipal Police Officers and Firefighters Retirement System (MPFRS) plan is a multiple-employer defined benefit retirement system. This plan provides for any municipality or municipal subdivision employing municipal police officers or firefighters.

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

The West Virginia Retiree Health Benefit Trust Fund The West Virginia Retiree Health Benefit Trust Fund (RHBT), an irrevocable trust, was established under West Virginia Code 5-16D and is administered by the West Virginia Public Employees Insurance Agency (PEIA) and the PEIA Finance Board. The RHBT is a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. It provides the following basic retiree benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, dental, and prescription drug coverage for retired employees of the State of West Virginia and various 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, 2011
(Expressed in Thousands)**

| | Public Employees' Retirement System | Teachers' Retirement System | Public Safety Death, Disability, and Retirement Fund | State Police Retirement System | Judges' Retirement System |
|---|--|--|---|---|--|
| Assets: | | | | | |
| Cash and Cash Equivalents | \$ 577 | \$ 1 | \$ 1 | \$ — | \$ — |
| Investments: | | | | | |
| Equity in Pooled Investments | 4,359,025 | 5,010,213 | 482,005 | 70,756 | 124,587 |
| Mutual Funds | — | — | — | — | — |
| Receivables, Net: | | | | | |
| Contributions | 5,230 | 55,029 | — | — | — |
| Participant Loans | 5 | 9,249 | — | — | — |
| Accounts | — | — | — | — | — |
| Due from Other Funds | 180,164 | 323 | — | — | — |
| Restricted Assets: | | | | | |
| Cash and Cash Equivalents | — | — | — | — | — |
| Total Assets | <u>4,545,001</u> | <u>5,074,815</u> | <u>482,006</u> | <u>70,756</u> | <u>124,587</u> |
| Liabilities: | | | | | |
| Accrued and Other Liabilities | 339 | 150 | 12 | — | 4 |
| Due to Other Funds | 37 | — | — | — | — |
| Insurance Claims Payable | — | — | — | — | — |
| Early Retiree Premium Subsidy Funds | — | — | — | — | — |
| Total Liabilities | <u>376</u> | <u>150</u> | <u>12</u> | <u>—</u> | <u>4</u> |
| Net Assets Held in trust for Pension and Other Postemployment Benefits | <u>\$4,544,625</u> | <u>\$5,074,665</u> | <u>\$481,994</u> | <u>\$70,756</u> | <u>\$124,583</u> |

| Teachers' Defined Contribution Retirement System | Deputy Sheriff Retirement System | Emergency Medical Services Retirement System | Municipal Police Officers and Firefighters | Total Pension Trust Funds | Other Employee Benefit Trust Fund | Total Pension and Other Employee Benefit Trust Funds |
|---|---|---|---|--|--|---|
| \$ 6,902 | \$ — | \$ 116 | \$ — | \$ 7,597 | \$ 56,654 | \$ 64,251 |
| — | 112,488 | 31,963 | 61 | 10,191,098 | 437,457 | 10,628,555 |
| 299,580 | — | — | — | 299,580 | — | 299,580 |
| 1,720 | 487 | 289 | 4 | 62,759 | 4,181 | 66,940 |
| 95 | 496 | — | — | 9,845 | — | 9,845 |
| — | — | — | — | — | 13,412 | 13,412 |
| — | 120 | — | — | 180,607 | — | 180,607 |
| — | — | — | — | — | 3,926 | 3,926 |
| <u>308,297</u> | <u>113,591</u> | <u>32,368</u> | <u>65</u> | <u>10,751,486</u> | <u>515,630</u> | <u>11,267,116</u> |
| 82 | 17 | 2 | — | 606 | 7,689 | 8,295 |
| — | — | — | — | 37 | 20,307 | 20,344 |
| — | — | — | — | — | 11,630 | 11,630 |
| — | — | — | — | — | 3,926 | 3,926 |
| <u>82</u> | <u>17</u> | <u>2</u> | <u>—</u> | <u>643</u> | <u>43,552</u> | <u>44,195</u> |
| <u>\$308,215</u> | <u>\$113,574</u> | <u>\$32,366</u> | <u>\$65</u> | <u>\$10,750,843</u> | <u>\$472,078</u> | <u>\$11,222,921</u> |

**Combining Statement of Changes in Plan Net Assets
Pension Trust and Other Employee
Benefit Trust Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)**

| | Public Employees' Retirement System | Teachers' Retirement System | Public Safety Death, Disability, and Retirement Fund | State Police Retirement System | Judges' Retirement System |
|--|--|--|---|---|--|
| Additions: | | | | | |
| Contributions: | | | | | |
| Members | \$ 57,714 | \$ 87,697 | \$ 833 | \$ 3,065 | \$ 622 |
| Employers | <u>160,493</u> | <u>501,103</u> | <u>1,389</u> | <u>4,570</u> | <u>3,954</u> |
| Total Contributions | <u>218,207</u> | <u>588,800</u> | <u>2,222</u> | <u>7,635</u> | <u>4,576</u> |
| Investment Income: | | | | | |
| Net Appreciation in Fair Value of Investments | 733,945 | 808,314 | 79,790 | 10,868 | 20,557 |
| Interest | 35,258 | 33,701 | 3,750 | 545 | 995 |
| Investment Expense | <u>(11,901)</u> | <u>(13,087)</u> | <u>(1,312)</u> | <u>(191)</u> | <u>(338)</u> |
| Net Investment Income | <u>757,302</u> | <u>828,928</u> | <u>82,228</u> | <u>11,222</u> | <u>21,214</u> |
| Transfers to (from) Plans | 368 | (418) | — | — | — |
| Other | <u>1,030</u> | <u>60,569</u> | <u>24,356</u> | <u>126</u> | <u>—</u> |
| Total Additions | <u>976,907</u> | <u>1,477,879</u> | <u>108,806</u> | <u>18,983</u> | <u>25,790</u> |
| Deductions: | | | | | |
| Benefits Expense | 284,587 | 535,010 | 31,206 | 443 | 4,014 |
| Refunds of Contributions | 9,880 | 7,614 | — | 482 | — |
| Administrative Expenses | <u>4,403</u> | <u>4,130</u> | <u>50</u> | <u>37</u> | <u>7</u> |
| Total Deductions | <u>298,870</u> | <u>546,754</u> | <u>31,256</u> | <u>962</u> | <u>4,021</u> |
| Change in Net Assets Held in Trust for Pension and Other Postemployment Benefits | 678,037 | 931,125 | 77,550 | 18,021 | 21,769 |
| Net Assets, Beginning of Year | <u>3,866,588</u> | <u>4,143,540</u> | <u>404,444</u> | <u>52,735</u> | <u>102,814</u> |
| Net Assets, End of Year | <u>\$4,544,625</u> | <u>\$5,074,665</u> | <u>\$481,994</u> | <u>\$70,756</u> | <u>\$124,583</u> |

| Teachers' Defined Contribution Retirement System | Deputy Sheriff Retirement System | Emergency Medical Services Retirement System | Municipal Police Officers and Firefighters | Total Pension Trust Funds | Other Employee Benefit Trust Fund | Total Pension and Other Employee Benefit Trust Funds |
|---|---|---|---|--|--|---|
| \$ 6,755 | \$ 3,505 | \$ 1,894 | \$31 | \$ 162,116 | \$ 70,608 | \$ 232,724 |
| <u>10,620</u> | <u>4,221</u> | <u>2,264</u> | <u>31</u> | <u>688,645</u> | <u>147,068</u> | <u>835,713</u> |
| <u>17,375</u> | <u>7,726</u> | <u>4,158</u> | <u>62</u> | <u>850,761</u> | <u>217,676</u> | <u>1,068,437</u> |
| 40,593 | 18,477 | 4,958 | — | 1,717,502 | 36,239 | 1,753,741 |
| — | 901 | 238 | — | 75,388 | 6,898 | 82,286 |
| — | <u>(306)</u> | <u>(87)</u> | <u>—</u> | <u>(27,222)</u> | <u>—</u> | <u>(27,222)</u> |
| <u>40,593</u> | <u>19,072</u> | <u>5,109</u> | <u>—</u> | <u>1,765,668</u> | <u>43,137</u> | <u>1,808,805</u> |
| 7 | — | 43 | — | — | — | — |
| <u>7</u> | <u>542</u> | <u>45</u> | <u>—</u> | <u>86,675</u> | <u>1,229</u> | <u>87,904</u> |
| <u>57,982</u> | <u>27,340</u> | <u>9,355</u> | <u>62</u> | <u>2,703,104</u> | <u>262,042</u> | <u>2,965,146</u> |
| — | 5,714 | 237 | — | 861,211 | 202,111 | 1,063,322 |
| 9,163 | 659 | 376 | — | 28,174 | — | 28,174 |
| <u>437</u> | <u>85</u> | <u>38</u> | <u>—</u> | <u>9,187</u> | <u>10,488</u> | <u>19,675</u> |
| <u>9,600</u> | <u>6,458</u> | <u>651</u> | <u>—</u> | <u>898,572</u> | <u>212,599</u> | <u>1,111,171</u> |
| 48,382 | 20,882 | 8,704 | 62 | 1,804,532 | 49,443 | 1,853,975 |
| <u>259,833</u> | <u>92,692</u> | <u>23,662</u> | <u>3</u> | <u>8,946,311</u> | <u>422,635</u> | <u>9,368,946</u> |
| <u>\$308,215</u> | <u>\$113,574</u> | <u>\$32,366</u> | <u>\$65</u> | <u>\$10,750,843</u> | <u>\$472,078</u> | <u>\$11,222,921</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, 2011
(Expressed in Thousands)**

| | West Virginia Money Market | West Virginia Government Money Market | Total |
|--|---|--|------------------|
| Assets: | | | |
| Cash and Cash Equivalents | \$67,879 | \$225,349 | \$293,228 |
| Total Assets | <u>\$67,879</u> | <u>\$225,349</u> | <u>\$293,228</u> |
| Net Assets: | | | |
| Held in Trust for External Investment Pool Participants | \$67,879 | \$225,349 | \$293,228 |
| Total Net Assets | <u>\$67,879</u> | <u>\$225,349</u> | <u>\$293,228</u> |

**Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)**

| | West Virginia Money Market | West Virginia Government Money Market | Total |
|---|---|--|------------------|
| Additions: | | | |
| Deposits, Pool Participants | \$323,915 | \$452,609 | \$776,524 |
| Investment Income: | | | |
| Net Appreciation in Fair Value of Investments | <u>171</u> | <u>309</u> | <u>480</u> |
| Total Additions | <u>324,086</u> | <u>452,918</u> | <u>777,004</u> |
| Deductions: | | | |
| Withdrawals | <u>334,028</u> | <u>400,769</u> | <u>734,797</u> |
| Change in Net Assets Held in Trust for External Investment Pool Participants | (9,942) | 52,149 | 42,207 |
| Net Assets, Beginning of Year | <u>77,821</u> | <u>173,200</u> | <u>251,021</u> |
| Net Assets, End of Year | <u>\$ 67,879</u> | <u>\$225,349</u> | <u>\$293,228</u> |

AGENCY FUNDS

Agency Funds These Funds are custodial in nature and do not involve measurement of operations. They include the following:

Local Government This includes two funds, the Local Government Fund and the Municipal Bond Commission, which account for taxes collected by the State that are to be remitted to respective local governments.

Other Agency Funds These funds are the Consolidated Investment Pool, the Patient Injury Compensation Fund, and other small agency funds which account for various assets and liabilities generated through agency relationships. These include patient and inmate funds and other amounts collected on behalf of third parties, performance bonds required by the Department of Energy and Labor, the Department of Environmental Protection, and other restricted assets held by the Governor's Office of Community and Industrial Development. The Patient Injury Compensation Fund was created for the purpose of providing fair and reasonable compensation in medical malpractice actions for any portion of economic damages awarded that is uncollectible as a result of limitations on economic damage awards for trauma care, or as a result of the operation of the joint and several liability principles and standards set forth in the West Virginia State Code.

Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2011
(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 | \$95 | \$5,523 | \$31,418 | \$4,032 | \$18,654 | \$59,722 |
| Investments | — | — | 6,564 | — | — | 6,564 |
| Total Assets | <u>\$95</u> | <u>\$5,523</u> | <u>\$37,982</u> | <u>\$4,032</u> | <u>\$18,654</u> | <u>\$66,286</u> |
| Liabilities: | | | | | | |
| Current Liabilities: | | | | | | |
| Due to Other Governments | \$95 | \$5,523 | \$ — | \$ — | \$ — | \$ 5,618 |
| Agency Liabilities | — | — | 37,982 | 4,032 | 18,654 | 60,668 |
| Total Liabilities | <u>\$95</u> | <u>\$5,523</u> | <u>\$37,982</u> | <u>\$4,032</u> | <u>\$18,654</u> | <u>\$66,286</u> |

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)**

| | Balance July 1, 2010 | Additions | Deductions | Balance June 30, 2011 |
|---|---------------------------------|--------------------|--------------------|----------------------------------|
| Local Government | | | | |
| Assets: | | | | |
| Cash | \$ 122 | \$1,646,948 | \$1,646,975 | \$ 95 |
| Total Assets | <u>\$ 122</u> | <u>\$1,646,948</u> | <u>\$1,646,975</u> | <u>\$ 95</u> |
| Liabilities: | | | | |
| Accounts Payable | \$ — | \$ 8,530 | \$ 8,530 | \$ — |
| Due to Other Governments | 122 | 1,638,418 | 1,638,445 | 95 |
| Total Liabilities | <u>\$ 122</u> | <u>\$1,646,948</u> | <u>\$1,646,975</u> | <u>\$ 95</u> |
| Municipal Bond Commission | | | | |
| Assets: | | | | |
| Cash | \$ 2,988 | \$ 372,983 | \$ 370,448 | \$ 5,523 |
| Total Assets | <u>\$ 2,988</u> | <u>\$ 372,983</u> | <u>\$ 370,448</u> | <u>\$ 5,523</u> |
| Liabilities: | | | | |
| Accounts Payable | \$ — | \$ 141,979 | \$ 141,979 | \$ — |
| Due to Other Governments | 2,988 | 231,004 | 228,469 | 5,523 |
| Total Liabilities | <u>\$ 2,988</u> | <u>\$ 372,983</u> | <u>\$ 370,448</u> | <u>\$ 5,523</u> |
| Consolidated Investment Pool | | | | |
| Assets: | | | | |
| Cash | \$ 7,133 | \$ 124,038 | \$ 127,897 | \$ 3,274 |
| Equity in Pooled Cash Equivalents | 20,815 | 58,062 | 50,733 | 28,144 |
| Investments | — | 6,564 | — | 6,564 |
| Accrued Interest Receivable | 3 | — | 3 | — |
| Total Assets | <u>\$27,951</u> | <u>\$ 188,664</u> | <u>\$ 178,633</u> | <u>\$37,982</u> |
| Liabilities: | | | | |
| Agency Liabilities | \$27,951 | \$ 188,664 | \$ 178,633 | \$37,982 |
| Total Liabilities | <u>\$27,951</u> | <u>\$ 188,664</u> | <u>\$ 178,633</u> | <u>\$37,982</u> |
| Patient Injury Compensation Fund | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$ 40 | \$ 478 | \$ 507 | \$ 11 |
| Equity in Pooled Cash Equivalents | 4,483 | 8 | 470 | 4,021 |
| Accrued Interest Receivable | 1 | — | 1 | — |
| Total Assets | <u>\$ 4,524</u> | <u>\$ 486</u> | <u>\$ 978</u> | <u>\$ 4,032</u> |
| Liabilities: | | | | |
| Accounts Payable | \$ — | \$ 499 | \$ 499 | \$ — |
| Agency Liabilities | 4,524 | (13) | 479 | 4,032 |
| Total Liabilities | <u>\$ 4,524</u> | <u>\$ 486</u> | <u>\$ 978</u> | <u>\$ 4,032</u> |

