West Virginia

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2012

West Virginia

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2012

Earl Ray Tomblin
Governor

Ross Taylor
Cabinet Secretary
Department of Administration

David Mullins
Acting State Comptroller
Department of Administration

Prepared by the
Financial Accounting
and Reporting Section

Governor Earl Ray Tomblin

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Earl Ray Tomblin
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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, 2012. 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,

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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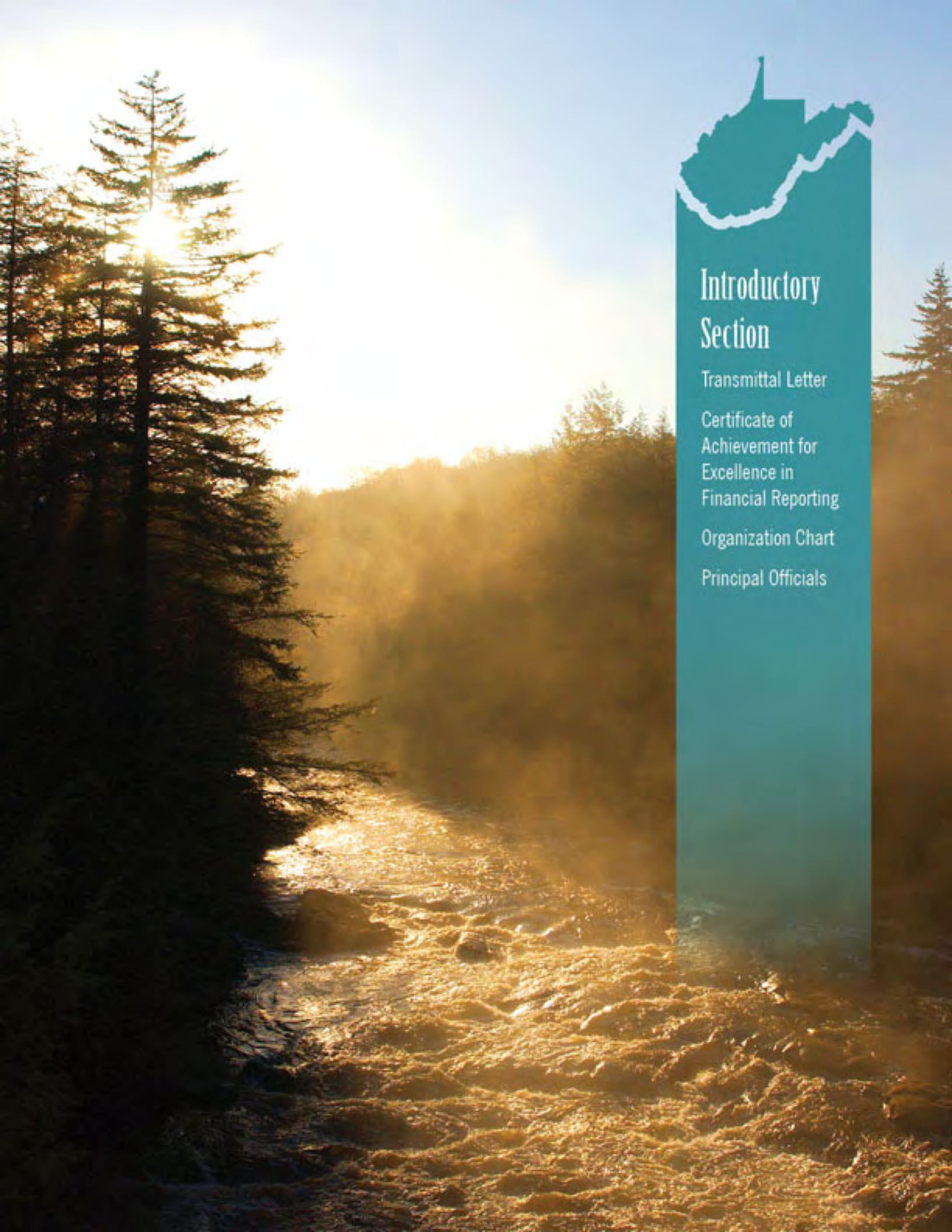

Introductory Section

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Certificate of Achievement for Excellence in Financial Reporting

Organization Chart

Principal Officials

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
DIVISION OF FINANCE

EARL RAY TOMBLIN
GOVERNOR

ROSS TAYLOR
CABINET SECRETARY

January 31, 2013

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, 2012. 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, 2012, 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.

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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

The State of West Virginia continues to maintain a stable yet progressive economic outlook due to sound fiscal policies. The State is poised to enter into a new and dynamic chapter of economic growth with a strong diversified economy.

By staying the course of efficient business practices, West Virginia closed its 2012 fiscal year with a surplus of $102 million, the seventh 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.

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, 2013, the corporate net income tax rate will fall from 7.0 percent to 6.5 percent in 2014. During the first half of FY 2013, West Virginia revenue collections were close to original estimates.

The State of West Virginia completed 22 construction projects and started 20 more, with costs in excess of $5 million, including portions of the King Coal Highway, West Virginia 10, Corridor H, and six-lane widening of Interstates 64 and 81. The State has also completed preservation projects including major reconstruction of a section of Interstate 79 and the replacement of the Dick Henderson Bridge. The 22 new projects have a combined construction cost of $380 million.

Federal transportation legislation, Moving Ahead for Progress in the 21st Century (MAP-21), was recently passed and provides the State stable transportation funding at a reduction of approximately $30 million for the next two years. This legislation provides stability for highway construction planning.

Long-term Financial Planning and Relevant Financial Policies

To sustain financial effectiveness, the State was open to innovative opportunities that were made available. Fiscal planning and efficient management relating to these opportunities have resulted in positive results.

West Virginia has thrived on traditional energy and manufacturing industries, such as coal, chemicals and polymers, aerospace, automotive, and wood products. All of these remain valued contributors to the State's economy.

Today the State's economy is one that also includes innovation-driven, technology-based businesses, piloted by a highly skilled West Virginia workforce. Emerging sectors include

biometrics and biomedical technology, advanced energy, distribution and business and information services.

Since 2005, more than $20 billion worth of new business investments have been made in the State's economy, including more than $6 billion since 2010.

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:

- Gestamp West Virginia started small-scale, cold-line product production and is installing new hot stamping lines. Within five years, Gestamp plans to invest at least $100 million and create a minimum of 400 jobs in the South Charleston plant. Gestamp is an international manufacturer of metal components and structural systems for the automotive industry.

- Toyota is investing $45 million in the Toyota Motor Manufacturing West Virginia facility in Buffalo to boost transmission production. The expansion, scheduled for completion by July 2013, will increase employment at the West Virginia plant to 1,200 and Toyota's total investment to $1.3 billion.

- Hino Motors Manufacturing USA announced it is making nearly $6 million in direct and indirect investments in its Williamstown assembly plant. The facility assembles Class 6 and 7 medium duty trucks.

- Wheeling-Nisshin, one of the country's largest hot-dip coating mills, announced plans to invest $28 million to expand operations at its Follansbee facility in preparation for the production of the new steel product, ZAM®. The new project will be the Follansbee facility's third major expansion in 25 years.

- Williams Partners L.P., which acquired Caiman Energy assets in 2012, announced that the natural gas company will invest $1.34 billion between now and 2014 in West Virginia's Northern Panhandle. In January 2012, Williams Partners joined with Caiman Energy II as part of a joint venture to develop midstream infrastructure facilities, an investment of more than $800 million to develop processing infrastructure.

- Rubberlite Inc. celebrated the $5.7 million expansion of its facility in Huntington. Rubberlite is a leader of converted cellular rubber and plastic products and manufacturer of custom-engineered polyurethane foams.

- Macy's officially opened its 1.3 million-square-foot fulfillment center in Martinsburg. The $150 million center is expected to create 900 permanent full-time, 300 permanent part-time and 700 temporary seasonal jobs within the next five years.

- Constellium, a world leader in the manufacturing of high-quality aluminium products, celebrated the commissioning of the new 30 million-pound stretcher in its Ravenswood plant. The rebuild represents a $46 million investment.

- American Woodmark, a leading manufacturer and distributor of kitchen and bath cabinets, plans to invest $15.2 million in the building and equipment for its South Branch manufacturing operation in Moorefield.

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 the State. West Virginia provides access to:

- Skilled and flexible workforce that has earned a reputation for dedication, loyalty and low absenteeism;

- Low manufacturing-industry employee turnover rate;

- Cost of doing business that is 14 percent lower than the U.S. average and tied for fourth lowest in the country (Moody's North American Business Cost Review);

- Utility rates among the lowest in the nation;

- A strategic location within an eight-hour drive to more than half the U.S. population and more than one-third of the Canadian market;

- Community College technical system that is highly responsive to business and workforce needs;

- A State that led the nation in the percentage of growth in exports, reaching a record level of $9 billion; and

- High quality of life, low cost of living and unparalleled outdoor recreational activities.

Major Initiatives

The State of West Virginia has focused on several major initiatives during FY 2012. Some of these initiatives are outlined below:

Pro-Growth Tax Reforms

West Virginia removed approximately $130 million of business tax burden in FY 2012 and more than $470 million during the past six 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 7.0 percent. As of June 2012, corporations have realized a $22 million tax reduction. Corporations are expected to save more than $53 million per year when the rate reductions are fully implemented. The tax will be reduced to 6.5 percent by 2014;

- The business franchise tax rate has been reduced to 0.2 percent. There will be an annual phased reduction in the tax and it will be eliminated in 2015. From the time the first reduction was made, until the eventual elimination, taxpayers will have saved an estimated $150 million; and

- West Virginia offers a variety of tax credits, exemptions and special valuations for new and existing companies. Credits for manufacturers and research and development companies can offset up to 100 percent of the State's business taxes. There are special valuations on aircraft, high tech, pollution abatement equipment and property tied to specified customer supplier relations, which can dramatically reduce property taxes; and exemptions for manufacturers can eliminate sales tax for goods used in manufacturing. There are new tax credit programs that are now available for customer fulfillment and distribution centers as well as ethane cracker facilities.

Energy Initiatives

Energy stands as one of the traditional strengths of West Virginia's economy. The State leads the nation with its advanced energy research and a diverse energy portfolio that includes not only coal, but wind, hydro, geothermal, biomass, and solar. The West Virginia Energy Blueprint calls for the environmentally responsible development of all forms of feasible energy technologies.

The State has long been, and remains today, one of America's leading producers of electricity. Two-thirds of the electricity West Virginia generates is exported to the rest of the country. The State ranks third in the country in net interstate sales of electricity and remains a leader in low-cost energy.

West Virginia ranks among the world's top 10 most attractive jurisdictions for oil and gas development, according to a survey released by the Fraser Institute's *Global Petroleum Survey*.

West Virginia's designation takes on even more significance with the discovery of vast gas reserves in the Marcellus and Utica Shale formations beneath portions of the Appalachian

region. The State's 6,000-foot-deep Marcellus Shale gas fields are believed to contain more than 84 trillion cubic feet of recoverable natural gas, one of the world's largest natural gas fields.

State Park Enhancements

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

The park system today also serves as a strong foundation for the growing tourism industry as destination locations. Structures and complex recreational areas are the heartbeat of revenue generators for the system. Still, through the years, the system has never lost focus on protecting natural resources, promoting pure outdoor recreation (hiking, fishing, biking, picnicking, canoeing, etc.) and educating visitors about the natural world.

The 2012 fiscal year brought challenges which were new to the park system's eight decades of service, including the June 29 derecho and the October 29 Superstorm Sandy. These two massive storms alone created power outages and physical damage affecting every park.

On the positive side, the park system's extensive rebuild of the Canaan Valley Resort State Park lodge and ski area continues with an opening date of late 2013. Little Beaver State Park campground completed its first full year of operation bringing much needed camping availability in Southern West Virginia in the Beckley/I-64 area. Blackwater Falls opened an additional 13 four-bedroom cabins, for a cabin inventory of 39, at this popular Tucker county destination. Events, activities, and information for all the parks are maintained at *www.wvstateparks.com*.

Workers' Compensation Reforms

Since West Virginia privatized its workers' compensation market in 2006, the loss costs have decreased in the aggregate by 60.9 percent, which includes an aggregate reduction of 9.1 percent in 2012. This action has resulted in significant savings to employers. The workers' compensation market is competitive with more than 240 carriers offering workers' compensation coverage.

Prior to the privatization, the unfunded liability for the State's workers' compensation fund exceeded $3 billion. A plan was adopted to eliminate the unfunded liability and dedicate revenues from severance taxes, personal income taxes and specific lottery proceeds to eliminate the debt. Annually, the State allocates approximately $247 million to reduce

the unfunded liability. As of July 1, 2012, the unfunded liability for the Old Fund is $825 million. Projections show the unfunded liability may be eliminated as early as FY 2016.

A 14.3 percent decrease in workers' compensation residual market insurance rates took effect on November 1, 2012.

Environment Protection Initiatives

The State Revolving Fund Program loaned approximately $85.4 million during fiscal year 2012 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 40-year period to these communities.

The Abandoned Mine Lands (AML) program solicited for 38 AML reclamation projects at a cost of $26 million and participated in the construction of four waterline construction projects at a cost of $3 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.

From November 2010 to June 30, 2012, the State's Division of Water and Waste Management helped secure 59 grants totaling $4.6 million to local governments, groups, watershed associations and nonprofit organizations to implement nonpoint source pollution outreach, education, monitoring and water quality improvements.

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 "Aa1." Fitch Ratings also raised its rating of the State's general obligation debt from "AA" to "AA+," the second highest rating possible. Fitch 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.

Conclusion

West Virginia's upward trend of fiscal management practices during the 2012 fiscal year placed the State in a positive position for the upcoming fiscal year. The leadership team of Governor Earl Ray Tomblin and the members of the State Legislature ensure that financial and strategic decisions are made so that the State may 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 2011. 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, the Board of Treasury Investments, and the West Virginia Prepaid College Plan.

Acknowledgments

The annual budget document, prepared by the State Budget Office, provides additional information related to budget priorities and goals, including 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 2013 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,

Ross Taylor
Cabinet Secretary
Department of Administration

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, 2011

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.

President

Executive Director

ORGANIZATION CHART

Legislative

- Senate
- House of Delegates
- Legislative Auditor
- Legislative Services

Executive

Governor
Earl Ray Tomblin

- Treasurer
  John D. Perdue
- Agriculture
  Gus R. Douglass
- Auditor
  Glen B. Gainer III
- Secretary of State
  Natalie E. Tennant
- Attorney General
  Darrell V. McGraw, Jr.

- Dept. of Administration
  Ross Taylor
  Acting Cabinet Secretary
- Dept. of Education and the Arts
  Kay Goodwin
  Cabinet Secretary
- Dept. of Health and Human Resources
  Rocco Fucillo
  Acting Cabinet Secretary
- Dept. of Military Affairs and Public Safety
  Joe Thornton
  Cabinet Secretary
- Dept. of Revenue
  Charles Lorensen
  Cabinet Secretary
- Dept. of Transportation
  Paul A. Mattox, Jr.
  Cabinet Secretary
- Dept. of Commerce
  Keith Burdette
  Cabinet Secretary
- Dept. of Environmental Protection
  Randy C. Huffman
  Cabinet Secretary
- Dept. of Veterans Assistance
  Keith Gwinn
  Cabinet Secretary
- Bureau of Senior Services
  Robert Roswall
  Commissioner
- Department of Education
  Dr. Jorea M. Marple
  Superintendent of Schools
- Community and Technical College Education
  James L. Skidmore
  Chancellor
- Higher Education Policy Commission
  Dr. Paul Hill
  Chancellor
- Regulatory Boards and Commissions

Judicial

- Supreme Court
- Circuit Court
- Magistrate Court
- Family Courts

As of December 31, 2012

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
Menis E. Ketchum, II

Supreme Court Justice
Robin Jean Davis

Supreme Court Justice
Brent D. Benjamin

Supreme Court Justice
Margaret L. Workman

Supreme Court Justice
Thomas McHugh

As of December 31, 2012

Financial Section

Report of Independent Auditors

Management's Discussion and Analysis

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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 the State of West Virginia (the State) as of and for the year ended June 30, 2012, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of certain entities within the governmental activities, the business-type activities, the aggregate discretely presented component units, certain major funds, and the aggregate remaining fund information, which represent 60 percent of total assets, 82 percent of net assets, and 14 percent of total revenues for the governmental activities; 82 percent of total assets, 85 percent of net assets, and 53 percent of total revenues for the business-type activities; 100 percent of total assets, 100 percent of net assets, and 100 percent of revenues for the aggregate discretely presented component units; 86 percent of total assets, 62 percent of net assets, and 99 percent of revenues of Transportation; 100 percent of total assets, 100 percent of net assets, and 100 percent of revenues of each of the following major funds—Tobacco Settlement Finance Authority, Water Pollution Control, Workers' Compensation, Unemployment Compensation, and West Virginia Infrastructure and Jobs Development Council; and 87 percent of total assets, 89 percent of net assets/fund balance, and 49 percent of the total revenues/additions for the aggregate remaining fund information, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain entities within the governmental activities, business-type activities, aggregate discretely presented component units, certain major funds, and certain entities within the aggregate remaining fund information, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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, the West Virginia Offices of the Insurance Commissioner, 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., The Marshall University Foundation, Inc., New River Community and Technical College Foundation, Inc., Provident Group-Marshall Properties, L.L.C., The Shepherd University Foundation, Inc., Southern West Virginia Community College Foundation, Inc., West Liberty 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

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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 provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of West Virginia as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with US generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2013 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.

Accounting principles generally accepted in the United States require that management's discussion and analysis, budgetary comparison information and pension funding information on pages 170 through 178 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying supplementary information, such as the combining and individual nonmajor fund financial statements is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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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 and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Ernst & Young LLP

January 31, 2013

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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, 2012. 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 $10.5 billion, reported as net assets. Governmental activities reported $9.2 billion in net assets, a $980 million decrease, down 9.6% from last year, while the business-type activities reported net assets of $1.3 billion, a $287 million increase.

Fund Level:

At year-end, the governmental funds reported combined ending fund balances of $1.83 billion, a decrease of $1 billion, or 36% lower than the prior year. The unrestricted fund balance, including the committed, assigned, and unassigned balances, was $601 million. The nonspendable balance was $816 million, and $409 million was restricted to capital projects, debt service, development tourism and recreation, education, public protection, and transportation. General Revenue cash surpluses allowed $28 million to be transferred to the Revenue Shortfall Reserve Fund (Rainy Day Fund); this transfer was down from the previous year by $122 million.

Other Postemployment Benefits

In compliance with Senate Bill No. 469 for fiscal year 2012, the State assumed the $715 million in Other Postemployment Benefits (OPEB) annual required contribution liability from the county boards of education. During February 2012, the bill was passed granting Other Postemployment Benefits Liability relief to the State's fifty-five county boards of education effective July 1, 2012. The law, in effect, requires the State to cover any amount of the respective employers' annual required contribution allocated and billed to the county boards on or after July 1, 2012, and any amount of the employer annual required contribution allocated and billed to the county boards prior to that date for employees who are employed as professional employees, as service personnel, or as professional student support personnel within the limits authorized by this law. The State also identified a supplemental funding source that is expected to begin in fiscal year 2016 at a rate of $30 million per year.

Long-Term Obligations:

There was a net decrease in the State's long-term obligations of $127 million. The Governmental Activities decreased by $26 million and the Business-type Activities decreased by $101 million. The favorable rates in the bond market prompted major refinancing of general obligation bonds, revenue bonds, and capital leases to reduce the debt of the State by approximately $103 million.

The insurance and compensation benefits liability decreased $105 million primarily due to the privatization of the workers' compensation fund and the stabilization of revenue to satisfy the declining liability for claims incurred on or before June 30, 2005. See Note 14 for a more detailed explanation about the privatization and funding plan.

See Notes 10 and 11 for more information 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 (GASB). 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, decreased $693 million over the course of this fiscal year's operations. The net assets of the governmental activities decreased $980 million and the net assets of the business-type activities had an increase of $287 million. The overall decrease in the State's net assets is primarily a result of the increase in the OPEB liability, including $715 million from the county boards of education, offset by the reduction of the Workers' Compensation Fund deficit (see Notes 13 and 14 for more information).

Net Assets as of June 30
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	$ 5,475,838	$ 5,675,395	$3,741,517	$3,552,448	$ 9,217,355	$ 9,227,843
Capital Assets	9,171,306	9,138,520	4,555	6,200	9,175,861	9,144,720
Total Assets	14,647,144	14,813,915	3,746,072	3,558,648	18,393,216	18,372,563
Current and Other Liabilities	2,765,273	1,933,039	442,721	440,141	3,207,994	2,373,180
Long-term Liabilities	2,674,161	2,692,951	2,027,557	2,129,506	4,701,718	4,822,457
Total Liabilities	5,439,434	4,625,990	2,470,278	2,569,647	7,909,712	7,195,637
Net Assets:						
Invested in Capital Assets, Net of Related Debt	8,404,751	8,288,909	4,555	6,200	8,409,306	8,295,109
Restricted	504,680	551,892	1,721,727	1,551,461	2,226,407	2,103,353
Unrestricted (Deficit)	298,279	1,347,124	(450,488)	(568,660)	(152,209)	778,464
Total Net Assets	$ 9,207,710	$10,187,925	$1,275,794	$ 989,001	$10,483,504	$11,176,926

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 $114 million primarily due to the acquisition of rights of way and the construction of roads and bridges. The addition of the OPEB liability for the county boards of education of $715 million (see Note 13 for more information) was the primary driver in the decrease in unrestricted net assets from $778 million to ($152) million. The total OPEB liability went up from $619 million to $1.6 billion.

Restricted net assets comprise 21.2% 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, transportation, 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, 2012 and 2011 (expressed in thousands):

	Governmental Activities		Business-type Activities		Total Primary Government	
Revenues	2012	2011	2012	2011	2012	2011
Program Revenues:						
Charges for Services	$ 437,800	$ 437,987	$1,125,640	$1,175,880	$ 1,563,440	$ 1,613,867
Operating Grants and Contributions	4,049,305	4,278,895	—	—	4,049,305	4,278,895
Capital Grants and Contributions	576,948	628,978	—	—	576,948	628,978
General Revenues:						
Personal Income Tax	1,790,146	1,657,258	—	—	1,790,146	1,657,258
Consumer Sales Tax	1,216,561	1,150,887	—	—	1,216,561	1,150,887
Business Taxes	905,515	977,252	—	—	905,515	977,252
Transportation Taxes	594,871	574,949	—	—	594,871	574,949
Other Taxes	509,357	437,363	—	—	509,357	437,363
Lottery Revenue	497,874	408,974	57,000	51,000	554,874	459,974
Other Revenues	235,349	258,277	72,999	168,304	308,348	426,581
Total Revenues	10,813,726	10,810,820	1,255,639	1,395,184	12,069,365	12,206,004
Program Expenses:						
Legislative	36,722	31,721	—	—	36,722	31,721
Judicial	140,515	130,104	—	—	140,515	130,104
Executive	216,356	325,389	—	—	216,356	325,389
Administration	320,377	260,298	—	—	320,377	260,298
Commerce	231,178	217,334	—	—	231,178	217,334
Environmental Protection	204,158	174,211	—	—	204,158	174,211
Employment Programs	51,595	58,312	—	—	51,595	58,312
Education	3,757,725	2,839,216	—	—	3,757,725	2,839,216
Health and Human Resources	4,402,259	4,317,911	—	—	4,402,259	4,317,911
Military Affairs and Public Safety	491,717	441,523	—	—	491,717	441,523
Revenue	91,344	82,820	—	—	91,344	82,820
Transportation	1,299,400	1,035,601	—	—	1,299,400	1,035,601
Veterans Assistance	27,019	—	—	—	27,019	—
Senior Services	47,561	47,186	—	—	47,561	47,186
Regulatory Board and Commissions	92,662	33,328	—	—	92,662	33,328
Interest on Long-term Debt	125,105	135,443	—	—	125,105	135,443
Workers' Compensation Fund	—	—	147,230	179,803	147,230	179,803
Unemployment Compensation	—	—	365,323	444,036	365,323	444,036
West Virginia Infrastructure and Jobs Development Council	—	—	18,503	16,024	18,503	16,024
Water Pollution Control Revolving Fund	—	—	5,740	26,723	5,740	26,723
Public Employees' Insurance Agency	—	—	524,789	527,830	524,789	527,830
Board of Risk and Insurance Management	—	—	57,288	37,624	57,288	37,624
Other Nonmajor Business-type	—	—	108,221	101,937	108,221	101,937
Total Expenses	11,535,693	10,130,397	1,227,094	1,333,977	12,762,787	11,464,374
Increase (Decrease) in Net Assets Before Transfers	(721,967)	680,423	28,545	61,207	(693,422)	741,630
Transfers	(258,248)	(244,759)	258,248	244,759	—	—
Increase (Decrease) in Net Assets	(980,215)	435,664	286,793	305,966	(693,422)	741,630
Net Assets, Beginning of Year, as Originally Reported	10,187,925	9,752,261	989,001	719,418	11,176,926	10,471,679
Change in Accounting Principle for Lottery Reclass	—	—	—	(36,383)	—	(36,383)
Net Assets, Beginning of Year, as Restated	10,187,925	9,752,261	989,001	683,035	11,176,926	10,435,296
Net Assets, End of Year	$ 9,207,710	$10,187,925	$1,275,794	$ 989,001	$10,483,504	$11,176,926

Governmental Activities

The State's net assets before transfers decreased by $722 million for governmental activities. Revenues were up $3 million and expenses were up $1.4 billion. Overall tax revenue was up $219 million from the previous year. Personal income taxes were up $133 million primarily due to an increase in estimated payments from pass-through entities. Consumer sales taxes were up $66 million due to normal economic growth, GDP in West Virginia is at 4.5%. These increases in taxes were offset by lower federal revenues. The conclusion of the American Recovery and Reinvestment Act (ARRA) caused a decline of $109 million for the State Stabilization Education Fund, and $111 million for operating grants and contributions for Health and Human Resources (DHHR).

Program expenses were up approximately $1.4 billion in total. Education expenses were up $919 million, which includes the assumption of the $715 million in OPEB liability from the county boards of education. Additional education expenses included additional employees and raises and increased benefits for those already employed in the amount of approximately $167 million.

DHHR expenses were up $84 million due to health care cost increases. Rates were higher and more individuals were served. Executive expenses were down $109 million, due to the end of ARRA stabilization funding for education. The Department of Administration expenses are up approximately $60 million due to the appropriation of $67 million to the Teachers' Retirement System.

The charts on the next page depict revenues and expenses, respectively, of the governmental activities for the fiscal year. Approximately 41.7% of the total revenues came from personal income, consumer sales, business taxes, and transportation taxes, while 42.8% was in the form of grants and contributions (see Chart A). The State's governmental activities expenses include 38.6% for health and human resources and 32.9% for education (see Chart B).

Chart A

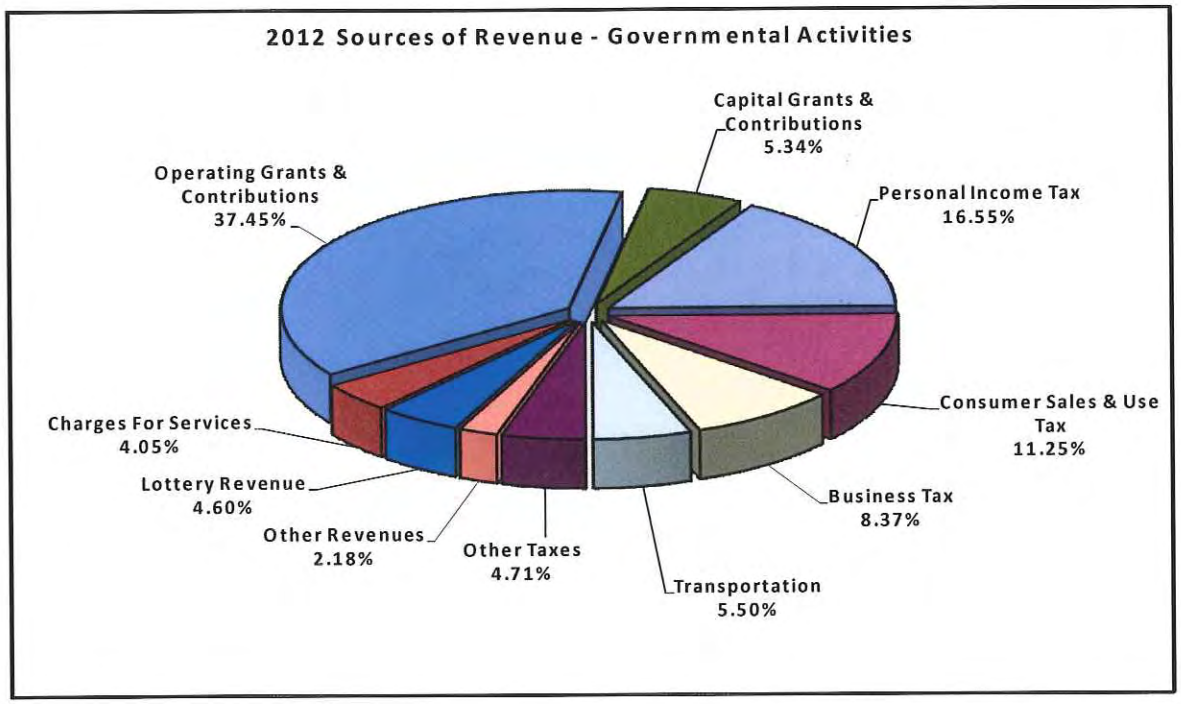
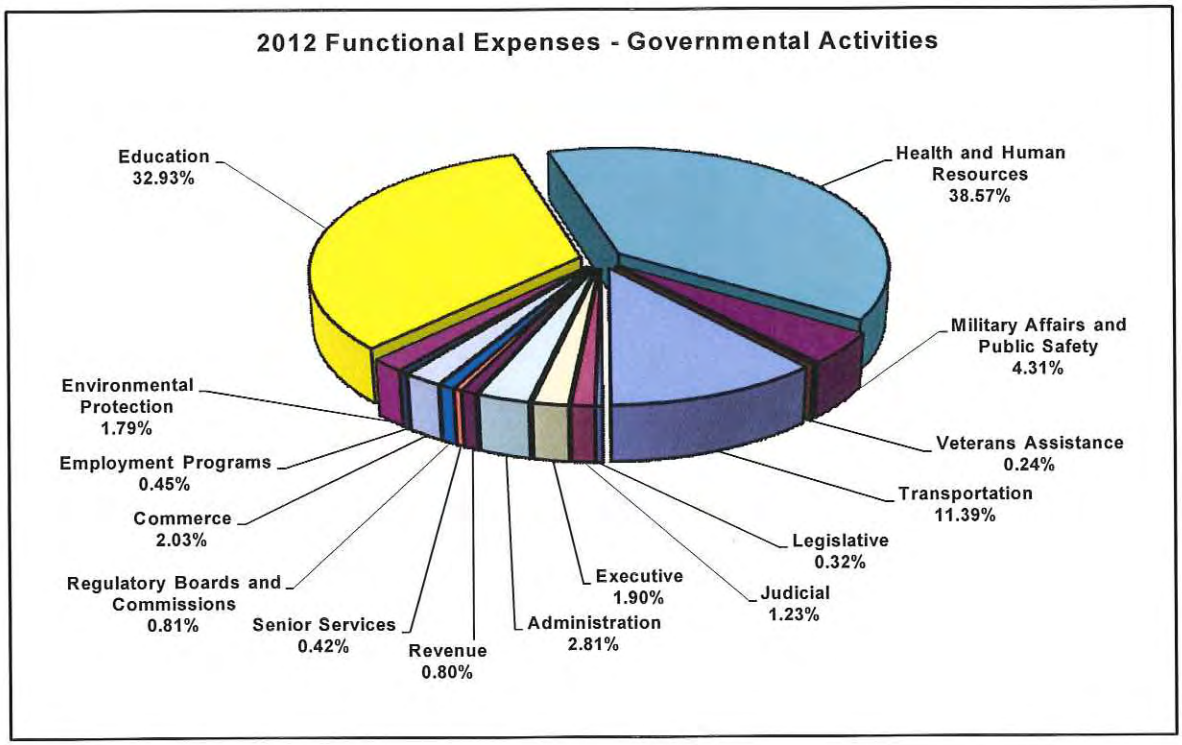


Chart B



Business-type Activities

Business-type activities increased the State's net assets by $28.5 million before transfers. Significant contributors to this change were:

- The Workers' Compensation Fund's (WCF) revenue stream remained stable while the payment stream declined $31 million 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. This marks the seventh consecutive year of deficit reduction progress for the fund and it is expected to continue in FY 2013. The WCF also recorded a net investment income of $39 million.

- Public Employees' Insurance Agency (PEIA) had a $9 million decrease in net assets. Revenues were stable. Expenses were down $3 million and interest earnings were down $6 million, due to market conditions.

- Unemployment Compensation (UC) recorded an increase in net assets of $36 million primarily due to the reduction in direct benefits of $79 million.

- The Water Pollution Control Revolving Fund recorded an increase in net assets of approximately $52 million, due primarily to increased federal grants to make loans for water projects, which increase loans receivable.

- During fiscal year 2012, the State Entities Workers' Compensation Program Fund (SEWC) was established to manage workers' compensation for persons directly working for the State. The SEWC is a public entity risk pool functioning as an insurance purchasing pool. The SEWC received a transfer from the Office of the Insurance Commissioner's Operating Fund (a special revenue fund) of $21.6 million to begin operations. The initial year's operating income was $2 million.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, the State's governmental funds reported an ending fund balance of $1.83 billion, a decrease of $1 billion in comparison with the prior year. There was a net increase in revenue of $33 million. Total tax revenues increased by $237 million, including $136 million in personal income tax. Federal revenue decreased $299

million. Expenses were up by $1.3 billion primarily due to the Education, Health and Human Resources, and Transportation functions.

Governmental Fund Balances at June 30, 2012
(Expressed in Thousands)

	General Fund	Transportation	Tobacco Settlement Finance Authority
Nonspendable	$ 122,483	$47,347	$645,301
Restricted	60,050	17,350	102,721
Unrestricted			
Committed	996,659	—	—
Assigned	14,117	—	—
Unassigned	(640,981)	(470)	—
Total	$ 552,328	$64,227	$748,022

The nonmajor governmental funds had a fund balance net decrease of approximately $50 million. The capital projects funds decreased approximately $51 million due to construction of ongoing projects for the state parks, capital complex, and higher education institutions. The special revenue fund balance increased by a net $22 million. This increase was primarily due to the Environmental Protection function receiving additional Capitalization Grants for Clean Water funding. Restricted fund balance is $229 million, $49 million was available for debt service, $96 million to fund capital projects, $40 million for development, tourism and recreation, and $43 million for public protection. Committed fund balance was $239 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 $(641) million, the assigned fund balance was $14 million, the committed was $997 million, nonspendable was $122 million, and total fund balance was $552 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents (6.6)% of total General Fund expenditures, while total fund balance represents 5.7% of the same amount.

Cash and investments in the General Fund were down $106.5 million primarily because of lower Federal revenues which were down $282 million due to the conclusion of ARRA funding. Tax revenues were up to offset lower federal funding and increased expenses. Personal income taxes were up $136 million and consumer sales taxes were up $65 million. Expenditures were $596 million over revenues. Expenses for the executive function were down $138 million in 2012, primarily due to decreased ARRA funding. Education spending was up $875 million due to an increase of employees and salaries, and the assumption of the OPEB for the county boards of education.

Transportation had a $17 million restricted fund balance and nonspendable fund balance of $47 million in inventory. Total fund balance was down approximately $104 million from 2011. Transportation revenues were stable. Road maintenance and road operations expenses were the primary reason for the increased expenditures of $31 million.

The Tobacco Settlement Finance Authority's fund balance decreased by $22 million due to amortization of the deferred revenue. Required bond interest of $59 million was paid. An additional $8.5 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 $87.7 million due to increases in revenue collection in several tax categories. Personal income taxes were higher by $42 million, consumer sales taxes were up $37 million, severance taxes were up by $22.5 million, and corporate income/business franchise taxes were up $14.6 million. The increase is largely attributable to renewed income growth and consumption growth in an environment with stabilizing employment. There has also been a significant increase in estimated payments from pass-through entities for both nonresident withholding tax and business franchise taxes.

The positive variance of the excess of revenues over expenditures was approximately $220 million which resulted from positive revenue variance above and cautious spending. After expenditures from prior year appropriations, $28 million was deposited into the State's Rainy Day Fund.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the State had invested $9.2 billion, net of accumulated depreciation, in a broad range of capital assets shown below. Depreciation expense for the year totaled $367.6 million.