| | Balance | | | Balance |
|-----------------------------------|---------------------|--------------------|--------------------|----------------------|
| | July 1, 2010 | Additions | Deductions | June 30, 2011 |
| Other Agency Funds | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$16,783 | \$ 883,255 | \$ 885,397 | \$14,641 |
| Equity in Pooled Cash Equivalents | 4,100 | 470 | 557 | 4,013 |
| Accrued Interest Receivable | <u>1</u> | <u>—</u> | <u>1</u> | <u>—</u> |
| Total Assets | <u>\$20,884</u> | <u>\$ 883,725</u> | <u>\$ 885,955</u> | <u>\$18,654</u> |
| Liabilities: | | | | |
| Accounts Payable | \$ 7 | \$ 792 | \$ 799 | \$ — |
| Agency Liabilities | <u>20,877</u> | <u>882,933</u> | <u>885,156</u> | <u>18,654</u> |
| Total Liabilities | <u>\$20,884</u> | <u>\$ 883,725</u> | <u>\$ 885,955</u> | <u>\$18,654</u> |
| Total - All Agency Funds | | | | |
| Assets: | | | | |
| Cash and Cash Equivalents | \$27,066 | \$3,027,702 | \$3,031,224 | \$23,544 |
| Equity in Pooled Cash Equivalents | 29,398 | 58,540 | 51,760 | 36,178 |
| Investments | — | 6,564 | — | 6,564 |
| Accrued Interest Receivable | <u>5</u> | <u>—</u> | <u>5</u> | <u>—</u> |
| Total Assets | <u>\$56,469</u> | <u>\$3,092,806</u> | <u>\$3,082,989</u> | <u>\$66,286</u> |
| Liabilities: | | | | |
| Accounts Payable | \$ 7 | \$ 151,800 | \$ 151,807 | \$ — |
| Due to Other Governments | 3,110 | 1,869,422 | 1,866,914 | 5,618 |
| Agency Liabilities | <u>53,352</u> | <u>1,071,584</u> | <u>1,064,268</u> | <u>60,668</u> |
| Total Liabilities | <u>\$56,469</u> | <u>\$3,092,806</u> | <u>\$3,082,989</u> | <u>\$66,286</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.

**Combining Statement of Net Assets
Nonmajor Discretely Presented Component Units
June 30, 2011
(Expressed in Thousands)**

| | Educational Broadcasting Authority | Jobs Investment Trust | WV State Rail Authority |
|---|---|--------------------------------------|--|
| Assets: | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 733 | \$ 7,112 | \$ 4,980 |
| Investments | 417 | — | — |
| Receivables, Net | 388 | — | 108 |
| Due from Primary Government | 223 | — | 14 |
| Inventories | — | — | 42 |
| Other Assets | 134 | — | — |
| Restricted Assets: | | | |
| Cash and Cash Equivalents | — | — | — |
| Receivables, Net | — | — | — |
| Total Current Assets | <u>1,895</u> | <u>7,112</u> | <u>5,144</u> |
| Noncurrent Assets: | | | |
| Investments | — | 5,899 | — |
| Receivables, Net | — | 5,432 | — |
| Other Assets | — | 136 | — |
| Restricted Assets: | | | |
| Cash and Cash Equivalents | — | — | — |
| Receivables, Net | — | — | — |
| Other Restricted Assets | 243 | — | — |
| Capital Assets, Net | <u>6,426</u> | <u>256</u> | <u>37,442</u> |
| Total Noncurrent Assets | <u>6,669</u> | <u>11,723</u> | <u>37,442</u> |
| Total Assets | <u>8,564</u> | <u>18,835</u> | <u>42,586</u> |
| Liabilities: | | | |
| Current Liabilities: | | | |
| Accounts Payable | 150 | 6 | 44 |
| Accrued and Other Liabilities | — | 36 | 41 |
| Due to Primary Government | 771 | 7 | 350 |
| Unearned Revenue | 16 | — | 3 |
| Capital Leases and Other Debt | — | 5,783 | — |
| Compensated Absences | <u>359</u> | <u>—</u> | <u>52</u> |
| Total Current Liabilities | <u>1,296</u> | <u>5,832</u> | <u>490</u> |
| Noncurrent Liabilities: | | | |
| Accrued and Other Liabilities | — | — | — |
| Unearned Revenue | — | — | 73 |
| Liabilities Payable from Restricted Assets | — | — | — |
| Capital Leases and Other Debt | — | 15,527 | — |
| Compensated Absences | <u>859</u> | <u>—</u> | <u>—</u> |
| Total Noncurrent Liabilities | <u>859</u> | <u>15,527</u> | <u>73</u> |
| Total Liabilities | <u>2,155</u> | <u>21,359</u> | <u>563</u> |
| Net Assets (Deficit): | | | |
| Investment in Capital Assets, Net of Related Debt | 6,426 | 256 | 37,442 |
| Restricted for: | | | |
| Nonexpendable | 243 | — | — |
| Specific Component Unit Purposes | — | — | — |
| Unrestricted | <u>(260)</u> | <u>(2,780)</u> | <u>4,581</u> |
| Total Net Assets (Deficit) | <u>\$6,409</u> | <u>\$(2,524)</u> | <u>\$42,023</u> |

| Solid Waste Management Board | Racing Commission | Public Defender Corporation | Total |
|---|------------------------------|--|------------------|
| \$2,467 | \$ 7,540 | \$4,566 | \$ 27,398 |
| — | — | — | 417 |
| 179 | 34 | 12 | 721 |
| — | — | — | 237 |
| — | — | — | 42 |
| 1 | — | 69 | 204 |
| 2,128 | 29,244 | — | 31,372 |
| <u>333</u> | <u>1,115</u> | <u>—</u> | <u>1,448</u> |
| <u>5,108</u> | <u>37,933</u> | <u>4,647</u> | <u>61,839</u> |
| — | — | — | 5,899 |
| — | — | — | 5,432 |
| — | — | — | 136 |
| — | 2,603 | — | 2,603 |
| 2,094 | — | — | 2,094 |
| — | — | — | 243 |
| <u>9</u> | <u>9</u> | <u>625</u> | <u>44,767</u> |
| <u>2,103</u> | <u>2,612</u> | <u>625</u> | <u>61,174</u> |
| <u>7,211</u> | <u>40,545</u> | <u>5,272</u> | <u>123,013</u> |
| 92 | 1,056 | 1 | 1,349 |
| — | 58 | 272 | 407 |
| 208 | 1,060 | 3,142 | 5,538 |
| — | — | — | 19 |
| — | — | 25 | 5,808 |
| — | — | <u>755</u> | <u>1,166</u> |
| <u>300</u> | <u>2,174</u> | <u>4,195</u> | <u>14,287</u> |
| 200 | — | — | 200 |
| — | — | — | 73 |
| — | 31,847 | — | 31,847 |
| — | — | 123 | 15,650 |
| <u>23</u> | <u>127</u> | <u>—</u> | <u>1,009</u> |
| <u>223</u> | <u>31,974</u> | <u>123</u> | <u>48,779</u> |
| <u>523</u> | <u>34,148</u> | <u>4,318</u> | <u>63,066</u> |
| 9 | 9 | 478 | 44,620 |
| — | — | — | 243 |
| 4,356 | — | — | 4,356 |
| <u>2,323</u> | <u>6,388</u> | <u>476</u> | <u>10,728</u> |
| <u>\$6,688</u> | <u>\$ 6,397</u> | <u>\$ 954</u> | <u>\$ 59,947</u> |

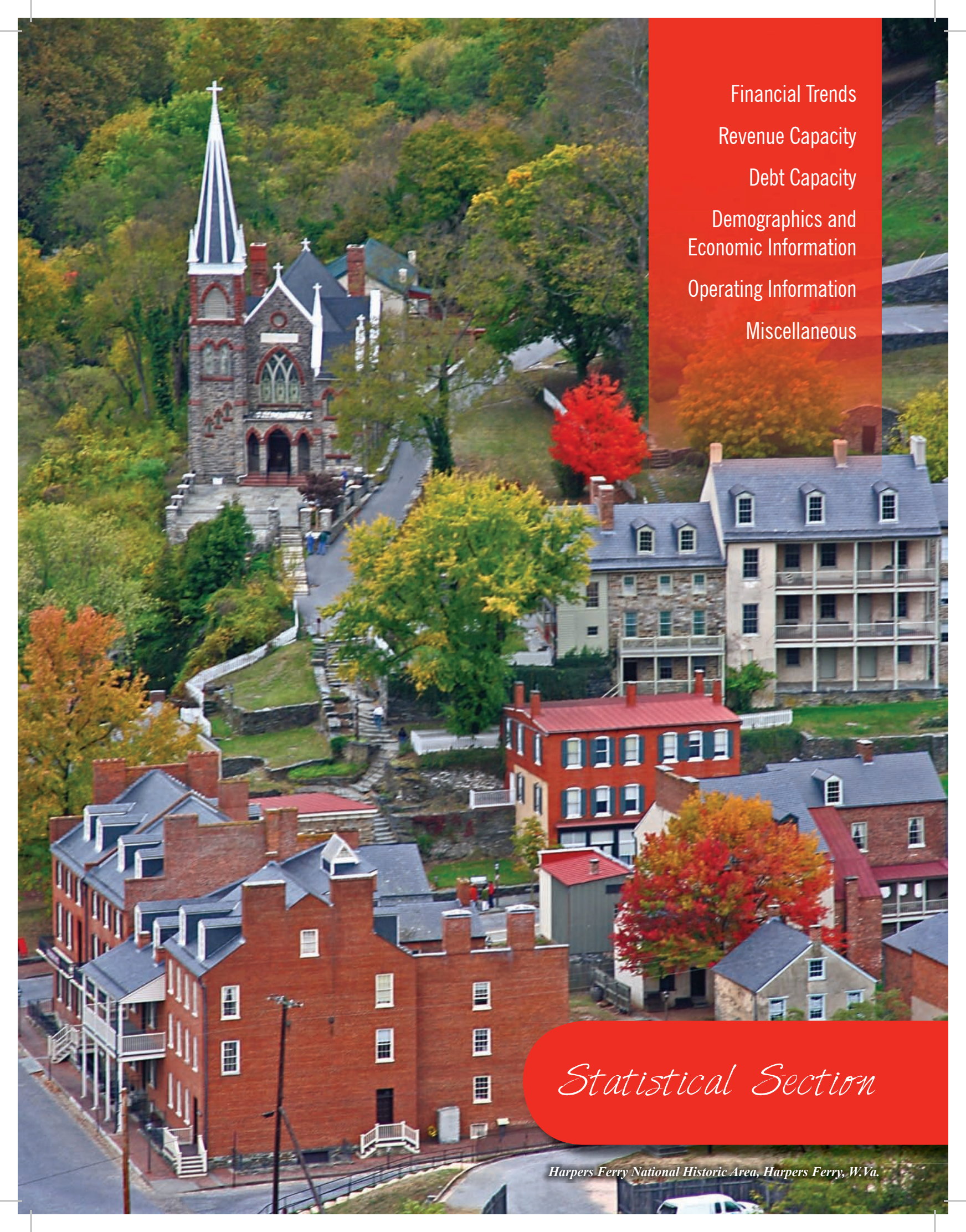
**Combining Statement of Activities
Nonmajor Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2011
(Expressed in Thousands)**

| | | <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 | \$11,359 | \$ 1,862 | \$1,512 | \$ (7,985) |
| Jobs Investment Trust | 2,783 | 545 | 6,000 | 3,762 |
| WV State Rail Authority | 4,133 | 2,518 | — | (1,615) |
| Solid Waste Management Board | 2,383 | 2,417 | — | 34 |
| Racing Commission | 3,684 | 3,248 | — | (436) |
| Public Defender Corporation | <u>18,290</u> | <u>—</u> | <u>—</u> | <u>(18,290)</u> |
| Total Component Units | <u>\$42,632</u> | <u>\$10,590</u> | <u>\$7,512</u> | <u>\$(24,530)</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, (Deficit) Beginning of Year | Net Assets, (Deficit) End of Year |
|--|---|---------------|---|-----------------------------|-------------------------------|---|---|
| \$ 143 | \$655 | \$488 | \$ 5,467 | \$ 6,753 | \$(1,232) | \$ 7,641 | \$ 6,409 |
| (2,806) | — | — | — | (2,806) | 956 | (3,480) | (2,524) |
| 10 | — | — | 2,508 | 2,518 | 903 | 41,120 | 42,023 |
| 1 | — | 1 | — | 2 | 36 | 6,652 | 6,688 |
| — | — | 2 | — | 2 | (434) | 6,831 | 6,397 |
| <u>7</u> | <u>—</u> | <u>12</u> | <u>18,238</u> | <u>18,257</u> | <u>(33)</u> | <u>987</u> | <u>954</u> |
| <u>\$(2,645)</u> | <u>\$655</u> | <u>\$503</u> | <u>\$26,213</u> | <u>\$24,726</u> | <u>\$ 196</u> | <u>\$59,751</u> | <u>\$59,947</u> |





Financial Trends
Revenue Capacity
Debt Capacity
Demographics and
Economic Information
Operating Information
Miscellaneous

Statistical Section

Harpers Ferry National Historic Area, Harpers Ferry, W. Va.



**Statistical Section
Index**

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

| | |
|--|-----|
| Schedule 1 - Net Assets by Component | 228 |
| Schedule 2 - Changes in Net Assets | 230 |
| Schedule 3 - Fund Balances - Governmental Funds | 234 |
| Schedule 4 - Changes in Fund Balances - Governmental Funds | 236 |

Revenue Capacity Information - These schedules contain trend information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.

| | |
|--|-----|
| Schedule 5 - Revenue Base | 238 |
| Schedule 6 - Revenue Rates | 240 |
| Schedule 7 - Revenue Payers by Industry/Category | 242 |

Debt Capacity Information - These schedules contain trend information to help the reader understand the State's outstanding debt, the capacity to repay that debt, and the ability to issue additional debt in the future.

| | |
|---|-----|
| Schedule 8 - Ratios of Outstanding Debt | 244 |
| Schedule 9 - Pledged Revenue Coverage | 246 |

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

| | |
|--|-----|
| Schedule 10 - Demographics and Economic Indicators | 250 |
| Schedule 11 - Principal Employers | 252 |
| Schedule 12 - Education Enrollment | 253 |

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

| | |
|---|-----|
| Schedule 13 - State Employees by Function | 254 |
| Schedule 14 - Operating Indicators by Function | 256 |
| Schedule 15 - Capital Assets Statistics by Function | 258 |

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

| | |
|--|-----|
| Schedule 16 - Miscellaneous Statistics | 260 |
|--|-----|

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 Ten Fiscal Years
(Expressed in Thousands)

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|--|---------------------|---------------------|---------------------|---------------------|
| Governmental Activities | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 8,288,909 | \$ 7,909,484 | \$ 7,532,883 | \$ 7,230,626 |
| Restricted | 551,892 | 435,296 | 817,524 | 926,541 |
| Unrestricted Assets (Deficit) | <u>1,347,124</u> | <u>1,407,481</u> | <u>1,725,672</u> | <u>1,402,670</u> |
| Total Governmental Activities | | | | |
| Net Assets | <u>\$10,187,925</u> | <u>\$ 9,752,261</u> | <u>\$10,076,079</u> | <u>\$ 9,559,837</u> |
| Business-type Activities | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 6,200 | \$ 31,428 | \$ 11,732 | \$ 12,330 |
| Restricted | 1,551,461 | 1,432,449 | 1,000,274 | 1,074,139 |
| Unrestricted Assets (Deficit) | <u>(568,660)</u> | <u>(744,459)</u> | <u>(1,095,509)</u> | <u>(1,329,576)</u> |
| Total Business-type Activities | | | | |
| Net Assets (Deficit) | <u>\$ 989,001</u> | <u>\$ 719,418</u> | <u>\$ (83,503)</u> | <u>\$ (243,107)</u> |
| Primary Government | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 8,295,109 | \$ 7,940,912 | \$ 7,544,615 | \$ 7,242,956 |
| Restricted | 2,103,353 | 1,867,745 | 1,817,798 | 2,000,680 |
| Unrestricted Assets (Deficit) | <u>778,464</u> | <u>663,022</u> | <u>630,163</u> | <u>73,094</u> |
| Total Primary Government | | | | |
| Net Assets | <u>\$11,176,926</u> | <u>\$10,471,679</u> | <u>\$ 9,992,576</u> | <u>\$ 9,316,730</u> |

Note: 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.

Beginning in FY 2008, the School Building Authority is no longer included in the Governmental Funds. It is now accounted for as a discretely presented component unit. The 2002-2007 amounts above have not been restated to reflect this change in presentation because the necessary information is not readily available.

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

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

| <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$6,934,539 | \$ 6,771,494 | \$ 6,448,005 | \$ 6,196,704 | \$ 5,910,605 | \$ 5,424,495 |
| 861,508 | 714,802 | 1,262,989 | 1,078,859 | 772,580 | 523,238 |
| <u>846,987</u> | <u>91,573</u> | <u>(817,257)</u> | <u>(667,181)</u> | <u>(548,510)</u> | <u>(549,510)</u> |
| | | | | | |
| <u>\$8,643,034</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> |
| | | | | | |
| \$ 4,049 | \$ 2,775 | \$ 9,361 | \$ 9,372 | \$ 10,900 | \$ 10,169 |
| 1,026,973 | 944,256 | 775,140 | 687,891 | 809,685 | 821,418 |
| <u>(1,704,657)</u> | <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>\$ (673,635)</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> |
| | | | | | |
| \$6,938,588 | \$ 6,774,269 | \$ 6,457,366 | \$ 6,206,076 | \$ 5,921,505 | \$ 5,434,664 |
| 1,888,481 | 1,659,058 | 2,038,129 | 1,766,750 | 1,582,265 | 1,344,656 |
| <u>(857,670)</u> | <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>\$7,969,399</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 Ten Fiscal Years
(Expressed in Thousands)

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|--|--------------------|--------------------|--------------------|--------------------|
| Governmental Activities | | | | |
| Expenses: | | | | |
| Legislative | \$ 31,721 | \$ 28,896 | \$ 29,552 | \$ 28,027 |
| Judicial | 130,104 | 124,627 | 106,933 | 102,738 |
| Executive | 325,389 | 261,764 | 143,872 | 128,261 |
| Administration | 260,298 | 163,662 | 201,469 | 213,546 |
| Commerce | 217,334 | 204,178 | 201,901 | 204,448 |
| Environmental Protection | 174,211 | 141,279 | 110,652 | 74,827 |
| Employment Programs | 58,312 | 57,286 | 45,000 | 56,122 |
| Education | 2,839,216 | 2,850,805 | 2,821,883 | 2,646,434 |
| Health and Human Resources | 4,317,911 | 4,088,254 | 3,737,102 | 3,451,206 |
| Military Affairs and Public Safety | 441,523 | 441,068 | 427,575 | 381,104 |
| Revenue | 82,820 | 270,870 | 83,458 | 51,242 |
| Transportation | 1,035,601 | 1,064,417 | 977,616 | 876,073 |
| Senior Services | 47,186 | 46,671 | 43,729 | 43,701 |
| Regulatory Boards and Commissions | 33,328 | 36,917 | 35,079 | 35,168 |
| Interest on Long-Term Debt | <u>135,443</u> | <u>135,534</u> | <u>141,756</u> | <u>140,208</u> |
| Total Expenses | <u>10,130,397</u> | <u>9,916,228</u> | <u>9,107,577</u> | <u>8,433,105</u> |
| Program Revenues: | | | | |
| Charges for Services: | | | | |
| Legislative | 1,571 | 1,598 | 1,644 | 1,654 |
| Judicial | 1,116 | 929 | 907 | 1,014 |
| Executive | 22,868 | 19,787 | 17,365 | 15,248 |
| Administration | 6,289 | 29,086 | 28,337 | 29,115 |
| Commerce | 44,747 | 46,009 | 48,685 | 45,684 |
| Environmental Protection | 52,683 | 49,450 | 56,016 | 44,720 |
| Employment Programs | — | — | — | — |
| Education | 4,195 | 3,352 | 3,096 | 1,698 |
| Health and Human Resources | 88,737 | 84,680 | 81,230 | 74,960 |
| Military Affairs and Public Safety | 10,019 | 10,352 | 12,957 | 11,097 |
| Revenue | 73,947 | 69,800 | 45,944 | 62,352 |
| Transportation | 101,000 | 100,533 | 91,669 | 102,561 |
| Senior Services | — | 1 | — | 4 |
| Regulatory Boards and Commissions | <u>30,815</u> | <u>30,407</u> | <u>26,121</u> | <u>27,897</u> |
| Total Charges for Services | <u>437,987</u> | <u>445,984</u> | <u>413,971</u> | <u>418,004</u> |
| Operating Grants and Contributions: | | | | |
| Legislative | 634 | 2,135 | 1,212 | 255 |
| Judicial | 1,049 | 986 | 850 | 813 |
| Executive | 214,224 | 164,062 | 40,551 | 35,615 |
| Administration | 41,426 | 38,498 | 37,716 | 36,670 |
| Commerce | 73,424 | 59,632 | 34,220 | 38,138 |
| Environmental Protection | 116,378 | 121,366 | 67,529 | 50,090 |
| Employment Programs | 58,008 | 54,460 | 46,804 | 55,839 |
| Education | 444,269 | 452,315 | 377,749 | 380,708 |
| Health and Human Resources | 3,252,622 | 3,077,246 | 2,783,872 | 2,365,068 |
| Military Affairs and Public Safety | 52,057 | 74,472 | 67,269 | 95,331 |
| Revenue | 28 | 12 | 156 | — |
| Senior Services | 22,671 | 20,614 | 14,310 | 21,244 |
| Regulatory Boards and Commissions | <u>2,105</u> | <u>2,014</u> | <u>2,598</u> | <u>2,937</u> |
| Total Operating Grants and Contributions | <u>4,278,895</u> | <u>4,067,812</u> | <u>3,474,836</u> | <u>3,082,708</u> |
| Capital Grants and Contributions: | | | | |
| Executive | 3 | 57,442 | — | 41 |
| Administration | — | — | — | 28 |
| Education | — | — | — | 1,027 |
| Military Affairs and Public Safety | 74,581 | 18,758 | 11,518 | 4,743 |
| Transportation | <u>554,394</u> | <u>558,947</u> | <u>476,779</u> | <u>419,810</u> |
| Total Capital Grants and Contributions | <u>628,978</u> | <u>635,147</u> | <u>488,297</u> | <u>425,649</u> |
| Total Program Revenues | <u>5,345,860</u> | <u>5,148,943</u> | <u>4,377,104</u> | <u>3,926,361</u> |
| Total Governmental Activities Net Program Expenses | <u>(4,784,537)</u> | <u>(4,767,285)</u> | <u>(4,730,473)</u> | <u>(4,506,744)</u> |

Note: Beginning in FY 2008, the School Building Authority is no longer included in the Governmental Funds and is now accounted for as a discretely presented component unit. In FY 2010, the WV Infrastructure and Jobs Development Council was also removed and is now accounted for as an Enterprise Fund. Beginning in FY 2011, the Lottery is no longer included in the business-type activities. It is now

| <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 26,154 | \$ 25,345 | \$ 27,558 | \$ 30,623 | \$ 28,009 | \$ 19,742 |
| 88,209 | 77,789 | 77,668 | 83,653 | 77,487 | 72,387 |
| 114,547 | 104,726 | 134,506 | 115,413 | 127,350 | 121,744 |
| 153,677 | 147,774 | 210,434 | 136,960 | 148,812 | 139,177 |
| 218,610 | 235,749 | 229,216 | 259,071 | 225,886 | 193,483 |
| 225,458 | 125,216 | 267,544 | 1,410 | 71,278 | 110,661 |
| 53,617 | 72,069 | 31,445 | 39,007 | 35,115 | 47,520 |
| 2,454,835 | 2,669,307 | 2,418,672 | 2,399,688 | 2,373,873 | 2,299,817 |
| 3,254,172 | 3,119,005 | 3,221,458 | 3,056,163 | 2,683,578 | 2,605,461 |
| 360,443 | 417,606 | 588,409 | 324,636 | 296,165 | 253,806 |
| 70,148 | 71,158 | 32,718 | 68,596 | 39,705 | 27,240 |
| 778,817 | 780,950 | 835,813 | 753,901 | 755,565 | 1,056,651 |
| 32,195 | 30,115 | 29,373 | 29,271 | 28,523 | 30,538 |
| 34,212 | 33,082 | 25,671 | 45,145 | 30,177 | 24,376 |
| <u>94,475</u> | <u>93,401</u> | <u>85,402</u> | <u>76,406</u> | <u>74,027</u> | <u>75,553</u> |
| <u>7,959,569</u> | <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> |
| 1,757 | 1,824 | 1,859 | 1,806 | 1,763 | 1,956 |
| 869 | 919 | 901 | 925 | 929 | 916 |
| 12,024 | 15,872 | 1,223 | 5,274 | 251 | 7,286 |
| 24,812 | 49,492 | 12,390 | 25,606 | 6,692 | 17,435 |
| 44,114 | 41,885 | 42,115 | 40,658 | 37,688 | 43,772 |
| 56,621 | 54,877 | 55,254 | 46,730 | 50,326 | 41,911 |
| — | — | — | 283 | — | — |
| 3,008 | 4,465 | 4,133 | 3,846 | 3,383 | 4,791 |
| 83,230 | 84,428 | 82,325 | 73,150 | 56,631 | 72,335 |
| 10,165 | 5,317 | 8,884 | 6,679 | 5,957 | 6,636 |
| 65,364 | 44,229 | 26,303 | 26,683 | 25,089 | 20,249 |
| 96,068 | 97,064 | 99,532 | 88,777 | 93,569 | 95,673 |
| — | — | — | — | — | 285 |
| <u>21,638</u> | <u>26,789</u> | <u>23,017</u> | <u>31,641</u> | <u>27,033</u> | <u>26,077</u> |
| <u>419,670</u> | <u>427,161</u> | <u>357,936</u> | <u>352,058</u> | <u>309,311</u> | <u>339,322</u> |
| 1,269 | 545 | 646 | 749 | 525 | 5,008 |
| 380 | 436 | — | 156 | (35) | 136 |
| 38,249 | 27,138 | 45,805 | 39,587 | 46,974 | 34,205 |
| 37,945 | 56,748 | 52,316 | 46,288 | 34,987 | 27,146 |
| 47,463 | 32,749 | 76,340 | 74,990 | 82,009 | 63,335 |
| 53,301 | 44,255 | 88,395 | 88,183 | 71,934 | 70,221 |
| 54,690 | 65,303 | 30,805 | 36,995 | 35,594 | 48,331 |
| 388,305 | 369,428 | 358,853 | 324,292 | 311,847 | 310,091 |
| 2,235,552 | 2,224,260 | 2,285,865 | 2,179,003 | 1,998,922 | 1,869,026 |
| 52,708 | 60,756 | 95,874 | 81,767 | 65,847 | 92,131 |
| 66,214 | 214 | 200 | 30 | 9 | 46 |
| 11,637 | 11,594 | 12,634 | 12,148 | 11,664 | 12,178 |
| <u>2,267</u> | <u>4,376</u> | <u>8,306</u> | <u>7,460</u> | <u>2,045</u> | <u>1,484</u> |
| <u>2,989,980</u> | <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> |
| — | — | — | — | — | — |
| 4,001 | — | — | 213 | 19 | 130 |
| 31 | 233 | 217 | 99 | — | — |
| 5,423 | 10,127 | 26,255 | 38,731 | 11,303 | — |
| <u>410,669</u> | <u>447,727</u> | <u>453,719</u> | <u>438,974</u> | <u>411,280</u> | <u>424,558</u> |
| <u>420,124</u> | <u>458,087</u> | <u>480,191</u> | <u>478,017</u> | <u>422,602</u> | <u>424,688</u> |
| <u>3,829,774</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>(4,129,795)</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> |

accounted for as a discretely presented component unit. The previous amounts above have not been restated to reflect these changes in presentation because the necessary information is not readily available.