Capital Assets at Year-End
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land and Improvements	$1,118,159	$1,081,208	$ 611	$ 611	$1,118,770	$1,081,819
Building and Improvements	772,516	697,176	808	858	773,324	698,034
Equipment	125,493	122,568	1,193	1,036	126,686	123,604
Library Holdings	1,020	1,102	—	—	1,020	1,102
Intangibles	12,402	23,426	1,943	3,695	14,345	27,121
Construction in Progress	929,326	1,135,474	—	—	929,326	1,135,474
Infrastructure	6,212,390	6,077,566	—	—	6,212,390	6,077,566
Totals	$9,171,306	$9,138,520	$4,555	$6,200	$9,175,861	$9,144,720

The total increase, net of disposals and accumulated depreciation, in the State's investment in capital assets for the current fiscal year approximated $31 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 $136 million in infrastructure and $33 million in land acquisition. The $206 million decrease in construction in progress was due primarily to the reclassification of complete transportation projects in the net amount of $177 million, the remaining decrease was due to completion of armory facilities and state park renovations. 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 $5.9 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.

Favorable rates in the bond market prompted major refinancing of general obligation bonds and revenue bonds to reduce the debt of the State by approximately $85 million. The increase in accrued and other liabilities of $62.8 million is primarily due to environmental liabilities. The Department of Environmental Protection was recently required to increase the water treatment standards for certain reclamation sites. More detailed information related to the State's overall debt position is presented in Note 10 to the financial statements.

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

Outstanding Debt at June 30
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	$ 533,304	$ 580,357	$ —	$ —	$ 533,304	$ 580,357
Revenue Bonds	1,330,795	1,366,199	113,950	116,319	1,444,745	1,482,518
Capital Leases	280,510	298,718	—	—	280,510	298,718
Notes Payable	29,045	32,004	—	—	29,045	32,004
Accrued and Other Liabilities	1,122,530	1,066,500	107,169	100,357	1,229,699	1,166,857
Insurance and Compensation Benefits	—	—	2,179,289	2,284,614	2,179,289	2,284,614
Compensated Absences	104,508	98,762	610	586	105,118	99,348
Pension Obligations	115,265	99,188	—	—	115,265	99,188
Totals	$3,515,957	$3,541,728	$2,401,018	$2,501,876	$5,916,975	$6,043,604

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

General revenues for FY 2013 are predicted to grow $4.15 billion, or 3.3% above the FY 2012 official revenue estimate, and lottery revenues are expected to drop by approximately 12%. Actual year-to-date FY 2013 general revenue fund collections are 1.8% higher than collections for the same period in the prior year. The increase in revenue is largely attributable to a combination of higher energy prices and some pent-up consumption growth in an environment with stabilizing employment. After losing nearly 30,000 jobs between peak employment during the third quarter of 2008 and the first quarter of 2010,

the State's economy added more than 20,000 jobs over the past 20 months. Personal income withholding tax revenues are 7.7% above prior year collections, and sales and use tax receipts are up by 4.4% through the end of November. Employment is forecasted to continue growing at an average rate somewhere between 0.8% and 1.0% per year during the next 6 years. The State is also benefiting from foreign trade growth and growth in coal prices, although future uncertainty of foreign markets is a factor.

Most revenue sources are estimated to grow during the six-year forecast; however, lottery revenues are expected to decline during the next three years due to increased competition in neighboring states. Recent tax law changes will also contribute to slower revenue growth. Sales tax on groceries is phasing out and the coal severance tax will be shared with local governments starting in FY 2013.

The FY 2013 General Revenue base budget was $125 million higher than FY 2012 with the biggest increase attributable to the Medicaid program. Increases are also included for other social services and corrections. Funding is included to fully fund the Public Education School Aid Formula and allows funding for an additional 252 employees in FY 2013. All the retirement system obligations will be funded. Although the investments earned over 20% during FY 2011, the "smoothing" of the losses in investments that occurred during FY 2009 will require an increase in the employer match contribution from 14.5% to 15% of salary costs in FY 2013, costing the State an additional $2.1 million.

The FY 2013 budget includes a six-year plan showing the projected revenues and expenditures through FY 2017. The goal of the six-year plan is to provide the West Virginia Legislature and citizens a clear understanding of not only the FY 2013 budget, but also the larger implications of today's decisions on the State's future. Careful budgetary planning, with an eye on the future budget requirements, will continue to be a fundamental part of our approach to maintaining balanced budgets while providing necessary services.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Government-Wide

Major Funds

Notes 1 - 16

Statement of Net Assets
June 30, 2012
(Expressed in Thousands)

	Primary Government			
Assets:	Governmental Activities	Business-type Activities	Total	Component Units
Current Assets:				
Cash and Cash Equivalents	$2,204,155	$1,813,072	$ 4,017,227	$ 955,356
Investments	880,383	105,730	986,113	310,118
Receivables, Net	797,754	151,875	949,629	172,821
Capital Leases Receivable from Primary Government	—	—	—	11,888
Due from Other Governments	233,837	2,181	236,018	—
Due from Primary Government	—	—	—	36,738
Due from Fiduciary Funds	74	4,551	4,625	—
Due from Component Units	213,731	1,869	215,600	—
Internal Balances	(3,910)	3,910	—	—
Inventories	59,279	2,158	61,437	9,289
Other Assets	8,372	9,949	18,321	9,799
Restricted Assets:				
Cash and Cash Equivalents	6,313	10,850	17,163	149,203
Investments	—	—	—	12,661
Receivables, Net	—	549	549	5,261
Other Restricted Assets	—	200,971	200,971	—
Total Current Assets	4,399,988	2,307,665	6,707,653	1,673,134
Noncurrent Assets:				
Cash and Cash Equivalents	—	—	—	176,592
Investments	—	363,305	363,305	571,195
Receivables, Net	—	1,020,089	1,020,089	253,651
Capital Leases Receivable from Primary Government	—	—	—	263,642
Other Assets	4,992	1,000	5,992	71,043
Advance to Component Units	106,671	—	106,671	—
Net Pension Asset	900,395	—	900,395	—
Restricted Assets:				
Cash and Cash Equivalents	63,792	13,469	77,261	61,654
Investments	—	35,989	35,989	160,487
Receivables, Net	—	—	—	970,796
Other Restricted Assets	—	—	—	7,886
Land and Other Capital Assets Not Being Depreciated	2,034,908	611	2,035,519	368,038
Capital Assets, Being Depreciated (Net of Accumulated Depreciation)	7,136,398	3,944	7,140,342	2,756,901
Total Noncurrent Assets	10,247,156	1,438,407	11,685,563	5,661,885
Total Assets	14,647,144	3,746,072	18,393,216	7,335,019
Liabilities:				
Current Liabilities:				
Accounts Payable	287,716	4,670	292,386	99,724
Interest Payable	3,960	—	3,960	17,401
Accrued Tuition Contract Benefits	—	14,796	14,796	—
Accrued and Other Liabilities	657,015	9,904	666,919	179,998
Due to Other Governments	154,240	4,558	158,798	—
Due to Primary Government	—	—	—	215,600
Due to Fiduciary Funds	1,430,795	2,662	1,433,457	327,050
Due to Component Units	36,453	285	36,738	—
Unearned Revenue	10,150	25,850	36,000	89,453
Premium Deficiency	—	31,235	31,235	—
Insurance and Compensation Benefits Obligations	—	346,227	346,227	—
General Obligation Debt	42,069	—	42,069	—
Revenue Bonds Payable	56,680	2,384	59,064	166,395
Capital Leases and Other Debt	14,124	—	14,124	11,572
Capital Leases Payable to Component Units	11,888	—	11,888	—
Compensated Absences	60,183	150	60,333	45,166
Total Current Liabilities	2,765,273	442,721	3,207,994	1,152,359

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

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Noncurrent Liabilities:				
Accrued Tuition Contract Benefits	—	82,469	82,469	—
Accrued and Other Liabilities	465,515	—	465,515	145,759
Due to Other Governments	163	—	163	—
Unearned Revenue	—	—	—	2,392
Insurance and Compensation Benefits Obligations	—	1,833,062	1,833,062	—
Advances from Primary Government	—	—	—	106,671
Liabilities Payable from Restricted Assets	—	—	—	89,498
General Obligation Debt	491,235	—	491,235	—
Revenue Bonds Payable	1,274,115	111,566	1,385,681	2,717,975
Capital Leases and Other Debt	19,901	—	19,901	85,511
Capital Leases Payable to Component Units	263,642	—	263,642	—
Net Pension Obligation	115,265	—	115,265	—
Compensated Absences	44,325	460	44,785	4,203
Total Noncurrent Liabilities	2,674,161	2,027,557	4,701,718	3,152,009
Total Liabilities	5,439,434	2,470,278	7,909,712	4,304,368
Net Assets:				
Invested in Capital Assets, Net of Related Debt	8,404,751	4,555	8,409,306	2,017,203
Restricted for:				
Capital Projects	159,089	—	159,089	60,944
Debt Service	183,472	—	183,472	440,163
Government Operations	17,065	481	17,546	—
Permanent Funds:				
Nonexpendable	1,000	—	1,000	184,975
Expendable	555	—	555	—
Lending Activities	—	1,327,719	1,327,719	100,207
Insurance Activities	—	393,527	393,527	—
Development, Tourism, and Recreation	56,212	—	56,212	—
Education	2,207	—	2,207	—
Health and Social Services	17,399	—	17,399	—
Public Protection	50,331	—	50,331	—
Transportation	17,350	—	17,350	—
Specific Component Unit Purposes	—	—	—	187,217
Unrestricted (Deficit)	298,279	(450,488)	(152,209)	39,942
Total Net Assets	$ 9,207,710	$1,275,794	$10,483,504	$3,030,651

Statement of Activities
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

		Program Revenues		
Functions	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental Activities:				
Legislative	$ 36,722	$ 1,591	$ 1,977	$ —
Judicial	140,515	1,024	640	—
Executive	216,356	22,093	136,752	—
Administration	320,377	33,180	45,498	2,005
Commerce	231,178	48,928	70,004	—
Environmental Protection	204,158	61,188	142,590	—
Employment Programs	51,595	—	51,845	—
Education	3,757,725	4,362	446,297	—
Health and Human Resources	4,402,259	90,604	3,045,355	—
Military Affairs and Public Safety	491,717	11,146	82,240	49,854
Revenue	91,344	31,729	9	—
Transportation	1,299,400	100,700	—	519,768
Veterans Assistance	27,019	—	—	5,321
Senior Services	47,561	1	23,351	—
Regulatory Boards and Commissions	92,662	31,254	2,747	—
Interest on Long-Term Debt	125,105	—	—	—
Total Governmental Activities	11,535,693	437,800	4,049,305	576,948
Business-type Activities:				
Water Pollution Control Revolving Fund	5,740	4,631	—	—
Workers' Compensation Fund	147,230	54,361	—	—
Unemployment Compensation	365,323	400,238	—	—
West Virginia Infrastructure and Jobs Development Council	18,503	4,381	—	—
Public Employees' Insurance Agency	524,789	499,236	—	—
Board of Risk and Insurance Management	57,288	45,587	—	—
Other Activities	108,221	117,206	—	—
Total Business-type Activities	1,227,094	1,125,640	—	—
Total Primary Government	$12,762,787	$1,563,440	$4,049,305	$576,948
Component Units:				
West Virginia Lottery	$ 1,518,159	$1,457,530	$ —	$ —
Economic Development Authority	8,032	9,503	—	—
Housing Development Authority	131,635	53,210	87,565	—
Parkways Authority	84,276	91,124	—	—
Water Development Authority	14,767	14,715	—	—
Higher Education	1,886,810	811,313	458,309	136,556
Regional Jail Authority	90,663	99,185	2,817	—
School Building Authority	107,883	—	4,002	—
Other Component Units	44,347	11,654	8,522	—
Total Component Units	$ 3,886,572	$2,548,234	$ 561,215	$136,556
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
$ (33,154)		$ (33,154)	
(138,851)		(138,851)	
(57,511)		(57,511)	
(239,694)		(239,694)	
(112,246)		(112,246)	
(380)		(380)	
250		250	
(3,307,066)		(3,307,066)	
(1,266,300)		(1,266,300)	
(348,477)		(348,477)	
(59,606)		(59,606)	
(678,932)		(678,932)	
(21,698)		(21,698)	
(24,209)		(24,209)	
(58,661)		(58,661)	
(125,105)		(125,105)	
(6,471,640)		(6,471,640)	
—	$ (1,109)	(1,109)	
—	(92,869)	(92,869)	
—	34,915	34,915	
—	(14,122)	(14,122)	
—	(25,553)	(25,553)	
—	(11,701)	(11,701)	
—	8,985	8,985	
—	(101,454)	(101,454)	
(6,471,640)	(101,454)	(6,573,094)	
—	—	—	$ (60,629)
—	—	—	1,471
—	—	—	9,140
—	—	—	6,848
—	—	—	(52)
—	—	—	(480,632)
—	—	—	11,339
—	—	—	(103,881)
—	—	—	(24,171)
—	—	—	(640,567)
1,790,146	—	1,790,146	—
1,216,561	—	1,216,561	—
905,515	—	905,515	—
190,419	—	190,419	—
594,871	—	594,871	—
318,938	—	318,938	—
—	—	—	738
5,056	—	5,056	—
54,699	66,690	121,389	2,896
63,270	—	63,270	—
—	—	—	638,860
497,874	57,000	554,874	—
112,324	6,309	118,633	102,933
(258,248)	258,248	—	—
5,491,425	388,247	5,879,672	745,427
(980,215)	286,793	(693,422)	104,860
10,187,925	989,001	11,176,926	2,925,791
$ 9,207,710	$1,275,794	$10,483,504	$3,030,651

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, 2012
(Expressed in Thousands)

		Major Special Revenue			
	General	Transportation	Tobacco Settlement Finance Authority	Other Governmental Funds	Total
Assets:					
Cash and Cash Equivalents	$1,593,975	$105,604	$ 31,540	$453,543	$2,184,662
Investments	751,144	—	71,181	58,058	880,383
Receivables, Net	578,666	161,920	35,705	9,332	785,623
Due from Other Governments	232,512	—	—	1,325	233,837
Due from Other Funds	983	547	645,299	29	646,858
Due from Component Units	212,469	—	—	1,000	213,469
Advances to Component Units	106,671	—	—	—	106,671
Inventories	11,143	47,347	—	24	58,514
Other Assets	1,183	1,075	—	11	2,269
Restricted Assets:					
Cash and Cash Equivalents	—	—	—	1,713	1,713
Total Assets	$3,488,746	$316,493	$783,725	$525,035	$5,113,999
Liabilities:					
Accounts Payable	$ 167,968	$ 90,539	$ —	$ 15,044	$ 273,551
Accrued and Other Liabilities	589,853	20,626	—	10,986	621,465
Deferred Revenue	86,119	248	35,703	—	122,070
Due to Other Governments	137,286	2,821	—	14,155	154,262
Due to Other Funds	1,919,639	137,154	—	22,368	2,079,161
Due to Component Units	35,553	878	—	13	36,444
Total Liabilities	2,936,418	252,266	35,703	62,566	3,286,953
Fund Balances:					
Nonspendable:					
Inventories	11,143	47,347	—	24	58,514
Permanent Fund	—	—	—	1,000	1,000
Receivables	111,340	—	645,301	—	756,641
Restricted for:					
Capital Projects	—	—	—	96,637	96,637
Debt Service	—	—	102,721	49,006	151,727
Government Operations	17,065	—	—	—	17,065
Development, Tourism, and Recreation	16,162	—	—	40,050	56,212
Education	2,207	—	—	555	2,762
Health and Social Services	17,399	—	—	—	17,399
Public Protection	7,217	—	—	43,114	50,331
Transportation	—	17,350	—	—	17,350
Committed to:					
Government Operations	946,290	—	—	5,504	951,794
Development, Tourism, and Recreation	8,745	—	—	—	8,745
Education	14,123	—	—	—	14,123
Health and social Services	27,501	—	—	—	27,501
Public Protection	—	—	—	233,177	233,177
Assigned to:					
Government Operations	14,117	—	—	—	14,117
Public Protection	—	—	—	1,357	1,357
Unassigned	(640,981)	(470)	—	(7,955)	(649,406)
Total Fund Balances	552,328	64,227	748,022	462,469	1,827,046
Total Liabilities and Fund Balances	$3,488,746	$316,493	$783,725	$525,035	$5,113,999

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, 2012
(Expressed in Thousands)

Total Fund Balances - Governmental Funds		$ 1,827,046
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	$ 1,092,124	
Construction in Progress	909,630	
Infrastructure Assets	11,255,400	
Buildings, Equipment, and Other Depreciable Assets	1,476,952	
Intangibles	13,266	
Accumulated Depreciation	(5,710,536)	
Total Capital Assets		9,036,836
The Net Pension Asset is not recognized at the fund level.		900,395
Certain tax and other revenues are earned but not available and therefore are deferred in the funds.		88,891
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.		178,322
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.		10,873
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	(533,304)	
Revenue Bonds	(1,330,795)	
Capital Leases	(277,223)	
Compensated Absences	(102,815)	
Net Pension Obligations	(115,265)	
Accrued Interest Payable and Other Liabilities	(475,251)	
Total Long-Term Liabilities		(2,834,653)
Net Assets of Governmental Activities		$ 9,207,710

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, 2012
(Expressed in Thousands)

		Major Special Revenue			
Revenues:	**General**	**Transportation**	**Tobacco Settlement Finance Authority**	**Other Governmental Funds**	**Total**
Taxes:					
Personal Income	$1,790,299	$ —	$ —	$ —	$ 1,790,299
Consumer Sales and Use	1,216,286	—	—	—	1,216,286
Severance	564,327	—	—	—	564,327
Corporate Net Income	232,266	—	—	—	232,266
Business and Occupation	123,137	—	—	—	123,137
Medicaid	176,661	—	—	—	176,661
Gasoline and Motor Carrier	—	408,571	—	—	408,571
Automobile Privilege	—	186,300	—	—	186,300
Other	315,049	3,950	—	—	318,999
Intergovernmental	3,368,685	519,768	—	189,480	4,077,933
Licenses, Permits, and Fees	91,097	8,380	—	135,507	234,984
Motor Vehicle Registration	—	92,951	—	—	92,951
Charges for Services	127,797	—	—	9	127,806
Lottery Revenues	462,127	15,000	—	9,995	487,122
Food Stamp Revenue	491,416	—	—	—	491,416
Investment Earnings	50,824	215	3,931	961	55,931
Other	97,561	37,527	63,668	10,734	209,490
Total Revenues	9,107,532	1,272,662	67,599	346,686	10,794,479
Expenditures:					
Current:					
Legislative	32,773	—	—	3,958	36,731
Judicial	139,941	—	—	—	139,941
Executive	216,268	—	—	—	216,268
Administration	188,356	—	34	1,774	190,164
Commerce	225,971	—	—	223	226,194
Environmental Protection	12,782	—	—	139,852	152,634
Employment Programs	—	—	—	55,969	55,969
Education	3,730,279	—	—	30,201	3,760,480
Health and Human Resources	4,425,464	—	—	127	4,425,591
Military Affairs and Public Safety	526,653	—	—	1	526,654
Revenue	60,976	—	—	30,373	91,349
Transportation	—	1,009,032	—	—	1,009,032
Veterans Assistance	26,599	—	—	1	26,600
Senior Services	47,656	—	—	—	47,656
Regulatory Boards and Commissions	69,499	—	—	24,144	93,643
Capital Outlay	—	313,043	—	21,003	334,046
Debt Service:					
Principal	—	57,290	8,515	275,868	341,673
Interest	—	20,078	59,425	33,701	113,204
Total Expenditures	9,703,217	1,399,443	67,974	617,195	11,787,829
Excess of Revenues Over (Under) Expenditures	(595,685)	(126,781)	(375)	(270,509)	(993,350)
Other Financing Sources (Uses):					
Face Value of Long-Term Debt Issued	—	—	—	18,615	18,615
Premiums on Bonds Issued	—	—	—	1,025	1,025
Capital Lease Acquisition	2,330	—	—	232,435	234,765
Payments to Refunded Bond Escrow Agent	—	—	—	(20,935)	(20,935)
Transfers In	59,654	22,497	—	88,170	170,321
Transfers Out	(313,977)	—	(21,521)	(98,627)	(434,125)
Total Other Financing Sources (Uses)	(251,993)	22,497	(21,521)	220,683	(30,334)
Net Change in Fund Balance	(847,678)	(104,284)	(21,896)	(49,826)	(1,023,684)
Fund Balances, Beginning of Year, As Restated	1,400,006	168,511	769,918	512,295	2,850,730
Fund Balances, End of Year	$ 552,328	$ 64,227	$748,022	$462,469	$ 1,827,046

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$(1,023,684)
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	$ 352,232	
Depreciation Expense	(329,547)	
Excess of Capital Outlay Over Depreciation Expense		22,685
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.		(234,765)
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.		(31,711)
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	111,140	
Capital Lease Payments	252,992	
Total Long-Term Debt Repayment		364,132
Internal service funds are used by management to charge the costs of certain activities, such as building and vehicle maintenance and leasing, data processing, and investment and management of State moneys, to individual funds. The net decrease in net assets of the internal service funds is reported with governmental activities.		4,510
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Deferred revenues decreased by this amount this year.		(475)
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	(703)	
Decrease of Compensated Absences	(5,744)	
Decrease of Accrued and Other Liabilities	(71,262)	
Increase of Net Pension Asset	(6,110)	
Amortization of Bond Premiums/Discounts and Issuance Costs	2,912	
Total Change in Expenditures		(80,907)
Change in Net Assets of Governmental Activities		$ (980,215)

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

STATE OF WEST VIRGINIA.
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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.

Statement of Net Assets
Proprietary Funds
June 30, 2012
(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	$118,372	$1,229,526	$140,676	$172,813
Investments	—	—	—	105,730
Receivables, Net	27,621	20,583	59,257	20,965
Due from Other Governments	—	—	2,181	—
Due from Other Funds	7	—	432	—
Due from Component Units	—	—	115	—
Inventories	—	—	—	—
Other Assets	—	—	—	—
Restricted Assets:				
Cash and Cash Equivalents	—	—	—	—
Receivables, Net	—	—	—	—
Other Restricted Assets	—	—	—	—
Total Current Assets	146,000	1,250,109	202,661	299,508
Noncurrent Assets:				
Investments	—	—	—	—
Receivables, Net	463,767	—	—	461,564
Other Assets	—	—	—	1,000
Restricted Assets:				
Cash and Cash Equivalents	—	—	—	—
Investments	—	—	—	—
Capital Assets, Net	—	—	—	—
Total Noncurrent Assets	463,767	—	—	462,564
Total Assets	609,767	1,250,109	202,661	762,072
Liabilities:				
Current Liabilities:				
Accounts Payable	26	—	—	12
Accrued Tuition Contract Benefits	—	—	—	—
Accrued and Other Liabilities	—	593	1,806	1,358
Premium Deficiency	—	—	—	—
Unearned Revenue	4,406	—	—	—
Due to Other Governments	—	—	4,558	—
Due to Other Funds	336	—	—	—
Due to Component Units	19	—	—	196
Insurance and Compensation Benefits Obligations	—	202,468	29,650	—
Revenue Bonds Payable	—	—	—	2,384
Capital Leases and Other Debt	—	—	—	—
Compensated Absences	85	—	—	—
Total Current Liabilities	4,872	203,061	36,014	3,950
Noncurrent Liabilities:				
Accrued Tuition Contract Benefits	—	—	—	—
Insurance and Compensation Benefits Obligations	—	1,726,232	—	—
Revenue Bonds Payable	—	—	—	111,566
Capital Leases and Other Debt	—	—	—	—
Compensated Absences	22	—	—	—
Total Noncurrent Liabilities	22	1,726,232	—	111,566
Total Liabilities	4,894	1,929,293	36,014	115,516
Net Assets:				
Invested in Capital Assets, Net of Related Debt	—	—	—	—
Restricted for:				
Capital Projects	—	—	—	—
Government Operations	—	—	—	—
Lending Activities	604,873	—	—	600,098
Insurance Activities	—	146,285	166,647	—
Unrestricted (Deficit)	—	(825,469)	—	46,458
Total Net Assets (Deficit)	$604,873	$ (679,184)	$166,647	$646,556

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
$ 65,677	$ 14,718	$ 71,290	$1,813,072	$ 19,493
—	—	—	105,730	—
15,850	447	7,152	151,875	5,840
—	—	—	2,181	—
7,251	—	1,221	8,911	8,071
1,596	—	158	1,869	262
—	—	2,158	2,158	765
—	—	9,949	9,949	222
—	10,850	—	10,850	5,940
—	549	—	549	—
—	200,971	—	200,971	—
90,374	227,535	91,928	2,308,115	40,593
183,309	102,175	77,821	363,305	—
—	—	94,758	1,020,089	—
—	—	—	1,000	—
13,469	—	—	13,469	62,452
—	35,989	—	35,989	—
2,055	—	2,500	4,555	134,470
198,833	138,164	175,079	1,438,407	196,922
289,207	365,699	267,007	3,746,522	237,515
455	1,007	3,170	4,670	14,165
—	—	14,796	14,796	—
5,616	419	112	9,904	454
31,235	—	—	31,235	—
15,950	5,494	—	25,850	—
—	—	—	4,558	141
391	211	2,174	3,112	10,399
70	—	—	285	9
62,778	47,719	3,612	346,227	—
—	—	—	2,384	—
—	—	—	—	12,657
—	—	65	150	—
116,495	54,850	23,929	443,171	37,825
—	—	82,469	82,469	—
13,469	89,267	4,094	1,833,062	—
—	—	—	111,566	—
—	—	—	—	19,675
—	67	371	460	1,693
13,469	89,334	86,934	2,027,557	21,368
129,964	144,184	110,863	2,470,728	59,193
2,055	—	2,500	4,555	105,246
—	—	—	—	62,452
—	—	481	481	—
—	—	122,748	1,327,719	—
—	45,599	34,996	393,527	—
157,188	175,916	(4,581)	(450,488)	10,624
$159,243	$221,515	$156,144	$1,275,794	$178,322

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds			
	Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation	West Virginia Infrastructure and Jobs Development Council
Operating Revenues:				
Charges for Services and Sales	$ —	$ —	$400,238	$ 4,381
Insurance Premiums	—	54,361	—	—
Tuition Contracts	—	—	—	—
Investment Earnings	2,363	—	—	—
Licenses, Permits, and Fees	2,268	—	—	—
Other	—	111	—	—
Total Operating Revenues	4,631	54,472	400,238	4,381
Operating Expenses:				
Cost of Sales and Services	—	—	—	—
Insurance Claims and Claims Adjustment Provisions	—	128,922	—	—
Tuition Contract Benefits and Expenses	—	—	—	—
Infrastructure and Economic Development	—	—	—	9,764
General and Administration	3,740	18,225	—	822
Depreciation and Amortization	—	—	—	—
Provisions for Uncollectible Loans	—	—	—	2,368
Other	2,000	—	365,325	—
Total Operating Expenses	5,740	147,147	365,325	12,954
Operating Income (Loss)	(1,109)	(92,675)	34,913	(8,573)
Nonoperating Revenues (Expenses):				
Entitlements and Grants	—	—	—	—
Loss on Sale of Equipment	—	—	—	—
Interest and Other Investment Income	103	39,470	3,265	480
Interest Expense	—	—	—	(5,549)
Lottery Revenues	—	11,000	—	46,000
Other Nonoperating Revenues	—	—	—	—
Total Nonoperating Revenues (Expenses), Net	103	50,470	3,265	40,931
Income (Loss) Before Transfers	(1,006)	(42,205)	38,178	32,358
Transfers:				
Capital Contributions	—	—	—	—
Transfers In	52,786	188,035	—	1,005
Transfers Out	—	—	(2,245)	(13,578)
Total Capital Contributions and Transfers	52,786	188,035	(2,245)	(12,573)
Change in Net Assets	51,780	145,830	35,933	19,785
Net Assets (Deficit), Beginning of Year	553,093	(825,014)	130,714	626,771
Net Assets (Deficit), End of Year	$604,873	$(679,184)	$166,647	$646,556

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
$ —	$ —	$102,084	$ 506,703	$102,745
499,179	45,660	11,201	610,401	—
—	—	85	85	—
—	—	—	2,363	—
—	—	3,853	6,121	—
4,847	—	1,259	6,217	—
504,026	45,660	118,482	1,131,890	102,745
—	—	72,709	72,709	94,481
502,250	53,396	15,374	699,942	—
—	—	5,968	5,968	—
—	—	—	9,764	—
14,260	3,892	10,872	51,811	8,796
1,866	—	263	2,129	18,007
—	—	—	2,368	—
6,433	—	3,129	376,887	—
524,809	57,288	108,315	1,221,578	121,284
(20,783)	(11,628)	10,167	(89,688)	(18,539)
—	—	—	—	5,056
—	—	—	—	(103)
8,199	13,315	1,858	66,690	11
—	—	—	(5,549)	(276)
—	—	—	57,000	10,752
—	—	92	92	48
8,199	13,315	1,950	118,233	15,488
(12,584)	1,687	12,117	28,545	(3,051)
—	—	—	—	2,005
3,500	—	44,555	289,881	11,016
—	—	(15,810)	(31,633)	(5,460)
3,500	—	28,745	258,248	7,561
(9,084)	1,687	40,862	286,793	4,510
168,327	219,828	115,282	989,001	173,812
$159,243	$221,515	$156,144	$1,275,794	$178,322

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012
(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	$ 30,436	$ 52,089	$ 172,308	$ 24,631
Payments to Suppliers	—	(17,602)	—	—
Payments to Employees	(1,281)	(518)	—	(2,538)
Payments to Beneficiaries	—	—	—	—
Payments for Loans Originated	(58,953)	—	—	(49,338)
Payments for Premiums	—	—	—	—
Payments to Claimants	—	(263,122)	(365,623)	—
Other Operating Cash Receipts	—	111	231,132	—
Other Operating Cash Payments	(174)	—	—	—
Net Cash Provided by (Used for) Operating Activities	(29,972)	(229,042)	37,817	(27,245)
Cash Flows from Noncapital Financing Activities:				
Repayment of Operating Debt	—	—	—	(2,465)
Interest Paid on Operating Debt	—	—	—	(5,476)
Transfers In	4,604	189,347	—	1,005
Transfers Out	—	—	(2,245)	—
Entitlements and Grants	—	—	—	—
Distributions or Subsidies from (to) Other Organizations	—	11,000	—	46,000
Provided from Issuing Liquor Licenses	—	—	—	—
Net Cash Provided by (Used for) Noncapital Financing Activities	4,604	200,347	(2,245)	39,064
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	48,182	—	—	—
Net Cash Provided by (Used for) Capital and Related Financing Activities	48,182	—	—	—
Cash Flows from Investing Activities:				
Purchase of Investments	—	—	—	—
Proceeds from Sale of Investments	—	—	—	5
Investment Earnings	103	39,470	3,265	459
Net Cash Provided by Investing Activities	103	39,470	3,265	464
Net Increase (Decrease) in Cash and Cash Equivalents	22,917	10,775	38,837	12,283
Cash and Cash Equivalents, Beginning of Year, as Restated	95,455	1,218,751	101,839	160,530
Cash and Cash Equivalents, End of Year	$118,372	$1,229,526	$ 140,676	$172,813

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
$ 507,414	$ 45,028	$131,228	$ 963,134	$100,630
(11,507)	(2,603)	(75,718)	(107,430)	(73,752)
(1,496)	(1,388)	(6,936)	(14,157)	(25,726)
(512,145)	(42,637)	(9,059)	(563,841)	—
—	—	(23,139)	(131,430)	—
—	—	(12,483)	(12,483)	—
—	—	(2,058)	(630,803)	—
12,647	—	1,169	245,059	—
—	(11,736)	(15,086)	(26,996)	—
(5,087)	(13,336)	(12,082)	(278,947)	1,152
—	—	—	(2,465)	—
—	—	—	(5,476)	—
3,500	—	44,521	242,977	21,768
—	—	(15,810)	(18,055)	(5,460)
—	—	92	92	5,056
15,760	—	—	72,760	—
—	—	451	451	—
19,260	—	29,254	290,284	21,364
—	—	—	—	7,610
—	—	—	—	(12,372)
—	—	—	—	(277)
(20)	—	(467)	(487)	(25,097)
—	—	—	48,182	—
(20)	—	(467)	47,695	(30,136)
(13,957)	(18,752)	(1,475)	(34,184)	(1,250)
9,742	22,348	8,600	40,695	1,250
4,276	12,077	1,701	61,351	11
61	15,673	8,826	67,862	11
14,214	2,337	25,531	126,894	(7,609)
64,932	23,231	45,759	1,710,497	95,494
$ 79,146	$ 25,568	$ 71,290	$1,837,391	$ 87,885

(Continued)

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2012
(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)	$ (1,109)	$ (92,675)	$34,913	$ (8,573)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation and Amortization	—	—	—	—
Provisions for Uncollectible Loans	—	—	—	2,368
Changes in Assets and Liabilities:				
Receivables	(33,146)	(2,272)	1,043	(5,746)
Inventories	—	—	—	—
Other Assets	—	—	—	—
Accounts Payable and Accrued Liabilities	(157)	(134,200)	1,749	(13,599)
Tuition Contracts Benefits and Expenses	—	—	—	—
Unearned Revenue	4,406	—	—	—
Escrow Deposits	—	—	—	—
Due to/from Other Funds	47	—	112	(1,695)
Unpaid Claims Liabilities	—	—	—	—
Other Liabilities	—	105	—	—
Compensated Absences	(13)	—	—	—
Net Cash Provided by (Used for) Operating Activities	$(29,972)	$(229,042)	$37,817	$(27,245)
Schedule of Noncash Capital and Financing Activities:				
Contribution of Capital Assets	$ —	$ —	$ —	$ —
Loans Originated with Principal Forgiveness Features	—	—	—	—
Unrealized Gain on Investments	—	—	—	—

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
$(20,783)	$(11,628)	$ 10,167	$ (89,688)	$(18,539)
1,866	—	263	2,129	18,007
—	—	—	2,368	—
1,311	(46)	(26,489)	(65,345)	(2,114)
—	—	(360)	(360)	97
—	—	—	—	39
3,379	—	6,495	(136,333)	1,018
—	—	(3,091)	(3,091)	—
8,395	(601)	—	12,200	—
—	(11,722)	—	(11,722)	—
1,427	—	678	569	—
—	10,759	—	10,759	—
(682)	(98)	210	(465)	2,644
—	—	45	32	—
$ (5,087)	$(13,336)	$(12,082)	$(278,947)	$ 1,152
$ —	$ —	$ —	$ —	$ 2,005
—	—	3,129	3,129	—
3,923	1,238	155	5,316	—

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 212.

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012
(Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	SMART 529	Agency Funds
Assets:				
Cash and Cash Equivalents	$ 45,185	$313,920	$ —	$ 98,655
Investments:				
Equity Pooled Investments	10,740,852	—	—	6,352
Mutual Funds	310,188	—	1,624,170	—
Receivables, Net:				
Contributions	38,316	—	2,063	—
Participant Loans	7,667	—	—	—
Accrued Interest	—	—	—	192
Accounts	29,305	—	—	—
Due from Other Funds	165,125	—	—	—
Due from Component Units	189	—	—	—
Restricted Assets:				
Cash and Cash Equivalents	3,941	—	—	—
Total Assets	11,340,768	313,920	1,626,233	$105,199
Liabilities:				
Accounts Payable	—	—	1,253	$ —
Accrued and Other Liabilities	6,439	—	52	—
Due to Other Governments	—	—	—	36,493
Due to Other Funds	4,625	—	—	—
Insurance Claims Payable	10,320	—	—	—
Early Retiree Premium Subsidy Funds	3,914	—	—	—
Agency Liabilities	—	—	—	68,706
Total Liabilities	25,298	—	1,305	$105,199
Net Assets:				
Held in trust for:				
Pension Benefits	10,822,691	—	—	
Other Postemployment Benefits	492,779	—	—	
External Investment Pool Participants	—	313,920	—	
Individuals and Organizations	—	—	1,624,928	
Total Net Assets	$11,315,470	$313,920	$ 1,624,928	

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, 2012
(Expressed in Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	SMART 529
Additions:			
Contributions:			
Members	$ 242,983	$ —	$ —
Employer	852,014	—	—
Account Holder Contributions	—	—	218,875
Deposits, Pool Participants	—	749,650	—
Total Contributions	1,094,997	749,650	218,875
Investment Income (Loss):			
Net Appreciation (Depreciation) in Fair Value of Investments	56,262	235	(39,880)
Interest	84,012	—	37,488
Investment Expense	(30,080)	—	(4,935)
Net Investment Income (Loss)	110,194	235	(7,327)
Transfers to Plan	147	—	—
Other	65,626	—	—
Total Additions	1,270,964	749,885	211,548
Deductions:			
Benefits Expense	1,128,347	—	—
Payments in Accordance with Trust Agreements	—	—	154,919
Refunds of Contributions	28,703	—	—
Withdrawals	—	729,193	—
Administrative Expenses	21,218	—	4,331
Transfers from Plan	147	—	—
Total Deductions	1,178,415	729,193	159,250
Change in Net Assets Held in Trust For:			
Pension Benefits	71,848	—	—
Other Postemployment Benefits	20,701	—	—
External Investment Pool Participants	—	20,692	—
Individuals and Organizations	—	—	52,298
Net Assets, Beginning of Year	11,222,921	293,228	1,572,630
Net Assets, End of Year	$11,315,470	$313,920	$1,624,928

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

STATE OF WEST VIRGINIA.
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DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS

Major Component Units

West Virginia Lottery The West Virginia Lottery's responsibilities include the distribution and sale of lottery tickets and the awarding of prizes. The West Virginia Lottery has a duty to establish rules for conducting games, to select the type and number of gaming systems or games, and to enter into contracts and agreements to operate in a highly efficient manner. The Lottery derives its revenues from instant, 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 224.

Combining Statement of Net Assets
Discretely Presented Component Units
June 30, 2012
(Expressed in Thousands)

	West Virginia Lottery	Economic Development Authority	Housing Development Fund	Parkways Authority
Assets:				
Current Assets:				
Cash and Cash Equivalents	$241,538	$ 43,369	$ 22,951	$ 9,642
Investments	—	—	—	—
Receivables, Net	36,666	12,353	3,896	2,603
Capital Leases Receivable from Primary Government	—	11,888	—	—
Due from Primary Government	5	1	—	2
Due from Component Units	—	—	—	—
Inventories	510	—	—	2,516
Other Assets	2,275	—	—	99
Restricted Assets:				
Cash and Cash Equivalents	—	289	79,365	16,268
Investments	—	—	—	11,129
Receivables, Net	—	—	4,092	—
Total Current Assets	280,994	67,900	110,304	42,259
Noncurrent Assets:				
Cash and Cash Equivalents	—	—	—	—
Investments	—	7,412	7,927	—
Receivables, Net	—	145,076	45,166	—
Capital Leases Receivable from Primary Government	—	263,642	—	—
Other Assets	—	—	—	6,314
Restricted Assets:				
Cash and Cash Equivalents	2,373	9,254	28,758	—
Investments	—	—	135,959	24,528
Receivables, Net	—	—	751,774	—
Other Restricted Assets	—	—	7,649	—
Capital Assets, Net	42,285	34,336	10,720	470,161
Total Noncurrent Assets	44,658	459,720	987,953	501,003
Total Assets	325,652	527,620	1,098,257	543,262
Liabilities:				
Current Liabilities:				
Accounts Payable	20,422	25	—	4,571
Interest Payable	—	—	3,708	290
Accrued and Other Liabilities	35,605	3,245	18,166	5,254
Unearned Revenue	—	—	—	—
Due to Primary Government	216,583	52	—	9,797
Due to Component Units	500	—	—	—
Revenue Bonds Payable	—	11,888	66,245	7,895
Capital Leases and Other Debt	—	594	—	71
Compensated Absences	567	30	497	—
Total Current Liabilities	273,677	15,834	88,616	27,878
Noncurrent Liabilities:				
Unearned Revenue	—	2,322	—	—
Advances from Primary Government	—	106,671	—	—
Liabilities Payable from Restricted Assets	—	—	53,655	—
Accrued and Other Liabilities	—	—	—	6,314
Revenue Bonds Payable	—	263,642	514,533	48,798
Capital Leases and Other Debt	—	5,947	606	—
Compensated Absences	—	26	—	—
Total Noncurrent Liabilities	—	378,608	568,794	55,112
Total Liabilities	273,677	394,442	657,410	82,990
Net Assets (Deficit):				
Investment in Capital Assets, Net of Related Debt	42,285	21,809	10,720	413,397
Restricted for:				
Capital Projects	1,690	—	—	—
Debt Service	—	—	278,858	45,128
Nonexpendable	—	—	—	—
Lending Activities	—	—	72,610	—
Loans Receivable	—	8,954	—	—
Specific Component Unit Purposes	—	—	—	—
Unrestricted	8,000	102,415	78,659	1,747
Total Net Assets (Deficit)	$ 51,975	$133,178	$ 440,847	$460,272

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

Water Development Authority	Higher Education	Regional Jail Authority	School Building Authority	Other Component Units	Total
$ 11,368	$ 509,472	$ 38,803	$ 49,319	$ 28,894	$ 955,356
—	20,642	—	289,063	413	310,118
9,819	91,112	15,547	365	460	172,821
—	—	—	—	—	11,888
215	36,262	36	—	217	36,738
—	500	—	—	—	500
—	5,144	1,086	—	33	9,289
—	7,205	—	—	220	9,799
—	—	20,137	—	33,144	149,203
1,532	—	—	—	—	12,661
—	—	—	—	1,169	5,261
22,934	670,337	75,609	338,747	64,550	1,673,634
—	176,592	—	—	—	176,592
1,200	547,071	—	—	7,585	571,195
12,606	46,628	—	—	4,175	253,651
—	—	—	—	—	263,642
1,000	63,452	—	—	277	71,043
16,082	—	—	—	5,187	61,654
—	—	—	—	—	160,487
217,265	—	—	—	1,757	970,796
—	—	—	—	237	7,886
6,431	2,393,124	122,736	803	44,343	3,124,939
254,584	3,226,867	122,736	803	63,561	5,661,885
277,518	3,897,204	198,345	339,550	128,111	7,335,519
60	70,945	2,318	197	1,186	99,724
2,390	11,013	—	—	—	17,401
—	101,330	1,512	14,408	478	179,998
—	89,387	—	—	66	89,453
170	284,624	22,467	223	8,734	542,650
—	—	—	—	—	500
6,403	33,139	5,550	35,275	—	166,395
—	5,211	—	—	5,696	11,572
—	41,081	1,729	89	1,173	45,166
9,023	636,730	33,576	50,192	17,333	1,152,859
—	—	—	—	70	2,392
—	—	—	—	—	106,671
—	—	—	—	35,843	89,498
1,000	138,245	—	—	200	145,759
206,026	1,165,684	56,490	462,802	—	2,717,975
—	68,131	—	—	10,827	85,511
257	3,701	—	—	219	4,203
207,283	1,375,761	56,490	462,802	47,159	3,152,009
216,306	2,012,491	90,066	512,994	64,492	4,304,868
6,431	1,416,719	60,696	803	44,343	2,017,203
—	59,254	—	—	—	60,944
—	26,060	8,061	82,056	—	440,163
—	184,738	—	—	237	184,975
27,597	—	—	—	—	100,207
—	—	—	—	—	8,954
—	134,359	39,522	—	4,382	178,263
27,184	63,583	—	(256,303)	14,657	39,942
$ 61,212	$1,884,713	$108,279	$(173,444)	$ 63,619	$3,030,651

Combining Statement of Activities
Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Component Units:					
West Virginia Lottery	$1,518,159	$1,457,530	$ —	$ —	$ (60,629)
Economic Development Authority	8,032	9,503	—	—	1,471
Housing Development Fund	131,635	53,210	87,565	—	9,140
Parkways Authority	84,276	91,124	—	—	6,848
Water Development Authority	14,767	14,715	—	—	(52)
Higher Education	1,886,810	811,313	458,309	136,556	(480,632)
Regional Jail Authority	90,663	99,185	2,817	—	11,339
School Building Authority	107,883	—	4,002	—	(103,881)
Other Component Units	44,347	11,654	8,522	—	(24,171)
Total Component Units	$3,886,572	$2,548,234	$561,215	$136,556	$(640,567)

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
$ 181	$ —	$ 73,351	$ —	$ 73,532	$ 12,903	$ 39,072	$ 51,975
534	—	755	—	1,289	2,760	130,418	133,178
9,717	—	—	—	9,717	18,857	421,990	440,847
242	—	—	—	242	7,090	453,182	460,272
258	—	—	—	258	206	61,006	61,212
(10,465)	—	28,126	518,852	536,513	55,881	1,828,832	1,884,713
41	—	—	—	41	11,380	96,899	108,279
2,228	—	—	93,016	95,244	(8,637)	(164,807)	(173,444)
160	738	701	26,992	28,591	4,420	59,199	63,619
$ 2,896	$738	$102,933	$638,860	$745,427	$104,860	$2,925,791	$3,030,651

STATE OF WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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," amended by GASB Statement No. 61, "The Financial Reporting Entity: Omnibus," these financial statements present the State (the primary government) and its component units. The component units discussed below are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

Individual Component Unit Disclosures

United States generally accepted accounting principles (GAAP) define component units as those entities which are legally separate organizations for which the State's elected officials are financially accountable, or other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. GAAP specifies two methods of presentation: blending the financial data of the component units' balances and transactions in a manner similar to the presentation of the State's balances and transactions or discrete presentation of the component units' financial data in columns separate from the State's financial data.

Blended Component Units

The entities below are legally separate from the State and meet the GAAP criteria for component units. These entities are blended with the primary government because they provide services entirely or almost entirely to the State or there is a financial benefit or burden relationship with the primary government.

Transportation

The Division of Highways, within the Department of Transportation, 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, and 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 Blue Ridge Community and Technical College Foundation, Inc., the Eastern West Virginia Community and Technical College Foundation Inc., the Kanawha Valley 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. Tech Foundation, Inc. is not included because it is not significant to the Fund.

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

Regional Jail and Correctional Facility Authority

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

School Building Authority

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

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

Educational Broadcasting Authority

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

Jobs Investment Trust

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

West Virginia State Rail Authority

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

Solid Waste Management Board

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

Racing Commission

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

Public Defender Corporation

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

Discretely Presented Component Unit Financial Statements

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

Administrative Offices:

West Virginia Lottery
900 Pennsylvania Avenue
Charleston, WV 25302

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

Water Development Authority
1009 Bullitt Street
Charleston, WV 25301

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

Educational Broadcasting Authority
600 Capitol Street
Charleston, WV 25301

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

Racing Commission
900 Pennsylvania Avenue
Charleston, WV 25313

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

Parkways Authority
P.O. Box 1469
Charleston, WV 25325-1469

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

School Building Authority
Finance Division
2300 Kanawha Blvd., East
Charleston, WV 25311

Jobs Investment Trust
1012 Kanawha Boulevard, E.
5th Floor
Charleston, WV 25301-2877

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

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

Joint Venture

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

Based upon the latest information available, the Project incurred net losses of $6,028,532 for the year ended December 31, 2011. At December 31, 2011, the Project's current liabilities exceeded its current assets by $75,070,058, and its total liabilities exceeded its total assets by $37,838,274. 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, 2010, and 2011, 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 nonfinancial 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, 2011, included a going-concern opinion modification emphasizing that these conditions raised substantial doubt about the Project's ability to continue as a going concern.

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

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

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements, which are the statement of net 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 13% of the total appropriations from the General Revenue Fund for the fiscal year just ended.

Originally, the Revenue Shortfall Reserve Fund could be used only to offset a shortfall in revenues that would otherwise require the Governor to impose expenditure reductions. In July 1996, the West Virginia Code was amended to allow the Legislature to make appropriations from the fund for emergency revenue needs caused by acts of God or natural disasters or for other fiscal needs as determined by the Legislature. 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, $693.7 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, 2012, the fund contained $523.7 million, which amounted to 12.6% of FY 2013 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, 2012, the balance in the Rainy Day Fund—Part B was $327.7 million.

The Income Tax Refund Reserve Fund was established during FY 1990 by West Virginia Code §11-21-93 to pay personal income tax refunds, interest, and penalties to taxpayers in a timely manner. It may also be used by the Legislature to make appropriations from the fund to address other items as the Legislature so desires. Personal income taxes received by the State can be added to this fund, if the state tax commissioner determines the balance in the fund is not enough to ensure the timely payment of income tax refunds. On June 30, 2012, the balance in the Income Tax Refund Reserve Fund was $45 million which represents about 1.1% of the total FY 2013 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. No interest was capitalized during fiscal year 2012. Other agencies are capitalizing all infrastructure assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The capital assets are depreciated over their estimated useful lives using the straight-line depreciation method. Amortization of capital lease assets is included with depreciation expense. Equipment, depending on type, is depreciated over 3-20 years. Buildings are depreciated over various lives, ranging from 20-50 years. The infrastructure assets are depreciated over a period of 20-50 years. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. Impaired assets and insurance recoveries are analyzed for significance and recorded accordingly.

The State possesses certain capital assets that have not been capitalized and depreciated, including works of art and historical treasures, such as monuments, historical documents, paintings, antiques, pioneer, Native American, and Civil War artifacts, etc. GASB Statement No. 34 does not require the capitalization of works of art and historical treasures if the collections are held for public exhibition, education, or research in furtherance of public service, rather than financial gain; protected, kept unencumbered, cared for, and preserved; and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. The State considers its collections as inexhaustible, protected collections for exhibition and education, not for financial gain.

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

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

Capital Leases Payable to Component Units - The Economic Development Authority (EDA) has issued revenue bonds to provide financial assistance to State governmental entities for the acquisition and construction of facilities. The EDA has entered into lease-purchase agreements with the State. A Capital Leases Payable to Component Units has been recorded in the governmental activities at June 30, 2012, of approximately $275.5 million. There is also an offset of Capital Leases Receivable from Primary Government recorded by the Economic Development Authority.

Advances - The amount of Economic Development Authority loans held by the State's General Fund at June 30, 2012, is approximately $106.7 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 ($100.4 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 ($6.3 million outstanding) interest at 3%, principal due in annual installments through June 2022, unsecured. Note repayments are dependent upon the proceeds received from the investments in venture capital funds. The nonrecourse note has been written down based upon the borrowing agreement with BTI.

Long-Term Liabilities - In the government-wide financial statements and proprietary fund financial statements, long-term obligations (including claims and judgments, environmental obligations, 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.

The 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 appropriation legislation passed by the State Legislature, which is the highest level of decision-making authority for the State. Those committed amounts cannot be used for any other purpose unless the Legislature passes new legislation concerning those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

- Assigned fund balances are constrained by the government's intent to use such funds for specific purposes, but are neither restricted nor committed, except for major reserve/stabilization arrangements. The specific purpose for which the funds are intended is expressed within the appropriation requests of the agencies and approved by the State Budget Office, according to the West Virginia State Code. Assigned fund balances include all remaining amounts (except negative amounts) that are reported in the governmental funds, other than the general fund, that are not classified as nonspendable and are neither restricted nor committed. Amounts in the General Fund that are intended to be used for a specific purpose are also assigned. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the State has assigned those amounts to the purposes of the respective funds.

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

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 June 2011, 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.

In March 2012, the GASB issued Statement No. 65, "Items Previously Reported as Assets and Liabilities" which will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. This statement is effective for fiscal year 2014, and management has not yet determined the financial statement impact of the pronouncement.

GASB issued Statement No. 66, "Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62," which resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This statement is effective for fiscal year 2014, and management has not yet determined the financial statement impact of the pronouncement.

In June 2012, the GASB issued Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25." The objective of this Statement is to improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans within its scope. This statement is effective for fiscal year 2014, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 68, "Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27." The objective of this statement is to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. This statement is effective for fiscal year 2015, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 69, "Government Combinations and Disposals of Government Operations" provides specific accounting and financial reporting guidance for combinations in the governmental environment. Decision-usefulness will also be enhanced by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. This statement is effective for fiscal year 2015, and management has not yet determined the financial statement impact of the pronouncement.

NOTE 2

RESTATEMENTS AND RESTRICTED BALANCES

Restatement of Beginning Balances

For the year ended June 30, 2012, the Racing Commission, in other component units, has restated beginning net assets for the correction of an error related to the over accrual of receivables in previously issued financial statements in the amount of $748,000.

An immaterial balance was transferred from the General Fund to the Insurance Commission, in the other governmental funds, which resulted in a $90,000 beginning Fund Balance adjustment.

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

	Fund Balance or Net Assets		
Entity/Reporting Level	As Previously Reported	Adjustment	Restated
Governmental Funds:			
General	$1,400,096	$ (90)	$1,400,006
Other Governmental Funds	512,205	90	512,295
Total Governmental Funds	2,850,730	—	2,850,730
Component Units:			
Other Component Units	59,947	(748)	59,199
Total Component Units	2,926,539	(748)	2,925,791
Government-wide:			
Total Component Units	2,926,539	(748)	2,925,791

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, 2012 (expressed in thousands):

		Restricted For					
Fund Type/ Fund	Total Reporting Entity	Capital Projects	Lending Activities	Insurance Activities	Government Operations	Nonexpendable	Other Specific Fund Purposes
Enterprise Funds:							
Drinking Water Treatment Revolving Fund	$121,375	$ —	$121,375	$ —	$ —	$ —	$ —
Alcohol Beverage Control Administration	1,373	—	1,373	—	—	—	—
West Virginia Prepaid College Plan	481	—	—	—	481	—	—
AccessWV	11,124	—	—	11,124	—	—	—
State Entities Workers' Compensation	23,872	—	—	23,872	—	—	—
	158,225	—	122,748	34,996	481	—	—
Internal Service Funds:							
State Building Fund	62,452	62,452	—	—	—	—	—
Discretely Presented Component Units:							
Educational Broadcasting Authority	237	—	—	—	—	237	—
Solid Waste Management Board	4,382	—	—	—	—	—	4,382
	4,619	—	—	—	—	237	4,382
Total	$225,296	$62,452	$122,748	$34,996	$481	$237	$4,382

The government-wide statement of net assets reports restricted net assets of $2,226,407 for the primary government of which $807,722 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, 2012 (expressed in thousands):

Fund Type/Fund	Total Reporting Entity	Capital Projects	Debt Service	Development, Tourism, and Recreation	Education	Public Protection
Governmental Funds:						
Special Revenue Funds:						
Environmental Protection	$ 40,370	$ —	$ —	$ —	$ —	$40,370
Public Service Commission	2,744	—	—	—	—	2,744
Wildlife Resources	40,050	—	—	40,050	—	—
	83,164	—	—	40,050	—	43,114
Capital Projects Funds:						
Education, Arts, Sciences, and Tourism Fund	86,377	86,377	—	—	—	—
Lease Purchase Accounts	10,260	10,260	—	—	—	—
	96,637	96,637	—	—	—	—
Debt Service:						
West Virginia Infrastructure and Jobs Development Council	8	—	8	—	—	—
Education, Arts, Sciences, and Tourism Fund	1,002	—	1,002	—	—	—
Lease Purchase Accounts	5,556	—	5,556	—	—	—
Economic Development Project Fund	42,440	—	42,440	—	—	—
	49,006	—	49,006	—	—	—
Permanent Funds:						
Irreducible School	555	—	—	—	555	—
Total	$229,362	$96,637	$49,006	$40,050	$555	$43,114

NOTE 3

FUND DEFICITS

Individual funds with net asset/fund balance deficits at June 30, 2012, were as follows (expressed in thousands):

	Net Asset/ Fund Balance Deficit
Special Revenue Funds:	
WORKFORCE West Virginia	$ 7,931
Enterprise Funds:	
Workers' Compensation Fund	679,184
West Virginia Prepaid College Plan	15,778
Discretely Presented Component Units:	
School Building Authority	173,444
Total Deficits	$876,337

Special Revenue Funds

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

Enterprise Funds

The Workers' Compensation Fund deficit of $679,184,000 is more fully discussed in Note 14, Risk Management. West Virginia Prepaid College Plan (the Plan) has a net assets deficiency of approximately $15.8 million as of June 30, 2012. This deficiency was largely caused by investment losses in fiscal years 2002, 2008, and 2009, unexpected tuition increases beginning with the 2002-2003 school year, changes in prior years of estimates of future investment rate of return and tuition growth, and significant adjustments in actuarial assumptions in fiscal year 2008. The West Virginia College Prepaid Tuition and Savings Program's ability to pay obligations of the Prepaid Tuition Plan is dependent on long-term investment programs and adequate levels of future cash flows. In March 2003, the West Virginia Legislature closed the Plan to new enrollment until the Legislature authorizes it to reopen. Contract holders are supposed to continue to pay any amounts due, and the Plan will continue to pay all benefits due.

The Plan sought and received support from the State Legislature to support payment of plan benefits. In March 2003, the Legislature created the Prepaid Tuition Trust Escrow Account (the Escrow Account) to guarantee payment of plan contracts. Under the legislative action, the Escrow Account may receive transfers of up to $1,000,000 each year there is an actuarially determined unfunded liability of the Plan. All earnings on the transferred funds will remain in the Escrow Account. In the event the Plan is unable to cover the amount of money needed to meet its current obligations, funds may be withdrawn from the Escrow Account to meet those obligations. The funds were invested and have had a net investment gain of $868,894 for the nine years ended June 30, 2012, leaving the account with a balance of $15,122,902 at June 30, 2012. Because there was an actuarially determined unfunded liability of approximately $16.3 million in the Plan as of June 30, 2012, an additional $1,000,000 was transferred from the Fund to the Escrow Account on October 22, 2012, 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, 2013. 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, 2012, is $173.4 million. The deficit arose from the issuance of revenue bonds to replace or improve school facilities in the State of West Virginia and the SBA's policy to grant ownership of these new and renovated buildings to the local county boards of education. The SBA will receive $23 million per year from an allocation from the West Virginia Department of Education through June 30, 2022, for debt service. At that time, the debt service payments dedicated from the Step 7 of the Department of Education's funding formula will be allocated to the SBA's pay-as-you-go construction program. The West Virginia Supreme Court has ruled that any future allocations for debt service from Step 7 of the funding formula are unconstitutional.

At year-end, the SBA had $498.1 million in bonds outstanding, compared to $503.5 million at June 30, 2011, a decrease of 1.1%. This decrease of $5.4 million represents the issuance of the Series 2012A bonds with a par value and capitalized interest of $27.8 million less the maturity of previously issued bonds in the amount of $34.8 million 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.

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NOTE 4

DEPOSITS AND INVESTMENTS

Deposits

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

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

Primary Government

At June 30, 2012, the reported amount of the primary government's deposits was $6,979,000 and the bank balance was $276,689,000. Of that bank balance, $37,309,000 was uninsured and uncollateralized, and $7,307,000 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, 2012, the reported amount of the component units' deposits was $430,964,000 and the bank balance was $269,846,000. Of that bank balance, $984,000 was uninsured and uncollateralized, $18,609,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State, and $2,400,000 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:

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

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

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.wvbti.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; Economic Development Authority; Parkways Authority; Water Development Authority; School Building Authority; and Higher Education Fund. IMB has operating funds in an institutional Treasury Money Market Fund. The Teachers' Defined Contribution Retirement System of the CPRB and the SMART 529 College Savings Plan have their assets held by outside third parties.

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

Derivatives

The State's investment strategy includes the use of derivatives as a tool in managing market risk and providing an opportunity for enhanced return. The IMB invests in derivative financial investments as authorized by its Board of Trustees. As of June 30, 2012, 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, 2012, the futures contracts had the following open positions denominated in U.S. dollars (summarized and expressed in thousands):

Open Positions/Pool	Expiration	Value Upon Entering Contract (Notional Value)	Fair Value at June 30, 2012	Change in Fair Value
Long:				
Large Cap Domestic Equity	Sept 2012	$ 5,764	$ 5,968	$ 204
Total Return Fixed Income	Sept 2012	6,563	6,674	111
Short:				
Total Return Fixed Income	Sept 2012	(725,207)	(726,718)	(1,511)

At June 30, 2012, the Large Cap Domestic Equity and the Total Return Fixed Income pools have pledged cash of $253,000 and $6,055,000, respectively, and the Total Return Fixed Income Pool had pledged securities of $3,660,000 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, 2012 was $(34). Below is a summary of the activity in short (written) option positions in the Total Return Fixed Income pool (premiums expressed in thousands):

	Puts		Calls	
	Number of Contracts	Premiums (Received)/Paid	Number of Contracts	Premiums (Received)/Paid
Options Outstanding at June 30, 2011	(2,344)	$(4,118)	(1,685)	$(3,307)
Options Written	(2,012)	(615)	(1,654)	(1,136)
Options Closed	2,892	4,509	2,963	4,260
Options Expired	1,464	224	195	93
Options Outstanding at June 30, 2012	—	$ —	(181)	$ (90)

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, 2012, the IMB was party to outstanding foreign exchange forward contracts to purchase foreign currencies with contract amounts of $28.2 million, collectively. The fair values of these outstanding contracts were $28.16 million resulting in a change in fair value of approximately $750,000. The unrealized gain or loss is reclassified to realized gain or loss when the contract expires and deposited at fair value in the International Equity, 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 closed its securities lending program in July 2011. The BTI does not believe the increased risk of a securities lending program justifies its continuing participation in the program. Since fiscal year 2009, the BTI wound down its securities lending program in a controlled withdrawal from the program to reduce risk and minimize losses. This strategy allowed the BTI to incorporate a more conservative collateral reinvestment policy, cap the program at a more manageable level, and raise cash for liquidity. In July 2011, the BTI directed its securities lending agent, Clearlend Securities (a division of Wells Fargo), 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. The realized loss on the transaction

was $215,000 for the year ended June 30, 2012. The Bank of New York Mellon, IMB's custodial agent, loans 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 loan. For international securities, the collateral is at least 105% of the market value of the securities on loan. Cash collateral received is invested in a collateral pool. 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 IMB continues to receive interest and dividends on the securities loaned. Gains or losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the financial statements of the various investment pools. The custodial agents idemnify the IMB against operational errors, loss from borrower failure, which means that the IMB will receive the contractual settlement regardless of whether the borrower returns securities loaned. The IMB is 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, 2012, the IMB has no credit risk exposure to borrowers because the amounts the IMB owes the borrowers exceed the amounts the borrowers owe the IMB.

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. IMB's share of the Sigma loss, as of that date, was approximately $11.0 million. 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, 2012, the fair value of securities on loan and collateral held by the pools of the IMB are as follows (expressed in thousands). Of the collateral held, $240 million was received as cash. The collateral received as cash is invested in the Mellon GSL DBT II Funds.

	Fair Value of Securities on Loan	Collateral Held
Large Cap Domestic Equity	$ 48,316	$ 46,385
Non-Large Cap Domestic Equity	36,140	34,896
International Equity	113,088	115,664
Total Return Fixed Income	266,126	269,993
Core Fixed Income Pool	84,459	86,180
TIPS Pool	438,717	447,714
Real Estate Pool	3,963	4,200
Total	$990,809	$1,005,032

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, 2012, the IMB had made commitments to 26 private equity general partnerships totaling $967 million. The IMB had funded $427 million of these commitments at June 30, 2012, leaving unfunded commitments of $540 million. The IMB also committed $595 million to 18 real estate investment funds/partnerships. At June 30, 2012, the IMB had funded $287.9 million of these commitments, leaving unfunded commitments of $307.1 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 $11.3 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	23,721	8,033	—	9,880	22,469
Workers' Compensation Old Fund	68,084	23,050	—	29,749	63,582
Workers' Compensation Self-Insured	781	265	—	332	739
Workers' Compensation Uninsured	661	223	—	291	614
Pneumoconiosis	18,692	6,327	—	8,199	17,334
Wildlife Endowment Fund	7,283	2,467	—	3,125	6,847
Prepaid Tuition Trust Fund	20,019	4,532	—	4,304	8,354
Board of Risk & Insurance Management	9,969	3,376	—	4,327	9,310
Public Employees' Insurance Agency	6,562	2,221	—	2,709	6,208
Access WV	—	—	—	—	—
WV Department of Environmental Protection Trust	1,736	590	—	603	1,221
Total Primary Government	157,508	51,084	—	63,519	136,678
Percentage of Ownership	7.61%	7.32%	—%	72.64%	7.09%
Fiduciary Funds:					
Judges' Retirement System	23,121	7,802	9,901	—	21,658
Emergency Medical Services Retirement System	6,360	2,147	2,593	—	6,056
Public Employees' Retirement System	795,984	269,212	343,311	—	742,277
Teachers' Retirement System	908,381	307,418	393,701	—	851,090
Teachers' Employers Contribution Collection Account	—	—	—	—	—
Municipal Police Officers' and Firefighters' Retirement System	31	10	14	—	27
State Police Retirement System	14,200	4,779	5,717	—	13,451
Public Safety Death, Disability and Retirement Fund	86,641	29,507	37,412	—	82,434
Retiree Health Benefit Trust	56,350	19,078	—	23,929	52,944
Deputy Sheriff's Retirement System	21,171	7,158	9,036	—	19,898
Total Fiduciary Funds	1,912,239	647,111	801,685	23,929	1,789,835
Percentage of Ownership	92.39%	92.68%	100%	27.36%	92.91%
Total Amount	$2,069,747	$698,195	$801,685	$87,448	$1,926,513
Percentage of Ownership	100%	100%	100%	100%	100%

Short-Term Fixed Income	Total Return Fixed Income	Core Fixed Income	TIPS	TRS Annuity	Private Equity	Real Estate	Hedge Fund	Totals (Memorandum Only)
$ 29	$ 136,333	$ 73,920	$ 211,804	$ —	$ —	$ —	$ —	$ 422,086
24	140,306	75,840	50,344	—	—	—	—	330,617
93,715	370,417	200,247	96,245	—	—	—	—	945,089
534	3,203	1,732	1,107	—	—	—	2,168	10,861
926	2,379	1,288	934	—	—	—	1,819	9,135
12,017	75,557	40,858	26,446	—	—	—	51,312	256,742
126	5,767	2,784	1,033	—	4,032	2,503	4,055	40,022
1,004	—	39,505	—	—	—	—	—	77,718
7,008	40,518	21,908	14,109	—	—	—	27,434	137,959
9,172	71,384	38,603	27,835	—	—	—	18,261	182,955
1	869	471	1,105	—	—	—	—	2,446
2	1,104	596	680	—	—	—	—	6,532
124,558	847,837	497,752	431,642	—	4,032	2,503	105,049	2,422,162
34.13%	36.71%	41.37%	58.22%	0.00%	0.39%	0.39%	8.52%	18.41%
367	17,901	8,623	3,268	—	12,702	7,928	12,917	126,188
230	5,099	2,463	902	—	3,525	2,177	3,579	35,131
26,949	610,968	294,141	113,259	—	435,948	273,496	443,916	4,349,461
67,224	630,620	299,345	129,355	53,023	503,734	312,255	509,625	4,965,771
142,994	—	—	—	—	—	—	—	142,994
22	25	11	4	—	17	11	16	188
1,417	11,146	5,379	1,998	—	7,821	4,829	7,950	78,687
718	68,131	32,774	12,312	—	48,464	29,721	48,974	477,088
15	101,163	54,696	45,634	—	—	—	88,796	442,605
468	16,635	8,022	3,001	—	11,695	7,273	11,851	116,208
240,404	1,461,688	705,454	309,733	53,023	1,023,906	637,690	1,127,624	10,734,321
65.87%	63.29%	58.63%	41.78%	100.00%	99.61%	99.61%	91.48%	81.59%
$364,962	$2,309,525	$1,203,206	$741,375	$53,023	$1,027,938	$640,193	$1,232,673	$13,156,483
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, 2012, was $801,731,000. 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, 2012, was $87,453,000. 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, 2012, consisted of the following (expressed in thousands):

Currency	Equity Securities	Cash	Total
Australian Dollar	$ 63,284	$ 143	$ 63,427
Brazil Real	77,642	3,441	81,083
British Pound	217,785	404	218,189
Canadian Dollar	83,701	75	83,776
Czech Crown	6,230	-	6,230
Danish Krone	6,858	24	6,882
Emirati Dirham	8,048	-	8,048
Euro Currency Unit	289,347	1,256	290,603
Hong Kong Dollar	152,281	697	152,978
Hungarian Forint	7,620	1	7,621
Indian Rupee	35,768	380	36,148
Indonesian Rupiah	8,313	145	8,458
Israeli Shekel	13,413	103	13,516
Japanese Yen	215,250	9,319	224,569
Malaysian Ringgit	5,067	126	5,193
Mexican Peso	22,072	24	22,096
New Taiwan Dollar	47,733	2,300	50,033
New Zealand Dollar	7,513	58	7,571
Norwegian Krone	21,877	28	21,905
Pakistan Rupee	922	-	922
Philippine Peso	7,751	75	7,826
Polish Zloty	6,708	9	6,717
Singapore Dollar	20,786	46	20,832
South African Rand	51,153	57	51,210
South Korean Won	128,548	2,374	130,922
Swedish Krona	16,126	71	16,197
Swiss Franc	62,607	6	62,613
Thailand Baht	17,882	—	17,882
Turkish Lira	42,295	48	42,343
Subtotal	1,644,580	21,210	1,665,790
United States Currency	257,253	—	257,253
Total Assets	$1,901,833	$21,210	$1,923,043

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, 2012, of the Short-Term Fixed Income pool's investments (expressed in thousands):

Security Type	Credit Rating Moody's	Credit Rating S&P	Carrying Value Prior to Repurchase Collateral Included	Reclassed Repurchase Agreement to Actual Investment Types	Carrying Value	Percent of Assets
Repurchase Agreements	—	—	$ 80,588	$(80,588)	$ —	—%
U.S. Treasury Bills	Aaa	AA+	71,808	—	71,808	19.6%
Agency Discount Notes	Aaa	AA+	169,173	—	169,173	46.2%
Commercial Paper	P-1	A-1	18,279	—	18,279	5.0%
U.S. Treasury Notes	Aaa	AA+	5,029	81,966	86,995	23.7%
Agency Notes	Aaa	AA+	20,096	—	20,096	5.5%
Total Rated Investments			$364,973	$ 1,378	$366,351	100%

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):

Security Type	Carrying Value	WAM (Days)
Repurchase Agreements	$ 80,588	1
U.S. Treasury Bills	71,808	29
Commercial Paper	18,279	8
Agency Discount Notes	169,173	48
Agency Notes	20,096	95
U.S. Treasury Notes	5,029	153
Total Assets	$364,973	36

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, 2012 (expressed in thousands):

Security Type	Credit Rating Moody's	Credit Rating S&P	Fair Value	Percent of Assets
Rated:				
Agency Collateralized Mortgage Obligations	Aaa	AA+	$ 32,536	1.5%
Agency Mortgage-Backed Securities	Aaa	AA+	340,717	15.3%
Corporate Asset-Backed Securities	Aa2	AA-	38,005	1.7%
Corporate Bonds and Notes	Baa2	BBB	754,176	33.7%
Corporate Collateralized Mortgage Obligations	B	B	21,589	1.0%
Corporate Preferred Securities	Ba2	BB	8,572	0.4%
Foreign Government Bonds	Baa1	A-	6,293	0.3%
Municipal Bonds	A1	A	93,246	4.2%
Regulated Investment Companies	Aaa	AAA	184,079	8.2%
U.S. Treasury Bonds and Notes	Aaa	AA+	309,610	13.9%
Total Rated Investments			1,788,823	80.2%
Unrated:				
Commingled Investment Pools			441,868	19.7%
Option Contract Purchased Value			728	0.1%
Total Investment Securities at Fair Value			$2,231,419	100%

* 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):

Security Type	Fair Value	Modified Duration (Years)
Agency Collateralized Mortgage Obligations	$ 32,536	3.4
Agency Mortgage-Backed Securities	340,717	8.5
Commingled Investment Pools	441,868	2.7
Corporate Asset-Backed Securities	38,005	8.0
Corporate Bonds and Notes	754,176	6.4
Corporate Collateralized Mortgage Obligations	21,589	4.8
Foreign Government Bonds	6,293	7.5
Municipal Bonds	93,246	13.1
Regulated Investment Companies	184,079	0.0
U.S. Treasury Bonds and Notes	309,610	6.7
Total Assets	2,222,119	5.8
Investments with no Interest Rate Risk:		
Option Contract Purchased Value	728	
Corporate Preferred Securities	8,572	
Total Investments with no Interest Rate Risk	9,300	
Total Investment Securities at Fair Value	$2,231,419	

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, 2012, the Total Return Fixed Income pool held $432,847,000 of these securities. This represents approximately 20% 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, 2012 (expressed in thousands):

Security Type	Credit Rating Moody's	Credit Rating S&P	Fair Value	Percent of Assets
Rated:				
Agency Bonds and Notes	Aaa	AA+	$ 16,801	1.4%
Agency Collateralized Mortgage Obligations	Aaa	AA+	268,484	22.3%
Agency Mortgage-Backed Securities	Aaa	AA+	173,034	14.4%
U.S. Treasury Bonds and Notes	Aaa	AA+	278,786	23.2%
Corporate Bonds and Notes	A3	A	271,566	22.7%
Corporate Collateralized Mortgage Obligations	A1	AA+	145,724	12.1%
Corporate Asset-Backed Securities	Aa2	AA+	30,397	2.5%
Regulated Investment Companies	Aaa	AAA	11,728	1.0%
Municipal Bonds	Aa3	AA-	4,781	0.4%
Total Rated Investments			$1,201,301	100%

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):

Security Type	Fair Value	Modified Duration (Years)
U.S. Treasury Bonds and Notes	$ 278,786	6.8
Agency Collateralized Mortgage Obligations	268,484	3.6
Corporate Bonds and Notes	271,566	5.7
Agency Mortgage-Backed Securities	173,034	6.9
Corporate Collateralized Mortgage Obligations	145,724	3.1
Regulated Investment Companies	11,728	0.0
Agency Bonds and Notes	16,801	5.0
Corporate Asset-Backed Securities	30,397	1.9
Municipal Bonds	4,781	12.6
Total Assets	$1,201,301	5.0

The Core Fixed Income pool invests approximately $618 million in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. At June 30, 2012, this represents approximately 51% 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, 2012 (expressed in thousands):

Security Type	Credit Rating Moody's	Credit Rating S&P	Fair Value	Percent of Assets
Rated:				
U.S. Treasury Issues*	Aaa	AA+	$738,767	99.9%
Money Market Funds	Aaa	AAA	406	0.1%
Total Rated Investments			$739,173	100%

* 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, 2012 (expressed in thousands):

Security Type	Fair Value	Modified Duration (Years)
U.S. Treasury Issues	$738,767	8.1
Money Market Funds	406	—
Total Assets	$739,173	8.1

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, 2011, and 2012. Final payment will be received on May 4, 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.