(Continued)

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

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---|--------------------------|--------------------------|--------------------------|---------------------------|
| General Revenues and Other Changes in Net Assets | | | | |
| Taxes: | | | | |
| Personal Income | 1,657,258 | 1,534,970 | 1,630,492 | 1,557,957 |
| Consumer Sales | 1,150,887 | 1,131,075 | 1,088,901 | 990,051 |
| Business | 977,252 | 844,405 | 912,252 | 1,040,604 |
| Medicaid | 173,103 | 157,693 | 165,759 | 161,896 |
| Transportation | 574,949 | 541,023 | 533,833 | 564,736 |
| Other | 264,260 | 277,811 | 297,644 | 394,798 |
| Entitlements and Grants | 29,995 | — | — | — |
| Unrestricted Investment Earnings | 63,821 | 89,635 | (33,983) | 89,581 |
| Tobacco Settlement Revenues | 61,233 | 66,199 | 81,703 | 73,079 |
| Federal Appropriations - Jobs Growth Tax Relief | — | — | — | — |
| Lottery Revenue | 408,974 | — | — | — |
| Miscellaneous | 103,228 | 97,791 | 96,098 | 128,940 |
| Special Item | — | — | — | — |
| Transfers | (244,759) | 279,309 | 206,287 | 214,864 |
| Excess Reserve Transfer to RHBT | — | — | — | (108,168) |
| Total General Revenue, Special Item, and Transfers | <u>5,220,201</u> | <u>5,019,911</u> | <u>4,978,986</u> | <u>5,108,338</u> |
| Total Governmental Activities Changes in Net Assets | <u>\$ 435,664</u> | <u>\$ 252,626</u> | <u>\$ 248,513</u> | <u>\$ 601,594</u> |
| Business-type Activities | | | | |
| Expenses: | | | | |
| West Virginia Lottery | \$ — | \$ 899,247 | \$1,022,747 | \$1,087,321 |
| Water Pollution Control Revolving Fund | 26,723 | 34,796 | 1,905 | 1,651 |
| Workers' Compensation Fund | 179,803 | 173,967 | 36,252 | (161,079) |
| Unemployment Compensation | 444,036 | 605,272 | 356,715 | 175,107 |
| WV Infrastructure & Jobs Development Council | 16,024 | 22,882 | — | — |
| Public Employees' Insurance Agency | 527,830 | 437,496 | 394,616 | 444,380 |
| Board of Risk and Insurance Management | 37,624 | 35,614 | 40,498 | 47,229 |
| Other Business-type Activities | <u>101,937</u> | <u>97,089</u> | <u>69,184</u> | <u>77,329</u> |
| Total Expenses | <u>1,333,977</u> | <u>2,306,363</u> | <u>1,921,917</u> | <u>1,671,938</u> |
| Program Revenues: | | | | |
| Charges for Services: | | | | |
| West Virginia Lottery | — | 1,358,092 | 1,493,036 | 1,523,457 |
| Water Pollution Control Revolving Fund | 4,548 | 4,509 | 4,154 | 3,819 |
| Workers' Compensation Fund | 51,015 | 50,460 | 49,921 | 44,073 |
| Unemployment Compensation | 467,910 | 510,048 | 249,996 | 141,921 |
| WV Infrastructure & Jobs Development Council | 3,162 | 2,756 | — | — |
| Public Employees' Insurance Agency | 499,726 | 481,060 | 402,377 | 360,564 |
| Board of Risk and Insurance Management | 46,376 | 51,613 | 56,337 | 66,592 |
| Other Business-type Activities | <u>103,143</u> | <u>97,846</u> | <u>90,438</u> | <u>83,542</u> |
| Total Charges for Services | <u>1,175,880</u> | <u>2,556,384</u> | <u>2,346,259</u> | <u>2,223,968</u> |
| Operating Grants and Contributions: | | | | |
| Unemployment Compensation | — | — | — | — |
| Total Operating Grants and Contributions | — | — | — | — |
| Capital Contributions: | | | | |
| Water Pollution Control Revolving Fund | — | — | 11,384 | 20,788 |
| West Virginia Lottery | — | — | — | — |
| Total Capital Grants and Contributions | — | — | <u>11,384</u> | <u>20,788</u> |
| Total Revenues | <u>1,175,880</u> | <u>2,556,384</u> | <u>2,357,643</u> | <u>2,244,756</u> |
| Total Business-type Activities Net Program Expenses | <u>(158,097)</u> | <u>250,021</u> | <u>435,726</u> | <u>572,818</u> |
| Business-type Activities General Revenues and Other | | | | |
| Changes in Net Assets | | | | |
| Unrestricted Investment Earnings | 160,942 | 190,159 | (86,937) | 38,441 |
| Tobacco Settlement Revenue | — | — | — | — |
| Lottery Revenue | 51,000 | — | — | — |
| Miscellaneous | 7,362 | 54,718 | 17,102 | 32,022 |
| Transfers | <u>244,759</u> | <u>(279,309)</u> | <u>(206,287)</u> | <u>(214,864)</u> |
| Total Business-type Activities General Revenues and Other | <u>464,063</u> | <u>(34,432)</u> | <u>(276,122)</u> | <u>(144,401)</u> |
| Total Business-type Activities Changes in Net Assets | <u>\$ 305,966</u> | <u>\$ 215,589</u> | <u>\$ 159,604</u> | <u>\$ 428,417</u> |
| Total Primary Government Change in Net Assets | <u>\$ 741,630</u> | <u>\$ 468,215</u> | <u>\$ 408,117</u> | <u>\$1,030,011</u> |

| <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|--------------------|--------------------|--------------------|-------------------|---------------------|---------------------|
| 1,372,646 | 1,330,913 | 1,163,211 | 1,073,512 | 1,048,172 | 1,052,023 |
| 1,020,128 | 981,536 | 979,357 | 965,378 | 917,072 | 925,317 |
| 906,022 | 920,940 | 726,878 | 554,734 | 551,910 | 585,182 |
| 162,692 | 169,866 | 154,070 | 150,335 | 143,036 | 146,812 |
| 535,979 | 501,022 | 502,659 | 477,159 | 466,273 | 481,436 |
| 393,400 | 382,718 | 377,878 | 359,341 | 291,776 | 263,966 |
| — | 229 | 912 | — | — | — |
| 105,317 | 71,233 | 54,240 | 15,753 | 52,446 | 55,038 |
| 48,294 | 33,137 | 56,825 | 53,850 | 32,521 | 32,430 |
| — | — | — | 30,746 | 30,747 | — |
| — | — | — | — | — | — |
| 111,277 | 74,047 | 93,281 | 52,123 | 127,287 | 93,988 |
| — | — | — | — | — | (85,262) |
| 539,205 | 438,733 | 484,308 | 411,164 | 355,533 | 267,446 |
| <u>5,194,960</u> | <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>\$1,065,165</u> | <u>\$ 684,132</u> | <u>\$ 271,898</u> | <u>\$ 445,875</u> | <u>\$ 415,458</u> | <u>\$ 37,568</u> |
| | | | | | |
| \$1,081,336 | \$1,096,893 | \$ 839,241 | \$ 776,124 | \$ 670,041 | \$ 563,078 |
| 1,630 | 1,718 | 1,786 | 1,914 | 1,752 | 1,821 |
| 81,459 | 392,975 | 189,753 | 579,433 | 1,276,891 | 1,148,221 |
| 153,663 | 147,308 | 143,989 | 195,359 | 224,897 | 173,934 |
| — | — | — | — | — | — |
| 379,742 | 545,384 | 506,837 | 449,905 | 410,413 | 395,743 |
| 39,441 | 41,256 | 60,969 | 96,658 | 82,591 | 71,706 |
| <u>76,785</u> | <u>66,631</u> | <u>58,910</u> | <u>62,202</u> | <u>55,082</u> | <u>74,681</u> |
| <u>1,814,056</u> | <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> |
| | | | | | |
| 1,562,259 | 1,522,532 | 1,399,073 | 1,303,434 | 1,081,894 | 848,598 |
| 3,744 | 3,383 | 2,953 | 2,843 | 2,862 | 2,369 |
| 235,664 | 524,269 | 718,382 | 628,682 | 549,742 | 539,402 |
| 147,091 | 148,731 | 144,030 | 137,872 | 133,840 | 138,210 |
| — | — | — | — | — | — |
| 406,311 | 567,107 | 525,130 | 505,995 | 438,056 | 366,701 |
| 74,097 | 78,787 | 85,123 | 105,435 | 73,281 | 46,670 |
| <u>77,553</u> | <u>73,155</u> | <u>67,553</u> | <u>63,754</u> | <u>62,088</u> | <u>63,171</u> |
| <u>2,506,719</u> | <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 |
| | | | | | |
| 12,627 | 20,241 | — | — | — | — |
| <u>12,627</u> | <u>20,241</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>5,250</u> |
| <u>2,519,346</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> |
| <u>705,290</u> | <u>646,040</u> | <u>1,140,759</u> | <u>608,101</u> | <u>(349,171)</u> | <u>(370,200)</u> |
| | | | | | |
| 189,761 | 65,758 | 104,011 | 51,190 | 75,250 | 3,204 |
| 15,000 | 45,000 | — | — | — | — |
| — | — | — | — | — | — |
| 26,090 | 51,847 | (534) | (12,270) | 6,737 | 83,448 |
| <u>(539,205)</u> | <u>(438,733)</u> | <u>(484,308)</u> | <u>(411,164)</u> | <u>(355,533)</u> | <u>(267,446)</u> |
| <u>(308,354)</u> | <u>(276,128)</u> | <u>(380,831)</u> | <u>(372,244)</u> | <u>(273,546)</u> | <u>(180,794)</u> |
| <u>\$ 396,936</u> | <u>\$ 369,912</u> | <u>\$ 759,928</u> | <u>\$ 235,857</u> | <u>\$ (622,717)</u> | <u>\$ (550,994)</u> |
| | | | | | |
| <u>\$1,462,101</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 Ten Fiscal Years
(Expressed in Thousands)

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---|--------------------|--------------------|--------------------|--------------------|
| General Fund | | | | |
| Reserved | \$ — | \$ — | \$ 400,816 | \$ 346,377 |
| Unreserved | — | — | 767,100 | 822,579 |
| Nonspendable: | | | | |
| Inventories | 9,928 | 11,426 | — | — |
| Receivables | 153,307 | 152,911 | — | — |
| Restricted for: | | | | |
| Government Operations | 5,936 | 16,012 | — | — |
| Development, Tourism, and Recreation | 12,881 | 12,598 | — | — |
| Education | 3,582 | 3,203 | — | — |
| Health and Social Services | 14,195 | 9,962 | — | — |
| Public Protection | 8,435 | 17,371 | — | — |
| Committed to: | | | | |
| Government Operations | 421,296 | 413,657 | — | — |
| Development, Tourism, and Recreation | 36,811 | 46,104 | — | — |
| Education | 18,376 | 21,417 | — | — |
| Health and Social Services | 220,216 | 227,265 | — | — |
| Public Protection | 20,174 | 20,691 | — | — |
| Assigned to: | | | | |
| Government Operations | 22,408 | 21,227 | — | — |
| Development, Tourism, and Recreation | 3,412 | 3,368 | — | — |
| Education | 2,711 | 2,543 | — | — |
| Health and Social Services | 15,926 | 28,296 | — | — |
| Public Protection | 3,395 | 4,227 | — | — |
| Unassigned | <u>427,107</u> | <u>270,221</u> | <u>—</u> | <u>—</u> |
| Total General Fund | <u>1,400,096</u> | <u>1,282,499</u> | <u>1,167,916</u> | <u>1,168,956</u> |
| All Other Governmental Funds | | | | |
| Reserved | | | | |
| Special Revenue Funds | \$ — | \$ — | \$ 508,529 | \$ 457,501 |
| Permanent Funds | — | — | 1,309 | 1,671 |
| Capital Projects | — | — | 67,240 | 40,681 |
| Debt Service | — | — | 185,540 | 183,548 |
| Unreserved, Reported in: | | | | |
| Special Revenue Funds | — | — | 1,415,461 | 1,610,996 |
| Capital Projects | — | — | — | — |
| Debt Service | — | — | — | — |
| Nonspendable: | | | | |
| Inventories | 40,434 | 38,676 | — | — |
| Permanent Fund | 1,000 | 1,000 | — | — |
| Receivables | 666,824 | — | — | — |
| Restricted for: | | | | |
| Capital Projects | 147,798 | 28,283 | — | — |
| Debt Service | 173,097 | 181,415 | — | — |
| Development, Tourism, and Recreation | 40,391 | 34,877 | — | — |
| Education | 386 | 393 | — | — |
| Public Protection | 31,147 | 23,363 | — | — |
| Transportation | 14,584 | — | — | — |
| Committed to: | | | | |
| Government Operations | 5,843 | 6,764 | — | — |
| Public Protection | 220,245 | 191,383 | — | — |
| Assigned to: | | | | |
| Health and Social Services | — | 649 | — | — |
| Public Protection | 1,739 | 2,568 | — | — |
| Transportation | 113,544 | 23,121 | — | — |
| Unassigned | <u>(6,398)</u> | <u>862,381</u> | <u>—</u> | <u>—</u> |
| Total All Other Governmental Funds | <u>1,450,634</u> | <u>1,394,873</u> | <u>2,178,079</u> | <u>2,294,397</u> |
| Total Fund Balances, Governmental Funds | <u>\$2,850,730</u> | <u>\$2,677,372</u> | <u>\$3,345,995</u> | <u>\$3,463,353</u> |

Notes: GASB 54 was early implemented in fiscal year 2010. This Standard required reclassification of all funds into the categories Nonspendable, Restricted, Committed, Assigned and Unassigned.

| <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 343,380 | \$ 328,482 | \$ 486,474 | \$ 529,986 | \$ 316,594 | \$ 335,866 |
| 697,704 | 1,079,851 | 391,457 | 293,847 | 312,519 | 251,520 |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| <u>1,041,084</u> | <u>1,408,333</u> | <u>877,931</u> | <u>823,833</u> | <u>629,113</u> | <u>587,386</u> |
| \$ 457,109 | \$ 410,115 | \$ 363,526 | \$ 338,275 | \$ 291,364 | \$ 397,894 |
| 1,762 | 1,886 | 235,210 | 187,736 | 141,903 | — |
| 264,836 | 236,561 | — | 136,845 | 192,967 | 201,682 |
| 228,699 | 131,765 | — | 131,787 | 96,072 | 93,423 |
| 1,488,498 | 562,996 | 539,296 | 471,373 | 414,765 | 347,034 |
| — | — | 276,443 | — | — | — |
| — | — | 124,910 | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| — | — | — | — | — | — |
| <u>2,440,904</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>\$3,481,988</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> |