Real Estate

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

Credit Risk

The IMB limits the exposure to credit risk in the Real Estate pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted-average credit ratings of the rated assets in the Private Real Estate pool as of June 30, 2012 (expressed in thousands):

Security Type	Credit Rating Moody's	Credit Rating S&P	Fair Value	Percent of Assets
Rated:				
Corporate Bonds and Notes	Baa	BBB-	$114,420	18.0%
Regulated Investment Companies	Aaa	AAA	18,677	3.0%
Total Rated Investments			133,097	21.0%
Unrated Investments:				
Equity Securities			190,797	29.9%
Securities Lending Collateral Funds			4,200	0.6%
Investments in Other Funds			308,863	48.5%
Total Unrated Investments			503,860	79.0%
Total Investments			$636,957	100%

Interest Rate Risk

The IMB monitors interest rate risk of the Real Estate 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 Private Real Estate pool (expressed in thousands):

Security Type	Fair Value	Modified Duration (Years)
Rated:		
Corporate Bonds and Notes	$114,420	6.0
Regulated Investment Companies	18,677	—
Total Rated Assets	133,097	5.2
Unrated Investments:		
Equity Securities	190,797	
Securities Lending Collateral Funds	4,200	
Investments in Other Funds	308,863	
Total Unrated Assets	503,860	
Total Assets	$636,957	

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, 2012, consisted of the following (expressed in thousands):

Currency	Investments	Cash	Total
Australian Dollar	$ 3,401	$ —	$ 3,401
Brazil Real	55	—	55
British Pound	11,622	—	11,622
Canadian Dollar	2,914	—	2,914
Euro Currency Unit	4,516	4	4,520
Hong Kong Dollar	6,843	11	6,854
Japanese Yen	5,662	—	5,662
Polish Zloty	845	—	845
Singapore Dollar	2,152	—	2,152
South Korean Won	549	—	549
Swedish Krona	415	—	415
Thailand Baht	476	—	476
Subtotal	39,450	15	39,465
United States Currency	597,507	(32)	597,475
Total Assets	$636,957	$(17)	$636,940

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 41% 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, 2012, of the WV Money Market pool's investments (expressed in thousands):

	Credit Rating			
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Assets**
Commercial Paper	P1	A-1	$ 853,470	30.62%
Corporate Bonds/Notes	Aa2	AA-	15,000	0.54%
	Aa3	AA-	13,000	0.47%
	Aa3	A+	8,000	0.29%
Total Corporate Bonds/Notes			36,000	1.30%
U.S. Agency Bonds	Aaa	AA+	189,691	6.80%
U.S. Treasury Notes*	Aaa	AA+	330,865	11.87%
U.S. Treasury Bills*	Aaa	AA+	237,978	8.54%
Negotiable Certificates of Deposit	P1	A-1	110,000	3.95%
U.S. Agency Discount Notes	P1	A-1+	738,706	26.50%
Money Market Funds	Aaa	AAAm	200,054	7.18%
Repurchase Agreements (Underlying Securities) U.S. Treasury Notes*	Aaa	AAA	90,204	3.24%
Total			$2,786,968	100%

* 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):

Security Type	Total Carrying Value	Primary Government	Investment Trust Funds	Agency Funds	Component Units	WAM (Days)
Commercial Paper	$ 853,470	$ 615,352	$21,337	$12,290	$204,491	35
U.S. Treasury Bills	237,978	171,582	5,949	3,427	57,020	37
Corporate Bonds/Notes	36,000	25,956	900	518	8,626	48
Negotiable Certificates of Deposit	110,000	79,311	2,750	1,584	26,355	10
U.S. Agency Bonds/Notes	189,691	136,767	4,742	2,732	45,450	68
U.S. Agency Discount Notes	738,706	532,607	18,468	10,637	176,994	44
Money Market Funds	200,054	144,239	5,001	2,881	47,933	1
U.S. Treasury Notes	330,865	238,554	8,272	4,764	79,275	122
Repurchase Agreements (Underlying Securities):						
U.S. Treasury Notes	90,204	65,037	2,255	1,299	21,613	3
U.S. Agency Notes	—	—	—	—	—	3
Total	$2,786,968	$2,009,405	$69,674	$40,132	$667,757	46
Percentage of Ownership	100%	72.10%	2.50%	1.44%	23.96%	

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, 2012, of the WV Government Money Market pool's investments (expressed in thousands):

Security Type	Credit Rating Moody's	Credit Rating S&P	Carrying Value	Percent of Assets
U.S. Agency Bonds	Aaa	AA+	$ 23,004	7.68%
U.S. Treasury Notes*	Aaa	AA+	103,324	34.48%
U.S. Treasury Bills	Aaa	AA+	4,999	1.67%
U.S. Agency Discount Notes	P1	A-1+	76,397	25.50%
Money Market Funds	Aaa	AAAm	5	—%
Repurchase Agreements (Underlying Securities)				
U.S. Treasury Notes	Aaa	AAA	46,900	15.65%
U.S. Agency Notes	Aaaa	AAA	45,000	15.02%
Total Repurchase Agreements			91,900	30.67%
Total			$299,629	100%

* 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):

Security Type	Total Carrying Value	Primary Government	Investment Trust Funds	Component Units	WAM (Days)
U.S. Agency Discount Notes	$ 76,397	$1,635	$ 63,753	$11,009	52
U.S. Agency Bonds/Notes	23,004	492	19,197	3,315	9
U.S. Treasury Bills	4,999	107	4,172	720	62
Money Market Funds	5	—	4	1	1
U.S. Treasury Notes	103,324	2,211	86,224	14,889	111
Repurchase Agreements (Underlying Securities)					
U.S. Treasury Notes	46,900	1,004	39,138	6,758	3
U.S. Agency Notes	45,000	962	37,553	6,485	3
Total	$299,629	$6,411	$250,041	$43,177	54
Percentage of Ownership	100%	2.14%	83.45%	14.41%	

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, 2012, of the WV Short-Term Bond pool's investments (expressed in thousands):

Security Type		Credit Rating Moody's	Credit Rating S&P	Fair Value	Percent of Assets
Corporate Asset-Backed Securities		Aaa	AAA	$ 95,628	18.99%
		Aaa	NR*	38,524	7.64%
		NR	AA+	3,900	0.77%
	**	B1	CCC	896	0.18%
	**	B3	BB	311	0.06%
	**	B3	BBB-	53	0.01%
	**	B3	CCC	280	0.06%
	**	Caa2	CCC	186	0.04%
	**	Caa3	CCC	243	0.05%
	**	Caa3	D	26	0.01%
	**	Ca	CCC	586	0.12%
		NR	NR	3,786	0.75%
Total Corporate Asset-Backed Securities				144,419	28.68%
Corporate Bonds/Notes		Aa2	AA+	9,025	1.79%
		Aa3	AA-	15,666	3.11%
		Aa3	A	23,032	4.57%
		A1	AA	12,145	2.41%
		A1	A+	30,684	6.09%
		A2	A	39,064	7.76%
		A3	A-	7,755	1.54%
		A3	BBB+	3,006	0.60%
		Baa1	A-	4,162	0.83%
		Baa2	A-	6,709	1.33%
Total Corporate Bonds/Notes				151,248	30.03%
U.S. Agency Bonds		Aaa	AA+	45,024	8.94%
U.S. Treasury Notes	***	Aaa	AA+	44,251	8.79%
U.S. Agency Mortgage-Backed Securities	****	Aaa	AA+	77,065	15.30%
Money Market Funds		Aaa	AAAm	41,610	8.26%
Total				$503,617	100%

* NR = Not Rated

** These securities were not in compliance with BTI Investment Policy at June 30, 2012. 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.

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):

Security Type	Total Carrying Value	Primary Government	Investment Trust Funds	Component Units	Effective Duration (Days)
Corporate Notes	$151,248	$142,581	$ 544	$ 8,123	242
U.S. Agency Bonds/Notes	45,024	42,444	162	2,418	23
U.S. Treasury Bonds/Notes	44,251	41,715	160	2,376	366
Corporate Asset-Backed Securities	144,419	136,144	520	7,755	250
U.S. Agency Mortgage-Backed Securities	77,065	72,650	277	4,138	13
Money Market Funds	41,610	39,226	150	2,234	1
Total	$503,617	$474,760	$1,813	$27,044	180
Percentage of Ownership	100%	94.27%	0.36%	5.37%	

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 $52.5 million, with maturities ranging from October 2011 to March 2013.

Loss Amortization

This pool was closed during the fiscal year. It had been 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. On August 15, 2011, the US Treasury Principal Strip held in the pool matured. 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.

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

$60,000 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 $19,034,000 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.

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):

Security Type	Carrying Value	WAM (Days)
U.S. Treasury Strips	$ 2,909	683
U.S. Treasury Bonds/Notes	4,508	1,821
State and Local Government Securities	137,688	614
Total Assets	$145,105	653

School Fund

The School Fund account holds an interest in a money market mutual fund valued at $1,555,000 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, 2012 (expressed in thousands):

		Interest Rate Risk			
Security Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Governmental Activities:					
Money Market	$1,555	$1,555	$—	$—	$—

EDA-AW

This account holds a U.S. Treasury bond valued at $2,099,000 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):

		Interest Rate Risk			
Security Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Component Unit Activities:					
U.S. Treasury Bond	$2,099	$—	$—	$—	$2,099

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, 2012 (expressed in thousands):

	Disclosed Value	Pool Receivables/ (Payables)	Net Asset Values
IMB Pools			
Large Cap Domestic Equity	$ 2,070,473	$ (726)	$ 2,069,747
Non-Large Cap Domestic Equity	698,625	(430)	698,195
International Qualified	801,731	(46)	801,685
International Nonqualified	87,453	(5)	87,448
International Equity*	1,901,833	24,680	1,926,513
Short-Term Fixed Income	364,973	39	365,012
Total Return Fixed Income*	2,231,419	78,106	2,309,525
Core Fixed Income	1,201,301	1,905	1,203,206
TIPS Pool	739,173	2,202	741,375
TRS Annuity Pool	53,093	(70)	53,023
Private Equity	1,027,697	241	1,027,938
Real Estate*	636,957	3,236	640,193
Hedge Fund	1,033,463	199,210	1,232,673
BTI Pools			
WV Money Market Pool	2,786,968	1,076	2,788,044
WV Government Money Market Pool	299,629	418	300,047
WV Short-Term Bond Pool	503,617	675	504,292
WV Bank Pool	52,507	83	52,590
Loan Pool	106,731	94	106,825
Municipal Bond Commission Account	145,105	45	145,150
School Fund Account	1,555	—	1,555
Reserve Pool	19,034	7	19,041
EDA-AW	2,099	34	2,133
Total Pooled Investments	16,765,436	310,774	17,076,210
Less EDA	106,671	—	106,671
Less MBC	145,105	45	145,150
Less Nonnegotiable Certificates of Deposits	52,507	83	52,590
Less Reserve Pool in Depository	19,034	7	19,041
Total for Disclosure	$16,442,119	$310,639	$16,752,758

* Pools had cash denominated in foreign currencies.

Outside Investments

In addition to the amounts invested with the IMB above, certain funds are permitted to invest bond proceeds with a third-party trustee named in the bond indenture. The following information relates to these outside investments.

Credit Risk

The following table provides information on the credit ratings of the State's third-party trustee investments as of June 30, 2012 (expressed in thousands):

Security Type	Fair Value	Credit Rating S&P	Credit Rating Moody's
Primary Government:			
Guaranteed Investment Contracts	$ 5,758	AAA	Aa3
	18,990	Unrated	Unrated
Money Market/Mutual Funds	10,261	AAAm	AAA-mf
	89,691	AAAm	Unrated
	208,923	AAAm	Aaa-mf
	399	Unrated	Unrated
	31,540	AAAm	Aaa
	5,930	AAA	Aaa
Repurchase Agreement	71,181	AAA	Aaa
U.S. Government and Agency Obligations	99,972	AAAm	Aaa-mf
	$ 542,645		
Pension & Private Purpose Trust Funds:			
Money Market/Mutual Funds	$1,934,358	Unrated	Unrated
Component Units:			
Commercial Paper	$ 1,108	Aaa	AAAm
Common and Preferred Stocks	7,585	Unrated	Unrated
Corporate Bonds	4,929	Unrated	Unrated
Corporate Stock	313	Unrated	Unrated
Fixed Income Fund	4,853	AA+	Aa2
Money Market/Mutual Funds	27,245	AAAm	Aaa-mf
	1,851	AA-	A
	3,684	A+	Unrated
	3,464	Unrated	AA-
	3,886	AAA	Unrated
	965	AA-	Unrated
	6,869	BBB+	Unrated
	727	Unrated	AAA
	1	AAA	Aaa
	3,663	Aaf	AAA
	4,664	Unrated	A+
	251,300	Unrated	Unrated
	343,455	AAAm	Aaa
Mortgages Held for Investment	19,744	Unrated	Unrated
Other Investments	555	Unrated	AA
	128,891	Unrated	Unrated
Repurchase Agreements	1,532	AA+	AA+
	17,305	Unrated	Unrated
State and Local Government Securities	1,540	AA	Aa1
	7	Unrated	A1
	950	A+	Aa3
U.S. Government and Agency Obligations	96,577	AA+	Aaa
	96,378	Unrated	Unrated
	189,184	AA+	Aa3
	$1,223,225		

Concentration of Credit Risk

As of June 30, 2012, 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):

Security Type	Fair Value	Issuer	Percentage of Concentration
Primary Government:			
Repurchase Agreement	$ 71,181	DEPFA Bank, PLC	13.1%
Component Units:			
Other Investments	123,512	Invested by the Foundations of the Higher Education institutions which are reported under FASB and the information is not available	10.1%

Interest Rate Risk

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

		Interest Rate Risk				
Security Type	Fair Value	Less than 1	1-5	6-10	More than 10	N/A
Primary Government:						
Guaranteed Investment Contracts	$ 24,748	$ —	$ 5,758	$18,990	$ —	$ —
Money Market/Mutual Funds	346,744	346,744	—	—	—	—
Repurchase Agreements*	71,181	—	—	—	71,181	—
U.S. Government & Agency Obligations	99,972	99,972	—	—	—	—
Total Primary Government	542,645	446,716	5,758	18,990	71,181	—
Pension & Private Purpose Trust Funds:						
Money Market/Mutual Funds	1,934,358	1,934,358	—	—	—	—
Component Units:						
Commercial Paper	1,108	1,108	—	—	—	—
Common and Preferred Stocks	7,585	—	—	—	7,585	—
Corporate Bonds	4,929	4,929	—	—	—	—
Corporate Stock	313	313	—	—	—	—
Fixed Income Fund	4,853	560	1,923	1,643	727	—
Money Market/Mutual Funds	651,774	572,279	11,744	12,619	1,708	53,424
Mortgages Held for Investment	19,744	—	1,197	1,340	17,207	—
Other Investments	129,446	112,901	1,787	—	—	14,758
Repurchase Agreements**	18,837	17,305	1,532	—	—	—
State and Local Government Securities	2,497	2,490	7	—	—	—
U.S. Government & Agency Obligations	382,139	116,477	151,330	11,389	47,354	55,589
Total Component Units	1,223,225	828,362	169,520	26,991	74,581	123,771
Total Outside Investments	$3,700,228	$3,209,436	$175,278	$45,981	$145,762	$123,771

Underlying Securities:

*Primary Government:

Federal Agency Obligations $76,068,000

**Component Units:

$17,305,000 is invested by the Foundations at the Higher Education institutions which are reported under FASB and the information is not available.

$1,532,021 is invested in:	Governmental National Mortgage Association	$908,844
	Federal Home Loan Mortgage	33,199
	US Veterans Affairs Gtd REMIC	828,172

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, 2012 (expressed in thousands):

Deposits:

Cash and Cash Equivalents as Reported on the Statement of Net Assets	$ 5,149,175
Cash and Cash Equivalents as Reported on the Statement of Fiduciary Net Assets	457,760
Add:	
Restricted Cash and Cash Equivalents as Reported on the Statement of Net Assets	305,281
Restricted Cash and Cash Equivalents as Reported on the Statement of Fiduciary Net Assets	3,941
Nonnegotiable Certificates of Deposit Disclosed as Deposits	96,529
Less:	
Cash Equivalents and Restricted Cash Disclosed as Investments	(5,434,063)
Cash with U.S. Treasury for Unemployment Programs	(140,680)
Reported Value of Deposits as Disclosed in this Footnote	$ 437,943

Investments:

Investments as Reported on the Statement of Net Assets	$ 2,230,731
Investments as Reported on the Statement of Fiduciary Net Assets	12,681,562
Add:	
Restricted Investments as Reported on the Statement of Net Assets	209,137
Cash Equivalents and Restricted Cash Disclosed as Investments	5,434,063
Less:	
Nonnegotiable Certificates of Deposit Disclosed as Deposits	(96,529)
Accrued Interest Disclosed as Investments	(5,978)
Reported Value of Investments as Disclosed in this Footnote	$20,452,986

NOTE 5

RECEIVABLES
(Expressed in Thousands)

Receivables at June 30, 2012, consisted of the following:

	Governmental Funds				
	General	Transportation	Tobacco Settlement Finance Authority	Other Governmental	Total Governmental Receivables
Taxes	$464,155	$ 74,865	$ —	$ —	$539,020
Accounts	194,460	87,055	35,703	10,546	327,764
Loans	4,842	—	—	—	4,842
Accrued Interest	4,757	—	2	1,006	5,765
Total Receivables	668,214	161,920	35,705	11,552	877,391
Allowance for Doubtful Accounts	(89,548)	—	—	(2,220)	(91,768)
Receivables, Net	$578,666	$161,920	$35,705	$ 9,332	$785,623
As reported on the Fund Financial Statements:					
Current Receivables	$578,666	$161,920	$35,705	$ 9,332	$785,623
Noncurrent Receivables	—	—	—	—	—
Total Receivables, Net	$578,666	$161,920	$35,705	$ 9,332	$785,623

	Fiduciary Funds		
	Pension and Other Employee Benefit Trust Funds	SMART 529	Agency Funds
Accounts	$29,305	$ —	$ —
Loans	7,667	—	—
Leases	—	—	—
Contributions Receivable	39,051	2,063	—
Accrued Interest	—	—	192
Total Receivables	76,023	2,063	192
Allowance for Doubtful Accounts	(735)	—	—
Receivables, Net	$75,288	$2,063	$192
As reported on the Fund Financial Statements:			
Current Receivables, Net	$75,288	$2,063	$192
Noncurrent Receivables, Net	—	—	—
Receivables, Net	$75,288	$2,063	$192

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
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
383	20,583	59,257	19	17,762	996	1,520	100,520	5,840
491,005	—	—	480,447	—	—	100,283	1,071,735	—
—	—	—	2,063	—	—	107	2,170	—
491,388	20,583	59,257	482,529	17,762	996	101,910	1,174,425	5,840
—	—	—	—	(1,912)	—	—	(1,912)	—
$491,388	$20,583	$59,257	$482,529	$15,850	$996	$101,910	$1,172,513	$5,840
$ 27,621	$20,583	$59,257	$ 20,965	$15,850	$996	$ 7,152	$ 152,424	$5,840
463,767	—	—	461,564	—	—	94,758	1,020,089	—
$491,388	$20,583	$59,257	$482,529	$15,850	$996	$101,910	$1,172,513	$5,840

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
$36,666	$ —	$839,062	$2,548	$ 20	$104,153	$15,547	$115	$1,292	$ 999,403
—	137,033	63,238	—	236,219	66,257	—	—	6,269	509,016
—	22,116	—	—	—	—	—	—	—	22,116
—	—	—	—	—	—	—	—	—	—
—	4,080	272	55	3,451	—	—	250	—	8,108
36,666	163,229	902,572	2,603	239,690	170,410	15,547	365	7,561	1,538,643
—	(5,800)	(97,644)	—	—	(32,670)	—	—	—	(136,114)
$36,666	$157,429	$804,928	$2,603	$239,690	$137,740	$15,547	$365	$7,561	$1,402,529
$36,666	$ 12,353	$ 7,988	$2,603	$ 9,819	$ 91,112	$15,547	$365	$1,629	$ 178,082
—	145,076	796,940	—	229,871	46,628	—	—	5,932	1,224,447
$36,666	$157,429	$804,928	$2,603	$239,690	$137,740	$15,547	$365	$7,561	$1,402,529

Taxes Receivable

Taxes receivable at June 30, 2012, consisted of the following:

	Governmental Funds		
	General	Transportation	Total
Taxes Receivable:			
Consumer Sales & Use	$128,787	$ —	$128,787
Personal Income	167,646	—	167,646
Severance	45,455	—	45,455
Business & Occupation	10,721	—	10,721
Automobile Privilege Taxes	—	16,468	16,468
Gasoline Excise	—	55,532	55,532
Registration Fees	—	2,865	2,865
Insurance	35,982	—	35,982
Corporate Net Income	21,398	—	21,398
Medicaid	47,421	—	47,421
Other	6,745	—	6,745
	464,155	74,865	539,020
Refunds Allowance	(27,213)	—	(27,213)
Total	$436,942	$74,865	$511,807

Leases Receivable

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

Year Ended June 30	Direct Financing Leases Amounts Due
2013	$ 3,259
2014	3,259
2015	2,438
2016	1,852
2017	1,852
2018-2034	14,252
Total Minimum Amount Due	26,912
Less Amount Representing Interest	(4,796)
Present Value of Minimum Lease Amount Due	$22,116

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NOTE 6

INTERFUND BALANCES

The following table details the interfund balances and activity as of and for the year ended June 30, 2012 (expressed in thousands):

	Due From		
	Governmental		
Due To	General	Transportation	Other Nonmajor
Governmental Funds:			
General	$ —	$ 191	$ —
Transportation	515	—	—
Tobacco Settlement Finance Authority	645,299	—	—
Other Nonmajor Governmental	18	—	—
Total Governmental Funds	645,832	191	—
Proprietary Funds:			
Water Pollution Control Revolving Fund	7	—	—
Unemployment Compensation	379	49	—
Public Employees' Insurance Agency	779	1,920	5
Other Nonmajor Enterprise	1,091	72	48
Internal Service Funds	5,976	1,378	42
Total Proprietary Funds	8,232	3,419	95
Fiduciary Funds:			
Pension and Other Employee Benefit Trust Funds	1,265,575	133,544	22,273
Discretely Presented Component Units			
Major:			
West Virginia Lottery	—	—	—
Economic Development Authority	—	—	—
Parkways Authority	—	—	—
Water Development Authority	—	—	—
Higher Education	35,302	878	13
Regional Jail Authority	36	—	—
Nonmajor:			
Educational Broadcasting Authority	179	—	—
State Rail Authority	36	—	—
Total Discretely Presented Component Units	35,553	878	13
Total	$1,955,192	$138,032	$22,381

The General Fund Due To Other Funds includes $165 million to the Public Employees' Retirement System (see the Commitments section of Note 15) and $30.1 million to Higher Education for educational programs.

The Public Employees' Insurance Agency includes $4.5 million due from the Other Employee Benefit Trust Fund (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	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
$ —	$ —	$232	$ —	$ 18	$ 542	$ —	$212,469	$ 213,452
—	—	32	—	—	—	—	—	547
—	—	—	—	—	—	—	—	645,299
—	—	11	—	—	—	—	1,000	1,029
—	—	275	—	18	542	—	213,469	860,327
—	—	—	—	—	—	—	—	7
—	—	—	—	—	—	4	115	547
—	—	—	—	—	—	4,547	1,596	8,847
—	—	—	—	2	8	—	158	1,379
—	—	116	19	20	446	74	262	8,333
—	—	116	19	22	454	4,625	2,131	19,113
336	—	—	192	2,134	9,403	—	327,050	1,760,507
—	—	5	—	—	—	—	—	5
—	—	1	—	—	—	—	—	1
—	—	2	—	—	—	—	—	2
19	196	—	—	—	—	—	—	215
—	—	60	—	—	9	—	500	36,762
—	—	—	—	—	—	—	—	36
—	—	2	—	—	—	—	—	181
—	—	—	—	—	—	—	—	36
19	196	70	—	—	9	—	500	37,238
$355	$196	$461	$211	$2,174	$10,408	$4,625	$543,150	$2,677,185

Due from discretely presented component units includes $211 million from the Lottery. The General Fund received $127 million to be appropriated at a later date. The Legislature also approved the following distributions from the Lottery to the School Building Authority ($3.7 million), Senior Services ($20.3 million), Department of Education - Public Education ($14.5 million), Higher Education ($29.3 million), and various other 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 $1.6 billion related to these receivables and obligations.

NOTE 7

INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2012, consisted of the following (expressed in thousands):

	Transfers From		
	Governmental		
Transfers To	General	Tobacco Settlement Finance Authority	Other Nonmajor
Governmental Funds:			
General	$ —	$21,521	$22,206
Transportation	22,497	—	—
Other Nonmajor Governmental	70,597	—	9,985
Total Governmental Funds	93,094	21,521	32,191
Proprietary Funds:			
Water Pollution Control Revolving Fund	—	—	43,776
Workers' Compensation Fund	188,035	—	—
West Virginia Infrastructure and Jobs Development Council	—	—	1,005
Public Employees' Insurance Agency	3,500	—	—
Other Nonmajor Enterprise	18,332	—	21,655
Internal Service Funds	11,016	—	—
Total Proprietary Funds	220,883	—	66,436
Total	$313,977	$21,521	$98,627

The deferred charge of the amortization of the future tobacco settlement revenue of the Tobacco Settlement Finance Authority resulted in a transfer of $21.5 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 $188 million, to the Workers' Compensation Fund to reduce the unfunded liability for claims prior to June 30, 2005. Of the $22 million transferred from the General Fund to Transportation, $13 million

Transfers From				
Proprietary				
Unemployment Compensation	West Virginia Infrastructure and Jobs Development Council	Other Nonmajor Enterprise	Internal Service Funds	Total
$ —	$ —	$15,810	$ 117	$ 59,654
—	—	—	—	22,497
2,245	—	—	5,343	88,170
2,245	—	15,810	5,460	170,321
—	9,010	—	—	52,786
—	—	—	—	188,035
—	—	—	—	1,005
—	—	—	—	3,500
—	4,568	—	—	44,555
—	—	—	—	11,016
—	13,578	—	—	300,897
$2,245	$13,578	$15,810	$5,460	$471,218

is allocated sales tax, and the balance is miscellaneous legislative appropriations. The EAST Fund debt service fund transferred $18 million back to the State's General Fund upon payoff of the bonds. The Insurance Commission transferred $21.7 million to the State Entities Workers' Compensation Program Fund to provide initial funding. The Water Pollution Revolving fund received $43.8 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, a debt service fund, enterprise funds, internal service funds, a fiduciary fund, 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, 2012, are as follows (expressed in thousands):

	Cash	Investments	Other	Totals
Special Revenue:				
Environmental Programs	$ 365	$ —	$ —	$ 365
Public Service Commission	1,340	—	—	1,340
	1,705	—	—	1,705
Debt Service:				
West Virginia Infrastructure and Jobs Development Council	8	—	—	8
Enterprise:				
Public Employees' Insurance Agency	13,469	—	—	13,469
Board of Risk and Insurance Management	10,850	35,989	201,520	248,359
	24,319	35,989	201,520	261,828
Internal Service:				
State Building Fund	62,452	—	—	62,452
Travel Management	5,940	—	—	5,940
	68,392	—	—	68,392
Fiduciary Funds:				
Other Employee Benefit Trust Fund	3,941	—	—	3,941
Discretely Presented Component Units:				
West Virginia Lottery	2,373	—	—	2,373
Economic Development Authority	9,543	—	—	9,543
Housing Development Fund	108,123	135,959	763,515	1,007,597
Parkways Authority	16,268	35,657	—	51,925
Water Development Authority	16,082	1,532	217,265	234,879
Regional Jail Authority	20,137	—	—	20,137
Educational Broadcasting Authority	—	—	237	237
Solid Waste Management Board	2,488	—	2,094	4,582
Racing Commission	35,843	—	832	36,675
	210,857	173,148	983,943	1,367,948
Total	$309,222	$209,137	$1,185,463	$1,703,822

Special Revenue Funds

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

Debt Service

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

Enterprise Funds

The Public Employees' Insurance Agency's restricted assets are the premium stabilization fund consisting of accumulated dividends and interest on optional life insurance policies to defray future premium increases. The Board of Risk and Insurance Management's (BRIM) cash and investment assets include funds to provide mine subsidence, medical malpractice, and general liability insurance coverage. BRIM's other restricted assets include advance deposits with insurance companies of $201 million and $549 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. Other Employee Benefit Trust Fund received $3.9 million in fiscal year 2011 from ERRP. Other Employee Benefit Trust Fund will use the funds to reduce member premiums in 2013.

Discretely Presented Component Units

The West Virginia Lottery's assets are restricted 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 $764 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 $217 million restricted for revenue bonds receivable net of unamortized discount. The Regional Jail Authority's assets are restricted because of a safekeeping arrangement with inmates and for debt service and compliance with bond covenants. The Educational Broadcasting Authority's (EBA) other restricted assets are in a charitable trust allowing the use of part of the interest to benefit the EBA. The Solid Waste Management Board's assets are restricted because their use is limited by applicable repayment agreements and certain assets are set aside to administer a revolving loan program in accordance with appropriations by the Legislature. The West Virginia Racing Commission's cash is restricted for unclaimed winning tickets and other trust holdings which are mandated by West Virginia Code.

NOTE 9

CAPITAL ASSETS

Governmental Activities
(Expressed in Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 1,068,541	$ 37,061	$ (20)	$ 1,105,582
Construction in Progress	1,135,474	305,348	(511,496)	929,326
Total Capital Assets, Not Being Depreciated	2,204,015	342,409	(511,516)	2,034,908
Capital Assets, Being Depreciated:				
Building and Improvements	1,123,427	105,408	(753)	1,228,082
Equipment	410,460	38,951	(19,737)	429,674
Infrastructure	10,827,426	428,059	—	11,255,485
Library Holdings	17,843	391	(175)	18,059
Land Improvements	21,680	966	—	22,646
Intangibles	42,619	438	(7,184)	35,873
Total Capital Assets, Being Depreciated	12,443,455	574,213	(27,849)	12,989,819
Less Accumulated Depreciation for:				
Building and Improvements	(426,251)	(29,864)	549	(455,566)
Equipment	(287,892)	(35,926)	19,637	(304,181)
Infrastructure	(4,749,860)	(293,235)	—	(5,043,095)
Library Holdings	(16,741)	(473)	175	(17,039)
Land Improvements	(9,013)	(1,056)	—	(10,069)
Intangibles	(19,193)	(4,910)	632	(23,471)
Total Accumulated Depreciation	(5,508,950)	(365,464)	20,993	(5,853,421)
Total Capital Assets Being Depreciated, Net	6,934,505	208,749	(6,856)	7,136,398
Governmental Activities Capital Assets, Net	$9,138,520	$ 551,158	$(518,372)	$ 9,171,306

Depreciation expense was charged to functions as follows:

Legislative	$ 6
Judicial	244
Executive	3,281
Administration	26,612
Commerce	4,879
Environmental Protection	59
Employment Programs	106
Education	2,289
Health & Human Resources	3,444
Military Affairs and Public Safety	9,772
Revenue	429
Transportation	314,043
Veterans Assistance	80
Regulatory Boards and Commissions	220
Total Governmental Activities Depreciation Expense	$ 365,464

Business-type Activities
(Expressed in Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 611	$ —	$ —	$ 611
Total Capital Assets, Not Being Depreciated	611	—	—	611
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,661	2	—	1,663
Equipment	6,154	485	(45)	6,594
Intangibles	8,730	—	—	8,730
Total Capital Assets, Being Depreciated	16,545	487	(45)	16,987
Less Accumulated Depreciation for:				
Buildings and Improvements	(803)	(52)	—	(855)
Equipment	(5,118)	(325)	42	(5,401)
Intangibles	(5,035)	(1,752)	—	(6,787)
Total Accumulated Depreciation	(10,956)	(2,129)	42	(13,043)
Total Capital Assets, Being Depreciated, Net	5,589	(1,642)	(3)	3,944
Business-type Activities Capital Assets, Net	$ 6,200	$(1,642)	$ (3)	$ 4,555

Depreciation expense was charged to functions as follows:

Public Employees' Insurance Agency	$1,866
Alcohol Beverage Control Administration	181
Correctional Industries	82
Total Business-type Activities Depreciation Expense	$2,129

Discretely Presented Component Units
(Expressed in Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
Discrete Component Unit Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 187,485	$ 15,711	$ (110)	$ 203,086
Construction in progress	135,718	191,695	(162,461)	164,952
Total Capital Assets, Not Being Depreciated	323,203	207,406	(162,571)	368,038
Capital Assets, Being Depreciated:				
Building & Improvements	2,638,190	214,619	(81,828)	2,770,981
Equipment	414,768	45,227	(25,530)	434,465
Infrastructure	1,185,311	93,425	(12,029)	1,266,707
Library Holdings	160,633	7,218	(1,159)	166,692
Land Improvements	68,500	8,964	(26)	77,438
Intangibles	82,912	71,889	(202)	154,599
Total Capital Assets, Being Depreciated	4,550,314	441,342	(120,774)	4,870,882
Less Accumulated Depreciation for:				
Building & Improvements	(760,203)	(59,288)	21,401	(798,090)
Equipment	(279,383)	(33,916)	26,378	(286,921)
Infrastructure	(738,298)	(54,265)	11,768	(780,795)
Library Holdings	(129,228)	(8,129)	944	(136,413)
Land Improvements	(26,706)	(4,157)	87	(30,776)
Intangibles	(71,450)	(9,895)	359	(80,986)
Total Accumulated Depreciation	(2,005,268)	(169,650)	60,937	(2,113,981)
Total Capital Assets Being Depreciated Net	2,545,046	271,692	(59,837)	2,756,901
Discrete Component Unit Activities Capital Assets, Net	$ 2,868,249	$ 479,098	$(222,408)	$ 3,124,939

Depreciation expense charged to functions as follows:

Economic Development Authority	$ 1,160
Housing Development Fund	352
Parkways Authority	32,924
Water Development Authority	542
Higher Education	107,448
Educational Broadcasting Authority	1,144
Jobs Investment Trust	29
State Rail Authority	19,441
Solid Waste Management Board	2
Regional Jail Authority	5,438
Racing Commission	1
Lottery	1,067
Public Defenders Corporation	76
School Building Authority	26
Total Discrete Component Unit Depreciation Expense	$ 169,650

NOTE 10

LONG-TERM OBLIGATIONS

Primary Government:

Long-term obligations at June 30, 2012, and changes for the fiscal year then ended are as follows (expressed in thousands):

Governmental Activities	Balance June 30, 2011	Additions	Reductions	Other Changes	Balance June 30, 2012	Amount Due Within One Year
General Obligation Bonds:						
Transportation	$ 305,460	$ —	$ (34,865)	$ —	$ 270,595	$ 25,230
Premium/(Discount)	23,670	—	(1,768)	—	21,902	1,726
Total Transportation	329,130	—	(36,633)	—	292,497	26,956
WV Infrastructure and Jobs Development Council	250,517	18,615	(34,155)	4,384	239,361	15,048
Premium/(Discount)	710	1,025	(65)	(224)	1,446	65
Total WV Infrastructure and Jobs Development Council	251,227	19,640	(34,220)	4,160	240,807	15,113
Total General Obligation Bonds	580,357	19,640	(70,853)	4,160	533,304	42,069
Revenue Bonds:						
Transportation	122,795	—	(22,425)	—	100,370	23,370
Premium/(Discount)	5,097	—	(1,019)	—	4,078	1,019
Total Transportation	127,892	—	(23,444)	—	104,448	24,389
Tobacco Settlement Finance Authority	887,962	7,911	(8,515)	—	887,358	20,495
Economic Development Project Fund	190,415	—	(8,495)	—	181,920	8,850
Premium/(Discount)	(908)	—	70	—	(838)	(70)
Total Economic Development Project Fund	189,507	—	(8,425)	—	181,082	8,780
Education, Arts, Sciences, & Tourism Fund	153,705	—	(2,685)	—	151,020	2,770
Premium/(Discount)	7,133	—	(246)	—	6,887	246
Total Education, Arts, Sciences, & Tourism Fund	160,838	—	(2,931)	—	157,907	3,016
Total Revenue Bonds	1,366,199	7,911	(43,315)	—	1,330,795	56,680
Capital Leases - Governmental	887	2,330	(1,524)	—	1,693	1,467
Capital Leases - Internal Service Funds	3,384	—	(97)	—	3,287	101
Capital Leases Payable to Component Units	294,447	232,435	(251,468)	116	275,530	11,888
Total Capital Leases (see Note 11)	298,718	234,765	(253,089)	116	280,510	13,456
Notes Payable	32,004	8,930	(11,889)	—	29,045	12,556
Other Obligations:						
Medicaid*	306,483	15,310	(14)	—	321,779	321,779
Tax Refunds*	295,734	261,247	(296,671)	—	260,310	230,990
Claims and Judgments (see Note 15)*	405,746	130,814	(58,345)	—	478,215	42,020
Other*	58,537	43,711	(40,022)	—	62,226	62,226
Total Accrued and Other Liabilities	1,066,500	451,082	(395,052)	—	1,122,530	657,015
Compensated Absences	98,762	6,804	(1,058)	—	104,508	60,183
Net Pension Obligation (see Note 12)	99,188	16,077	—	—	115,265	—
Total Other Obligations	1,264,450	473,963	(396,110)	—	1,342,303	717,198
Total Governmental Activities Long-Term Obligations	$3,541,728	$745,209	$(775,256)	$ 4,276	$3,515,957	$841,959

Business-type Activities	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amount Due Within One Year
WV Infrastructure and Jobs					
Development Council Revenue Bonds	$ 118,175	$ —	$ (2,465)	$ 115,710	$ 2,480
Premium/(Discount)	(1,856)	—	96	(1,760)	(96)
Total WV Infrastructure and Jobs Development Council Revenue Bonds	116,319	—	(2,369)	113,950	2,384
Accrued Tuition Contract Benefits	100,357	—	(3,092)	97,265	14,796
Insurance and Compensation Benefits	2,284,614	708,320	(813,645)	2,179,289	346,227
Compensated Absences	586	84	(60)	610	150
Accrued and Other*	9,936	901	(933)	9,904	9,904
Total Business-type Activities Long-Term	$2,511,812	$709,305	$(820,099)	$2,401,018	$373,461

* New to schedule, more detail included

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, 2012, the debt service reserve funds approximated $73 million, and the maintenance reserve funds approximated $10 million.