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

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

| Revenues | 2011 | 2010 | 2009 | 2008 |
|---|--------------------------|--------------------------|----------------------------|--------------------------|
| Taxes: | | | | |
| Personal Income | \$1,654,563 | \$ 1,531,867 | \$1,612,897 | \$1,557,352 |
| Consumer Sales and Use | 1,151,363 | 1,132,951 | 1,087,130 | 989,517 |
| Severance | 571,539 | 530,940 | 470,266 | 518,724 |
| Corporate Net Income | 263,963 | 227,693 | 256,389 | 373,180 |
| Business and Occupation | 127,103 | 133,245 | 148,247 | 147,989 |
| Medicaid | 170,079 | 157,693 | 165,759 | 161,896 |
| Business Franchise | — | — | — | — |
| Gasoline and Motor Carrier | 406,347 | 393,557 | 391,903 | 395,641 |
| Automobile Privilege | 168,602 | 147,466 | 141,930 | 169,095 |
| Wholesale Motor Fuel | — | — | — | — |
| Other | 266,723 | 279,444 | 293,654 | 396,772 |
| Intergovernmental | 4,372,908 | 4,115,677 | 3,552,545 | 3,183,463 |
| Licenses, Permits, and Fees | 218,431 | 214,293 | 211,932 | 214,655 |
| Motor Vehicle Registration | 96,504 | 91,902 | 91,667 | 96,592 |
| Charges for Services | 147,142 | 135,914 | 126,317 | 117,360 |
| Lottery Revenue | 398,974 | — | — | — |
| Investment Earnings | 75,594 | 100,111 | (38,440) | 91,030 |
| Food Stamp Revenue | 495,777 | 478,622 | 372,270 | 293,439 |
| Other | <u>175,821</u> | <u>184,935</u> | <u>197,669</u> | <u>205,820</u> |
| Total Revenues | <u>10,761,433</u> | <u>9,856,310</u> | <u>9,082,135</u> | <u>8,912,525</u> |
| Expenditures | | | | |
| Current: | | | | |
| Legislative | 31,916 | 29,022 | 29,622 | 28,163 |
| Judicial | 130,574 | 125,184 | 110,410 | 108,075 |
| Executive | 354,357 | 256,364 | 146,181 | 131,404 |
| Administration | 120,881 | 114,972 | 127,517 | 111,866 |
| Commerce | 226,931 | 223,569 | 214,767 | 214,102 |
| Environmental Protection | 134,515 | 148,982 | 117,402 | 69,882 |
| Employment Programs | 61,536 | 60,483 | 47,974 | 58,563 |
| Education | 2,878,686 | 2,773,160 | 2,789,173 | 2,688,399 |
| Health and Human Resources | 4,334,459 | 4,056,573 | 3,767,274 | 3,472,108 |
| Military Affairs and Public Safety | 523,868 | 462,163 | 425,488 | 382,372 |
| Revenue | 90,370 | 263,427 | 89,042 | 86,496 |
| Transportation | 741,384 | 754,486 | 695,354 | 579,982 |
| Senior Services | 47,292 | 46,727 | 43,841 | 43,719 |
| Regulatory Boards and Commissions | 34,540 | 37,161 | 35,917 | 36,469 |
| Capital Outlay | 571,034 | 521,480 | 579,722 | 535,538 |
| Debt Service | — | — | — | — |
| Principal | 101,978 | 103,735 | 103,276 | 92,338 |
| Interest | <u>123,841</u> | <u>123,670</u> | <u>129,795</u> | <u>129,705</u> |
| Total Expenditures | <u>10,508,162</u> | <u>10,101,158</u> | <u>9,452,755</u> | <u>8,769,181</u> |
| Excess of Revenues Over (Under) Expenditures | 253,271 | (244,848) | (370,620) | 143,344 |
| Other Financing Sources (Uses): | | | | |
| Face Value of Long-Term Debt Issued | 190,755 | — | 76,835 | — |
| Premiums (Discounts) on Bonds Issued | 10,292 | — | 4,129 | — |
| Capital Lease Acquisition | 805 | — | 1,115 | 3,235 |
| Other Nonoperating Revenues | — | 12,505 | — | — |
| Payments to Refunded Bonds Escrow Agents | (37,730) | — | — | — |
| Transfers In | 134,473 | 654,340 | 653,249 | 497,811 |
| Transfers Out | (378,508) | (383,264) | (475,798) | (347,579) |
| Excess Reserve Transfer to RHBT | — | — | — | (108,168) |
| Total Other Financing Sources (Uses) | <u>(79,913)</u> | <u>283,581</u> | <u>259,530</u> | <u>45,299</u> |
| Net Changes in Fund Balances | <u>\$ 173,358</u> | <u>\$ 38,733</u> | <u>\$ (111,090)</u> | <u>\$ 188,643</u> |
| Debt Service as a Percentage of Noncapital Expenditures | 2.30% | 2.40% | 2.64% | 2.70% |

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

| <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$1,370,566 | \$1,329,796 | \$1,170,202 | \$1,070,282 | \$1,038,181 | \$1,049,532 |
| 1,019,631 | 989,642 | 978,115 | 963,327 | 917,072 | 922,882 |
| 340,544 | 355,680 | 287,774 | 211,236 | 193,680 | 187,287 |
| 384,440 | 380,287 | 255,772 | 166,511 | 83,311 | 93,846 |
| 180,527 | 184,364 | 182,090 | 176,987 | 178,364 | 173,839 |
| 162,692 | 169,866 | 154,070 | 150,335 | 143,036 | 146,812 |
| — | — | — | — | 96,555 | 129,457 |
| 364,550 | 330,538 | 320,891 | 275,471 | 227,793 | 229,650 |
| 171,429 | 170,484 | 3,005 | 173,225 | 169,431 | 180,472 |
| — | — | 178,763 | 28,463 | 69,049 | 71,314 |
| 393,210 | 380,711 | 371,667 | 359,341 | 291,776 | 263,717 |
| 3,033,765 | 3,037,432 | 3,235,199 | 3,119,073 | 2,868,461 | 2,733,567 |
| 216,504 | 194,681 | 173,181 | 176,513 | 157,864 | 149,124 |
| 92,422 | 92,681 | 93,144 | 84,977 | 88,967 | 91,373 |
| 117,970 | 121,420 | 120,759 | 108,387 | 90,817 | 106,596 |
| — | — | — | — | — | — |
| 184,957 | 101,736 | 79,534 | 40,562 | 67,843 | 63,188 |
| 273,227 | 265,344 | 252,097 | 228,000 | 211,218 | 195,245 |
| <u>136,117</u> | <u>121,654</u> | <u>156,780</u> | <u>112,585</u> | <u>151,272</u> | <u>132,025</u> |
| <u>8,442,551</u> | <u>8,226,316</u> | <u>8,013,043</u> | <u>7,445,275</u> | <u>7,044,690</u> | <u>6,919,926</u> |
| 26,389 | 25,322 | 27,594 | 30,634 | 28,901 | 19,740 |
| 90,829 | 82,381 | 84,283 | 81,577 | 77,816 | 73,824 |
| 118,550 | 122,576 | 122,415 | 115,418 | 113,661 | 125,116 |
| 106,020 | 95,227 | 150,333 | 87,834 | 87,109 | 75,563 |
| 228,570 | 243,092 | 224,147 | 273,748 | 234,672 | 207,759 |
| 114,482 | 109,829 | 98,576 | 118,592 | 103,566 | 109,677 |
| 58,488 | 75,438 | 36,609 | 40,183 | 38,401 | 49,146 |
| 3,616,732 | 2,690,459 | 2,423,094 | 2,323,733 | 2,316,665 | 1,822,346 |
| 3,251,403 | 3,135,884 | 3,237,580 | 3,056,762 | 2,709,057 | 2,612,846 |
| 353,445 | 389,909 | 609,215 | 338,907 | 293,611 | 280,315 |
| 76,257 | 42,725 | 60,630 | 44,765 | 40,845 | 26,862 |
| 520,281 | 531,848 | 573,184 | 531,214 | 541,219 | 825,011 |
| 32,315 | 30,118 | 29,455 | 29,230 | 28,676 | 30,584 |
| 34,691 | 33,345 | 27,561 | 44,680 | 31,213 | 24,878 |
| 502,232 | 550,415 | 490,195 | 573,295 | 535,008 | 447,941 |
| — | — | — | — | — | 124,576 |
| 134,464 | 74,427 | 95,400 | 65,780 | 64,176 | — |
| <u>86,237</u> | <u>89,788</u> | <u>80,777</u> | <u>74,386</u> | <u>72,678</u> | <u>—</u> |
| <u>9,351,385</u> | <u>8,322,783</u> | <u>8,371,048</u> | <u>7,830,738</u> | <u>7,317,274</u> | <u>6,856,184</u> |
| (908,834) | (96,467) | (358,005) | (385,463) | (272,584) | 63,742 |
| 1,349,893 | 54,800 | 463,005 | 294,895 | 32,370 | 110,000 |
| 5,126 | 697 | 73,388 | (1,719) | (1,039) | 4,172 |
| 190 | 13,359 | — | 15,050 | 60,428 | 177,270 |
| — | — | — | — | — | — |
| (242,616) | (56,062) | (321,405) | — | (31,325) | — |
| 749,215 | 875,203 | 667,841 | 589,701 | 517,171 | 472,711 |
| (222,642) | (457,190) | (197,357) | (188,799) | (166,256) | (660,834) |
| — | — | — | — | — | — |
| <u>1,639,166</u> | <u>430,807</u> | <u>685,472</u> | <u>709,128</u> | <u>411,349</u> | <u>103,319</u> |
| <u>\$ 730,332</u> | <u>\$ 334,340</u> | <u>\$ 327,467</u> | <u>\$ 323,665</u> | <u>\$ 138,765</u> | <u>\$ 167,061</u> |
| 2.50% | 2.12% | 2.22% | 1.93% | 2.01% | 1.92% |

Schedule 5

Revenue Base

Last Ten Years

(Expressed in Thousands)

| | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|--|-------------|-------------|--------------|-------------|
| Personal Income by Industry - (Calendar Year) | | | | |
| Farm Earnings | \$ (51,659) | \$ (46,725) | \$ (134,000) | \$ (78,000) |
| Agricultural/Forestry, Fishing, and Other | 74,187 | 104,000 | 111,000 | 118,000 |
| Mining | 2,753,612 | 2,958,000 | 3,410,000 | 2,871,000 |
| Construction | 2,408,107 | 2,301,000 | 2,453,000 | 2,362,000 |
| Manufacturing | 3,376,006 | 3,334,000 | 3,919,000 | 3,925,000 |
| Transportation, Warehousing and Public Utilities | 1,943,157 | 1,990,000 | 1,989,000 | 1,856,000 |
| Wholesale Trade | 1,413,039 | 1,442,000 | 1,513,000 | 1,478,000 |
| Retail Trade | 2,754,166 | 2,832,000 | 2,720,000 | 2,658,000 |
| Finance, Insurance, and Real Estate | 1,649,776 | 1,591,000 | 1,619,000 | 1,551,000 |
| Service Industries | 13,261,227 | 12,808,000 | 11,998,000 | 11,272,000 |
| Federal, Civilian | 2,431,677 | 2,496,000 | 2,181,000 | 2,100,000 |
| Military | 522,277 | 535,000 | 436,000 | 405,000 |
| State and Local Government | 6,104,522 | 7,252,000 | 6,082,000 | 5,763,000 |
| Tax Revenue - (Fiscal Year) | | | | |
| Consumer Sales | 1,095,700 | 1,110,000 | 1,109,800 | 1,129,500 |
| Personal Income | 1,446,900 | 1,557,400 | 1,518,700 | 1,360,500 |
| Severance | 400,600 | 359,600 | 338,200 | 312,200 |
| Corporate Income and Business Franchise | 232,900 | 270,200 | 388,000 | 358,400 |
| Motor Fuel | 390,900 | 384,500 | 404,200 | 349,200 |
| Automobile Privilege | 147,466 | 141,930 | 169,095 | 171,429 |

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 2010.

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

This schedule has been revised.

| <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| \$ (61,000) | \$ (24,000) | \$ (2,000) | \$ (24,000) | \$ (8,000) | \$ 28,000 |
| 123,000 | 116,000 | 112,000 | 117,000 | 147,000 | 142,000 |
| 2,682,000 | 2,363,000 | 2,050,000 | 1,784,000 | 1,626,000 | 1,619,000 |
| 2,393,000 | 2,079,000 | 1,868,000 | 1,676,000 | 1,752,000 | 1,819,000 |
| 3,951,000 | 3,932,000 | 3,917,000 | 3,776,000 | 3,720,000 | 3,786,000 |
| 1,813,000 | 1,722,000 | 1,672,000 | 1,588,000 | 1,578,000 | 1,611,000 |
| 1,453,000 | 1,327,000 | 1,223,000 | 1,122,000 | 1,118,000 | 1,098,000 |
| 2,611,000 | 2,493,000 | 2,417,000 | 2,307,000 | 2,268,000 | 2,206,000 |
| 1,492,000 | 1,409,000 | 1,355,000 | 1,323,000 | 1,340,000 | 1,258,000 |
| 11,041,000 | 10,362,000 | 9,914,000 | 9,250,000 | 8,988,000 | 8,509,000 |
| 1,956,000 | 1,892,000 | 1,794,000 | 1,646,000 | 1,561,000 | 1,483,000 |
| 419,000 | 436,000 | 367,000 | 334,000 | 158,000 | 180,000 |
| 5,368,000 | 5,182,000 | 4,987,000 | 4,788,000 | 4,660,000 | 4,450,000 |
| 1,125,800 | 960,200 | 928,000 | 894,500 | 885,900 | 852,500 |
| 1,297,700 | 1,170,100 | 1,068,200 | 1,055,500 | 1,034,700 | 1,020,700 |
| 314,700 | 248,100 | 184,400 | 162,300 | 166,500 | 163,200 |
| 347,600 | 280,800 | 181,500 | 181,200 | 220,200 | 214,300 |
| 320,700 | 311,600 | 309,300 | 289,200 | 230,100 | 224,400 |
| 170,484 | 178,763 | 173,225 | 169,431 | 180,472 | 155,623 |

Schedule 6
Revenue Rates
Last Ten Calendar Years

Personal Income Tax

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

| | |
|--------------------------|---|
| Less than \$10,000 | 3% of the taxable income |
| At least — | But less than — |
| \$10,000 | \$25,000 \$ 300.00 plus 4.0% of excess over \$10,000 |
| \$25,000 | \$40,000 \$ 900.00 plus 4.5% of excess over \$25,000 |
| \$40,000 | \$60,000 \$1,575.00 plus 6.0% of excess over \$40,000 |
| \$60,000 | \$2,775.00 plus 6.5% of excess over \$60,000 |

Business

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|--|--------------------------|--------------------------|-------------|-------------|
| Corporate Net Income | 8.50% | 8.50% | 8.50% | 8.75% |
| Severance Tax: | | | | |
| Timber | Temporarily Discontinued | Temporarily Discontinued | 1.22% | 1.22% |
| Oil/Gas | 5% | 5% | 5% | 5% |
| Coal | Various | Various | Various | Various |
| Consumer Sales Tax | 6% | 6% | 6% | 6% |
| Food Tax | 3% | 3% | 3% | 4% |
| Motor Fuel Excise and Sales Tax* (cents per gallon) | 32.2 | 32.2 | 32.2 | 32.2 |
| 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 and Division of Motor Vehicles.

Married Filing Separately (Unchanged Over Last Ten Years)

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

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

| <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 8.75% | 9% | 9% | 9% | 9% | 9% |
| 1.22% | 3.22% | 3.22% | 3.22% | 3.22% | 3.22% |
| 5% Various | 5% Various | 5% Various | 5% Various | 5% Various | 5% Various |
| 6% | 6% | 6% | 6% | 6% | 6% |
| 5% | 5% | 6% | 6% | 6% | 6% |
| 31.5 | 27.0 | 27.0 | 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
(Dollars Expressed in Thousands)

Consumers Sales and Service Tax and Use Tax

| Tax Year 2010 | | | | |
|--|---------------------------|-------------------------|----------------------|-------------------------|
| Industry | Remittance | Percent of Total | Accounts | Percent of Total |
| Agriculture, Forestry, Fishing and Hunting | \$ 3,500 | 0.3% | 708 | 1.6% |
| Mining, Quarrying, and Oil and Gas Extraction | 9,282 | 0.8% | 343 | 0.8% |
| Construction | 29,989 | 2.5% | 4,141 | 9.7% |
| Manufacturing | 53,713 | 4.5% | 2,648 | 6.2% |
| Wholesale Trade | 108,038 | 9.1% | 2,237 | 5.2% |
| Retail Trade | 619,804 | 52.1% | 10,568 | 24.7% |
| Finance and Insurance | 3,630 | 0.3% | 368 | 0.9% |
| Services | 286,969 | 24.1% | 19,133 | 44.7% |
| Other | <u>75,263</u> | <u>6.3%</u> | <u>2,668</u> | <u>6.2%</u> |
| Total | <u>\$1,190,188</u> | <u>100%</u> | <u>42,814</u> | <u>100%</u> |

| Tax Year 2001 | | | | |
|--|-------------------------|-------------------------|----------------------|-------------------------|
| Industry | Remittance | Percent of Total | Accounts | Percent of Total |
| Agriculture, Forestry, Fishing and Hunting | \$ 4,075 | 0.4% | 1,556 | 2.2% |
| Mining, Quarrying, and Oil and Gas Extraction | 5,335 | 0.6% | 1,604 | 2.3% |
| Construction | 27,243 | 2.8% | 11,548 | 16.4% |
| Manufacturing | 50,004 | 5.2% | 4,203 | 6.0% |
| Wholesale Trade | 74,185 | 7.7% | 3,370 | 4.8% |
| Retail Trade | 519,244 | 53.8% | 17,290 | 24.5% |
| Finance and Insurance | 3,024 | 0.3% | 504 | 0.7% |
| Services | 227,357 | 23.6% | 25,670 | 36.5% |
| Other | <u>53,499</u> | <u>5.6%</u> | <u>4,635</u> | <u>6.6%</u> |
| Total | <u>\$963,966</u> | <u>100%</u> | <u>70,380</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 2009**

| Income Level (Actual) | Tax Liability | Percent of Total | Returns | Percent of Total |
|----------------------------------|--------------------------|-----------------------------|----------------|-----------------------------|
| \$0 - \$10,000 | \$ 1,070 | 0.08% | 157,493 | 19.80% |
| \$10,000 - \$20,000 | 27,108 | 1.89% | 142,890 | 17.96% |
| \$20,000 - \$40,000 | 142,102 | 9.91% | 181,111 | 22.77% |
| \$40,000 - \$60,000 | 189,942 | 13.24% | 112,024 | 14.08% |
| Over \$60,000 | <u>1,074,030</u> | <u>74.88%</u> | <u>202,009</u> | <u>25.39%</u> |
| Total | <u>\$1,434,252</u> | <u>100%</u> | <u>795,527</u> | <u>100%</u> |

Tax Year 2000

| Income Level (Actual) | Tax Liability | Percent of Total | Returns | Percent of Total |
|----------------------------------|--------------------------|-----------------------------|----------------|-----------------------------|
| \$0 - \$10,000 | \$ 3,116 | 0.32% | 168,231 | 22.78% |
| \$10,000 - \$20,000 | 45,238 | 4.69% | 156,483 | 21.19% |
| \$20,000 - \$40,000 | 150,837 | 15.64% | 185,928 | 25.18% |
| \$40,000 - \$60,000 | 183,406 | 19.01% | 107,842 | 14.61% |
| Over \$60,000 | <u>582,185</u> | <u>60.34%</u> | <u>119,891</u> | <u>16.24%</u> |
| Total | <u>\$964,782</u> | <u>100%</u> | <u>738,375</u> | <u>100%</u> |

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

| | Primary Government - Debt | | | |
|----------------------------------|----------------------------------|--------------------|--------------------|--------------------|
| | 2011 | 2010 | 2009 | 2008 |
| Governmental Activities: | | | | |
| General Obligation Bonds | \$ 580,357 | \$ 622,928 | \$ 665,294 | \$ 705,955 |
| Revenue Bonds | 1,366,199 | 1,243,106 | 1,405,645 | 1,362,022 |
| Capital Leases and Notes Payable | <u>330,722</u> | <u>336,143</u> | <u>322,776</u> | <u>338,603</u> |
| Total of Governmental Activities | <u>2,277,278</u> | <u>2,202,177</u> | <u>2,393,715</u> | <u>2,406,580</u> |
| Enterprise Activities: | | | | |
| Revenue Bonds | <u>116,319</u> | <u>118,612</u> | — | — |
| Total Primary Government Debt | <u>\$2,393,597</u> | <u>\$2,320,789</u> | <u>\$2,393,715</u> | <u>\$2,406,580</u> |

Note: The Infrastructure and Jobs Development Council revenue bonds were previously included in the governmental activities.

| Year | Governmental Activities Tax Income | | | | | |
|-------------|---|-------------------------------|-----------------|-----------------------|--------------|--------------|
| | Personal Income | Consumer Sales and Use | Business | Transportation | Other | Total |
| 2011 | \$1,657,258 | \$1,150,887 | \$ 977,252 | \$574,949 | \$437,363 | \$4,797,709 |
| 2010 | 1,534,970 | 1,131,075 | 844,405 | 541,023 | 435,504 | 4,486,977 |
| 2009 | 1,630,492 | 1,088,901 | 912,252 | 533,833 | 297,644 | 4,463,122 |
| 2008 | 1,557,957 | 990,051 | 1,040,604 | 564,736 | 394,798 | 4,548,146 |
| 2007 | 1,372,646 | 1,020,128 | 906,022 | 535,979 | 393,400 | 4,228,175 |
| 2006 | 1,330,913 | 981,536 | 920,940 | 501,022 | 382,718 | 4,117,129 |
| 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 |

| Year | General Obligation Bond Debt Ratios | | | |
|-------------|--|------------------------------|-----------------------------------|-----------------------------------|
| | General Obligation Bond Debt | Percent of Tax Income | Percent of Personal Income | Amount of Debt Per Capita* |
| 2011 | \$580,357 | 12.10% | 0.98% | \$0.31 |
| 2010 | 622,928 | 13.88% | 1.06% | 0.34 |
| 2009 | 665,294 | 14.91% | 1.16% | 0.37 |
| 2008 | 705,955 | 15.52% | 1.29% | 0.39 |
| 2007 | 744,790 | 17.61% | 1.44% | 0.41 |
| 2006 | 772,912 | 18.77% | 1.61% | 0.43 |
| 2005 | 798,490 | 21.29% | 1.72% | 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 |

Primary Government - Debt

| <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| \$ 744,790 | \$ 772,912 | \$ 798,490 | \$ 774,660 | \$ 804,635 | \$ 833,494 |
| 1,742,647 | 726,249 | 763,761 | 670,789 | 409,106 | 439,011 |
| <u>343,813</u> | <u>354,000</u> | <u>354,337</u> | <u>300,227</u> | <u>300,899</u> | <u>252,107</u> |
| <u>2,831,250</u> | <u>1,853,161</u> | <u>1,916,588</u> | <u>1,745,676</u> | <u>1,514,640</u> | <u>1,524,612</u> |
| — | — | — | — | — | — |
| <u>\$2,831,250</u> | <u>\$1,853,161</u> | <u>\$1,916,588</u> | <u>\$1,745,676</u> | <u>\$1,514,640</u> | <u>\$1,524,612</u> |

Total Debt Ratios

| <u>Year</u> | <u>Total Debt</u> | <u>Percent of Tax Income</u> | <u>Percent of Personal Income</u> | <u>Amount of Debt Per Capita*</u> |
|-------------|-------------------|------------------------------|-----------------------------------|-----------------------------------|
| 2011 | \$2,393,597 | 49.89% | 4.03% | \$1.29 |
| 2010 | 2,320,789 | 51.72% | 3.96% | 1.28 |
| 2009 | 2,393,715 | 53.63% | 4.17% | 1.32 |
| 2008 | 2,406,580 | 52.91% | 4.41% | 1.33 |
| 2007 | 2,831,250 | 66.96% | 5.46% | 1.57 |
| 2006 | 1,853,161 | 45.01% | 3.85% | 1.03 |
| 2005 | 1,916,588 | 51.11% | 4.12% | 1.06 |
| 2004 | 1,745,676 | 50.89% | 3.98% | 0.97 |
| 2003 | 1,514,640 | 46.25% | 3.50% | 0.84 |
| 2002 | 1,524,612 | 46.09% | 3.64% | 0.85 |

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.

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

Beginning in FY 2008, the School Building Authority is no longer included in the Governmental Funds. It is now accounted for as a discretely presented component unit. The 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

(Dollars Expressed in Thousands)

Department of Transportation

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

| Fiscal Year | Operating Revenue | Direct Operating Expense | Net Revenue Available for Debt Service | Current Year Debt Service Requirements | | | |
|-------------|-------------------|--------------------------|--|--|----------|----------|----------|
| | | | | Principal | Interest | Total | Coverage |
| 2011 | \$27,575 | \$— | \$27,575 | \$21,520 | \$6,055 | \$27,575 | 1.00 |
| 2010 | 27,591 | — | 27,591 | 20,845 | 6,746 | 27,591 | 1.00 |
| 2009 | 14,692 | — | 14,692 | 10,550 | 4,200 | 14,750 | 1.00 |
| 2008 | 14,745 | — | 14,745 | 10,285 | 4,460 | 14,745 | 1.00 |
| 2007 | 1,207 | — | 1,207 | — | 1,207 | 1,207 | 1.00 |

WV Infrastructure and Jobs Development Council

The primary source of repayment for the revenue and refunding bonds is the receipt of payments of principal and interest on a set of loans, known as defined loans, previously made to projects from general obligation and revenue bond proceeds. New bonds were issued in 2006 and 2007 to refund earlier bond issues.

| | | | | | | | |
|------|----------|----------|----------|----------|----------|----------|------|
| 2011 | \$48,900 | \$18,101 | \$30,799 | \$ 2,390 | \$ 5,563 | \$ 7,953 | 3.87 |
| 2010 | 43,671 | 20,913 | 22,758 | 2,310 | 5,644 | 7,954 | 2.86 |
| 2009 | 79,414 | 16,309 | 63,105 | 15,035 | 19,987 | 35,022 | 1.80 |
| 2008 | 78,698 | 18,988 | 59,710 | 14,625 | 20,492 | 35,117 | 1.70 |
| 2007 | 78,363 | 17,121 | 61,242 | 14,600 | 20,636 | 35,236 | 1.74 |
| 2006 | 89,442 | 20,041 | 69,401 | 8,150 | 19,822 | 27,972 | 2.48 |
| 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 |

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.

| | | | | | | | |
|------|----------|------|----------|----------|----------|----------|------|
| 2011 | \$66,382 | \$27 | \$66,355 | \$ 6,690 | \$59,925 | \$66,615 | 1.00 |
| 2010 | 70,404 | 21 | 70,383 | 10,070 | 60,677 | 70,747 | 0.99 |
| 2009 | 83,205 | 58 | 83,147 | 19,910 | 62,237 | 82,147 | 1.01 |
| 2008 | 77,447 | 25 | 77,422 | 12,320 | 58,771 | 71,091 | 1.09 |

Economic Development Project Fund

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

| Fiscal Year | Operating Revenue | Direct Operating Expense | Net Revenue Available for Debt Service | Current Year Debt Service Requirements | | | |
|-------------|-------------------|--------------------------|--|--|----------|----------|----------|
| | | | | Principal | Interest | Total | Coverage |
| 2011 | \$19,569 | \$ — | \$19,569 | \$ 8,175 | \$10,655 | \$18,830 | 1.04 |
| 2010 | 19,411 | — | 19,411 | 7,890 | 10,955 | 18,845 | 1.03 |
| 2009 | 19,698 | — | 19,698 | 7,645 | 11,220 | 18,865 | 1.04 |
| 2008 | 20,560 | — | 20,560 | 7,440 | 11,446 | 18,886 | 1.09 |
| 2007 | 19,888 | — | 19,888 | 7,275 | 11,629 | 18,904 | 1.05 |
| 2006 | 22,627 | 100 | 22,527 | 7,165 | 11,767 | 18,932 | 1.19 |
| 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.

| | | | | | | | |
|------|----------|-------|----------|---------|---------|----------|------|
| 2011 | \$ 8,001 | \$315 | \$ 7,686 | \$9,605 | \$6,285 | \$15,890 | 0.48 |
| 2010 | 8,242 | 3 | 8,239 | 9,115 | 643 | 9,758 | 0.84 |
| 2009 | 10,046 | 3 | 10,043 | 8,660 | 1,109 | 9,769 | 1.03 |
| 2008 | 10,601 | 3 | 10,598 | 8,210 | 1,563 | 9,773 | 1.08 |
| 2007 | 11,002 | 3 | 10,999 | 7,780 | 2,002 | 9,782 | 1.12 |
| 2006 | 10,860 | — | 10,860 | 7,375 | 2,421 | 9,796 | 1.11 |
| 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 |

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.

| | | | | | | | |
|------|-----------|----------|-----------|----------|----------|----------|------|
| 2011 | \$125,325 | \$ 9,325 | \$116,000 | \$16,594 | \$30,479 | \$47,073 | 2.46 |
| 2010 | 130,282 | 6,009 | 124,273 | 19,198 | 33,963 | 53,161 | 2.34 |
| 2009 | 136,802 | 7,367 | 129,435 | 21,816 | 37,681 | 59,497 | 2.18 |
| 2008 | 146,744 | 7,230 | 139,514 | 23,521 | 39,135 | 62,656 | 2.23 |
| 2007 | 154,643 | 8,123 | 146,520 | 20,180 | 36,402 | 56,582 | 2.59 |
| 2006 | 154,190 | 9,783 | 144,407 | 19,560 | 33,896 | 53,456 | 2.70 |
| 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 |

(Continued)

Schedule 9

Pledged Revenue Coverage

Last Ten Fiscal Years

(Dollars 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. Senate Bill 245, which provides an exception to the \$500 million ceiling for the limited purpose of providing grants for capital improvements for designated projects in the Chesapeake Bay and Greenbrier Watershed areas, was enacted on March 12, 2011. The Authority's long-term planning is accomplished within the confines of its authorized borrowing limit. Operating revenue includes revenues and principal loan repayments. Both are used for bond repayment. Fiscal years 2002 and 2004 include retirement of revenue bonds.

| Fiscal Year | Operating Revenue | Direct Operating Expense | Net Revenue Available for Debt Service | Current Year Debt Service Requirements | | | |
|-------------|-------------------|--------------------------|--|--|----------|-----------|----------|
| | | | | Principal | Interest | Total | Coverage |
| 2011 | \$15,274 | \$2,283 | \$12,991 | \$ 7,160 | \$11,616 | \$ 18,776 | 0.69 |
| 2010 | 15,355 | 1,091 | 14,264 | 6,930 | 11,874 | 18,804 | 0.76 |
| 2009 | 15,731 | 809 | 14,922 | 6,685 | 12,110 | 18,795 | 0.79 |
| 2008 | 15,882 | 620 | 15,262 | 6,330 | 12,326 | 18,656 | 0.82 |
| 2007 | 15,829 | 502 | 15,327 | 6,585 | 12,537 | 19,122 | 0.80 |
| 2006 | 16,334 | 569 | 15,765 | 5,120 | 12,123 | 17,243 | 0.91 |
| 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 |

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, 2005, and 2011, 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.

| | | | | | | | |
|------|-------------|-------------|-------------|----------|----------|-----------|--------|
| 2011 | \$1,554,057 | \$1,620,575 | \$ (66,518) | \$71,574 | \$32,361 | \$103,935 | (0.64) |
| 2010 | 1,467,996 | 1,547,741 | (79,745) | 25,184 | 30,716 | 55,900 | (1.43) |
| 2009 | 1,447,422 | 1,409,047 | 38,375 | 24,169 | 31,745 | 55,914 | 0.69 |
| 2008 | 1,508,466 | 1,317,474 | 190,992 | 24,006 | 31,650 | 55,656 | 3.43 |
| 2007 | 1,333,158 | 1,217,652 | 115,506 | 46,439 | 32,636 | 79,075 | 1.46 |
| 2006 | 1,254,971 | 1,147,583 | 107,388 | 20,527 | 33,149 | 53,676 | 2.00 |
| 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 1998.