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

general obligation debt. Bonds for veterans' bonuses were authorized in 1973, 1992, and 2004. The bonds authorized were $40 million, $4 million, and $8 million, respectively. General revenue funds were available for these bonuses; therefore, none of these bonds were issued. General obligation bonds outstanding at June 30, 2012, 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%	$292,497
Infrastructure Bonds:			
Payable from dedicated severance tax revenues to fund water, wastewater, and economic development projects	2027	0.20-7.625%	240,807
Total			$533,304

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2012, were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2013	$ 33,250	$ 20,759	$ 54,009
2014	33,195	19,181	52,376
2015	34,875	17,563	52,438
2016	36,655	15,830	52,485
2017	24,975	13,958	38,933
2018-2022	129,475	46,370	175,845
2023-2027	135,470	17,422	152,892
	427,895	151,083	578,978
Premium	23,348	—	23,348
Total	451,243	$151,083	$602,326

Capital Appreciation Bonds

Year Ended June 30	Principal Net of Accreted Amounts	Future Accreted Amounts	Total
2013	7,028	$ 122	$ 7,150
2014	6,672	478	7,150
2015	6,284	816	7,100
2016	5,922	1,128	7,050
2017	5,668	1,458	7,126
2018-2022	26,797	13,228	40,025
2023-2027	23,690	22,510	46,200
Total	82,061	$39,740	$121,801
Total General Obligation Bonds	$533,304		

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, 2012:

Agency	Purpose	Revenue Source
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 2012, $67.9 million was paid for interest and principal. Actual tobacco receipts of $67.6 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 $272.9 million with annual requirements ranging from $19.0 million in FY 2013 to $7.1 million in the final year. For the current year, principal and interest paid were $18.8 million and the net profits of the Lottery committed to the debt were $19 million.

EAST Fund

New Education, Arts, Sciences, and Tourism Fund (EAST) bonds were issued by the Economic Development Authority (EDA) in FY 2011 in the amount of $155.6 million to provide financing for capital projects which promote education, and tourism, payable through 2040. The State has committed to appropriate each year, from 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 $279.9 million. For the current year, principal and interest paid were $10 million and the net profits of the Lottery committed to the debt were $10 million.

Revenue bonds outstanding at June 30, 2012, were as follows (expressed in thousands):

	Issue Date	Final Maturity Date	Interest Rate(s)%	Balance
Transportation	2006-2009	2016	3.75-5.00	$ 104,448
Tobacco Settlement Finance Authority	2007	2047	7.47-8.50	887,358
Economic Development Project Fund	2004	2027	1.20-6.07	181,082
Education, Arts, Sciences, and Tourism Fund	2010	2040	2.00-5.00	157,907
Subtotal Governmental				1,330,795
WV Infrastructure and Jobs Development Council	2003-2007	2046	2.62-5.50	113,950
Total				$1,444,745

Future amounts required to pay principal and interest on revenue bonds at June 30, 2012, were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2013	$ 57,965	$ 85,027	$ 142,992
2014	61,630	81,693	143,323
2015	65,520	78,090	143,610
2016	69,635	74,267	143,902
2017	46,310	70,723	117,033
2018-2022	227,910	307,438	535,348
2023-2027	332,695	218,113	550,808
2028-2032	358,910	90,771	449,681
2033-2037	61,200	22,436	83,636
2038-2042	47,795	6,645	54,440
2043-2047	7,755	799	8,554
	1,337,325	1,036,002	2,373,327
Premium	8,367	—	8,367
Total	1,345,692	$1,036,002	$2,381,694

Capital Appreciation Bonds

Year Ended June 30	Principal Net of Accreted Amounts	Future Accreted Amounts	Total
2013	—	$ 8,598	$ 8,598
2014	—	9,344	9,344
2015	—	10,155	10,155
2016	—	11,037	11,037
2017	—	11,995	11,995
2018-2022	—	77,520	77,520
2023-2027	—	117,533	117,533
2028-2032	—	173,907	173,907
2033-2037	—	128,594	128,594
2038-2042	99,053	15,326	114,379
Total	99,053	$564,009	$663,062
Total Revenue Bonds	$1,444,745		

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

	Final Maturity Date	Interest Rate(s)%	Balance
Information Services and Communications	2013-2017	2.42-2.73	$10,270
Travel Management	2013-2016	2.29-3.24	18,775
Total Notes Payable			$29,045

Future amounts required to pay principal and interest on notes payable at June 30, 2012, were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2013	$12,556	$505	$13,061
2014	9,707	269	9,976
2015	4,976	115	5,091
2016	1,796	22	1,818
2017	10	—	10
Total Notes Payable	$29,045	$911	$29,956

Discretely Presented Component Units

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

	Balance June 30, 2011, as Adjusted*	Debt Issued	Debt Paid	Other Changes	Balance June 30, 2012	Amount Due Within One Year
Revenue Bonds:						
Economic Development Authority	$ 294,447	$232,435	$(251,468)	$ 116	$ 275,530	$ 11,888
Housing Development Fund	700,517	168,620	(287,845)	(514)	580,778	66,245
Parkways Authority	62,965	—	(7,120)	848	56,693	7,895
Water Development Authority	218,576	—	(6,930)	783	212,429	6,403
Higher Education	907,511	519,171	(227,859)	—	1,198,823	33,139
Regional Jail Authority	67,310	—	(5,270)	—	62,040	5,550
School Building Authority	503,499	25,575	(33,980)	2,983	498,077	35,275
Total Discretely Presented Component Unit Revenue Bonds	$2,754,825	$945,801	$(820,472)	$4,216	$2,884,370	$166,395
Capital Leases:						
Parkways Authority	$ 286	$ —	$ (215)	$ —	$ 71	$ 71
Higher Education	68,292	11,046	(40,300)	—	39,038	3,521
Total Discretely Presented Component Unit Capital Leases (see Note 11)	$ 68,578	$ 11,046	$ (40,515)	$ —	$ 39,109	$ 3,592
Notes Payable:						
Housing Development Fund	$ 662	$ —	$ (56)	$ —	$ 606	$ —
Economic Development Authority	6,955	—	(414)	—	6,541	594
Higher Education	35,486	2,525	(3,707)	—	34,304	1,690
Job Investment Trust	21,310	1,213	(6,000)		16,523	5,696
Public Defender Corporation	148	—	(148)	—	—	—
Total Discretely Presented Component Unit Notes Payable	$ 64,561	$ 3,738	$ (10,325)	$ —	$ 57,974	$ 7,980

* Revenue Bonds at Economic Development Authority offsetting the capital leases receivable from the primary government were added to be consistent with the capital leases payable to component units on the Government-wide Statement of Net Assets.

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
Economic Development Authority	1999-2012	2034	2.07-5.23	$ 275,530
Housing Development Fund	1998-2012	2041	0.20-6.00	580,778
Parkways Authority	2002-2008	2019	3.50-5.25	56,693
Water Development Authority	2000-2006	2045	2.40-6.375	212,429
Higher Education	1998-2012	2042	3.25-7.65	1,198,823
Regional Jail Authority	1998	2021	5.12-5.35	62,040
School Building Authority	2002-2012	2031	2.00-6.92	498,077
Total Revenue Bonds				$2,884,370

Future amounts required to pay principal and interest on revenue bonds of the discretely presented component units at June 30, 2012, were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2013	$ 166,405	$ 116,243	$ 282,648
2014	135,235	111,851	247,086
2015	131,447	108,276	239,723
2016	124,066	103,788	227,854
2017	125,525	98,765	224,290
2018-2022	697,653	405,912	1,103,565
2023-2027	556,141	294,669	850,810
2028-2032	502,256	176,534	678,790
2033-2037	301,514	68,327	369,841
2038-2042	146,125	14,944	161,069
2043-2047	7,755	800	8,555
	2,894,122	1,500,109	4,394,231
Discount	(30,452)	—	(30,452)
Premium	20,700	—	20,700
Total	$2,884,370	$1,500,109	$4,384,479

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, 2012 (expressed in thousands):

	Issue Date	Final Maturity Date	Interest Rate(s)%	Balance
Housing Development Fund	2008-2011	N/A	0.00	$ 606
Economic Development Authority	2007	2029	3.00	6,541
Higher Education	1997-2012	2031	3.00-6.30	34,304
Jobs Investment Trust	2003-2004	2014	5.40-6.95	16,523
Total Notes Payable				$57,974

Future amounts required to pay principal and interest on notes payable of the discretely presented component units at June 30, 2012, were as follows (expressed in thousands):

Year Ended June 30	Principal	Interest	Total
2013	$ 7,979	$ 2,434	$10,413
2014	8,561	1,745	10,306
2015	7,680	1,264	8,944
2016	2,528	1,163	3,691
2017	2,627	1,062	3,689
2018-2022	17,719	3,937	21,656
2023-2027	9,939	1,135	11,074
2028-2031	941	289	1,230
Total	$57,974	$13,029	$71,003

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 2012. Parkways completed the refunding to remove the requirement for bond insurance that was included in the Series 2003 Bonds. In July 2011, Parkways converted the Series 2008 Variable Rate Demand Revenue Refunding Bonds to a LIBOR Index rate and placed the bonds with a direct purchaser. The 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 100 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. Principal and interest paid on the Series 2008 bonds for the year ended June 30, 2012, was $6,717,679, 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, 2012, and the change in fair value of the instrument for the year ended June 30, 2012, were immaterial to the financial statements.

The credit ratings of the counterparty to the interest rate swap are A3 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, 2012, 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. As of June 30, 2012, the weighted-average interest rate on this debt was 1.09%, while 67% of the one-month LIBOR was .16%.

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, 2012, 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.

	Variable-Rate Bonds			
Year Ended June 30	Principal	Interest	Interest Rate Swap, Net	Total
2013	$ 5,200	$ 449	$1,736	$ 7,385
2014	5,200	400	1,447	7,047
2015	5,600	347	1,238	7,185
2016	5,900	285	1,012	7,197
2017	6,100	210	774	7,084
2018-2019	13,100	224	798	14,122
	$41,100	$1,915	$7,005	$50,020

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, 2012, no such amounts were transferred to the Municipal Bond Commission under this agreement.

The Hospital Finance Authority (HFA), and the Economic Development Authority (EDA) have issued special limited obligations on behalf of third parties that in no way obligate the State, HFA, or EDA, for these debt issuances, unless these entities or the State serve in a third-party role. The obligations become an obligation of the third party when issued, because all rights to payments and/or obligations have been irrevocably assigned to a trustee. Payments are made directly to the trustee from dedicated revenues of the third parties, in accordance with the related bond indentures. The amount of such no-commitment debt outstanding at June 30, 2012, is approximately $1.5 billion and $1.49 billion for HFA and EDA, respectively.

The Housing Development Fund (HDF) has an unused $15 million line of credit with the Federal Home Loan Bank that is available as a warehouse line for the purchase of single-family, multifamily, and secondary market loans. This line of credit is secured by investments of the Bond Insurance Fund and is a general obligation of the HDF. At June 30, 2012, no advances had been drawn on this line of credit, and accordingly, no balance is outstanding.

Current Year Extinguishment of Debt

The Housing Development Fund redeemed or refunded bonds in the amount of $267,250,000 at redemption prices that approximated their carrying value.

In September 2011, the State issued Infrastructure General Obligation Refunding Bonds 2011 Series A, in the amount of $18,615,000 with interest rates ranging from .20 to 3.00% to refund $7,270,000, $6,865,000, and $5,025,000 of the State's outstanding Series 1996B, 1998B, and 1999B general obligation bonds, respectively, with interest rates ranging from 5.00% to 5.90%. The proceeds were used to pay underwriting and other issuance costs relating to the refunding bond issue and to provide for the refunds of the Series 1996B, 1998B, and 1999B general obligations bonds plus accrued interest through November 1, 2011. The State completed the refunding to reduce its total debt service payments over the next 11 years by $2,863,431 and to obtain an economic gain of $2,610,927.

In June 2012, Higher Education issued $124,190,000 of Series A Bonds and $7,975,000 of Series B Bonds. These Bonds were issued to provide funds to (i) advance refund a portion of the 2004 Series B Higher Education Facilities Bonds, (ii) fund certain projects of the Higher Education Policy Commission, and (iii) pay the costs associated with the issuance of these Bonds. The issuance of the 2012 Series A Bonds resulted in a loss of $11,884,599 and an economic gain of $6,026,760.

In June 2012, Fairmont State University, in conjunction with Pierpont Community and Technical College, issued Revenue Refunding Bonds Series A in the amount of $20,165,000 and Series B in the amount of $30,160,000. The 2012A Bonds were issued to (1) currently refund in full the outstanding 2002A and 2002B Bonds, and (2) pay the costs of issuance of the Series 2012A Bonds and related costs. The issuance of the 2012A Bonds resulted in a loss of $561,866 and an economic gain of $3,866,063. The 2012B Bonds were issued to (1) advance refund in full the outstanding 2003A and 2003B Bonds, and (2) pay the costs of issuance of the Series 2012B Bonds and related costs. The issuance of the 2012B Bonds resulted in a loss of $1,713,791 and an economic gain of $3,503,626.

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, 2012, the following outstanding bonds are considered defeased (expressed in thousands):

	Outstanding Amount
Primary Government	$20,355
Discretely Presented Component Units	3,660
Total	$24,015

NOTE 11

LEASES

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

The State has also entered into lease/purchase agreements with the Economic Development Authority (EDA) which issued bonds to finance construction and acquisition of various capital assets as well as an energy savings project. The State becomes the tenant of the facility under a lease/purchase agreement which provides for the payment of rentals sufficient to cover the related bond debt service and for the passage of title to the State after the bonds have been repaid. These capital leases, totaling $276 million, are shown separately on the government-wide Statement of Net Assets as capital leases payable to component units. More information on the related debt of EDA is included in Note 10.

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

The following table is an analysis of the capital leases, including capital leases between the primary government and the EDA described above, by asset category at June 30, 2012 (expressed in thousands):

	Primary Government Governmental Activities	
Asset Type	**Assets Acquired by Capital Lease**	**Accumulated Depreciation**
Land	$ 2,362	$ —
Buildings and Improvements	336,393	78,049
Infrastructure	1,175	852
Total	$339,930	$78,901

Future minimum commitments under capital leases as of June 30, 2012, were as follows (expressed in thousands):

	Capital Leases		
Year Ended June 30	Governmental Activities, (Including Payable to EDA)	Discretely Presented Component Units	Total
2013	$ 25,808	$ 4,870	$ 30,678
2014	24,316	4,730	29,046
2015	24,596	4,570	29,166
2016	24,567	3,903	28,470
2017	24,712	9,076	33,788
2018-2022	123,956	14,209	138,165
2023-2027	104,110	4,722	108,832
2028-2032	47,949	—	47,949
2033-2036	5,035	—	5,035
Total Minimum Lease Payments	405,049	46,080	451,129
Less: Interest	(124,539)	(6,971)	(131,510)
Present Value of Future Minimum Lease Payments	$ 280,510	$ 39,109	$ 319,619

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, 2012, was $34.3 million. Future minimum commitments under operating leases as of June 30, 2012, were as follows (expressed in thousands):

	Operating Leases			
Year Ended June 30	Governmental Activities	Business-type Activities	Discretely Presented Component Units	Total
2013	$18,155	$318	$11,075	$ 29,548
2014	16,044	139	8,754	24,937
2015	13,414	139	7,188	20,741
2016	8,995	139	6,140	15,274
2017	5,938	—	4,931	10,869
2018-2022	15,373	—	16,470	31,843
2023-2027	6,098	—	12,109	18,207
2028-2032	4,718	—	7,931	12,649
2033-2037	3,796	—	—	3,796
2038-2042	3,796	—	—	3,796
Total Minimum Lease Payments	$96,327	$735	$74,598	$171,660

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, 2012, amounted to approximately $115 million, which is an increase of approximately $16 million from the prior year's obligation. The net pension asset at June 30, 2012, was approximately $900 million, which is an increase of approximately $10 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, 2012, was 531, including 105 cities and towns, 371 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 twelve participating employers as of June 30, 2012. 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, 2012:

Statutory Contribution Rates as a Percent of Covered Payroll

System	Member	Employer
PERS	4.5%	14.5%
TRS	6.0%	15.0% State
		15.0% Counties
		15.0% Other Employers
PSDDRF	9.0%	15.0%
SPRS	13.0%	17.5%
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, 2012, 2011, and 2010, were $130,831,239, $109,448,277, and $95,914,587 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):

	TRS	PSDDRF	SPRS	JRS
Annual required contribution (ARC)	$ 458,047	$ 22,051	$ 4,327	$ 2,317
Interest on net pension obligation	(65,645)	7,439	(149)	(988)
Adjustment to ARC	80,993	(12,206)	(200)	2,065
Annual pension cost (APC)	$ 473,395	$ 17,284	$ 3,978	$ 3,394
ARC related contributions and appropriations	$ 482,236	$ 1,207	$ 4,544	$ 3,954
Percentage of APC contributed	101.87%	6.98%	114.23%	116.50%
Net pension obligation (asset), July 1, 2011	$(875,265)	$ 99,188	$(1,988)	$(13,175)
Increase (decrease) in net pension obligation (asset)	(8,841)	16,077	(566)	(560)
Net pension obligation (asset), June 30, 2012	$(884,106)	$115,265	$(2,554)	$(13,735)

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)
TRS				
	2012	$473,395	101.87%	$(884,106)
	2011	$484,959	103.33%	$(875,265)
	2010	$501,766	83.19%	$(859,121)
PSDDRF				
	2012	$ 17,284	6.98%	$ 115,265
	2011	$ 22,603	6.15%	$ 99,188
	2010	$ 9,746	15.53%	$ 77,974
SPRS				
	2012	$ 3,978	114.23%	$ (2,554)
	2011	$ 4,822	94.77%	$ (1,988)
	2010	$ 3,588	94.65%	$ (2,240)
JRS				
	2012	$ 3,394	116.50%	$ (13,735)
	2011	$ 3,267	121.03%	$ (13,175)
	2010	$ 3,303	119.71%	$ (12,488)

Funded Status and Funding Progress

The funded status of each plan as of June 30, 2012, the most recent actuarial valuation date, is as follows (expressed in thousands):

	TRS	PSDDRF	SPRS	JRS
Actuarial Value of Plan Assets	$5,074,665	$481,994	$70,756	$124,583
Actuarial Accrued Liability (AAL)	$9,445,148	$606,245	$79,036	$ 95,591
Unfunded AAL (UAAL)	$4,370,483	$124,251	$ 8,280	$ (28,992)
Funded Ratio	53.7%	79.5%	89.5%	130.3%
Annual Covered Payroll	$1,505,749	$ 8,001	$24,725	$ 8,860
UAAL as a Percentage of Covered Payroll	290.3%	1,552.9%	33.5%	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

	TRS	PSDDRF	SPRS	JRS
Valuation date	July 1, 2011	July 1, 2011	July 1, 2011	July 1, 2011
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 % of payroll	Level dollar
Amortization period	Through FY 2034, closed	Through FY 2024, 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	3.40%-6.50%	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% Annual cost of living adjustment	1.00% Annual cost of living adjustment	4.50%

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, 2012 (expressed in thousands):

	PERS	TRS	PSDDRF	SPRS	DSRS	JRS	EMSRS	MPFRS
Large Cap Equity	$ 795,984	$ 908,381	$ 86,640	$14,200	$ 21,171	$ 23,121	$ 6,359	$ 32
Non-Large Cap Equity	269,212	307,418	29,507	4,779	7,158	7,802	2,147	10
International Qualified	343,311	393,701	37,412	5,717	9,036	9,901	2,593	14
International Equity	742,277	851,090	82,434	13,451	19,898	21,657	6,056	27
Private Equity	435,948	503,734	48,464	7,821	11,695	12,702	3,525	17
Private Real Estate	273,496	312,255	29,722	4,829	7,273	7,928	2,177	11
Total Return Fixed Income	612,542	632,244	68,306	11,174	16,678	17,947	5,113	25
Core Fixed Income	294,910	300,128	32,860	5,393	8,043	8,645	2,470	11
Hedge Fund	443,916	509,625	48,974	7,950	11,851	12,917	3,579	16
TRS Annuity	—	53,023	—	—	—	—	—	—
Short-Term Fixed Income	26,949	210,217	718	1,417	468	367	230	22
TIPS	113,597	129,741	12,349	2,004	3,010	3,278	904	4
Total	$4,352,142	$5,111,557	$477,386	$78,735	$116,281	$126,265	$35,153	$189

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, 2012 (expressed in thousands):

PIMCO Total Return Fund	$ 19,773
Valic Fixed Annuity Option	94,387
Orchard Secured Foundation Balance	26,985
John Hancock Large Equity Cap	43,062
Putnam Equity Income	23,192
Vanguard Large Cap Index	23,304

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 5,153 and 5,346 members in the TDCRS plan at June 30, 2012 and 2011, respectively. TDCRS retirement benefits depend solely on amounts contributed to the plan plus investment earnings. TDCRS closed participation to new members effective June 30, 2005.

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

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

fund and a guaranteed insurance fixed annuity. Three Profile funds (conservative, moderate, or aggressive) allow participants to invest their contributions according to their risk tolerance. The State currently does not have specific overall policies addressing limitations on specific risk types, such as credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

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

Custodial Credit Risk - Cash Deposits

The TDCRS' cash deposits with financial institutions were approximately $310,000 at June 30, 2012. These deposits, which had a bank balance of approximately $194,000, are either insured by the Federal Deposit Insurance Corporation or collateralized with securities held in TDCRS' name by its agents.

Interest Rate Risk

As of June 30, 2012, the TDCRS had the following investments and maturities (expressed in thousands):

		Investment Maturities (in Years)		
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**
Mutual Funds	$310,188	$310,188	$—	$—

For the year ended June 30, 2012, the approximate payroll of state employees covered by TDCRS was $151 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 $7 million and $9.1 million, respectively, or approximately 4.60% and 6.00% 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, 2012, contributions were approximately $39.7 million from the covered employees and approximately $39.6 million from the thirteen participating institutions from the State of West Virginia.

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

Great-West Retirement Services

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the New Educators Money 401(a) basic retirement plan, administered by Great-West Retirement Services. New hires have the choice of either plan. For the year ended June 30, 2012, contributions were approximately $553 thousand from the covered employees and $553 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 the computation of such benefits. The unused portion of sick leave that is expected to be converted to additional credited service for retirement benefits is considered in the actuarial valuation used to calculate the net pension obligation.

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

In addition to the pension benefits allowing certain retirees to convert sick leave to health care premiums, State statutes provide that employees who retire may continue participation in the State's health insurance plan subject to certain length of service and participation requirements. Such employees are eligible to participate in the public employees' insurance program by making the premium contribution specified by the PEIA Finance Board. Approximately 37,700 retirees and 76,400 active plan members met those eligibility requirements at June 30, 2012.

During February 2012, Senate Bill 469 was passed granting Other Postemployment Benefits Liability relief to the State's fifty-five county boards of education effective July 1, 2012. The law, in effect, requires the State to cover any amount of the respective employers' annual required contribution allocated and billed to the county boards of education on or after July 1, 2012, and any amount of the employer annual required contribution allocated and billed to the county boards of education prior to that date for

employees who are employed as professional employees, as service personnel, or as professional student support personnel within the limits authorized by this law. In compliance with Senate Bill 469 for fiscal year 2012, RHBT transferred $715 million in annual required contribution liability from the county boards of education to the State.

Plan Description

In conjunction with the implementation of GASB Statement No. 43, the State established the Retiree Health Benefit Trust Fund (RHBT) under West Virginia Code §5-16D-2, an irrevocable trust, to account and report for the other postemployment benefits (OPEBs) provided under the multiemployer cost-sharing plan. The PEIA Finance Board was assigned the authority to establish and amend contribution requirements of the plan members and the participating employers, and PEIA administers the plan. The legislation requires the RHBT to determine, through an actuarial study, the contractually required contribution (CRC) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The CRC, which is reviewed and approved by the PEIA Finance Board, shall be allocated to the 702 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.

The State's OPEB liability, including the county school boards, to RHBT at June 30, 2012, is $1.6 billion. For financial reporting purposes the OPEB liability is reported as follows:

the Governmental portion on the Balance Sheet is recorded in the Due to Other Funds; the Proprietary portion on the Statement of Net 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 36% of health care claims for retirees and their dependents. The balance of the cost is funded by the State and other participating employers through a retiree subsidy, which is included in the premium charged for the coverage of each active employee. A non-Medicare plan member or beneficiaries receiving benefits contributes monthly health care premiums ranging from $264 to $1,055 per month for retiree-only coverage, and from $529 to $2,510 per month for retiree and spouse coverage. Medicare covered retirees are charged health care premiums ranging from $77 to $401 per month for retiree-only coverage, and from $127 to $1,343 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, 2012, June 30, 2011, and June 30, 2010, were approximately $922 million, $816 million, and $792 million, respectively. The percentages contributed were 16%, 18%, and 16%, 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 2012, the PEIA reserve did not exceed funding parameters, resulting in zero funds transferred to the RHBT.

Senate Bill 469, effective July 1, 2012, amended West Virginia Code §11-21-96 by dedicating $30 million to be transferred annually from personal income tax previously collected for payment of the unfunded liability of the Workers' Compensation Fund to the Retiree Health Benefit Trust Fund (RHBT). Transfers will not commence until the Workers' Compensation Fund has been certified by the Governor to the Legislature as paid or provided for in its entirety. Thereafter, transfers will be made until the RHBT unfunded liability has been provided for in its entirety or July 1, 2037, whichever date is later. Presently management estimates that the aforementioned $30 million transfers will likely commence in 2016.

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

Actuarial Value of Plan Assets

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

Annual OPEB Cost

The State's contributions to RHBT for the years ended June 30, 2012, June 30, 2011, and June 30, 2010, were approximately $160 million, $73 million, and $67 million, respectively; 23%, 22.3%, and 19.3%, of the required amount, respectively. These contributions were approximately $524 million, $254 million, and $280.7 million, respectively, less than the required contributions for each year. The amounts for 2012 include the county boards of education; earlier amounts do not.

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). Due to the federal government's March 23, 2010, enactment of the Patient Protection and Affordable Care Act, insurance carriers will no longer be able to deny coverage to individuals with pre-existing health conditions beginning in 2014. Accordingly, it is anticipated that AccessWV will cease to exist in 2014. AccessWV total unpaid claims and claims adjustment expense liability at June 30, 2012, was $870,000.

On March 12, 2011, the West Virginia Legislature created the State Entities Workers' Compensation Program Fund (SEWC) to provide a means of managing workers' compensation coverage for persons directly employed by the State of West Virginia. The SEWC functions as an insurance purchasing risk pool and is administered by the Office of the Insurance Commissioner (OIC). On October 1, 2011, the OIC entered into a high deductible insurance coverage policy with Zurich. Pursuant to the policy provisions, the SEWC retains the loss exposure up to $250,000 per occurrence. The SEWC has provided for these losses by establishing a Loss Reserve Fund with Zurich and advanced $9 million to this fund in FY 2012. The SEWC had a total of $6.8 million in unpaid claims and claim adjustment expenses at June 30, 2012.

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

The Patient Injury Compensation Fund (PICF) is an agency fund of the State, administered by BRIM. The balance of the PICF does not reflect claims until an award becomes final and all reasonable means of recovery have been exhausted. The PICF works on a "claims filed" basis and a $262,000 claim was filed and paid in fiscal year 2012. There were no claims pending as of June 30, 2012; accordingly the actuarial estimate of the claims reserve at such date is zero. Since the inception of the PICF, there have been approximately

$1.67 million in payments through June 30, 2012. The fund balance as of June 30, 2012, is approximately $3.77 million. The amount of settlements in the major insurance enterprise funds have not exceeded insurance coverage in the past three years.

Description of the Funds

Board of Risk and Insurance Management

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

Underwriting and rate-setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be paid by the participants. The BRIM risk pool retains a $1 million per occurrence coverage maximum on all third-party liability claims. In the normal course of business, BRIM seeks to reduce the loss that may arise from catastrophes or other events that cause unfavorable operating results by reinsuring levels of risk in various areas of exposure with other insurance enterprises or reinsurers. Excess coverage under this program is limited to $400 million per event, subject to limits on certain property. Reinsurance permits recovery of a portion of losses from reinsurers; however, it does not discharge the primary liability of BRIM as direct insurer of the risks insured. BRIM did not have any reinsurance recoveries at June 30, 2012. BRIM does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. There have been no significant reductions in insurance coverage from the prior year.

Public Employees' Insurance Agency

PEIA provides a program of health, life, and prescription insurance for its member agencies. PEIA provides coverage for all participating state employees, including those of the institutions of higher education and the discretely presented component units. In addition, the political subdivisions in the State and certain other charitable and public service organizations may request coverage by PEIA. PEIA's general objectives are to provide a basic employee benefit insurance program which includes hospital, surgical, major medical, prescription drug, basic life, and accidental death for all participating employers and

employees. Underwriting and rate-setting policies are established by PEIA. The cost of all coverage, as determined by PEIA, shall be paid by the participants. Life insurance coverage is limited to $500,000. Premiums are established by PEIA at varying rates dependent upon, among other things, coverage required, number of dependents, state vs. 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 183,000 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):

	BRIM		PEIA		WCF	
	2012	2011	2012	2011	2012	2011
Unpaid claims and claims adjustments expense liabilities, at beginning of year	$126,227	$135,428	$ 58,773	$ 64,455	$2,062,900	$2,180,100
Incurred claims and claims adjustment expense:						
Provision for insured events of the current fiscal year	57,864	53,728	501,073	472,001	821	420
Increase (decrease) in provision for insured events of prior fiscal years	(4,468)	(20,130)	2,430	(1,250)	31,553	57,417
Amortization of discount	—	—	—	—	96,548	102,160
Total incurred claims and claims adjustment expense	53,396	33,598	503,503	470,751	128,922	159,997
Payments:						
Claims and claims adjustment expense attributable to insured events of the current fiscal year	10,156	10,757	444,524	420,768	52	33
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	32,481	32,042	54,974	55,665	263,070	277,164
Total payments	42,637	42,799	499,498	476,433	263,122	277,197
Total unpaid claims and claims adjustment expense liability, end of year	$136,986	$126,227	$ 62,778	$ 58,773	$1,928,700	$2,062,900

The above PEIA payments are net of pharmacy rebates of $11,913,156 and $11,141,990 for the years ended June 30, 2012 and 2011, 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 2012 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 2012. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense. At June 30, 2012, the total undiscounted claims liability for WCF approximated $3.07 billion. Invested assets of WCF are not sufficient at current investment rates to retire the claims liability and WCF has a significant deficit. GASB standards provide that, if discounting is used, the pool should use a rate that is determined by giving consideration to such factors as the pool's expected settlement rate for those liabilities and its expected investment yield rate. Based on the expected investment yields

on WCF's investment portfolio, the estimated liability for unpaid claims and claim adjustment expenses (claims liability) has been discounted using a blended rate of 5% and 3%. If discounting of the WCF claims liability was limited to anticipated investment income, the claims liability would have increased by approximately $890 million to a claims liability of approximately $2.82 billion, and the total deficit would have increased to approximately $1.57 billion at June 30, 2012.

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

Fund Deficit and Deficit Funding Plan for Workers' Compensation

As stated earlier in this note, the WCC was terminated effective December 31, 2005, and its powers were transferred to the Industrial Council established by Senate Bill 1004 to assist the Insurance Commissioner in the regulation of the workers' compensation system. Senate Bill 1004 further established a workers' compensation debt reduction fund in the State treasury for the deposit of monies received after June 30, 2005, including certain funds designated in Code §4-11a-2 (d): $30 million to be received annually until 2025 from the tobacco master settlement agreement, which was stopped in Senate Bill 185, March 2007, and replaced with $50.4 million in annual personal income tax proceeds in addition to the personal income tax proceeds already dedicated to the WCF, Code §29-22A-10, 10b: an estimated $11 million to be received annually from the video lottery income, Code §11-13V-4: new and additional severance taxes imposed estimated to yield an approximate $92.2 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 Offices of the Insurance Commissioner
1124 Smith Street
Charleston, WV 25301

NOTE 15

COMMITMENTS AND CONTINGENCIES

Environmental Protection Claims

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

Management has estimated the total cost of remediation efforts to approximate $358 million at June 30, 2012. Approximately $7 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 $351.1 million obligation is reported as a liability in the governmental activities on the statement of net assets. As such, the State has recorded in governmental activities the following liabilities related to the above programs at June 30, 2012 (expressed in thousands):

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Amount Due Within One Year
Mine Reclamation Program	$204,769	$56,208	$ —	$260,977	$17,985
Oil and Gas Well Program	240	—	90	150	150
Landfill Closure Assistance Program	80,381	8,520	—	88,901	15,017
Underground Storage Tanks	8,365	—	815	7,550	6,522
Total Environmental Liability	$293,755	$64,728	$905	$357,578	$39,674

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, 2012 the liability is estimated at $89 million and is projected to be paid through fiscal year 2046. 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 14 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, 2012, was $6.5 million and there were claims paid from the fund in fiscal year 2012 of approximately $815 thousand. As of June 30, 2012, $7.5 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 $358 million in environmental protection claims, the State has recorded an obligation in the amount of $136 million, of which $18.2 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, 2012, the State has accrued $84.4 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)

	Amount Committed	Commitment
Governmental Funds:		
General Fund	$165,000	PERS Settlement
Transportation	583,291	Construction
Enterprise Funds:		
Water Pollution Control Revolving Fund	69,279	Committed for loans
West Virginia Infrastructure and Jobs Development Council	61,164	Funding of water and economic development projects
Drinking Water Treatment Revolving Fund	12,464	Lending consistent with Safe Drinking Water Act
Discretely Presented Component Units:		
West Virginia Lottery	3,193	Capital assets and construction
Economic Development Authority	96,251	Committed for loans
Housing Development Fund	9,713	Committed for loans
Parkways Authority	36,066	Turnpike improvements
Higher Education	97,952	Construction
School Building Authority	263,933	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 18 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 $9.5 million in 2012. 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 $908 thousand at June 30, 2012, 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, 2012, a $165 million Due To Fiduciary Funds related to this matter has been recorded.

NOTE 16

SUBSEQUENT EVENTS

On December 19, 2012, the Water Development Authority (WDA) issued bonds in the amount of $66,855,000 to refund various Water Development Bonds in the amount of $68,645,000. WDA also issued bonds for the West Virginia Infrastructure and Jobs Development Council in the amount of $27,435,000 to advance refund bonds in the amount of $26,750,000.

On August 1, 2012, the Housing Development Fund redeemed various Housing Finance Bonds and General New Issue Bond Program Bonds in advance of the scheduled maturities at a par amount of $31,265,000 and $1,200,000, respectively.

On July 26, 2012, West Virginia University (WVU) issued $13,270,555 of 2012 Series A Taxable Bonds, to purchase the Suncrest Center through the Third Supplement Indenture to the original Bond Trust Indenture, dated November 1, 2004, related to the 2004 bonds. The financing was accomplished through a bid process for a private placement bond issue. The Huntington Investment Company was the successful bidder for a fixed rate of 4.5% over 30 years.

On May 1, 2012, WVU entered into a pre-development agreement with Paradigm Development Group, LLC (Paradigm), which was amended on September 21, 2012, to acquire certain parcels of land close to the WVU downtown campus for the purpose of safe and affordable student housing and associated amenities. Under the agreement, WVU will also engage in a public-private partnership with Paradigm to build and manage student housing and other retail facilities on this land. On October 23, 2012, the WVU Board of Governors approved the acquisition of the land in the amount of $14.6 million, and the land was purchased on October 26, 2012.

On September 20, 2012, the West Virginia State University (WVSU) Board of Governors adopted a resolution authorizing WVSU administration to refund and redeem the outstanding Board of Governors of West Virginia State College Student Union Revenue Bonds (James C. Wilson College Union Project), 2002 Series A, and the outstanding note issued on behalf of West Virginia State College in connection with the Educational Direct Loan Mortgage Corporation project funding bonds, Series A 1996-1 (West Virginia State College Project). The resolution also approved the design, acquisition, construction, and equipping of proposed capital improvement projects for WVSU and the financing of costs of the refundings and such projects through the issuance of refunding and improvement revenue bonds in the aggregate principal amount of not more than $12,000,000.

As of January 17, 2013, Moody's Ratings Services downgraded its rating on Assured Guaranty from Aa3 to A2. Assured Guaranty is the insurer for the State's General Obligation Road Bonds Series 2001, and the State's Commissioner of Highways Surface Transportation Improvements Special Obligation Notes, Series 2006 A and Series 2007 A. The State's rating is Aa1, which is higher than the insurer's rating.

STATE OF WEST VIRGINIA.
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Required Supplementary Information (RSI)

Budgetary Comparison Schedule

Notes to RSI

Budget-to-GAAP Reconciliation

Pension Information

Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	General Revenue Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes:				
Personal Income	$1,646,600	$1,646,600	$1,688,963	$ 42,363
Consumer Sales	1,178,500	1,178,500	1,215,973	37,473
Severance	445,400	445,400	467,902	22,502
Corporate Income/Business Franchise	173,500	173,500	188,086	14,586
Business and Occupation	122,700	122,700	121,031	(1,669)
Gasoline and Motor Fuel	—	—	—	—
Automobile Privilege	—	—	—	—
Other	244,300	244,300	243,640	(660)
Excess Lottery Transfer	127,900	127,900	129,033	1,133
Intergovernmental	—	—	—	—
License, Permits, and Fees	9,721	9,721	10,060	339
Departmental Collections	16,500	16,500	16,541	41
Investment Earnings	31,000	31,000	2,705	(28,295)
Other	19,500	19,500	19,370	(130)
Industrial Access Road Transfer	—	—	—	—
Total Revenue	4,015,621	4,015,621	4,103,304	87,683
Expenditures:				
Legislative	30,402	57,714	25,865	31,849
Judicial	120,484	120,484	99,468	21,016
Executive	46,636	46,536	38,148	8,388
Administration	74,170	74,170	72,201	1,969
Commerce	65,723	65,823	57,048	8,775
Environmental Protection	8,107	8,107	7,757	350
Education	2,448,327	2,448,327	2,433,603	14,724
Health and Human Resources	807,663	822,187	785,924	36,263
Military Affairs and Public Safety	350,916	350,916	328,123	22,793
Revenue	30,335	29,894	21,526	8,368
Transportation	7,151	7,151	3,465	3,686
Veterans Assistance	11,557	11,564	10,011	1,553
Senior Services	—	—	—	—
Regulatory Boards and Commissions	56	56	34	22
Total Expenditures	4,001,527	4,042,929	3,883,173	159,756
Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	14,094	(27,308)	220,131	247,439
Expenditures From Prior Year Appropriations	590,230	590,230	260,420	329,810
Total Excess (Deficiency) of Revenues Over (Under) Expenditures	(576,136)	(617,538)	(40,289)	577,249
Budgetary Fund Balance, Beginning of Year, as Adjusted	619,120	619,120	619,120	—
Budgetary Fund Balance, End of Year	$ 42,984	$ 1,582	$ 578,831	$577,249

Federal Revenue				State Road			
Original Budget	Final Budget	Actual	Variance With Final Budget	Original Budget	Final Budget	Actual	Variance With Final Budget
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	380,700	380,700	387,041	6,341
—	—	—	—	151,114	151,114	186,293	35,179
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
4,152,528	4,406,085	3,498,671	(907,414)	493,400	538,400	449,092	(89,308)
—	—	—	—	90,668	90,668	92,269	1,601
—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—
—	—	—	—	39,110	54,110	45,784	(8,326)
—	—	—	—	(3,000)	(3,000)	(3,000)	—
4,152,528	4,406,085	3,498,671	(907,414)	1,151,992	1,211,992	1,157,479	(54,513)
3,000	3,000	1,977	1,023	—	—	—	—
5,500	5,500	510	4,990	—	—	—	—
230,688	244,656	115,807	128,849	—	—	—	—
38,038	48,038	45,647	2,391	—	—	—	—
169,048	183,047	82,113	100,934	—	—	—	—
178,299	225,380	133,598	91,782	—	—	—	—
623,880	628,880	442,528	186,352	—	—	—	—
2,663,894	2,826,038	2,530,530	295,508	—	—	—	—
169,713	170,328	119,072	51,256	—	—	—	—
14,210	14,210	1,815	12,395	—	—	—	—
42,738	42,738	23,722	19,016	—	—	—	—
12,988	12,988	11,761	1,227	1,171,147	1,326,647	1,236,997	89,650
14,534	14,534	12,782	1,752	—	—	—	—
3,435	3,510	1,663	1,847	—	—	—	—
4,169,965	4,422,847	3,523,525	899,322	1,171,147	1,326,647	1,236,997	89,650
(17,437)	(16,762)	(24,854)	(8,092)	(19,155)	(114,655)	(79,518)	35,137
—	—	—	—	—	—	—	—
(17,437)	(16,762)	(24,854)	(8,092)	(19,155)	(114,655)	(79,518)	35,137
83,590	83,590	83,590	—	125,893	125,893	125,893	—
$ 66,153	$ 66,828	$ 58,736	$ (8,092)	$ 106,738	$ 11,238	$ 46,375	$ 35,137

(Continued)

Required Supplementary Information
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)
(Continued)

	Special Revenue			
	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues:				
Taxes:				
Personal Income	$ —	$ —	$ —	$ —
Consumer Sales	—	—	—	—
Severance	—	—	—	—
Corporate Income/Business Franchise	—	—	—	—
Business and Occupation	—	—	—	—
Gasoline and Motor Carrier	—	—	—	—
Automobile Privilege	—	—	—	—
Other	—	—	—	—
Excess Lottery Transfer	—	—	—	—
Intergovernmental	—	—	—	—
Licenses, Permits, and Fees	—	—	—	—
Departmental Collections	1,892,660	1,995,626	1,670,042	(325,584)
Investment Earnings	—	—	—	—
Other	—	—	—	—
Industrial Access Road Transfer	—	—	—	—
Total Revenue	1,892,660	1,995,626	1,670,042	(325,584)
Expenditures:				
Legislative	4,014	3,943	1,748	2,195
Judicial	1,000	1,000	1,000	—
Executive	32,913	32,913	24,939	7,974
Administration	91,404	128,568	118,009	10,559
Commerce	51,258	54,003	34,302	19,701
Environmental Protection	64,255	69,748	32,498	37,250
Education	250,667	250,667	225,088	25,579
Health and Human Resources	365,266	368,246	313,326	54,920
Military Affairs and Public Safety	26,903	27,104	20,511	6,593
Revenue	872,398	872,065	521,419	350,646
Transportation	20,341	20,341	5,745	14,596
Veterans Assistance	6,750	6,750	3,954	2,796
Senior Services	74,749	74,749	72,639	2,110
Regulatory Boards and Commissions	138,129	138,656	111,311	27,345
Total Expenditures	2,000,047	2,048,753	1,486,489	562,264
Excess (Deficiency) of Revenues Over (Under) Expenditures Current Year	(107,387)	(53,127)	183,553	236,680
Expenditures From Prior Year Appropriations	270,764	270,764	108,972	161,792
Total Excess (Deficiency) of Revenues Over (Under) Expenditures	(378,151)	(323,891)	74,581	398,472
Budgetary Fund Balance, Beginning of Year, as Adjusted	1,830,577	1,830,577	1,830,577	—
Budgetary Fund Balance, End of Year	$1,452,426	$1,506,686	$1,905,158	$398,472

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 $380.6 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 $388 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 2011 General Revenue were increased approximately $202.2 million for surplus appropriations. The $202.2 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.

2012 Budgetary Reporting

The State's budgetary General Revenue Fund surplus for the year ended June 30, 2012, is calculated as follows (expressed in thousands):

Preliminary General Revenue Fund current year excess of revenues over expenditures as reflected on Budgetary Comparison Schedule	$220,131
Less accounts reappropriated for spending in FY 2013	(163,775)
Accumulated surplus	56,356
Less amount to be transferred to Revenue Shortfall Reserve Fund	(28,178)
General Revenue Fund FY 2012 surplus available for appropriation in FY 2013	$ 28,178

In August 2012 after the close of the fiscal year, $28.2 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, 2011, has been adjusted as follows (expressed in thousands):

General Revenue Fund:	
Beginning Fund Balance	$764,346
Prior Year Refunds	326
Transfer in from Expired Funds	5,116
Less Transfer to Rainy Day Fund	(150,668)
Adjusted Beginning Fund Balance	$619,120

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, 2012, 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.

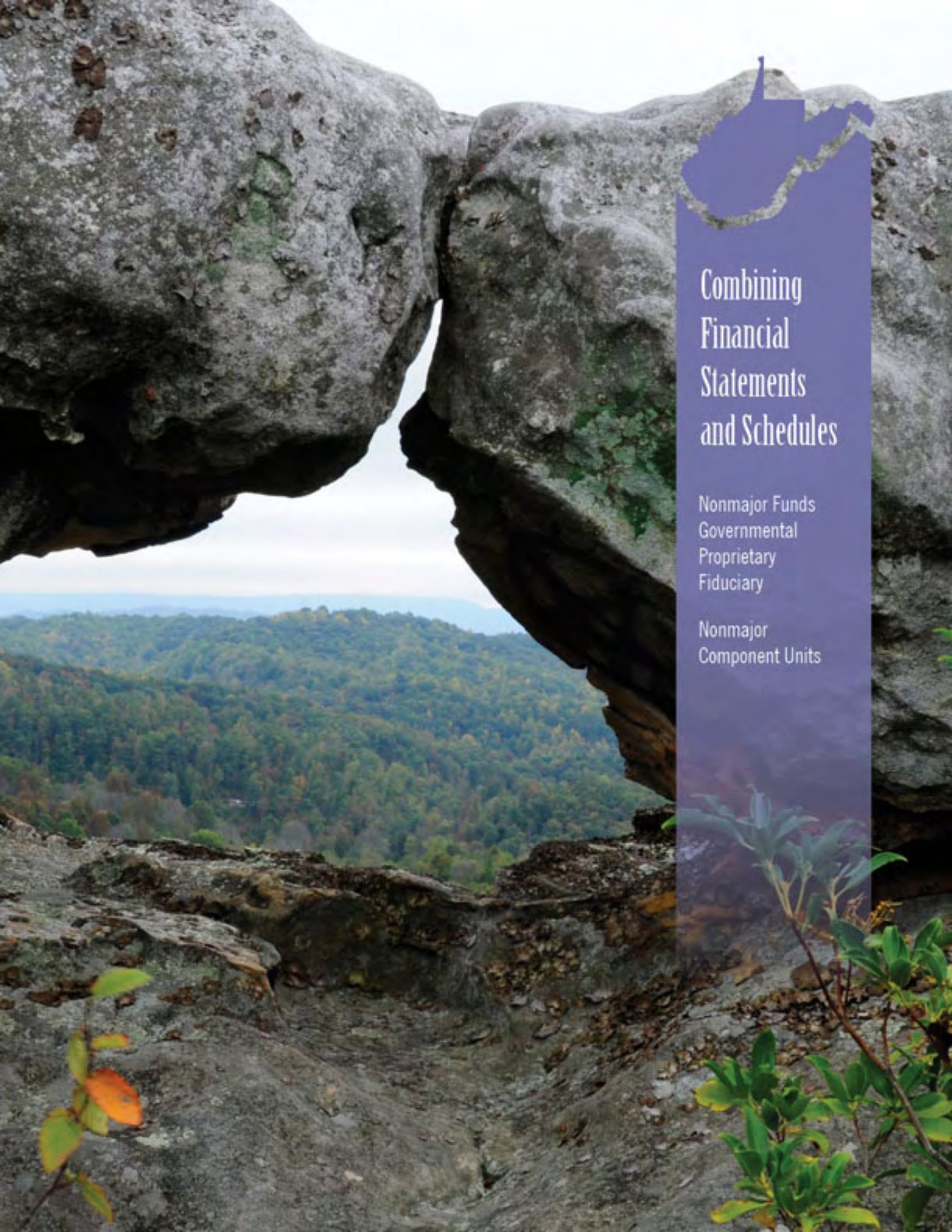
Required Supplementary Information
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	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	$ 4,103,304	$ 3,498,671	$1,157,479	$ 1,670,042
Differences - Budget to GAAP:				
Intrafund transactions not included in GAAP revenues	(3,819,106)	—	—	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(59,654)	—	(22,497)	—
Other Basis of Accounting Difference	406,027	—	(299,943)	—
Reclassifications:				
Nonappropriated Budgetary Fund's revenue included as revenue/transfers in the GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	4,215,041	—	402,799	—
Budgetary special revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	944,707	—	11,058	(1,670,042)
Budgetary federal funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	3,317,213	(3,498,671)	23,766	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	$ 9,107,532	$ —	$1,272,662	$ —
USES/OUTFLOWS OF RESOURCES				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 4,143,593	$ 3,523,525	$1,236,997	$ 1,595,461
Differences - Budget to GAAP:				
Intrafund transactions not included in GAAP expenditures	(3,819,106)	—	—	—
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(313,977)	—	—	—
Other Basis of Accounting Difference	1,080,478	—	110,495	—
Reclassifications:				
Nonappropriated Budgetary Fund's expenditures/transfers out included as expense in the GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	4,415,480	—	15,481	—
Budgetary general revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	(12,372)	—	5,153	—
Budgetary special revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	863,106	—	7,595	(1,595,461)
Budgetary federal funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	3,346,015	(3,523,525)	23,722	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	$ 9,703,217	$ —	$1,399,443	$ —

Required Supplementary Information
Schedule of Funding Progress
(Expressed in Thousands)

Pension Plans

	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	(Excess of Assets Over) Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
TRS							
	2011	$5,074,665	$9,445,148	$4,370,483	53.7%	$1,505,749	290.3%
	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%
PSDDRF							
	2011	$ 481,994	$ 606,245	$ 124,251	79.5%	$ 8,001	1552.9%
	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%
SPRS							
	2011	$ 70,756	$ 79,036	$ 8,280	89.5%	$ 24,725	33.5%
	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%
JRS							
	2011	$ 124,583	$ 95,591	$ (28,992)	130.3%	$ 8,860	0.0%
	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%



Combining Financial Statements and Schedules

Nonmajor Funds
Governmental
Proprietary
Fiduciary

Nonmajor
Component Units

STATE OF WEST VIRGINIA.
JUNE
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1863
MONTANI SEMPER LIBERI.

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.

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012
(Expressed in Thousands)

	Special Revenue	Debt Service
Assets:		
Cash and Cash Equivalents	$323,014	$29,008
Investments	39,068	18,990
Receivables, Net	9,330	—
Due from Other Governments	1,325	—
Due from Other Funds	29	—
Due from Component Units	—	1,000
Inventories	24	—
Other Assets	11	—
Restricted Assets:		
Cash and Cash Equivalents	1,705	8
Total Assets	$374,506	$49,006
Liabilities:		
Accounts Payable	$ 11,713	$ —
Accrued and Other Liabilities	10,986	—
Due to Other Governments	14,155	—
Due to Other Funds	22,368	—
Due to Component Units	13	—
Total Liabilities	59,235	—
Fund Balances:		
Nonspendable:		
Inventories	24	—
Permanent Fund	—	—
Restricted for:		
Capital Projects	—	—
Debt Service	—	49,006
Development, Tourism, and Recreation	40,050	—
Education	—	—
Public Protection	43,114	—
Committed to:		
Government Operations	5,504	—
Public Protection	233,177	—
Assigned to:		
Public Protection	1,357	—
Unassigned	(7,955)	—
Total Fund Balances	315,271	49,006
Total Liabilities and Fund Balances	$374,506	$49,006

Capital Projects		Permanent Fund	
Education Arts, Sciences, and Tourism Fund	Lease Purchase Account	Irreducible School	Total
$89,706	$10,260	$1,555	$453,543
—	—	—	58,058
2	—	—	9,332
—	—	—	1,325
—	—	—	29
—	—	—	1,000
—	—	—	24
—	—	—	11
—	—	—	1,713
$89,708	$10,260	$1,555	$525,035
$ 3,331	$ —	$ —	$ 15,044
—	—	—	10,986
—	—	—	14,155
—	—	—	22,368
—	—	—	13
3,331	—	—	62,566
—	—	—	24
—	—	1,000	1,000
86,377	10,260	—	96,637
—	—	—	49,006
—	—	—	40,050
—	—	555	555
—	—	—	43,114
—	—	—	5,504
—	—	—	233,177
—	—	—	1,357
—	—	—	(7,955)
86,377	10,260	1,555	462,469
$89,708	$10,260	$1,555	$525,035

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	Special Revenue	Debt Service
Revenues:		
Intergovernmental	$189,480	$ —
Licenses, Permits, and Fees	135,507	—
Charges for Services	—	—
Lottery Revenues	—	9,995
Investment Earnings	594	332
Other	10,188	—
Total Revenues	335,769	10,327
Expenditures:		
Current:		
Legislative	3,958	—
Administration	—	1,774
Commerce	—	223
Environmental Protection	139,851	1
Employment Programs	55,969	—
Education	—	—
Health and Human Resources	—	127
Military Affairs and Public Safety	—	1
Revenue	30,373	—
Veterans Assistance	—	1
Regulatory Boards and Commissions	24,143	1
Capital Outlay	—	—
Debt Service:		
Principal	—	275,868
Interest	—	33,096
Total Expenditures	254,294	311,092
Excess (Deficiency) of Revenues Over (Under) Expenditures	81,475	(300,765)
Other Financing Sources (Uses):		
Face Value of Long-Term Debt Issued	—	18,615
Premiums on Bond Issued	—	1,025
Payments to Refunded Bond Escrow Agent	—	(20,935)
Capital Lease Acquisitions	—	232,435
Transfers In	8,108	70,416
Transfers Out	(67,420)	(21,788)
Total Other Financing Sources (Uses)	(59,312)	279,768
Net Change in Fund Balances	22,163	(20,997)
Fund Balances, Beginning of Year, as Restated	293,108	70,003
Fund Balances, End of Year	$315,271	$ 49,006

Capital Projects		Permanent Fund	
Education Arts, Sciences, and Tourism Fund	Lease Purchase Account	Irreducible School	Total
$ —	$ —	$ —	$ 189,480
—	—	—	135,507
—	—	9	9
—	—	—	9,995
30	5	—	961
—	—	546	10,734
30	5	555	346,686
—	—	—	3,958
—	—	—	1,774
—	—	—	223
—	—	—	139,852
—	—	—	55,969
30,201	—	—	30,201
—	—	—	127
—	—	—	1
—	—	—	30,373
—	—	—	1
—	—	—	24,144
21,003	—	—	21,003
—	—	—	275,868
—	605	—	33,701
51,204	605	—	617,195
(51,174)	(600)	555	(270,509)
—	—	—	18,615
—	—	—	1,025
—	—	—	(20,935)
—	—	—	232,435
10	9,636	—	88,170
—	(9,033)	(386)	(98,627)
10	603	(386)	220,683
(51,164)	3	169	(49,826)
137,541	10,257	1,386	512,295
$ 86,377	$10,260	$1,555	$ 462,469

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, 2012
(Expressed in Thousands)

	Environmental Protection	Public Service Commission	Crime Victims' Compensation
Assets:			
Cash and Cash Equivalents	$232,303	$28,321	$5,736
Investments	—	—	—
Receivables, Net	771	8	5
Due from Other Governments	—	1,325	—
Due from Other Funds	—	11	—
Inventories	—	—	—
Other Assets	—	—	—
Restricted Assets:			
Cash and Cash Equivalents	365	1,340	—
Total Assets	$233,439	$31,005	$5,741
Liabilities:			
Accounts Payable	$ 10,850	$ 340	$ 237
Accrued and Other Liabilities	7,830	1,693	—
Due to Other Governments	5,236	7,109	—
Due to Other Funds	—	6,893	—
Due to Component Units	—	—	—
Total Liabilities	23,916	16,035	237
Fund Balances (Deficits):			
Nonspendable:			
Inventories	—	—	—
Restricted for:			
Development, Tourism, and Recreation	—	—	—
Public Protection	40,370	2,744	—
Committed to:			
Government Operations	—	—	5,504
Public Protection	167,835	12,187	—
Assigned to:			
Public Protection	1,318	39	—
Unassigned	—	—	—
Total Fund Balances (Deficits)	209,523	14,970	5,504
Total Liabilities and Fund Balances	$233,439	$31,005	$5,741

Insurance Commission	WORKFORCE West Virginia	Wildlife Resources Fund	Total
$55,348	$ 1,303	$ 3	$323,014
—	—	39,068	39,068
7,386	181	979	9,330
—	—	—	1,325
—	18	—	29
—	24	—	24
11	—	—	11
—	—	—	1,705
$62,745	$ 1,526	$40,050	$374,506
$ —	$ 286	$ —	$ 11,713
670	793	—	10,986
—	1,810	—	14,155
8,920	6,555	—	22,368
—	13	—	13
9,590	9,457	—	59,235
—	24	—	24
—	—	40,050	40,050
—	—	—	43,114
—	—	—	5,504
53,155	—	—	233,177
—	—	—	1,357
—	(7,955)	—	(7,955)
53,155	(7,931)	40,050	315,271
$62,745	$ 1,526	$40,050	$374,506

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	Environmental Protection	Public Service Commission	Crime Victims' Compensation
Revenues:			
Intergovernmental	$132,841	$ 2,522	$1,977
Licenses, Permits, and Fees	62,235	23,980	1,591
Investment Earnings	205	—	54
Other	10,180	8	—
Total Revenues	205,461	26,510	3,622
Expenditures:			
Legislative	—	—	3,958
Environmental Protection	139,851	—	—
Employment Programs	—	—	—
Revenue	—	—	—
Regulatory Boards and Commissions	—	24,143	—
Total Expenditures	139,851	24,143	3,958
Excess (Deficiency) of Revenues Over (Under) Expenditures	65,610	2,367	(336)
Other Financing Sources (Uses):			
Transfers In	5,864	—	—
Transfers Out	(44,383)	(116)	(3)
Total Other Financing Sources (Uses)	(38,519)	(116)	(3)
Net Change in Fund Balances	27,091	2,251	(339)
Fund Balances, Beginning of Year, as Restated	182,432	12,719	5,843
Fund Balances, End of Year	$209,523	$14,970	$5,504

Insurance Commission	WORKFORCE West Virginia	Wildlife Resources Fund	Total
$ —	$52,140	$ —	$189,480
47,109	—	592	135,507
4	—	331	594
—	—	—	10,188
47,113	52,140	923	335,769
—	—	—	3,958
—	—	—	139,851
—	55,969	—	55,969
30,373	—	—	30,373
—	—	—	24,143
30,373	55,969	—	254,294
16,740	(3,829)	923	81,475
—	2,245	(1)	8,108
(21,655)	—	(1,263)	(67,420)
(21,655)	2,245	(1,264)	(59,312)
(4,915)	(1,584)	(341)	22,163
58,070	(6,347)	40,391	293,108
$53,155	$(7,931)	$40,050	$315,271

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, 2012
(Expressed in Thousands)

	West Virginia Infrastructure and Jobs Development Council	Education, Arts, Sciences, and Tourism Fund	Lease Purchase Account	Economic Development Project Fund	Total
Assets:					
Cash and Cash Equivalents	$—	$ 2	$5,556	$23,450	$29,008
Investments	—	—	—	18,990	18,990
Due from Component Units	—	1,000	—	—	1,000
Restricted Assets:					
Cash	8	—	—	—	8
Total Assets	$ 8	$1,002	$5,556	$42,440	$49,006
Fund Balances:					
Restricted for Debt Service	$ 8	$1,002	$5,556	$42,440	$49,006
Total Fund Balances	$ 8	$1,002	$5,556	$42,440	$49,006

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Fiscal Year Ended June 30, 2012
(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	$ —	$ 9,995	$ —	$ —	$ 9,995
Investment Earnings	8	17	7	300	332
Total Revenues	8	10,012	7	300	10,327
Expenditures:					
Administration	—	3	1,771	—	1,774
Commerce	223	—	—	—	223
Environmental Protection	—	—	1	—	1
Health and Human Resources	—	—	127	—	127
Military Affairs and Public Safety	—	—	1	—	1
Veterans Assistance	—	—	1	—	1
Regulatory Boards and Commissions	—	—	1	—	1
Debt Service:					
Principal	13,220	2,685	251,468	8,495	275,868
Interest	8,257	7,310	7,212	10,317	33,096
Total Expenditures	21,700	9,998	260,582	18,812	311,092
Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,692)	14	(260,575)	(18,512)	(300,765)
Other Financing Sources (Uses):					
Face Value of Long-Term Debt Issued	18,615	—	—	—	18,615
Premiums on Bonds Issued	1,025	—	—	—	1,025
Capital Lease Acquisitions	—	—	232,435	—	232,435
Payments to Refunded Bond Escrow Agent	(20,935)	—	—	—	(20,935)
Transfers In	24,000	—	27,426	18,990	70,416
Transfers Out	(1,005)	(18,327)	(2,456)	—	(21,788)
Total Other Financing Sources (Uses)	21,700	(18,327)	257,405	18,990	279,768
Net Change in Fund Balances	8	(18,313)	(3,170)	478	(20,997)
Fund Balances, Beginning of Year	—	19,315	8,726	41,962	70,003
Fund Balances, End of Year	$ 8	$ 1,002	$ 5,556	$ 42,440	$ 49,006

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, 2012
(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	$ 1,423	$ 8,814	$ 2,763	$ 5,930	$ 563	$ 19,493
Receivables, Net	—	134	6	5,257	443	5,840
Due from Other Funds	14	7,754	303	—	—	8,071
Due from Component Units	3	241	18	—	—	262
Inventories	395	370	—	—	—	765
Other Assets	142	—	—	80	—	222
Restricted Assets:						
Cash and Cash Equivalents	—	—	5,940	—	—	5,940
Total Current Assets	1,977	17,313	9,030	11,267	1,006	40,593
Noncurrent Assets:						
Restricted Assets:						
Cash and Cash Equivalents	62,452	—	—	—	—	62,452
Capital Assets, Net	99,861	12,409	22,094	99	7	134,470
Total Noncurrent Assets	162,313	12,409	22,094	99	7	196,922
Total Assets	164,290	29,722	31,124	11,366	1,013	237,515
Liabilities:						
Current Liabilities:						
Accounts Payable	2,535	3,683	519	6,959	469	14,165
Accrued and Other Liabilities	125	313	16	—	—	454
Due to Other Governments	38	97	6	—	—	141
Due to Other Funds	2,891	7,170	338	—	—	10,399
Due to Component Units	—	—	—	—	9	9
Capital Leases and Other Debt	101	5,855	6,701	—	—	12,657
Total Current Liabilities	5,690	17,118	7,580	6,959	478	37,825
Noncurrent Liabilities:						
Capital Leases and Other Debt	3,186	4,415	12,074	—	—	19,675
Compensated Absences	361	1,236	96	—	—	1,693
Total Noncurrent Liabilities	3,547	5,651	12,170	—	—	21,368
Total Liabilities	9,237	22,769	19,750	6,959	478	59,193
Net Assets:						
Invested in Capital Assets, Net of Related Debt	96,573	5,248	3,319	99	7	105,246
Restricted for Capital Projects	62,452	—	—	—	—	62,452
Unrestricted (Deficit)	(3,972)	1,705	8,055	4,308	528	10,624
Total Net Assets	$155,053	$ 6,953	$11,374	$ 4,407	$ 535	$178,322

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	State Building Fund	Information Services and Communications	Travel Management	Investment Management Board	Board of Treasury Investments	Total
Operating Revenues:						
Charges for Services	$ 13,886	$43,252	$ 8,616	$34,426	$2,565	$102,745
Operating Expenses:						
Cost of Sales and Services	22,421	37,075	1,962	30,448	2,575	94,481
General and Administration	933	2,215	1,540	3,894	214	8,796
Depreciation and Amortization	3,665	6,822	7,498	20	2	18,007
Total Operating Expenses	27,019	46,112	11,000	34,362	2,791	121,284
Operating Income (Loss)	(13,133)	(2,860)	(2,384)	64	(226)	(18,539)
Nonoperating Revenues (Expenses):						
Entitlements, Grants, and Shared Revenues	1,956	3,100	—	—	—	5,056
Loss on Sale of Equipment	—	(17)	(86)	—	—	(103)
Investment Income	10	—	—	1	—	11
Interest Expense	(179)	(93)	(4)	—	—	(276)
Lottery Revenues	10,752	—	—	—	—	10,752
Other Nonoperating Revenues	—	—	48	—	—	48
Total Nonoperating Revenues (Expenses), Net	12,539	2,990	(42)	1	—	15,488
Income (Loss) Before Transfers	(594)	130	(2,426)	65	(226)	(3,051)
Capital Contribution	2,005	—	—	—	—	2,005
Transfers In	9,334	—	1,682	—	—	11,016
Transfers Out	(5,460)	—	—	—	—	(5,460)
Total Transfers	5,879	—	1,682	—	—	7,561
Change in Net Assets	5,285	130	(744)	65	(226)	4,510
Net Assets, Beginning of Year	149,768	6,823	12,118	4,342	761	173,812
Net Assets, End of Year	$155,053	$ 6,953	$11,374	$ 4,407	$ 535	$178,322

Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2012
(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	$ 14,162	$ 42,179	$ 8,527	$ 33,192	$ 2,570	$100,630
Payments to Suppliers	(16,381)	(21,896)	(2,475)	(30,268)	(2,732)	(73,752)
Payments to Employees	(5,857)	(15,814)	(957)	(3,098)	—	(25,726)
Net Cash Provided by (Used for) Operating Activities	(8,076)	4,469	5,095	(174)	(162)	1,152
Cash Flows from Noncapital Financing Activities:						
Transfers In	20,086	—	1,682	—	—	21,768
Transfers Out	(5,460)	—	—	—	—	(5,460)
Entitlements and Grants	1,956	3,100	—	—	—	5,056
Net Cash Provided by Noncapital Financing Activities	16,582	3,100	1,682	—	—	21,364
Cash Flows from Capital and Related Financing Activities:						
Proceeds from Sale of Capital Bonds and Other Debts	—	—	7,610	—	—	7,610
Repayment of Capital Debt	(98)	(6,390)	(5,884)	—	—	(12,372)
Interest Paid on Capital Debt	(179)	(94)	(4)	—	—	(277)
Acquisition and Construction of Capital Assets	(12,747)	(1,125)	(11,142)	(80)	(3)	(25,097)
Net Cash Used for Capital and Related Financing Activities	(13,024)	(7,609)	(9,420)	(80)	(3)	(30,136)
Cash Flows from Investing Activities:						
Purchase of Investments	(1,250)	—	—	—	—	(1,250)
Proceeds from Sale of Investments	1,250	—	—	—	—	1,250
Investment Earnings	10	—	—	1	—	11
Net Cash Provided by Investing Activities	10	—	—	1	—	11
Net Decrease in Cash and Cash Equivalents	(4,508)	(40)	(2,643)	(253)	(165)	(7,609)
Cash and Cash Equivalents, Beginning of Year	68,383	8,854	11,346	6,183	728	95,494
Cash and Cash Equivalents, End of Year	$ 63,875	$ 8,814	$ 8,703	$ 5,930	$ 563	$ 87,885

	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)	$(13,133)	$(2,860)	$(2,384)	$ 64	$(226)	$(18,539)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:						
Depreciation and Amortization	3,665	6,822	7,498	20	2	18,007
Changes in Assets and Liabilities:						
Receivables	276	(1,072)	(89)	(1,234)	5	(2,114)
Inventories	(126)	223	—	—	—	97
Other Assets	—	—	—	39	—	39
Accounts Payable and Accrued Liabilities	518	(453)	(41)	937	57	1,018
Other Liabilities	724	1,809	111	—	—	2,644
Net Cash Provided by (Used for) Operating Activities	$ (8,076)	$ 4,469	$ 5,095	$ (174)	$(162)	$ 1,152
Schedule of Non-Cash Capital and Financing Activities:						
Contribution of Capital Assets	$ 2,005	$ —	$ —	$ —	$ —	$ 2,005

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.