| <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> |
| 2011 | \$88,773 | \$77,797 | \$10,976 | \$5,015 | \$3,975 | \$8,990 | 1.22 |
| 2010 | 75,434 | 79,054 | (3,620) | 4,770 | 4,097 | 8,867 | (0.41) |
| 2009 | 97,048 | 79,508 | 17,540 | 4,550 | 4,320 | 8,870 | 1.98 |
| 2008 | 85,688 | 70,194 | 15,494 | 4,335 | 4,533 | 8,868 | 1.75 |
| 2007 | 84,597 | 69,267 | 15,330 | 4,130 | 4,735 | 8,865 | 1.73 |
| 2006 | 85,389 | 67,623 | 17,766 | 3,940 | 4,926 | 8,866 | 2.00 |
| 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.

| | | | | | | | |
|------|----------|--------|----------|----------|----------|----------|------|
| 2011 | \$59,003 | \$ — | \$59,003 | \$31,620 | \$17,972 | \$49,592 | 1.19 |
| 2010 | 52,931 | — | 52,931 | 29,850 | 18,877 | 48,727 | 1.09 |
| 2009 | 47,636 | — | 47,636 | 14,940 | 16,743 | 31,683 | 1.50 |
| 2008 | 43,166 | 17,891 | 25,275 | 23,725 | 13,584 | 37,309 | 0.68 |
| 2007 | 43,359 | 2,367 | 40,992 | 22,760 | 18,383 | 41,143 | 1.00 |
| 2006 | 42,754 | 1,252 | 41,502 | 20,030 | 19,349 | 39,379 | 1.05 |
| 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 |

Parkways Authority

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

| <u>Fiscal Year</u> | <u>Operating Revenue</u> | <u>Direct Operating Expense</u> | <u>Net Revenue Available for Debt Service</u> | <u>Total Debt Service</u> | <u>Coverage</u> |
|--------------------|--------------------------|---------------------------------|---|---------------------------|-----------------|
| 2011 | \$82,440 | \$35,891 | \$46,549 | \$10,515 | 4.43 |
| 2010 | 79,188 | 33,134 | 46,054 | 10,670 | 4.32 |
| 2009 | 53,541 | 30,908 | 22,633 | 12,218 | 1.85 |
| 2008 | 56,690 | 31,183 | 25,507 | 11,852 | 2.15 |
| 2007 | 58,219 | 32,606 | 25,613 | 10,876 | 2.36 |
| 2006 | 61,806 | 31,478 | 30,328 | 10,801 | 2.81 |
| 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 |

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 Authority; Tobacco Settlement Finance Authority; and bond indentures.

West Virginia

Schedule 10 Demographics and Economic Indicators Last Ten Calendar Years

| | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|--|--------------|--------------|--------------|--------------|
| Population | | | | |
| West Virginia | 1,852,994 | 1,819,777 | 1,814,873 | 1,811,198 |
| Change | 1.83% | 0.27% | 0.20% | 0.22% |
| National | 308,745,538 | 307,006,550 | 304,374,846 | 301,579,895 |
| Change | 0.57% | 0.86% | 0.93% | 1.00% |
| Total Personal Income (Dollars in Millions) | | | | |
| West Virginia | \$59,325 | \$57,419 | \$57,620 | \$54,100 |
| Change | 3.32% | (0.35)% | 6.51% | 4.32% |
| National | \$12,357,113 | \$11,916,808 | \$12,451,599 | \$11,900,562 |
| Change | 3.69% | (4.29)% | 4.63% | 5.72% |
| Per Capita Personal Income* (In Dollars) | | | | |
| West Virginia | \$31,999 | \$31,075 | \$31,310 | \$29,497 |
| Change | 2.97% | (0.75)% | 6.15% | 3.97% |
| National | \$39,945 | \$38,846 | \$40,947 | \$39,506 |
| Change | 2.83% | (5.13)% | 3.65% | 4.72% |
| Median Age | 41.3 | 40.5 | 40.6 | 40.4 |
| Educational Attainment | | | | |
| 9th Grade or Less | 6.1% | 6.5% | 6.6% | 7.0% |
| Some High School, No Diploma | 10.7% | 10.7% | 11.1% | 11.8% |
| High School Diploma | 41.6% | 41.0% | 40.9% | 41.1% |
| Some College, No Degree | 18.3% | 18.5% | 18.5% | 16.7% |
| Associate, Bachelor's or Graduate Degree | 23.3% | 23.2% | 22.9% | 23.4% |
| Labor Force and Employment (People in Thousands) | | | | |
| Civilian Labor Force | 782.3 | 797.9 | 806.0 | 813.0 |
| Employed | 711.1 | 734.6 | 772.0 | 778.0 |
| Unemployed | 71.2 | 63.3 | 34.0 | 35.0 |
| Unemployment Rate | 9.1% | 7.9% | 4.3% | 4.3% |
| Nonfarm Wage and Salary Workers Employed in West Virginia Goods Producing Industries: | | | | |
| Mining | 29.9 | 29.6 | 30.7 | 27.5 |
| Construction | 32.6 | 34.1 | 38.4 | 38.7 |
| Manufacturing-Durable Goods | 29.6 | 30.9 | 35.2 | 37.2 |
| Manufacturing-Nondurable Goods | <u>19.5</u> | <u>19.8</u> | <u>21.1</u> | <u>21.8</u> |
| Total Goods Producing Industries | 111.6 | 114.4 | 125.4 | 125.2 |
| Non-Goods Producing Industries: | | | | |
| Trade | 109.2 | 110.0 | 114.4 | 116.2 |
| Service | 372.5 | 369.9 | 374.0 | 369.5 |
| State and Local Government | 128.3 | 126.3 | 123.7 | 122.6 |
| Federal Government | <u>24.3</u> | <u>23.6</u> | <u>22.9</u> | <u>22.5</u> |
| Total Non-Goods Producing Industries | <u>634.3</u> | <u>629.8</u> | <u>635.0</u> | <u>630.8</u> |
| Total Nonfarm Wage and Salary Employment | 745.9 | 744.2 | 760.4 | 756.0 |

The most current period available is 2010.

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

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

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

This schedule has been revised.

| <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> | <u>2001</u> |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 1,807,237 | 1,803,920 | 1,803,302 | 1,802,238 | 1,799,411 | 1,798,582 |
| 0.18% | 0.03% | 0.06% | 0.16% | 0.05% | (0.46)% |
| 298,593,212 | 295,753,151 | 293,045,739 | 290,326,418 | 287,803,914 | 285,081,556 |
| 0.96% | 0.92% | 0.97% | 0.99% | 1.01% | 1.03% |
| | | | | | |
| \$51,862 | \$48,139 | \$46,497 | \$43,841 | \$43,312 | \$41,902 |
| 7.73% | 3.53% | 6.06% | 1.22% | 3.36% | 6.25% |
| \$11,256,516 | \$10,476,669 | \$9,928,790 | \$9,150,320 | \$8,872,871 | \$8,716,992 |
| 7.44% | 5.52% | 8.51% | 3.13% | 1.79% | 3.79% |
| | | | | | |
| \$28,372 | \$26,443 | \$25,784 | \$24,217 | \$24,002 | \$23,260 |
| 7.29% | 2.55% | 6.00% | 0.90% | 3.19% | 6.60% |
| \$37,725 | \$35,452 | \$33,881 | \$31,461 | \$30,810 | \$30,574 |
| 6.41% | 4.64% | 7.50% | 2.11% | 0.77% | 2.73% |
| | | | | | |
| 40.7 | 40.7 | 40.2 | 39.9 | 39.5 | 39.3 |
| | | | | | |
| 7.1% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% |
| 11.9% | 14.8% | 14.8% | 14.8% | 14.8% | 14.8% |
| 42.7% | 39.4% | 39.4% | 39.4% | 39.4% | 39.4% |
| 16.1% | 16.6% | 16.6% | 16.6% | 16.6% | 16.6% |
| 22.2% | 19.2% | 19.2% | 19.2% | 19.2% | 19.2% |
| | | | | | |
| 810.0 | 798.0 | 788.0 | 790.0 | 796.0 | 801.0 |
| 773.0 | 759.0 | 747.0 | 742.0 | 749.0 | 759.0 |
| 37.0 | 39.0 | 41.0 | 48.0 | 47.0 | 42.0 |
| 4.6% | 4.9% | 5.3% | 6.0% | 5.9% | 5.2% |
| | | | | | |
| 28.1 | 25.9 | 23.8 | 22.0 | 23.1 | 23.5 |
| 39.2 | 36.8 | 34.6 | 32.7 | 33.4 | 34.9 |
| 38.4 | 38.8 | 39.2 | 39.7 | 42.2 | 44.5 |
| <u>22.6</u> | <u>23.0</u> | <u>23.8</u> | <u>24.9</u> | <u>26.5</u> | <u>27.7</u> |
| 128.3 | 124.5 | 121.4 | 119.3 | 125.2 | 130.6 |
| | | | | | |
| 115.5 | 113.6 | 111.9 | 110.4 | 111.3 | 113.7 |
| 367.8 | 364.9 | 360.5 | 355.5 | 353.7 | 350.0 |
| 122.4 | 121.7 | 121.4 | 120.6 | 120.9 | 119.2 |
| <u>22.1</u> | <u>21.9</u> | <u>21.8</u> | <u>21.9</u> | <u>21.9</u> | <u>21.8</u> |
| <u>627.8</u> | <u>622.1</u> | <u>615.6</u> | <u>608.4</u> | <u>607.8</u> | <u>604.7</u> |
| 627.8 | 746.6 | 737.0 | 727.7 | 733.0 | 735.3 |

West Virginia

Schedule 11 Principal Employers Current Year and Nine Years Ago

Estimated as of June 30, 2011

| Major West Virginia Employers | Number of Employees | Percentage of Total Employed |
|--|--------------------------------|---|
| Local Government | 75,000 - 79,999 | 10.75% |
| State Government | 40,000 - 44,999 | 6.01% |
| Federal Government | 20,000 - 24,999 | 3.29% |
| Wal-Mart Associates, Inc. | 10,000 - 13,000 | 1.62% |
| West Virginia United Health System | 7,000 - 9,999 | 1.13% |
| Charleston Area Medical Center, Inc. | 5,000 - 6,999 | 0.84% |
| Kroger | 3,000 - 4,999 | 0.56% |
| Consolidation Coal Company | 3,000 - 4,999 | 0.56% |
| Mylan Pharmaceuticals, Inc. | 1,000 - 2,999 | 0.28% |
| Lowe's Home Centers, Inc. | 1,000 - 2,999 | 0.28% |
| St. Mary's Hospital | 1,000 - 2,999 | 0.28% |
| American Electric Power | 1,000 - 2,999 | 0.28% |
| Mentor Management, Inc. | 1,000 - 2,999 | 0.28% |

As of June 30, 2002

| Major West Virginia Employers | Number of Employees | Percentage of Total Employed |
|--|--------------------------------|---|
| Local Government | 70,000 - 74,999 | 9.58 % |
| State Government | 40,000 - 44,999 | 5.53% |
| Federal Government | 20,000 - 24,999 | 2.90% |
| Wal-Mart Associates, Inc. | 10,000 - 13,000 | 1.54% |
| West Virginia University Hospitals | 3,000 - 5,999 | 0.60% |
| Charleston Area Medical Center, Inc. | 3,000 - 5,999 | 0.60% |
| Kroger | 3,000 - 5,999 | 0.60% |
| Weirton Steel Corporation | 3,000 - 5,999 | 0.60% |
| CSX Corporation | 3,000 - 5,999 | 0.60% |
| E I Dupont De Nemours and Company | 1,000 - 2,999 | 0.27% |
| Verizon | 1,000 - 2,999 | 0.27% |
| American Electric Power | 1,000 - 2,999 | 0.27% |
| Allegheny Energy Service Corporation | 1,000 - 2,999 | 0.27% |

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

Schedule 12
Education Enrollment
Last Ten Fiscal Years

Public School Enrollment Grades Pre-K Through 12

| <u>Year</u> | <u>Elementary (Pre-K to 6)</u> | <u>Secondary (7 to 12)</u> | <u>Total All Grades</u> |
|-------------|------------------------------------|--------------------------------|-----------------------------|
| 2010-11 | 160,015 | 122,115 | 282,130 |
| 2009-10 | 159,205 | 122,623 | 281,828 |
| 2008-09 | 157,520 | 124,388 | 281,908 |
| 2007-08 | 155,832 | 125,903 | 281,735 |
| 2006-07 | 154,479 | 126,818 | 281,297 |
| 2005-06 | 152,969 | 126,819 | 279,788 |
| 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 |

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> |
| 2010-11 | 96,555 | 15,733 | 11,496 | 2,879 |
| 2009-10 | 94,952 | 15,185 | 12,168 | 2,678 |
| 2008-09 | 89,280 | 14,917 | 11,279 | 2,560 |
| 2007-08 | 88,276 | 15,040 | 11,131 | 2,686 |
| 2006-07 | 86,972 | 14,733 | 10,639 | 2,682 |
| 2005-06 | 84,713 | 14,206 | 10,811 | 2,575 |
| 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 |

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

This schedule has been revised.

Schedule 13
State Employees by Function
Last Ten Fiscal Years

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|------------------------------------|---------------|---------------|---------------|---------------|
| Executive* | 946 | 921 | 927 | 916 |
| Legislative | 216 | 218 | 216 | 213 |
| Judicial | 1,042 | 1,010 | 961 | 912 |
| Administration | 693 | 679 | 696 | 659 |
| Commerce | | | | |
| Natural Resources (Parks) | 752 | 798 | 836 | 844 |
| Tourism and Development | 160 | 155 | 162 | 164 |
| WORKFORCE West Virginia | 409 | 440 | 399 | 397 |
| Other | 400 | 400 | 391 | 379 |
| Environmental Protection | 832 | 823 | 804 | 821 |
| Education and the Arts | | | | |
| Department of Education | 601 | 576 | 579 | 560 |
| School for the Deaf and the Blind | 182 | 195 | 202 | 192 |
| Rehabilitation Services | 555 | 563 | 542 | 518 |
| Higher Education | 11,431 | 10,965 | 10,762 | 10,383 |
| Other | 285 | 274 | 286 | 272 |
| Revenue | 1,080 | 1,067 | 1,057 | 1,087 |
| Health and Human Resources | 5,535 | 5,562 | 5,495 | 5,556 |
| Military Affairs and Public Safety | | | | |
| Corrections | 1,725 | 1,700 | 1,692 | 1,684 |
| Juvenile Services | 718 | 681 | 640 | 610 |
| State Police | 1,043 | 1,033 | 1,026 | 1,011 |
| Regional Jail Authority | 883 | 886 | 896 | 903 |
| Other | 757 | 724 | 667 | 686 |
| Transportation | 5,776 | 5,346 | 5,658 | 5,499 |
| Miscellaneous | <u>509</u> | <u>497</u> | <u>488</u> | <u>490</u> |
| Total | <u>36,530</u> | <u>35,513</u> | <u>35,382</u> | <u>34,756</u> |

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

Notes:

The Workers' Compensation Commission was included under Commerce - Other in 2002 to 2005. In 2006, the Workers' Compensation Commission was privatized and approximately 300 of the employees moved to the Insurance Commission under Revenue.