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

Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2012
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds		
	Drinking Water Treatment Revolving Fund	Alcohol Beverage Control Administration	West Virginia Prepaid College Plan
Assets:			
Current Assets:			
Cash and Cash Equivalents	$ 22,371	$10,901	$ 2,635
Receivables, Net	6,451	174	449
Due from Other Funds	—	—	70
Due from Component Units	—	—	—
Inventories	—	29	—
Other Assets	—	—	—
Total Current Assets	28,822	11,104	3,154
Noncurrent Assets:			
Investments	—	—	77,821
Receivables, Net	92,553	1,425	780
Capital Assets, Net	—	2,036	—
Total Noncurrent Assets	92,553	3,461	78,601
Total Assets	121,375	14,565	81,755
Liabilities:			
Current Liabilities:			
Accounts Payable	—	2,775	22
Accrued Tuition Contract Benefits	—	—	14,796
Accrued and Other Liabilities	—	—	—
Due to Other Funds	—	1,958	181
Insurance and Compensation Benefits Obligations	—	—	—
Insurance Claims Obligations	—	—	—
Compensated Absences	—	—	65
Total Current Liabilities	—	4,733	15,064
Noncurrent Liabilities:			
Accrued Tuition Contract Benefits	—	—	82,469
Insurance and Compensation Benefits Obligations	—	—	—
Compensated Absences	—	253	—
Total Noncurrent Liabilities	—	253	82,469
Total Liabilities	—	4,986	97,533
Net Assets (Deficit):			
Invested in Capital Assets, Net of Related Debt	—	2,036	—
Restricted for:			
Government Operations	—	—	481
Lending Activities	121,375	1,373	—
Insurance Activities	—	—	—
Unrestricted (Deficit)	—	6,170	(16,259)
Total Net Assets (Deficit)	$121,375	$ 9,579	$(15,778)

West Virginia Correctional Industries	AccessWV	State Entities Workers' Compensation	Total
$2,502	$12,072	$20,809	$ 71,290
78	—	—	7,152
1,151	—	—	1,221
158	—	—	158
2,129	—	—	2,158
—	—	9,949	9,949
6,018	12,072	30,758	91,928
—	—	—	77,821
—	—	—	94,758
464	—	—	2,500
464	—	—	175,079
6,482	12,072	30,758	267,007
373	—	—	3,170
—	—	—	14,796
16	46	50	112
3	32	—	2,174
—	—	2,742	2,742
—	870	—	870
—	—	—	65
392	948	2,792	23,929
—	—	—	82,469
—	—	4,094	4,094
118	—	—	371
118	—	4,094	86,934
510	948	6,886	110,863
464	—	—	2,500
—	—	—	481
—	—	—	122,748
—	11,124	23,872	34,996
5,508	—	—	(4,581)
$5,972	$11,124	$23,872	$156,144

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds		
	Drinking Water Treatment Revolving Fund	Alcohol Beverage Control Administration	West Virginia Prepaid College Plan
Operating Revenues:			
Charges for Services and Sales	$ 781	$ 88,321	$ —
Insurance Premiums	—	—	—
Tuition Contracts	—	—	85
Licenses, Permits, and Fees	—	3,853	—
Other	—	88	1,016
Total Operating Revenues	781	92,262	1,101
Operating Expenses:			
Cost of Sales and Services	—	68,530	—
Insurance Claims and Claims Adjustment Provisions	—	—	—
Tuition Contract Benefits and Expenses	—	—	5,968
General and Administration	—	6,174	1,153
Depreciation and Amortization	—	181	—
Other	3,129	—	—
Total Operating Expenses	3,129	74,885	7,121
Operating Income (Loss)	(2,348)	17,377	(6,020)
Nonoperating Revenues:			
Interest and Other Investment Income	23	—	1,634
Other Nonoperating Revenues	—	92	—
Total Nonoperating Revenues, Net	23	92	1,634
Income (Loss) Before Transfers	(2,325)	17,469	(4,386)
Transfers:			
Transfers In	22,553	200	147
Transfers Out	—	(15,810)	—
Total Transfers	22,553	(15,610)	147
Change in Net Assets	20,228	1,859	(4,239)
Net Assets (Deficit), Beginning of Year	101,147	7,720	(11,539)
Net Assets (Deficit), End of Year	$121,375	$ 9,579	$(15,778)

West Virginia Correctional Industries	AccessWV	State Entities Workers' Compensation	Total
$7,886	$ 5,096	$ —	$102,084
—	—	11,201	11,201
—	—	—	85
—	—	—	3,853
—	155	—	1,259
7,886	5,251	11,201	118,482
4,179	—	—	72,709
—	6,480	8,894	15,374
—	—	—	5,968
3,087	368	90	10,872
82	—	—	263
—	—	—	3,129
7,348	6,848	8,984	108,315
538	(1,597)	2,217	10,167
—	201	—	1,858
—	—	—	92
—	201	—	1,950
538	(1,396)	2,217	12,117
—	—	21,655	44,555
—	—	—	(15,810)
—	—	21,655	28,745
538	(1,396)	23,872	40,862
5,434	12,520	—	115,282
$5,972	$11,124	$23,872	$156,144

Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds		
	Drinking Water Treatment Revolving Fund	Alcohol Beverage Control Administration	West Virginia Prepaid College Plan
Cash Flows From Operating Activities:			
Receipts from Customers	$ 4,106	$ 92,161	$ 550
Payments to Suppliers	—	(70,454)	(487)
Payments to Employees	—	(4,037)	(622)
Payments to Beneficiaries	—	—	(9,059)
Payments for Loans Originated	(23,139)	—	—
Payments for Premiums	—	—	—
Payments to Claimants	—	—	—
Other Operating Cash Receipts	—	—	1,014
Other Operating Cash Payments	—	—	—
Net Cash Provided by (Used for) Operating Activities	(19,033)	17,670	(8,604)
Cash Flows from Noncapital Financing Activities:			
Transfers In	22,553	200	113
Transfers Out	—	(15,810)	—
Entitlements and Grants	—	92	—
Provided from Issuing Liquor Licenses	—	451	—
Net Cash Provided by (Used for) Noncapital Financing Activities	22,553	(15,067)	113
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Capital Assets	—	(249)	—
Net Cash Used for Capital and Related Financing Activities	—	(249)	—
Cash Flows from Investing Activities:			
Purchase of Investments	—	—	(1,475)
Proceeds from Sale of Investments	—	—	8,600
Investment Earnings	22	—	1,478
Net Cash Provided by Investing Activities	22	—	8,603
Net Increase (Decrease) in Cash and Cash Equivalents	3,542	2,354	112
Cash and Cash Equivalents, Beginning of Year	18,829	8,547	2,523
Cash and Cash Equivalents, End of Year	$ 22,371	$ 10,901	$ 2,635

West Virginia Correctional Industries	AccessWV	State Entities Workers' Compensation	Total
$ 7,670	$ 5,096	$ 21,645	$131,228
(4,404)	(333)	(40)	(75,718)
(2,237)	(40)	—	(6,936)
—	—	—	(9,059)
—	—	—	(23,139)
—	—	(12,483)	(12,483)
—	—	(2,058)	(2,058)
—	155	—	1,169
(846)	(6,330)	(7,910)	(15,086)
183	(1,452)	(846)	(12,082)
—	—	21,655	44,521
—	—	—	(15,810)
—	—	—	92
—	—	—	451
—	—	21,655	29,254
(218)	—	—	(467)
(218)	—	—	(467)
—	—	—	(1,475)
—	—	—	8,600
—	201	—	1,701
—	201	—	8,826
(35)	(1,251)	20,809	25,531
2,537	13,323	—	45,759
$ 2,502	$12,072	$ 20,809	$ 71,290

Combining Statement of Cash Flows
Nonmajor Proprietary Funds
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)
(Continued)

	Business-type Activities - Enterprise Funds		
	Drinking Water Treatment Revolving Fund	Alcohol Beverage Control Administration	West Virginia Prepaid College Plan
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	$ (2,348)	$17,377	$(6,020)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Depreciation and Amortization	—	181	—
Changes in Assets and Liabilities:			
Receivables	(16,685)	(102)	463
Inventories	—	(22)	—
Accounts Payable and Accrued Liabilities	—	(379)	(60)
Tuition Contracts Benefits and Expenses	—	—	(3,091)
Due to/from Other Funds	—	605	73
Other Liabilities	—	—	—
Compensated Absences	—	10	31
Net Cash Provided by (Used for Operating Activities	$(19,033)	$17,670	$(8,604)
Schedule of Noncash Capital and Financing Activities:			
Loans Originated with Principal Forgiveness Features	$ 3,129	$ —	$ —
Unrealized Gain on Investments	—	—	155

West Virginia Correctional Industries	AccessWV	State Entities Workers' Compensation	Total
$538	$(1,597)	$ 2,217	$ 10,167
82	—	—	263
(216)	—	(9,949)	(26,489)
(338)	—	—	(360)
113	(15)	6,836	6,495
—	—	—	(3,091)
—	—	—	678
—	160	50	210
4	—	—	45
$183	$(1,452)	$ (846)	$(12,082)
$ —	$ —	$ —	$ 3,129
—	—	—	155

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, 2012
(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	$ 492	$ —	$ 1	$ —	$ —
Investments:					
Equity in Pooled Investments	4,352,142	5,111,557	477,386	78,735	126,265
Mutual Funds	—	—	—	—	—
Receivables, Net:					
Contributions	5,465	26,176	—	—	—
Participant Loans	2	6,965	—	—	—
Accounts	—	—	—	—	—
Due from Other Funds	165,125	—	—	—	—
Due from Component Units	189	—	—	—	—
Restricted Assets:					
Cash and Cash Equivalents	—	—	—	—	—
Total Assets	4,523,415	5,144,698	477,387	78,735	126,265
Liabilities:					
Accrued and Other Liabilities	35	301	42	—	—
Due to Other Funds	78	—	—	—	—
Insurance Claims Payable	—	—	—	—	—
Early Retiree Premium Subsidy Funds	—	—	—	—	—
Total Liabilities	113	301	42	—	—
Net Assets Held in trust for Pension and Other Postemployment Benefits	$4,523,302	$5,144,397	$477,345	$78,735	$126,265

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
$ 7,786	$ 9	$ —	$ —	$ 8,288	$ 36,897	$ 45,185
—	116,281	35,153	189	10,297,708	443,144	10,740,852
310,188	—	—	—	310,188	—	310,188
1,452	719	331	13	34,156	4,160	38,316
183	517	—	—	7,667	—	7,667
—	—	—	—	—	29,305	29,305
—	—	—	—	165,125	—	165,125
—	—	—	—	189	—	189
—	—	—	—	—	3,941	3,941
319,609	117,526	35,484	202	10,823,321	517,447	11,340,768
173	—	1	—	552	5,887	6,439
—	—	—	—	78	4,547	4,625
—	—	—	—	—	10,320	10,320
—	—	—	—	—	3,914	3,914
173	—	1	—	630	24,668	25,298
$319,436	$117,526	$35,483	$202	$10,822,691	$492,779	$11,315,470

Combining Statement of Changes in Plan Net Assets
Pension Trust and Other Employee
Benefit Trust Funds
For the Fiscal Year Ended June 30, 2012
(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	$ 59,200	$ 91,976	$ 724	$ 3,375	$ 706
Employers	191,012	482,236	1,207	4,544	3,954
Total Contributions	250,212	574,212	1,931	7,919	4,660
Investment Income:					
Net Appreciation (Depreciation) in Fair Value of Investments	24,265	24,355	2,046	467	723
Interest	34,686	36,446	3,751	596	989
Investment Expense	(12,829)	(14,683)	(1,416)	(239)	(461)
Net Investment Income	46,122	46,118	4,381	824	1,251
Transfers to Plan	96	—	—	—	51
Other	1,859	38,874	22,767	79	—
Total Additions	298,289	659,204	29,079	8,822	5,962
Deductions:					
Benefits Expense	304,263	577,427	33,631	477	4,274
Refunds of Contributions	10,844	7,783	47	327	—
Administrative Expenses	4,505	4,209	50	39	6
Transfer from Plan	—	53	—	—	—
Total Deductions	319,612	589,472	33,728	843	4,280
Change in Net Assets Held in Trust for Pension and Other Postemployment Benefits	(21,323)	69,732	(4,649)	7,979	1,682
Net Assets, Beginning of Year	4,544,625	5,074,665	481,994	70,756	124,583
Net Assets, End of Year	$4,523,302	$5,144,397	$477,345	$78,735	$126,265

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
$ 7,008	$ 3,567	$ 1,838	$ 72	$ 168,466	$ 74,517	$ 242,983
9,092	5,431	2,272	72	699,820	152,194	852,014
16,100	8,998	4,110	144	868,286	226,711	1,094,997
4,119	647	198	5	56,825	(563)	56,262
—	951	269	—	77,688	6,324	84,012
—	(345)	(106)	(1)	(30,080)	—	(30,080)
4,119	1,253	361	4	104,433	5,761	110,194
—	—	—	—	147	—	147
8	534	—	—	64,121	1,505	65,626
20,227	10,785	4,471	148	1,036,987	233,977	1,270,964
—	5,985	651	—	926,708	201,639	1,128,347
8,266	762	664	10	28,703	—	28,703
646	86	39	1	9,581	11,637	21,218
94	—	—	—	147	—	147
9,006	6,833	1,354	11	965,139	213,276	1,178,415
11,221	3,952	3,117	137	71,848	20,701	92,549
308,215	113,574	32,366	65	10,750,843	472,078	11,222,921
$319,436	$117,526	$35,483	$202	$10,822,691	$492,779	$11,315,470

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, 2012
(Expressed in Thousands)

	West Virginia Money Market	West Virginia Government Money Market	Total
Assets:			
Cash and Cash Equivalents	$71,613	$242,307	$313,920
Total Assets	$71,613	$242,307	$313,920
Net Assets:			
Held in Trust for External Investment Pool Participants	$71,613	$242,307	$313,920
Total Net Assets	$71,613	$242,307	$313,920

Combining Statement of Changes in Fiduciary Net Assets
Investment Trust Funds
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	West Virginia Money Market	West Virginia Government Money Market	Total
Additions:			
Deposits, Pool Participants	$311,421	$438,229	$749,650
Investment Income:			
Net Appreciation in Fair Value of Investments	86	149	235
Total Additions	311,507	438,378	749,885
Deductions:			
Withdrawals	307,773	421,420	729,193
Change in Net Assets Held in Trust for External Investment Pool Participants	3,734	16,958	20,692
Net Assets, Beginning of Year	67,879	225,349	293,228
Net Assets, End of Year	$ 71,613	$242,307	$313,920

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 three funds, the Local Government Fund, the Municipal Pensions 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, 2012
(Expressed in Thousands)

	Local Government			Other Agency			
	Local Government	Municipal Pensions Agency Fund	Municipal Bond Commission	Consolidated Investment Pool	Patient Injury Compensation Fund	Other Agency Funds	Total
Assets:							
Current Assets:							
Cash and Cash Equivalents	$2,210	$28,672	$5,608	$37,980	$3,773	$20,412	$ 98,655
Investments	—	—	—	6,352	—	—	6,352
Accrued Interest Receivable	—	3	—	189	—	—	192
Total Assets	$2,210	$28,675	$5,608	$44,521	$3,773	$20,412	$105,199
Liabilities:							
Current Liabilities:							
Due to Other Governments	$2,210	$28,675	$5,608	$ —	$ —	$ —	$ 36,493
Agency Liabilities	—	—	—	44,521	3,773	20,412	68,706
Total Liabilities	$2,210	$28,675	$5,608	$44,521	$3,773	$20,412	$105,199

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Local Government				
Assets:				
Cash	$ 95	$1,694,327	$1,692,212	$ 2,210
Total Assets	$ 95	$1,694,327	$1,692,212	$ 2,210
Liabilities:				
Accounts Payable	$ —	$ 9,985	$ 9,985	$ —
Due to Other Governments	95	1,684,342	1,682,227	2,210
Total Liabilities	$ 95	$1,694,327	$1,692,212	$ 2,210
Municipal Pensions Fund				
Assets:				
Cash and Cash Equivalents	$ —	$ 71,480	$ 42,808	$28,672
Accrued Interest Receivable	—	3	—	3
Total Assets	$ —	$ 71,483	$ 42,808	$28,675
Liabilities:				
Accounts Payable	$ —	$ 4,725	$ 4,725	$ —
Due to Other Governments	—	66,758	38,083	28,675
Total Liabilities	$ —	$ 71,483	$ 42,808	$28,675
Municipal Bond Commission				
Assets:				
Cash	$ 5,523	$ 631,759	$ 631,674	$ 5,608
Total Assets	$ 5,523	$ 631,759	$ 631,674	$ 5,608
Liabilities:				
Accounts Payable	$ —	$ 187,360	$ 187,360	$ —
Due to Other Governments	5,523	444,399	444,314	5,608
Total Liabilities	$ 5,523	$ 631,759	$ 631,674	$ 5,608
Consolidated Investment Pool				
Assets:				
Cash	$ 3,274	$ 35,813	$ 33,828	$ 5,259
Equity in Pooled Cash Equivalents	28,144	11,279	6,702	32,721
Investments	6,564	996	1,208	6,352
Accrued Interest Receivable	—	189	—	189
Total Assets	$37,982	$ 48,277	$ 41,738	$44,521
Liabilities:				
Accounts Payable	$ —	$ 1,563	$ 1,563	$ —
Agency Liabilities	37,982	46,714	40,175	44,521
Total Liabilities	$37,982	$ 48,277	$ 41,738	$44,521

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Patient Injury Compensation Fund				
Assets:				
Cash and Cash Equivalents	$ 11	$ 264	$ 267	$ 8
Equity in Pooled Cash Equivalents	4,021	4	260	3,765
Total Assets	$ 4,032	$ 268	$ 527	$ 3,773
Liabilities:				
Accounts Payable	$ —	$ 263	$ 263	$ —
Agency Liabilities	4,032	5	264	3,773
Total Liabilities	$ 4,032	$ 268	$ 527	$ 3,773
Other Agency Funds				
Assets:				
Cash and Cash Equivalents	$14,641	$ 243,962	$ 242,055	$ 16,548
Equity in Pooled Cash Equivalents	4,013	252	401	3,864
Total Assets	$18,654	$ 244,214	$ 242,456	$ 20,412
Liabilities:				
Accounts Payable	$ —	$ 808	$ 808	$ —
Agency Liabilities	18,654	243,406	241,648	20,412
Total Liabilities	$18,654	$ 244,214	$ 242,456	$ 20,412
Total - All Agency Funds				
Assets:				
Cash and Cash Equivalents	$23,544	$2,677,605	$2,642,844	$ 58,305
Equity in Pooled Cash Equivalents	36,178	11,535	7,363	40,350
Investments	6,564	996	1,208	6,352
Accrued Interest Receivable	—	192	—	192
Total Assets	$66,286	$2,690,328	$2,651,415	$105,199
Liabilities:				
Accounts Payable	$ —	$ 204,704	$ 204,704	$ —
Due to Other Governments	5,618	2,195,499	2,164,624	36,493
Agency Liabilities	60,668	290,125	282,087	68,706
Total Liabilities	$66,286	$2,690,328	$2,651,415	$105,199

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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, 2012
(Expressed in Thousands)

	Educational Broadcasting Authority	Jobs Investment Trust	WV State Rail Authority
Assets:			
Current Assets:			
Cash and Cash Equivalents	$ 901	$ 6,835	$ 5,945
Investments	413	—	—
Receivables, Net	153	—	42
Due from Primary Government	181	—	36
Inventories	—	—	33
Other Assets	162	—	2
Restricted Assets:			
Cash and Cash Equivalents	—	—	—
Receivables, Net	—	—	—
Total Current Assets	1,810	6,835	6,058
Noncurrent Assets:			
Investments	—	7,585	—
Receivables, Net	—	4,175	—
Other Assets	—	277	—
Restricted Assets:			
Cash and Cash Equivalents	—	—	—
Receivables, Net	—	—	—
Other Restricted Assets	237	—	—
Capital Assets, Net	5,812	227	37,488
Total Noncurrent Assets	6,049	12,264	37,488
Total Assets	7,859	19,099	43,546
Liabilities:			
Current Liabilities:			
Accounts Payable	90	23	77
Accrued and Other Liabilities	—	64	44
Due to Primary Government	2,295	7	480
Unearned Revenue	63	—	3
Capital Leases and Other Debt	—	5,696	—
Compensated Absences	334	—	53
Total Current Liabilities	2,782	5,790	657
Noncurrent Liabilities:			
Accrued and Other Liabilities	—	—	—
Unearned Revenue	—	—	70
Liabilities Payable from Restricted Assets	—	—	—
Capital Leases and Other Debt	—	10,827	—
Compensated Absences	14	—	—
Total Noncurrent Liabilities	14	10,827	70
Total Liabilities	2,796	16,617	727
Net Assets (Deficit):			
Investment in Capital Assets, Net of Related Debt	5,812	227	37,488
Restricted for:			
Nonexpendable	237	—	—
Specific Component Unit Purposes	—	—	—
Unrestricted	(986)	2,255	5,331
Total Net Assets (Deficit)	$5,063	$ 2,482	$42,819

Solid Waste Management Board	Racing Commission	Public Defender Corporation	Total
$2,668	$ 6,324	$6,221	$ 28,894
—	—	—	413
223	42	—	460
—	—	—	217
—	—	—	33
1	—	55	220
2,488	30,656	—	33,144
337	832	—	1,169
5,717	37,854	6,276	64,550
—	—	—	7,585
—	—	—	4,175
—	—	—	277
—	5,187	—	5,187
1,757	—	—	1,757
—	—	—	237
32	9	775	44,343
1,789	5,196	775	63,561
7,506	43,050	7,051	128,111
138	810	48	1,186
—	76	294	478
288	1,064	4,600	8,734
—	—	—	66
—	—	—	5,696
—	—	786	1,173
426	1,950	5,728	17,333
200	—	—	200
—	—	—	70
—	35,843	—	35,843
—	—	—	10,827
20	185	—	219
220	36,028	—	47,159
646	37,978	5,728	64,492
32	9	775	44,343
—	—	—	237
4,382	—	—	4,382
2,446	5,063	548	14,657
$6,860	$ 5,072	$1,323	$ 63,619

Combining Statement of Activities
Nonmajor Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2012
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue
Component Units:				
Educational Broadcasting Authority	$11,184	$ 1,783	$1,518	$ (7,883)
Jobs Investment Trust	2,621	546	6,950	4,875
WV State Rail Authority	4,573	2,889	—	(1,684)
Solid Waste Management Board	2,473	2,641	—	168
Racing Commission	4,373	3,795	—	(578)
Public Defender Corporation	19,123	—	54	(19,069)
Total Component Units	$44,347	$11,654	$8,522	$(24,171)

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, End of Year
$ —	$738	$695	$ 5,104	$ 6,537	$(1,346)	$ 6,409	$ 5,063
131	—	—	—	131	5,006	(2,524)	2,482
23	—	—	2,457	2,480	796	42,023	42,819
1	—	3	—	4	172	6,688	6,860
—	—	1	—	1	(577)	5,649	5,072
5	—	2	19,431	19,438	369	954	1,323
$160	$738	$701	$26,992	$28,591	$ 4,420	$59,199	$63,619

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Statistical Section

Financial Trends

Revenue Capacity

Debt Capacity

Demographics and Economic Information

Operating Information

Miscellaneous

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

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Schedule 4 - Changes in Fund Balances - Governmental Funds 240

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.

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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.

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

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

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

Schedule 16 - Miscellaneous Statistics 266

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)

	2012	2011	2010	2009
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	$ 8,404,751	$ 8,288,909	$ 7,909,484	$ 7,532,883
Restricted	504,680	551,892	435,296	817,524
Unrestricted Assets (Deficit)	298,279	1,347,124	1,407,481	1,725,672
Total Governmental Activities Net Assets	$ 9,207,710	$10,187,925	$ 9,752,261	$10,076,079
Business-type Activities				
Invested in Capital Assets, Net of Related Debt	$ 4,555	$ 6,200	$ 31,428	$ 11,732
Restricted	1,721,727	1,551,461	1,432,449	1,000,274
Unrestricted Assets (Deficit)	(450,488)	(568,660)	(744,459)	(1,095,509)
Total Business-type Activities Net Assets (Deficit)	$ 1,275,794	$ 989,001	$ 719,418	$ (83,503)
Primary Government				
Invested in Capital Assets, Net of Related Debt	$ 8,409,306	$ 8,295,109	$ 7,940,912	$ 7,544,615
Restricted	2,226,407	2,103,353	1,867,745	1,817,798
Unrestricted Assets (Deficit)	(152,209)	778,464	663,022	630,163
Total Primary Government Net Assets	$10,483,504	$11,176,926	$10,471,679	$ 9,992,576

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.

2008	2007	2006	2005	2004	2003
$ 7,230,626	$6,934,539	$ 6,771,494	$ 6,448,005	$ 6,196,704	$ 5,910,605
926,541	861,508	714,802	1,262,989	1,078,859	772,580
1,402,670	846,987	91,573	(817,257)	(667,181)	(548,510)
$ 9,559,837	$8,643,034	$ 7,577,869	$ 6,893,737	$ 6,608,382	$ 6,134,675
$ 12,330	$ 4,049	$ 2,775	$ 9,361	$ 9,372	$ 10,900
1,074,139	1,026,973	944,256	775,140	687,891	809,685
(1,329,576)	(1,704,657)	(2,017,602)	(2,224,984)	(2,897,674)	(3,256,853)
$ (243,107)	$ (673,635)	$(1,070,571)	$(1,440,483)	$(2,200,411)	$(2,436,268)
$ 7,242,956	$6,938,588	$ 6,774,269	$ 6,457,366	$ 6,206,076	$ 5,921,505
2,000,680	1,888,481	1,659,058	2,038,129	1,766,750	1,582,265
73,094	(857,670)	(1,926,029)	(3,042,241)	(3,564,855)	(3,805,363)
$ 9,316,730	$7,969,399	$ 6,507,298	$ 5,453,254	$ 4,407,971	$ 3,698,407

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

Governmental Activities	2012	2011	2010	2009
Expenses:				
Legislative	$ 36,722	$ 31,721	$ 28,896	$ 29,552
Judicial	140,515	130,104	124,627	106,933
Executive	216,356	325,389	261,764	143,872
Administration	320,377	260,298	163,662	201,469
Commerce	231,178	217,334	204,178	201,901
Environmental Protection	204,158	174,211	141,279	110,652
Employment Programs	51,595	58,312	57,286	45,000
Education	3,757,725	2,839,216	2,850,805	2,821,883
Health and Human Resources	4,402,259	4,317,911	4,088,254	3,737,102
Military Affairs and Public Safety	491,717	441,523	441,068	427,575
Revenue	91,344	82,820	270,870	83,458
Transportation	1,299,400	1,035,601	1,064,417	977,616
Veterans Assistance	27,019	—	—	—
Senior Services	47,561	47,186	46,671	43,729
Regulatory Boards and Commissions	92,662	33,328	36,917	35,079
Interest on Long-Term Debt	125,105	135,443	135,534	141,756
Total Expenses	11,535,693	10,130,397	9,916,228	9,107,577
Program Revenues:				
Charges for Services:				
Legislative	1,591	1,571	1,598	1,644
Judicial	1,024	1,116	929	907
Executive	22,093	22,868	19,787	17,365
Administration	33,180	6,289	29,086	28,337
Commerce	48,928	44,747	46,009	48,685
Environmental Protection	61,188	52,683	49,450	56,016
Employment Programs	—	—	—	—
Education	4,362	4,195	3,352	3,096
Health and Human Resources	90,604	88,737	84,680	81,230
Military Affairs and Public Safety	11,146	10,019	10,352	12,957
Revenue	31,729	73,947	69,800	45,944
Transportation	100,700	101,000	100,533	91,669
Senior Services	1	—	1	—
Regulatory Boards and Commissions	31,254	30,815	30,407	26,121
Total Charges for Services	437,800	437,987	445,984	413,971
Operating Grants and Contributions:				
Legislative	1,977	634	2,135	1,212
Judicial	640	1,049	986	850
Executive	136,752	214,224	164,062	40,551
Administration	45,498	41,426	38,498	37,716
Commerce	70,004	73,424	59,632	34,220
Environmental Protection	142,590	116,378	121,366	67,529
Employment Programs	51,845	58,008	54,460	46,804
Education	446,297	444,269	452,315	377,749
Health and Human Resources	3,045,355	3,252,622	3,077,246	2,783,872
Military Affairs and Public Safety	82,240	52,057	74,472	67,269
Revenue	9	28	12	156
Senior Services	23,351	22,671	20,614	14,310
Regulatory Boards and Commissions	2,747	2,105	2,014	2,598
Total Operating Grants and Contributions	4,049,305	4,278,895	4,067,812	3,474,836
Capital Grants and Contributions:				
Executive	—	3	57,442	—
Administration	2,005	—	—	—
Education	—	—	—	—
Military Affairs and Public Safety	49,854	74,581	18,758	11,518
Transportation	519,768	554,394	558,947	476,779
Veterans Assistance	5,321	—	—	—
Total Capital Grants and Contributions	576,948	628,978	635,147	488,297
Total Program Revenues	5,064,053	5,345,860	5,148,943	4,377,104
Total Governmental Activities Net Program Expenses	(6,471,640)	(4,784,537)	(4,767,285)	(4,730,473)

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

2008	2007	2006	2005	2004	2003
$ 28,027	$ 26,154	$ 25,345	$ 27,558	$ 30,623	$ 28,009
102,738	88,209	77,789	77,668	83,653	77,487
128,261	114,547	104,726	134,506	115,413	127,350
213,546	153,677	147,774	210,434	136,960	148,812
204,448	218,610	235,749	229,216	259,071	225,886
74,827	225,458	125,216	267,544	1,410	71,278
56,122	53,617	72,069	31,445	39,007	35,115
2,646,434	2,454,835	2,669,307	2,418,672	2,399,688	2,373,873
3,451,206	3,254,172	3,119,005	3,221,458	3,056,163	2,683,578
381,104	360,443	417,606	588,409	324,636	296,165
51,242	70,148	71,158	32,718	68,596	39,705
876,073	778,817	780,950	835,813	753,901	755,565
—	—	—	—	—	—
43,701	32,195	30,115	29,373	29,271	28,523
35,168	34,212	33,082	25,671	45,145	30,177
140,208	94,475	93,401	85,402	76,406	74,027
8,433,105	7,959,569	8,003,292	8,215,887	7,419,943	6,995,550
1,654	1,757	1,824	1,859	1,806	1,763
1,014	869	919	901	925	929
15,248	12,024	15,872	1,223	5,274	251
29,115	24,812	49,492	12,390	25,606	6,692
45,684	44,114	41,885	42,115	40,658	37,688
44,720	56,621	54,877	55,254	46,730	50,326
—	—	—	—	283	—
1,698	3,008	4,465	4,133	3,846	3,383
74,960	83,230	84,428	82,325	73,150	56,631
11,097	10,165	5,317	8,884	6,679	5,957
62,352	65,364	44,229	26,303	26,683	25,089
102,561	96,068	97,064	99,532	88,777	93,569
4	—	—	—	—	—
27,897	21,638	26,789	23,017	31,641	27,033
418,004	419,670	427,161	357,936	352,058	309,311
255	1,269	545	646	749	525
813	380	436	—	156	(35)
35,615	38,249	27,138	45,805	39,587	46,974
36,670	37,945	56,748	52,316	46,288	34,987
38,138	47,463	32,749	76,340	74,990	82,009
50,090	53,301	44,255	88,395	88,183	71,934
55,839	54,690	65,303	30,805	36,995	35,594
380,708	388,305	369,428	358,853	324,292	311,847
2,365,068	2,235,552	2,224,260	2,285,865	2,179,003	1,998,922
95,331	52,708	60,756	95,874	81,767	65,847
—	66,214	214	200	30	9
21,244	11,637	11,594	12,634	12,148	11,664
2,937	2,267	4,376	8,306	7,460	2,045
3,082,708	2,989,980	2,897,802	3,056,039	2,891,648	2,662,322
41	—	—	—	—	—
28	4,001	—	—	213	19
1,027	31	233	217	99	—
4,743	5,423	10,127	26,255	38,731	11,303
419,810	410,669	447,727	453,719	438,974	411,280
—	—	—	—	—	—
425,649	420,124	458,087	480,191	478,017	422,602
3,926,361	3,829,774	3,783,050	3,894,166	3,721,723	3,394,235
(4,506,744)	(4,129,795)	(4,220,242)	(4,321,721)	(3,698,220)	(3,601,315)

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. Veterans Assistance was previously included in Military Affairs and Public Safety.

(Continued)

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

	2012	2011	2010	2009
General Revenues and Other Changes in Net Assets				
Taxes:				
Personal Income	1,790,146	1,657,258	1,534,970	1,630,492
Consumer Sales	1,216,561	1,150,887	1,131,075	1,088,901
Business	905,515	977,252	844,405	912,252
Medicaid	190,419	173,103	157,693	165,759
Transportation	594,871	574,949	541,023	533,833
Other	318,938	264,260	277,811	297,644
Entitlements and Grants	5,056	29,995	—	—
Unrestricted Investment Earnings	54,699	63,821	89,635	(33,983)
Tobacco Settlement Revenues	63,270	61,233	66,199	81,703
Federal Appropriations - Jobs Growth Tax Relief	—	—	—	—
Lottery Revenue	497,874	408,974	—	—
Miscellaneous	112,324	103,228	97,791	96,098
Special Item	—	—	—	—
Transfers	(258,248)	(244,759)	279,309	206,287
Excess Reserve Transfer to RHBT	—	—	—	—
Total General Revenue, Special Item, and Transfers	5,491,425	5,220,201	5,019,911	4,978,986
Total Governmental Activities Changes in Net Assets	$ (980,215)	$ 435,664	$ 252,626	$ 248,513
Business-type Activities				
Expenses:				
West Virginia Lottery	$ —	$ —	$ 899,247	$1,022,747
Water Pollution Control Revolving Fund	5,740	26,723	34,796	1,905
Workers' Compensation Fund	147,230	179,803	173,967	36,252
Unemployment Compensation	365,323	444,036	605,272	356,715
WV Infrastructure & Jobs Development Council	18,503	16,024	22,882	—
Public Employees' Insurance Agency	524,789	527,830	437,496	394,616
Board of Risk and Insurance Management	57,288	37,624	35,614	40,498
Other Business-type Activities	108,221	101,937	97,089	69,184
Total Expenses	1,227,094	1,333,977	2,306,363	1,921,917
Program Revenues:				
Charges for Services:				
West Virginia Lottery	—	—	1,358,092	1,493,036
Water Pollution Control Revolving Fund	4,631	4,548	4,509	4,154
Workers' Compensation Fund	54,361	51,015	50,460	49,921
Unemployment Compensation	400,238	467,910	510,048	249,996
WV Infrastructure & Jobs Development Council	4,381	3,162	2,756	—
Public Employees' Insurance Agency	499,236	499,726	481,060	402,377
Board of Risk and Insurance Management	45,587	46,376	51,613	56,337
Other Business-type Activities	117,206	103,143	97,846	90,438
Total Charges for Services	1,125,640	1,175,880	2,556,384	2,346,259
Operating Grants and Contributions:				
Unemployment Compensation	—	—	—	—
Total Operating Grants and Contributions	—	—	—	—
Capital Contributions:				
Water Pollution Control Revolving Fund	—	—	—	11,384
Total Capital Grants and Contributions	—	—	—	11,384
Total Revenues	1,125,640	1,175,880	2,556,384	2,357,643
Total Business-type Activities Net Program Expenses	(101,454)	(158,097)	250,021	435,726
Business-type Activities General Revenues and Other Changes in Net Assets				
Unrestricted Investment Earnings	66,690	160,942	190,159	(86,937)
Tobacco Settlement Revenue	—	—	—	—
Lottery Revenue	57,000	51,000	—	—
Miscellaneous	6,309	7,362	54,718	17,102
Transfers	258,248	244,759	(279,309)	(206,287)
Total Business-type Activities General Revenues and Other Changes in Net Assets	388,247	464,063	(34,432)	(276,122)
Total Business-type Activities Changes in Net Assets	$ 286,793	$ 305,966	$ 215,589	$ 159,604
Total Primary Government Change in Net Assets	$ (693,422)	$ 741,630	$ 468,215	$ 408,117

2008	2007	2006	2005	2004	2003
1,557,957	1,372,646	1,330,913	1,163,211	1,073,512	1,048,172
990,051	1,020,128	981,536	979,357	965,378	917,072
1,040,604	906,022	920,940	726,878	554,734	551,910
161,896	162,692	169,866	154,070	150,335	143,036
564,736	535,979	501,022	502,659	477,159	466,273
394,798	393,400	382,718	377,878	359,341	291,776
—	—	229	912	—	—
89,581	105,317	71,233	54,240	15,753	52,446
73,079	48,294	33,137	56,825	53,850	32,521
—	—	—	—	30,746	30,747
—	—	—	—	—	—
128,940	111,277	74,047	93,281	52,123	127,287
—	—	—	—	—	—
214,864	539,205	438,733	484,308	411,164	355,533
(108,168)	—	—	—	—	—
5,108,338	5,194,960	4,904,374	4,593,619	4,144,095	4,016,773
$ 601,594	$1,065,165	$ 684,132	$ 271,898	$ 445,875	$ 415,458
$1,087,321	$1,081,336	$1,096,893	$ 839,241	$ 776,124	$ 670,041
1,651	1,630	1,718	1,786	1,914	1,752
(161,079)	81,459	392,975	189,753	579,433	1,276,891
175,107	153,663	147,308	143,989	195,359	224,897
—	—	—	—	—	—
444,380	379,742	545,384	506,837	449,905	410,413
47,229	39,441	41,256	60,969	96,658	82,591
77,329	76,785	66,631	58,910	62,202	55,082
1,671,938	1,814,056	2,292,165	1,801,485	2,161,595	2,721,667
1,523,457	1,562,259	1,522,532	1,399,073	1,303,434	1,081,894
3,819	3,744	3,383	2,953	2,843	2,862
44,073	235,664	524,269	718,382	628,682	549,742
141,921	147,091	148,731	144,030	137,872	133,840
—	—	—	—	—	—
360,564	406,311	567,107	525,130	505,995	438,056
66,592	74,097	78,787	85,123	105,435	73,281
83,542	77,553	73,155	67,553	63,754	62,088
2,223,968	2,506,719	2,917,964	2,942,244	2,748,015	2,341,763
—	—	—	—	21,681	30,733
—	—	—	—	21,681	30,733
20,788	12,627	20,241	—	—	—
20,788	12,627	20,241	—	—	—
2,244,756	2,519,346	2,938,205	2,942,244	2,769,696	2,372,496
572,818	705,290	646,040	1,140,759	608,101	(349,171)
38,441	189,761	65,758	104,011	51,190	75,250
—	15,000	45,000	—	—	—
—	—	—	—	—	—
32,022	26,090	51,847	(534)	(12,270)	6,737
(214,864)	(539,205)	(438,733)	(484,308)	(411,164)	(355,533)
(144,401)	(308,354)	(276,128)	(380,831)	(372,244)	(273,546)
$ 428,417	$ 396,936	$ 369,912	$ 759,928	$ 235,857	$ (622,717)
$1,030,011	$1,462,101	$1,054,044	$1,031,826	$ 681,732	$ (207,259)

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

	2012	2011	2010	2009
General Fund				
Reserved	$ —	$ —	$ —	$ 400,816
Unreserved	—	—	—	767,100
Nonspendable:				
Inventories	11,143	9,928	11,426	—
Receivables	111,340	153,307	152,911	—
Restricted for:				
Government Operations	17,065	5,936	16,012	—
Development, Tourism, and Recreation	16,162	12,881	12,598	—
Education	2,207	3,582	3,203	—
Health and Social Services	17,399	14,195	9,962	—
Public Protection	7,217	8,435	17,371	—
Committed to:				
Government Operations	946,290	421,296	413,657	—
Development, Tourism, and Recreation	8,745	36,811	46,104	—
Education	14,123	18,376	21,417	—
Health and Social Services	27,501	220,216	227,265	—
Public Protection	—	20,174	20,691	—
Assigned to:				
Government Operations	14,117	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	(640,981)	427,107	270,221	—
Total General Fund	552,328	1,400,096	1,282,499	1,167,916
All Other Governmental Funds				
Reserved				
Special Revenue Funds	$ —	$ —	$ —	$ 508,529
Permanent Funds	—	—	—	1,309
Capital Projects	—	—	—	67,240
Debt Service	—	—	—	185,540
Unreserved, Reported in:				
Special Revenue Funds	—	—	—	1,415,461
Capital Projects	—	—	—	—
Debt Service	—	—	—	—
Nonspendable:				
Inventories	47,371	40,434	38,676	—
Permanent Fund	1,000	1,000	1,000	—
Receivables	645,301	666,824	—	—
Restricted for:				
Capital Projects	96,637	147,798	28,283	—
Debt Service	151,727	173,097	181,415	—
Development, Tourism, and Recreation	40,050	40,391	34,877	—
Education	555	386	393	—
Public Protection	43,114	31,147	23,363	—
Transportation	17,350	14,584	—	—
Committed to:				
Government Operations	5,504	5,843	6,764	—
Public Protection	233,177	220,245	191,383	—
Assigned to:				
Health and Social Services	—	—	649	—
Public Protection	1,357	1,739	2,568	—
Transportation	—	113,544	23,121	—
Unassigned	(8,425)	(6,398)	862,381	—
Total All Other Governmental Funds	1,274,718	1,450,634	1,394,873	2,178,079
Total Fund Balances, Governmental Funds	$1,827,046	$2,850,730	$2,677,372	$3,345,995

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.