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

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

| <u>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 896 | 881 | 902 | 898 | 889 | 863 |
| 208 | 204 | 203 | 201 | 200 | 202 |
| 936 | 882 | 876 | 876 | 884 | 848 |
| 663 | 573 | 598 | 620 | 540 | 539 |
| 844 | 813 | 812 | 816 | 830 | 824 |
| 166 | 182 | 218 | 212 | 195 | 201 |
| 372 | 405 | 445 | 457 | 552 | 1,258 |
| 364 | 353 | 1,068 | 1,173 | 1,144 | 366 |
| 820 | 843 | 862 | 851 | 852 | 763 |
| 519 | 511 | 531 | 516 | 504 | 503 |
| 192 | 204 | 193 | 200 | 204 | 218 |
| 544 | 694 | 721 | 716 | 723 | 715 |
| 10,165 | 9,959 | 9,746 | 9,450 | 9,432 | 9,643 |
| 261 | 272 | 267 | 265 | 284 | 288 |
| 1,042 | 1,024 | 774 | 768 | 762 | 739 |
| 5,596 | 5,588 | 5,771 | 5,524 | 5,593 | 5,545 |
| 1,648 | 1,632 | 1,592 | 1,555 | 1,562 | 1,505 |
| 615 | 601 | 601 | 565 | 431 | 424 |
| 1,011 | 987 | 980 | 972 | 949 | 934 |
| 938 | 869 | 876 | 858 | 760 | 740 |
| 584 | 520 | 491 | 482 | 477 | 441 |
| 5,490 | 5,296 | 5,767 | 5,836 | 5,983 | 6,358 |
| <u>496</u> | <u>503</u> | <u>530</u> | <u>529</u> | <u>450</u> | <u>396</u> |
| <u>34,370</u> | <u>33,796</u> | <u>34,824</u> | <u>34,340</u> | <u>34,200</u> | <u>34,313</u> |

Schedule 14
Operating Indicators by Function
Last Ten Fiscal Years

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---|-------------|-------------|-------------|-------------|
| Transportation | | | | |
| Total highway construction projects authorized | 1,070 | 1,231 | 702 | 1,169 |
| Number of roadway resurfacing projects | 508 | 584 | 208 | 527 |
| Number of roadway miles resurfaced | 995 | 1,328 | 479 | 1,557 |
| WORKFORCE West Virginia (Employment Programs) | | | | |
| Applications for job search services (in thousands) | 141 | 175 | 150 | 141 |
| Filled job openings | 4,673 | 4,673 | 7,003 | 8,380 |
| Education | | | | |
| Schools receiving exemplary accreditation status | 9.06% | 8.36% | 8.17% | 10% |
| Schools receiving full accreditation status | 71.57% | 69.73% | 71.08% | 80% |
| School districts receiving full approval status | 89.09% | 89.09% | 89.09% | 96% |
| Health and Human Resources | | | | |
| Number of food stamp recipients | 338,665 | 326,730 | 288,500 | 245,931 |
| Number of food stamps issued | 41,314,740 | 39,885,163 | 31,098,046 | 24,555,462 |
| Medicaid enrollees | 414,935 | 405,178 | 393,187 | 307,686 |
| Counties enrolled in managed care* | 100% | 100% | 95% | 93% |
| Child support collections (in millions) | \$222 | \$201 | \$204 | \$201 |
| Students served by school-based health clinics | 27,076 | 24,992 | 20,380 | 20,224 |
| Natural Resources | | | | |
| Attendance at State Parks (in millions) | 6.5 | 6.3 | 5.9 | 6.7 |
| Hunting and Fishing License Sales (calendar year) | N/A | 914,474 | 1,005,953 | 983,544 |
| Individuals whitewater rafting on rivers (calendar year) | 156,962 | 155,712 | 164,325 | 181,105 |
| Environmental Protection | | | | |
| Division of Air Quality | | | | |
| Number of air quality inspections | 2,236 | 1,503 | 1,795 | 2,096 |
| Average Days Open per Complaint | 11.06 | 12.87 | 15.30 | 32.41 |
| Division of Land Restoration Programs | | | | |
| Organizations that adopted highways | 1,867 | 1,536 | 1,879 | 1,834 |
| Division of Mining and Reclamation | | | | |
| Surface mine blasting examinations and certifications | 109 | 118 | 149 | 123 |
| Surface mine mineral extraction inspections | 21,243 | 20,812 | 13,391 | 21,183 |
| Number of acres reclaimed through reclamation and restoration of land | 5,887 | 2,784 | 2,298 | 2,483 |
| Office of Miners Health and Safety (calendar year) | | | | |
| Total safety inspections | 5,413 | 5,873 | 5,980 | 5,709 |
| Violations issued by mine inspectors | 18,708 | 15,306 | 14,804 | 16,130 |
| Lost time injuries of mining personnel** | 784 | 801 | 809 | 973 |
| Military Affairs and Public Safety | | | | |
| Division of Corrections | | | | |
| Adult inmate housing capacity | 5,185 | 5,114 | 5,113 | 5,017 |
| Inmate employment (Correctional Industries) | 243 | 242 | 247 | 245 |
| Youth successfully completed programs/returned to community | 148 | 159 | 159 | 156 |
| Veterans' Home | | | | |
| Average daily number of residents | 100 | 97 | 97 | 95 |
| Average daily cost per resident | \$77.32 | \$76.53 | \$70.78 | \$71.19 |
| Senior Services | | | | |
| Persons served under Medicaid aged and disabled waiver | 8,029 | 5,950 | 6,449 | 5,300 |

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>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|
| 874 | 1,105 | 1,232 | 1,165 | 1,064 | 1,499 |
| 324 | 481 | 490 | 488 | 384 | 534 |
| 944 | 1,239 | 1,208 | 1,070 | 1,040 | 1,071 |
| 128 | 100 | 97 | 152 | 163 | 152 |
| 9,517 | 11,069 | 20,511 | 24,400 | 27,072 | 27,072 |
| 10% | | | | | |
| 80% | 17% | 4% | 7% | 10% | 7% |
| 93% | 68% | 76% | 85% | 77% | 74% |
| | 93% | 96% | 93% | 82% | 82% |
| 235,772 | 261,577 | 255,281 | 249,227 | 235,420 | 223,047 |
| 22,869,066 | 21,982,039 | 20,986,880 | 20,563,342 | 19,266,926 | 17,892,030 |
| 305,054 | 311,289 | 321,158 | 316,668 | 306,185 | 294,661 |
| 89% | 89% | 85% | 62% | 42% | 42% |
| \$192 | \$188 | \$187 | \$177 | \$179 | \$167 |
| 26,800 | 25,950 | 25,780 | 24,155 | 23,826 | 23,627 |
| 6.5 | 6.7 | 7.3 | 6.4 | 7.6 | 7.2 |
| 955,737 | 968,954 | 1,058,821 | 1,151,623 | 1,418,479 | 1,222,357 |
| 170,266 | 201,358 | 209,542 | 227,752 | 218,444 | 228,169 |
| 1,584 | 1,565 | 1,401 | 1,156 | 778 | 404 |
| 37.34 | 25.96 | 19.43 | 26.68 | 35.39 | 26.95 |
| 1,882 | 1,891 | 1,456 | 1,518 | 1,481 | 1,966 |
| 159 | 191 | 144 | 94 | 151 | 54 |
| 22,092 | 21,891 | 20,085 | 20,193 | 18,885 | 18,887 |
| 7,261 | 12,655 | 10,963 | 9,893 | 9,470 | 9,292 |
| 5,508 | 5,816 | 5,727 | 5,984 | 5,787 | 4,764 |
| 12,488 | 12,258 | 10,749 | 8,454 | 6,539 | 7,956 |
| 929 | 1,089 | 965 | 875 | 1,129 | 1,232 |
| 4,931 | 4,520 | 4,070 | 4,070 | 3,880 | 3,696 |
| 238 | 230 | 260 | 259 | 244 | 270 |
| 115 | 160 | 180 | 196 | 148 | 159 |
| 89 | 96 | 95 | 79 | 112 | 125 |
| \$68.74 | \$64.00 | \$61.54 | \$60.28 | \$57.36 | \$48.20 |
| 4,737 | 4,571 | 4,901 | 5,760 | 5,760 | 5,315 |

Schedule 15
Capital Assets Statistics by Function
Last Ten Fiscal Years

| | <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> |
|---|--------------|--------------|--------------|--------------|
| Vehicles | | | | |
| Executive | 178 | 185 | 171 | 169 |
| Judicial | 14 | 14 | 12 | 10 |
| Administration | | | | |
| Agency-Owned | 6 | 6 | 6 | 4 |
| Leased to other agencies | <u>1,743</u> | <u>1,731</u> | <u>1,685</u> | <u>1,648</u> |
| Total Administration | 1,749 | 1,737 | 1,691 | 1,652 |
| Revenue | 1 | — | — | 1 |
| Commerce | | | | |
| Division of Natural Resources (Parks) | 510 | 582 | 584 | 570 |
| Division of Forestry | 132 | 136 | 133 | 130 |
| Others | <u>8</u> | <u>7</u> | <u>7</u> | <u>7</u> |
| Total Commerce | 650 | 725 | 724 | 707 |
| Environmental Protection | 10 | 11 | 11 | 11 |
| Education | 44 | 51 | 58 | 42 |
| Health and Human Services | 28 | 68 | 72 | 68 |
| Military Affairs and Public Safety (MAPS) | | | | |
| West Virginia State Police | 947 | 992 | 999 | 1,110 |
| Division of Corrections | 36 | 40 | 40 | 38 |
| Veterans Affairs | 68 | 70 | 57 | 54 |
| Regional Jail | 40 | 94 | 99 | 104 |
| Others | <u>36</u> | <u>36</u> | <u>33</u> | <u>32</u> |
| Total MAPS | 1,127 | 1,232 | 1,228 | 1,338 |
| Regulatory Boards and Commissions | 2 | 2 | 2 | 2 |
| Boats | | | | |
| Commerce | 93 | 90 | 95 | 94 |
| Environmental Protection | 7 | 7 | 6 | 5 |
| Buildings | | | | |
| Executive | 28 | 28 | 28 | 28 |
| Administration | 78 | 72 | 70 | 68 |
| Revenue | 2 | 2 | 2 | 2 |
| Commerce | | | | |
| Division of Natural Resources (Parks) | 889 | 889 | 889 | 884 |
| Division of Forestry | 5 | 5 | 5 | 5 |
| Others | <u>8</u> | <u>8</u> | <u>8</u> | <u>8</u> |
| Total Commerce | 902 | 902 | 902 | 897 |
| Environmental Protection | 8 | 7 | 7 | 7 |
| Education | 81 | 91 | 91 | 90 |
| Health and Human Services | 108 | 108 | 109 | 109 |
| Military Affairs and Public Safety (MAPS) | | | | |
| West Virginia State Police | 85 | 85 | 85 | 83 |
| Division of Corrections | 53 | 55 | 55 | 54 |
| Armory Board | 157 | 158 | 167 | 165 |
| Others | <u>60</u> | <u>59</u> | <u>55</u> | <u>52</u> |
| Total MAPS | 355 | 357 | 362 | 354 |
| 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>2007</u> | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|--------------|--------------|--------------|--------------|--------------|--------------|
| 171 | 140 | 123 | 116 | 121 | 103 |
| 10 | 5 | 6 | 4 | 4 | 4 |
| 4 | 5 | 6 | 6 | 6 | 6 |
| <u>1,857</u> | <u>1,623</u> | <u>1,588</u> | <u>1,455</u> | <u>1,570</u> | <u>1,678</u> |
| 1,861 | 1,628 | 1,594 | 1,461 | 1,576 | 1,684 |
| 1 | 1 | 3 | 3 | 3 | 1 |
| 581 | 581 | 572 | 543 | 557 | 582 |
| 135 | 137 | 137 | 137 | 137 | 129 |
| <u>5</u> | <u>6</u> | <u>6</u> | <u>5</u> | <u>14</u> | <u>17</u> |
| 721 | 724 | 715 | 685 | 708 | 728 |
| 13 | 12 | 12 | 10 | 9 | 17 |
| 41 | 41 | 44 | 44 | 44 | 48 |
| 69 | 68 | 65 | 58 | 59 | 62 |
| 916 | 811 | 952 | 960 | 939 | 989 |
| 28 | 25 | 21 | 21 | 23 | 22 |
| 49 | 51 | 32 | 32 | 21 | 15 |
| 90 | 87 | 67 | 67 | 71 | 58 |
| <u>30</u> | <u>26</u> | <u>23</u> | <u>23</u> | <u>17</u> | <u>15</u> |
| 1,113 | 1,000 | 1,095 | 1,103 | 1,071 | 1,099 |
| 2 | 2 | 2 | — | — | — |
| 93 | 92 | 93 | 89 | 89 | 90 |
| 5 | 4 | 4 | 3 | 3 | 3 |
| 28 | 28 | 28 | 28 | 28 | 28 |
| 66 | 60 | 52 | 50 | 46 | 44 |
| 2 | 2 | 2 | 2 | 2 | 1 |
| 885 | 893 | 888 | 887 | 881 | 880 |
| 4 | 4 | 4 | 4 | 4 | 4 |
| <u>7</u> | <u>6</u> | <u>6</u> | <u>6</u> | <u>6</u> | <u>5</u> |
| 896 | 903 | 898 | 897 | 891 | 889 |
| 7 | 7 | 7 | 4 | 4 | 4 |
| 90 | 90 | 90 | 89 | 88 | 88 |
| 157 | 147 | 147 | 145 | 144 | 144 |
| 82 | 81 | 81 | 80 | 78 | 76 |
| 53 | 53 | 50 | 47 | 46 | 45 |
| 167 | 171 | 171 | 168 | 167 | 167 |
| <u>49</u> | <u>40</u> | <u>39</u> | <u>37</u> | <u>34</u> | <u>34</u> |
| 351 | 345 | 341 | 332 | 325 | 322 |
| 3 | 3 | 2 | 2 | 2 | 2 |

Schedule 16
Miscellaneous Statistics
June 30, 2011

| | |
|---|--|
| 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 - 4,861 feet above sea level |
| Lowest Elevation Point | Harpers Ferry - 247 feet above sea level |
| Miles of Public Roads and Streets | 38,625 |
| Miles Maintained by the State | 34,517 |
| State Police Protection: | |
| Number of State Police Detachments | 60 |
| Number of State Police Troopers | 673 |
| Higher Education (State Supported): | |
| Number of Campuses | 22 |
| Number of Students | 94,662 |
| Recreation: | |
| Number of State Parks | 35 |
| Area of State Parks | 76,957 acres |
| Number of State Forests | 8 |
| Area of State Forests | 71,415 acres |
| Number of Rail Trails | 2 |
| Distance of Rail Trails | 150 miles |
| Wildlife Fish and Game Management Areas | 96 |
| Acreage of Wildlife Management Areas (Owned and Leased) | 378,893 acres |

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