2008	2007	2006	2005	2004	2003
$ 346,377	$ 343,380	$ 328,482	$ 486,474	$ 529,986	$ 316,594
822,579	697,704	1,079,851	391,457	293,847	312,519
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—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
1,168,956	1,041,084	1,408,333	877,931	823,833	629,113
$ 457,501	$ 457,109	$ 410,115	$ 363,526	$ 338,275	$ 291,364
1,671	1,762	1,886	235,210	187,736	141,903
40,681	264,836	236,561	—	136,845	192,967
183,548	228,699	131,765	—	131,787	96,072
1,610,996	1,488,498	562,996	539,296	471,373	414,765
—	—	—	276,443	—	—
—	—	—	124,910	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
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—	—	—	—	—	—
—	—	—	—	—	—
—	—	—	—	—	—
2,294,397	2,440,904	1,343,323	1,539,385	1,266,016	1,137,071
$3,463,353	$3,481,988	$2,751,656	$2,417,316	$2,089,849	$1,766,184

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
(Expressed in Thousands)

Revenues	2012	2011	2010	2009
Taxes:				
Personal Income	$1,790,299	$1,654,563	$ 1,531,867	$1,612,897
Consumer Sales and Use	1,216,286	1,151,363	1,132,951	1,087,130
Severance	564,327	571,539	530,940	470,266
Corporate Net Income	232,266	263,963	227,693	256,389
Business and Occupation	123,137	127,103	133,245	148,247
Medicaid	176,661	170,079	157,693	165,759
Business Franchise	—	—	—	—
Gasoline and Motor Carrier	408,571	406,347	393,557	391,903
Automobile Privilege	186,300	168,602	147,466	141,930
Wholesale Motor Fuel	—	—	—	—
Other	318,999	266,723	279,444	293,654
Intergovernmental	4,077,933	4,372,908	4,115,677	3,552,545
Licenses, Permits, and Fees	234,984	218,431	214,293	211,932
Motor Vehicle Registration	92,951	96,504	91,902	91,667
Charges for Services	127,806	147,142	135,914	126,317
Lottery Revenue	487,122	398,974	—	—
Investment Earnings	55,931	495,777	100,111	(38,440)
Food Stamp Revenue	491,416	75,594	478,622	372,270
Other	209,490	175,821	184,935	197,669
Total Revenues	10,794,479	10,761,433	9,856,310	9,082,135
Expenditures				
Current:				
Legislative	36,731	31,916	29,022	29,622
Judicial	139,941	130,574	125,184	110,410
Executive	216,268	354,357	256,364	146,181
Administration	190,164	120,881	114,972	127,517
Commerce	226,194	226,931	223,569	214,767
Environmental Protection	152,634	134,515	148,982	117,402
Employment Programs	55,969	61,536	60,483	47,974
Education	3,760,480	2,878,686	2,773,160	2,789,173
Health and Human Resources	4,425,591	4,334,459	4,056,573	3,767,274
Military Affairs and Public Safety	526,654	523,868	462,163	425,488
Revenue	91,349	90,370	263,427	89,042
Transportation	1,009,032	741,384	754,486	695,354
Veterans Assistance	26,600	—	—	—
Senior Services	47,656	47,292	46,727	43,841
Regulatory Boards and Commissions	93,643	34,540	37,161	35,917
Capital Outlay	334,046	571,034	521,480	579,722
Debt Service		—	—	—
Principal	341,673	101,978	103,735	103,276
Interest	113,204	123,841	123,670	129,795
Total Expenditures	11,787,829	10,508,162	10,101,158	9,452,755
Excess of Revenues Over (Under) Expenditures	(993,350)	253,271	(244,848)	(370,620)
Other Financing Sources (Uses):				
Face Value of Long-Term Debt Issued	18,615	190,755	—	76,835
Premiums (Discounts) on Bonds Issued	1,025	10,292	—	4,129
Capital Lease Acquisition	234,765	805	—	1,115
Other Nonoperating Revenues	—	—	12,505	—
Payments to Refunded Bonds Escrow Agents	(20,935)	(37,730)	—	—
Transfers In	170,321	134,473	654,340	653,249
Transfers Out	(434,125)	(378,508)	(383,264)	(475,798)
Excess Reserve Transfer to RHBT	—	—	—	—
Total Other Financing Sources (Uses)	(30,334)	(79,913)	283,581	259,530
Net Changes in Fund Balances	$(1,023,684)	$ 173,358	$ 38,733	$ (111,090)
Debt Service as a Percentage of Noncapital Expenditures	3.98%	2.30%	2.40%	2.64%

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. Veterans Assistance was previously included in Military Affairs and Public Safety.

2008	2007	2006	2005	2004	2003
$1,557,352	$1,370,566	$1,329,796	$1,170,202	$1,070,282	$1,038,181
989,517	1,019,631	989,642	978,115	963,327	917,072
518,724	340,544	355,680	287,774	211,236	193,680
373,180	384,440	380,287	255,772	166,511	83,311
147,989	180,527	184,364	182,090	176,987	178,364
161,896	162,692	169,866	154,070	150,335	143,036
—	—	—	—	—	96,555
395,641	364,550	330,538	320,891	275,471	227,793
169,095	171,429	170,484	3,005	173,225	169,431
—	—	—	178,763	28,463	69,049
396,772	393,210	380,711	371,667	359,341	291,776
3,183,463	3,033,765	3,037,432	3,235,199	3,119,073	2,868,461
214,655	216,504	194,681	173,181	176,513	157,864
96,592	92,422	92,681	93,144	84,977	88,967
117,360	117,970	121,420	120,759	108,387	90,817
—	—	—	—	—	—
91,030	184,957	101,736	79,534	40,562	67,843
293,439	273,227	265,344	252,097	228,000	211,218
205,820	136,117	121,654	156,780	112,585	151,272
8,912,525	8,442,551	8,226,316	8,013,043	7,445,275	7,044,690
28,163	26,389	25,322	27,594	30,634	28,901
108,075	90,829	82,381	84,283	81,577	77,816
131,404	118,550	122,576	122,415	115,418	113,661
111,866	106,020	95,227	150,333	87,834	87,109
214,102	228,570	243,092	224,147	273,748	234,672
69,882	114,482	109,829	98,576	118,592	103,566
58,563	58,488	75,438	36,609	40,183	38,401
2,688,399	3,616,732	2,690,459	2,423,094	2,323,733	2,316,665
3,472,108	3,251,403	3,135,884	3,237,580	3,056,762	2,709,057
382,372	353,445	389,909	609,215	338,907	293,611
86,496	76,257	42,725	60,630	44,765	40,845
579,982	520,281	531,848	573,184	531,214	541,219
—	—	—	—	—	—
43,719	32,315	30,118	29,455	29,230	28,676
36,469	34,691	33,345	27,561	44,680	31,213
535,538	502,232	550,415	490,195	573,295	535,008
—	—	—	—	—	—
92,338	134,464	74,427	95,400	65,780	64,176
129,705	86,237	89,788	80,777	74,386	72,678
8,769,181	9,351,385	8,322,783	8,371,048	7,830,738	7,317,274
143,344	(908,834)	(96,467)	(358,005)	(385,463)	(272,584)
—	1,349,893	54,800	463,005	294,895	32,370
—	5,126	697	73,388	(1,719)	(1,039)
3,235	190	13,359	—	15,050	60,428
—	—	—	—	—	—
—	(242,616)	(56,062)	(321,405)	—	(31,325)
497,811	749,215	875,203	667,841	589,701	517,171
(347,579)	(222,642)	(457,190)	(197,357)	(188,799)	(166,256)
(108,168)	—	—	—	—	—
45,299	1,639,166	430,807	685,472	709,128	411,349
$ 188,643	$ 730,332	$ 334,340	$ 327,467	$ 323,665	$ 138,765
2.70%	2.50%	2.12%	2.22%	1.93%	2.01%

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

	2011	2010	2009	2008
Personal Income by Industry - (Calendar Year)				
Farm Earnings	$ (40,920)	$ (51,659)	$ (46,725)	$ (134,000)
Agricultural/Forestry, Fishing, and Other	97,810	74,187	104,000	111,000
Mining	3,440,574	2,753,612	2,958,000	3,410,000
Construction	2,513,975	2,408,107	2,301,000	2,453,000
Manufacturing	3,565,688	3,376,006	3,334,000	3,919,000
Transportation, Warehousing and Public Utilities	2,034,076	1,943,157	1,990,000	1,989,000
Wholesale Trade	1,477,230	1,413,039	1,442,000	1,513,000
Retail Trade	2,867,136	2,754,166	2,832,000	2,720,000
Finance, Insurance, and Real Estate	1,769,826	1,649,776	1,591,000	1,619,000
Service Industries	13,908,974	13,261,227	12,808,000	11,998,000
Federal, Civilian	2,469,552	2,431,677	2,496,000	2,181,000
Military	466,154	522,277	535,000	436,000
State and Local Government	6,376,291	6,104,522	7,252,000	6,082,000
Tax Revenue - (Fiscal Year)				
Consumer Sales	1,148,200	1,095,700	1,110,000	1,109,800
Personal Income	1,593,200	1,446,900	1,557,400	1,518,700
Severance	440,900	400,600	359,600	338,200
Corporate Income and Business Franchise	303,000	232,900	270,200	388,000
Motor Fuel	397,700	390,900	384,500	404,200
Automobile Privilege	168,602	147,466	141,930	169,095

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 2011.

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

This schedule has been revised.

2007	2006	2005	2004	2003	2002
$ (78,000)	$ (61,000)	$ (24,000)	$ (2,000)	$ (24,000)	$ (8,000)
118,000	123,000	116,000	112,000	117,000	147,000
2,871,000	2,682,000	2,363,000	2,050,000	1,784,000	1,626,000
2,362,000	2,393,000	2,079,000	1,868,000	1,676,000	1,752,000
3,925,000	3,951,000	3,932,000	3,917,000	3,776,000	3,720,000
3,925,000	1,813,000	1,722,000	1,672,000	1,588,000	1,578,000
1,478,000	1,453,000	1,327,000	1,223,000	1,122,000	1,118,000
2,658,000	2,611,000	2,493,000	2,417,000	2,307,000	2,268,000
1,551,000	1,492,000	1,409,000	1,355,000	1,323,000	1,340,000
11,272,000	11,041,000	10,362,000	9,914,000	9,250,000	8,988,000
2,100,000	1,956,000	1,892,000	1,794,000	1,646,000	1,561,000
405,000	419,000	436,000	367,000	334,000	158,000
5,763,000	5,368,000	5,182,000	4,987,000	4,788,000	4,660,000
1,129,500	1,125,800	960,200	928,000	894,500	885,900
1,360,500	1,297,700	1,170,100	1,068,200	1,055,500	1,034,700
312,200	314,700	248,100	184,400	162,300	166,500
358,400	347,600	280,800	181,500	181,200	220,200
349,200	320,700	311,600	309,300	289,200	230,100
171,429	170,484	178,763	173,225	169,431	180,472

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

	2012	2011	2010	2009
Corporate Net Income	8.50%	8.50%	8.50%	8.50%
Severance Tax:				
Timber	1.22%	Temporarily Discontinued	Temporarily Discontinued	1.22%
Oil/Gas	5%	5%	5%	5%
Coal	Various	Various	Various	Various
Consumer Sales Tax	6%	6%	6%	6%
Food Tax*	3%/2%	3%	3%	3%
Motor Fuel Excise and Sales Tax** (cents per gallon)	32.2/33.4	32.2	32.2	32.2
Automobile Privilege Tax	5%	5%	5%	5%

*The tax rate on food declined from 3% to 2% effective January 1, 2012.

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

All rates are set by the Legislature.

Sources: State Tax Department and 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

2008	2007	2006	2005	2004	2003
8.75%	8.75%	9%	9%	9%	9%
1.22%	1.22%	3.22%	3.22%	3.22%	3.22%
5%	5%	5%	5%	5%	5%
Various	Various	Various	Various	Various	Various
6%	6%	6%	6%	6%	6%
4%	5%	5%	6%	6%	6%
32.2	31.5	27.0	27.0	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 2011

Industry	Remittance	Percent of Total	Accounts	Percent of Total
Agriculture, Forestry, Fishing and Hunting	$ 3,887	0.3%	666	1.57%
Mining, Quarrying, and Oil and Gas Extraction	12,034	1.0%	365	0.86%
Construction	33,792	2.7%	4,068	9.56%
Manufacturing	57,484	4.6%	2,615	6.15%
Wholesale Trade	114,436	9.2%	2,229	5.24%
Retail Trade	641,090	51.4%	10,471	24.62%
Finance and Insurance	3,739	0.3%	357	0.84%
Services	301,131	24.2%	18,905	44.45%
Other	78,080	6.3%	2,855	6.71%
Total	$1,245,673	100%	42,531	100%

Tax Year 2002

Industry	Remittance	Percent of Total	Accounts	Percent of Total
Agriculture, Forestry, Fishing and Hunting	$ 3,964	0.4%	1,532	2.20%
Mining, Quarrying, and Oil and Gas Extraction	4,284	0.4%	1,548	2.22%
Construction	28,868	2.9%	11,865	17.00%
Manufacturing	48,364	4.9%	4,009	5.75%
Wholesale Trade	80,935	8.2%	3,235	4.64%
Retail Trade	530,716	53.8%	16,701	23.94%
Finance and Insurance	3,065	0.3%	511	0.73%
Services	230,532	23.5%	25,664	36.79%
Other	54,891	5.6%	4,698	6.73%
Total	$985,619	100%	69,763	100%

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 2010

Income Level (Actual)	Tax Liability	Percent of Total	Returns	Percent of Total
$0 - $10,000	$ 957	0.06%	156,661	19.38%
$10,000 - $20,000	27,807	1.87%	145,199	17.96%
$20,000 - $40,000	141,618	9.51%	180,871	22.38%
$40,000 - $60,000	189,191	12.71%	111,903	13.84%
Over $60,000	1,129,388	75.85%	213,736	26.44%
Total	$1,488,961	100%	808,370	100%

Tax Year 2001

Income Level (Actual)	Tax Liability	Percent of Total	Returns	Percent of Total
$0 - $10,000	$ 2,699	0.27%	162,540	22.02%
$10,000 - $20,000	44,300	4.50%	153,932	20.85%
$20,000 - $40,000	150,758	15.33%	186,250	25.23%
$40,000 - $60,000	187,359	19.05%	110,292	14.94%
Over $60,000	598,590	60.85%	125,281	16.96%
Total	$983,706	100%	738,295	100%

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

	Primary Government - Debt			
	2012	**2011**	**2010**	**2009**
Governmental Activities:				
General Obligation Bonds	$ 533,304	$ 580,357	$ 622,928	$ 665,294
Revenue Bonds	1,330,795	1,366,199	1,243,106	1,405,645
Capital Leases and Notes Payable	34,025	330,722	336,143	322,776
Capital Leases Payable to Component Units	275,530	—	—	—
Total Governmental Activities	2,173,654	2,277,278	2,202,177	2,393,715
Enterprise Activities:				
Revenue Bonds	113,950	116,319	118,612	—
Total Primary Government Debt	$2,287,604	$2,393,597	$2,320,789	$2,393,715

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

	Governmental Activities Tax Income					
Year	**Personal Income**	**Consumer Sales and Use**	**Business**	**Transportation**	**Other**	**Total**
2012	$1,790,146	$1,216,561	$ 905,515	$594,871	$509,357	$5,016,450
2011	1,657,258	1,150,887	977,252	574,949	437,363	4,797,709
2010	1,534,970	1,131,075	844,405	541,023	435,504	4,486,977
2009	1,630,492	1,088,901	912,252	533,833	297,644	4,463,122
2008	1,557,957	990,051	1,040,604	564,736	394,798	4,548,146
2007	1,372,646	1,020,128	906,022	535,979	393,400	4,228,175
2006	1,330,913	981,536	920,940	501,022	382,718	4,117,129
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

	General Obligation Bond Debt Ratios			
Year	**General Obligation Bond Debt**	**Percent of Tax Income**	**Percent of Personal Income**	**Amount of Debt Per Capita***
2012	$533,304	10.63%	0.86%	$0.29
2011	580,357	12.10%	0.98%	0.31
2010	622,928	13.88%	1.08%	0.34
2009	665,294	14.91%	1.16%	0.37
2008	705,955	15.52%	1.30%	0.39
2007	744,790	17.61%	1.44%	0.41
2006	772,912	18.77%	1.61%	0.43
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

Primary Government - Debt

2008	2007	2006	2005	2004	2003
$ 705,955	$ 744,790	$ 772,912	$ 798,490	$ 774,660	$ 804,635
1,362,022	1,742,647	726,249	763,761	670,789	409,106
338,603	343,813	354,000	354,337	300,227	300,899
—	—	—	—	—	—
2,406,580	2,831,250	1,853,161	1,916,588	1,745,676	1,514,640
—	—	—	—	—	—
$2,406,580	$2,831,250	$1,853,161	$1,916,588	$1,745,676	$1,514,640

Total Debt Ratios

Year	Total Debt	Percent of Tax Income	Percent of Personal Income	Amount of Debt Per Capita*
2012	$2,287,604	45.60%	3.68%	$1.23
2011	2,393,597	49.89%	4.03%	1.29
2010	2,320,789	51.72%	4.03%	1.28
2009	2,393,715	53.63%	4.16%	1.32
2008	2,406,580	52.91%	4.45%	1.33
2007	2,831,250	66.96%	5.46%	1.57
2006	1,853,161	45.01%	3.85%	1.03
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

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 2003-2007 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
2012	$27,588	$—	$27,588	$22,425	$5,163	$27,588	1.00
2011	27,575	—	27,575	21,520	6,055	27,575	1.00
2010	27,591	—	27,591	20,845	6,746	27,591	1.00
2009	14,692	—	14,692	10,550	4,200	14,750	1.00
2008	14,745	—	14,745	10,285	4,460	14,745	1.00
2007	1,207	—	1,207	—	1,207	1,207	1.00

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

2012	$50,861	$26,532	$24,329	$2,465	$5,476	$7,941	3.06
2011	48,900	18,101	30,799	2,390	5,563	7,953	3.87
2010	43,671	20,913	22,758	2,310	5,644	7,954	2.86
2009	79,414	16,309	63,105	15,035	19,987	35,022	1.80
2008	78,698	18,988	59,710	14,625	20,492	35,117	1.70
2007	78,363	17,121	61,242	14,600	20,636	35,236	1.74
2006	89,442	20,041	69,401	8,150	19,822	27,972	2.48
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

Tobacco Settlement Finance Authority

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

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2012	$67,599	$34	$67,565	$8,515	$59,425	$67,940	0.99
2011	66,382	27	66,355	6,690	59,925	66,615	1.00
2010	70,404	21	70,383	10,070	60,677	70,747	0.99
2009	83,205	58	83,147	19,910	62,237	82,147	1.01
2008	77,447	25	77,422	12,320	58,771	71,091	1.09

Economic Development Project Fund

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

2012	$19,290	$—	$19,290	$8,495	$10,317	$18,812	1.03
2011	19,569	—	19,569	8,175	10,655	18,830	1.04
2010	19,411	—	19,411	7,890	10,955	18,845	1.03
2009	19,698	—	19,698	7,645	11,220	18,865	1.04
2008	20,560	—	20,560	7,440	11,446	18,886	1.09
2007	19,888	—	19,888	7,275	11,629	18,904	1.05
2006	22,627	100	22,527	7,165	11,767	18,932	1.19
2005	20,461	—	20,461	13,890	11,009	24,899	0.82
2004	19,019	—	19,019	—	—	—	—

(Continued)

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

Education, Arts, Sciences, and Tourism
Certain net profits of the Lottery as set forth in Chapter 29 Article 22 of the Code of West Virginia are transferred to the Trustee under the bond indenture. These bonds are subordinate as to lien and source of payment only to those certain School Building Authority Capital Improvement Bonds, series 2004 and 2012.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2012	$10,012	$ 3	$10,009	$2,685	$7,310	$ 9,995	1.00
2011	8,001	315	7,686	9,605	6,285	15,890	0.48
2010	8,242	3	8,239	9,115	643	9,758	0.84
2009	10,046	3	10,043	8,660	1,109	9,769	1.03
2008	10,601	3	10,598	8,210	1,563	9,773	1.08
2007	11,002	3	10,999	7,780	2,002	9,782	1.12
2006	10,860	—	10,860	7,375	2,421	9,796	1.11
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

Economic Development Authority
The Economic Development Authority (EDA) has issued Revenue Bonds to provide financial assistance to State governmental entities for the acquisition and construction of facilities deemed to be in the public interest. The EDA has lease-purchase agreements with the State and the State makes the payments to the trustee. Upon repayment of the bonds, ownership of the acquired facilities transfers to the governmental entity served by the bond issuance.

2012	$ —	$ —	$259,285	$251,468	$7,817	$259,285	1.00

Housing Development Fund
Operating revenue includes revenues and principal loan repayments. Both are used for bond repayment. The Fund is authorized by West Virginia State Code to issue bonds and notes for its various programs in an aggregate principal amount not to exceed $1.25 billion outstanding at any one time, exclusive of refunded obligations. Bonds and notes issued by the Fund are considered obligations of the Fund and are not deemed to constitute a debt or liability of the State. All bonds are secured by a pledge of all mortgage loan

repayments, all proceeds of federal or private mortgage insurance, interest received on any monies or securities held pursuant to the resolution, and the rights and interest of the Fund in and to the mortgage loans.

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2012	$144,583	$9,462	$135,121	$20,651	$25,694	$46,345	2.92
2011	125,325	9,325	116,000	16,594	30,479	47,073	2.46
2010	130,282	6,009	124,273	19,198	33,963	53,161	2.34
2009	136,802	7,367	129,435	21,816	37,681	59,497	2.18
2008	146,744	7,230	139,514	23,521	39,135	62,656	2.23
2007	154,643	8,123	146,520	20,180	36,402	56,582	2.59
2006	154,190	9,783	144,407	19,560	33,896	53,456	2.70
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

Water Development Authority

The Authority maintains a variety of programs to provide long-term, short-term and private-activity financing at favorable interest rates for design, construction, and/or acquisition of wastewater and/or water systems. Monies are loaned to municipalities, public service districts, and other political subdivisions through purchase of revenue bonds or notes issued by these local governmental agencies. The loans are repaid from the revenues of the systems or other permanent financing. The aggregate principal amount of bonds and/or notes issued by the Authority may not exceed $500 million outstanding at any time; provided that before the Authority issues bonds or notes in excess of $400 million, the Legislature must pass a resolution authorizing this action. An additional aggregate principal amount of $180 million may be issued for the limited purpose of providing grants for capital improvements for designated projects in the Chesapeake Bay and Greenbrier Watershed areas. The Authority's long-term planning is accomplished within the confines of its authorized borrowing limit. Operating revenue includes revenues and principal loan repayments. Both are used for bond repayment. Fiscal year 2004 includes retirement of revenue bonds.

2012	$14,715	$2,166	$12,549	$6,930	$11,334	$18,264	0.69
2011	15,274	2,283	12,991	7,160	11,616	18,776	0.69
2010	15,355	1,091	14,264	6,930	11,874	18,804	0.76
2009	15,731	809	14,922	6,685	12,110	18,795	0.79
2008	15,882	620	15,262	6,330	12,326	18,656	0.82
2007	15,829	502	15,327	6,585	12,537	19,122	0.80
2006	16,334	569	15,765	5,120	12,123	17,243	0.91
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

(Continued)

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

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

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2012	$1,596,324	$1,664,940	$ (68,616)	$226,945	$57,079	$284,024	(0.24)
2011	1,554,057	1,620,575	(66,518)	71,574	32,361	103,935	(0.64)
2010	1,467,996	1,547,741	(79,745)	25,184	30,716	55,900	(1.43)
2009	1,447,422	1,409,047	38,375	24,169	31,745	55,914	0.69
2008	1,508,466	1,317,474	190,992	24,006	31,650	55,656	3.43
2007	1,333,158	1,217,652	115,506	46,439	32,636	79,075	1.46
2006	1,254,971	1,147,583	107,388	20,527	33,149	53,676	2.00
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

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.

2012	$102,043	$77,064	$24,979	$5,270	$3,592	$8,862	2.82
2011	88,773	77,797	10,976	5,015	3,975	8,990	1.22
2010	75,434	79,054	(3,620)	4,770	4,097	8,867	(0.41)
2009	97,048	79,508	17,540	4,550	4,320	8,870	1.98
2008	85,688	70,194	15,494	4,335	4,533	8,868	1.75
2007	84,597	69,267	15,330	4,130	4,735	8,865	1.73
2006	85,389	67,623	17,766	3,940	4,926	8,866	2.00
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

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

School Building Authority

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

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Current Year Debt Service Requirements			
				Principal	Interest	Total	Coverage
2012	$62,068	$ —	$62,068	$33,980	$17,077	$51,057	1.22
2011	59,003	—	59,003	31,620	17,972	49,592	1.19
2010	52,931	—	52,931	29,850	18,877	48,727	1.09
2009	47,636	—	47,636	14,940	16,743	31,683	1.50
2008	43,166	17,891	25,275	23,725	13,584	37,309	0.68
2007	43,359	2,367	40,992	22,760	18,383	41,143	1.00
2006	42,754	1,252	41,502	20,030	19,349	39,379	1.05
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

Parkways Authority

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

Fiscal Year	Operating Revenue	Direct Operating Expense	Net Revenue Available for Debt Service	Total Debt Service	Coverage
2012	$83,574	$35,043	$48,531	$10,541	4.60
2011	82,440	35,891	46,549	10,515	4.43
2010	79,188	33,134	46,054	10,670	4.32
2009	53,541	30,908	22,633	12,218	1.85
2008	56,690	31,183	25,507	11,852	2.15
2007	58,219	32,606	25,613	10,876	2.36
2006	61,806	31,478	30,328	10,801	2.81
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

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

Schedule 10
Demographics and Economic Indicators
Last Ten Calendar Years

	2011	2010	2009	2008
Population				
West Virginia	1,855,364	1,852,994	1,819,777	1,814,873
Change	0.13%	1.83%	0.27%	0.20%
National	311,591,917	308,745,538	307,006,550	304,374,846
Change	0.92%	0.57%	0.86%	0.93%
Total Personal Income (Dollars in Millions)				
West Virginia	$62,178	$59,417	$57,535	$57,576
Change	4.65%	3.27%	(0.07)%	6.43%
National	$12,981,741	$12,353,577	$11,916,773	$12,451,660
Change	5.08%	3.67%	(4.30)%	4.63%
Per Capita Personal Income* (In Dollars)				
West Virginia	$33,513	$32,042	$31,137	$31,286
Change	4.59%	2.91%	(0.48)%	6.07%
National	$41,663	$39,937	$38,846	$40,947
Change	4.32%	2.81%	(5.13)%	3.65%
Median Age	41.1	41.3%	40.5	40.6
Educational Attainment				
9th Grade or Less	6.8%	6.1%	6.5%	6.6%
Some High School, No Diploma	11.3%	10.7%	10.7%	11.1%
High School Diploma	41.3%	41.6%	41.0%	40.9%
Some College, No Degree	17.6%	18.3%	18.5%	18.5%
Associate, Bachelor's or Graduate Degree	23.0%	23.3%	23.2%	22.9%

Labor Force and Employment
(People in Thousands)

Civilian Labor Force	799.9	782.3	797.9	806.0
Employed	736.1	711.1	734.6	772.0
Unemployed	63.8	71.2	63.3	34.0
Unemployment Rate	8.0%	9.1%	7.9%	4.3%
Nonfarm Wage and Salary Workers Employed in West Virginia Goods Producing Industries:				
Mining	33.6	29.9	29.6	30.7
Construction	33.0	32.6	34.1	38.4
Manufacturing-Durable Goods	30.0	29.6	30.9	35.2
Manufacturing-Nondurable Goods	19.5	19.5	19.8	21.1
Total Goods Producing Industries	116.1	111.6	114.4	125.4
Non-Goods Producing Industries:				
Trade	109.9	109.2	110.0	114.4
Service	376.2	372.5	369.9	374.0
State and Local Government	128.3	128.3	126.3	123.7
Federal Government	23.5	24.3	23.6	22.9
Total Non-Goods Producing Industries	637.9	634.3	629.8	635.0
Total Nonfarm Wage and Salary Employment	754.0	745.9	744.2	760.4

The most current period available is 2011.

*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.

2007	2006	2005	2004	2003	2002
1,811,198	1,807,237	1,803,920	1,803,302	1,802,238	1,799,411
0.22%	0.18%	0.03%	0.06%	0.16%	0.05%
301,579,895	298,593,212	295,753,151	293,045,739	290,326,418	287,803,914
1.00%	0.96%	0.92%	0.97%	0.99%	1.01%
$54,100	$51,862	$48,139	$46,497	$43,841	$43,312
4.32%	7.73%	3.53%	6.06%	1.22%	3.36%
$11,900,562	$11,256,516	$10,476,669	$9,928,790	$9,150,320	$8,872,871
5.72%	7.44%	5.52%	8.51%	3.13%	1.79%
$29,497	$28,372	$26,443	$25,784	$24,217	$24,002
3.97%	7.29%	2.55%	6.00%	0.90%	3.19%
$39,506	$37,725	$35,452	$33,881	$31,461	$30,810
4.72%	6.41%	4.64%	7.50%	2.11%	0.77%
40.4	40.7	40.7	40.2	39.9	39.5
7.0%	7.1%	10.0%	10.0%	10.0%	10.0%
11.8%	11.9%	14.8%	14.8%	14.8%	14.8%
41.1%	42.7%	39.4%	39.4%	39.4%	39.4%
16.7%	16.1%	16.6%	16.6%	16.6%	16.6%
23.4%	22.2%	19.2%	19.2%	19.2%	19.2%
813.0	810.0	798.0	788.0	790.0	796.0
778.0	773.0	759.0	747.0	742.0	749.0
35.0	37.0	39.0	41.0	48.0	47.0
4.3%	4.6%	4.9%	5.3%	6.0%	5.9%
27.5	28.1	25.9	23.8	22.0	23.1
38.7	39.2	36.8	34.6	32.7	33.4
37.2	38.4	38.8	39.2	39.7	42.2
21.8	22.6	23.0	23.8	24.9	26.5
125.2	128.3	124.5	121.4	119.3	125.2
116.2	115.5	113.6	111.9	110.4	111.3
369.5	367.8	364.9	360.5	355.5	353.7
122.6	122.4	121.7	121.4	120.6	120.9
22.5	22.1	21.9	21.8	21.9	21.9
630.8	627.8	622.1	615.6	608.4	607.8
756.0	756.1	746.6	737.0	727.7	733.0

Schedule 11
Principal Employers
Current Year and Nine Years Ago

Estimated as of June 30, 2012

Major West Virginia Employers	Number of Employees	Percentage of Total Employed
Local Government	75,000 - 79,999	10.47%
State Government	40,000 - 44,999	5.77%
Federal Government	20,000 - 24,999	3.14%
Wal-Mart Associates, Inc.	10,000 - 13,000	1.56%
West Virginia United Health System	7,000 - 9,999	1.15%
Charleston Area Medical Center, Inc.	5,000 - 6,999	0.82%
Kroger	3,000 - 4,999	0.54%
Consolidation Coal Company	3,000 - 4,999	0.54%
Lowe's Home Centers, Inc	1,000 - 2,999	0.27%
Mylan Pharmaceuticals, Inc.	1,000 - 2,999	0.27%
Mentor Management, Inc.	1,000 - 2,999	0.27%
St. Mary's Hospital	1,000 - 2,999	0.27%
American Electric Power	1,000 - 2,999	0.27%

As of June 30, 2003

Major West Virginia Employers	Number of Employees	Percentage of Total Employed
Local Government	70,000 - 74,999	9.55%
State Government	40,000 - 44,999	5.51%
Federal Government	20,000 - 24,999	2.93%
Wal-Mart Associates, Inc.	9,000 - 11,999	1.40%
West Virginia United Health System	5,000 - 6,999	0.80%
Charleston Area Medical Center, Inc.	5,000 - 6,999	0.80%
Kroger	3,000 - 4,999	0.53%
Weirton Steel Corporation	3,000 - 4,999	0.53%
CSX Corporation	3,000 - 4,999	0.53%
E I Dupont De Nemours and Company	1,000 - 2,999	0.27%
Verizon	1,000 - 2,999	0.27%
Allegheny Energy Service Corporation	1,000 - 2,999	0.27%
St. Mary's Hospital	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

Year	Elementary (Pre-K to 6)	Secondary (7 to 12)	Total All Grades
2011-12	160,571	121,517	282,088
2010-11	160,015	122,115	282,130
2009-10	159,205	122,623	281,828
2008-09	157,520	124,388	281,908
2007-08	155,832	125,903	281,735
2006-07	154,479	126,818	281,297
2005-06	152,969	126,819	279,788
2004-05	152,470	126,987	279,457
2003-04	153,616	126,945	280,561
2002-03	155,144	126,447	281,591

Higher Education Enrollment
Colleges and Universities

	Public		Independent	
Year	Enrollment	Number of Certificates and Degrees	Enrollment	Number of Certificates and Degrees
2011-12	96,573	16,512	8,758	2,991
2010-11	96,555	15,733	11,496	2,879
2009-10	94,952	15,185	12,168	2,678
2008-09	89,280	14,917	11,279	2,560
2007-08	88,276	15,040	11,131	2,686
2006-07	86,972	14,733	10,639	2,682
2005-06	84,713	14,206	10,811	2,575
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

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

	2012	2011	2010	2009
Executive*	958	946	921	927
Legislative	221	216	218	216
Judicial	1,069	1,042	1,010	961
Administration	683	693	679	696
Commerce				
Natural Resources (Parks)	756	752	798	836
Tourism and Development	162	160	155	162
WORKFORCE West Virginia	396	409	440	399
Other	439	400	400	391
Environmental Protection	842	832	823	804
Education and the Arts				
Department of Education	584	601	576	579
School for the Deaf and the Blind	193	182	195	202
Rehabilitation Services	564	555	563	542
Higher Education	11,575	11,431	10,965	10,762
Other	279	285	274	286
Revenue	1,094	1,080	1,067	1,057
Health and Human Resources	5,621	5,535	5,562	5,495
Military Affairs and Public Safety				
Corrections	1,758	1,725	1,700	1,692
Juvenile Services	712	718	681	640
State Police	1,067	1,043	1,033	1,026
Regional Jail Authority	912	883	886	896
Other	556	530	511	486
Veterans Assistance	240	227	213	181
Transportation	5,834	5,776	5,346	5,658
Miscellaneous	506	509	497	488
Total	37,021	36,530	35,513	35,382

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

The Workers' Compensation Commission was included under Commerce - Other from 2003 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.

Veterans' Assistance was previously included under Military Affairs and Public Safety – Other.

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

2008	2007	2006	2005	2004	2003
916	896	881	902	898	889
213	208	204	203	201	200
912	936	882	876	876	884
659	663	573	598	620	540
844	844	813	812	816	830
164	166	182	218	212	195
397	372	405	445	457	552
379	364	353	1,068	1,173	1,144
821	820	843	862	851	852
560	519	511	531	516	504
192	192	204	193	200	204
518	544	694	721	716	723
10,383	10,165	9,959	9,746	9,450	9,432
272	261	272	267	265	284
1,087	1,042	1,024	774	768	762
5,556	5,596	5,588	5,771	5,524	5,593
1,684	1,648	1,632	1,592	1,555	1,562
610	615	601	601	565	431
1,011	1,011	987	980	972	949
903	938	869	876	858	760
525	450	433	407	398	395
161	134	87	84	84	82
5,499	5,490	5,296	5,767	5,836	5,983
490	496	503	530	529	450
34,756	34,370	33,796	34,824	34,340	34,200

Schedule 14
Operating Indicators by Function
Last Ten Fiscal Years

	2012	2011	2010	2009
Transportation				
Total highway construction projects authorized	1,305	1,070	1,231	702
Number of roadway resurfacing projects	775	508	584	208
Number of roadway miles resurfaced	1,716	995	1,328	479
WORKFORCE West Virginia (Employment Programs)				
Applications for job search services (in thousands)	145	141	175	150
Filled job openings	4,943	4,673	4,673	7,003
Education				
Schools receiving exemplary accreditation status	7.98%	9.06%	8.36%	8.17%
Schools receiving full accreditation status	72.08%	71.57%	69.73%	71.08%
School districts receiving full approval status	87.27%	89.09%	89.09%	89.09%
Health and Human Resources				
Number of food stamp recipients	339,258	338,665	326,730	288,500
Number of food stamps issued	40,951,366	41,314,740	39,885,163	31,098,046
Medicaid enrollees	415,030	414,935	405,178	393,187
Counties enrolled in managed care*	100%	100%	100%	95%
Child support collections (in millions)	$213	$222	$201	$204
Students served by school-based health clinics	28,436	27,076	24,992	20,380
Natural Resources				
Attendance at State Parks (in millions)	6.8	6.5	6.3	5.9
Hunting and Fishing License Sales (calendar year)	N/A	879,678	914,474	1,005,953
Individuals whitewater rafting on rivers (calendar year)	142,036	156,962	155,712	164,325
Environmental Protection				
Division of Air Quality				
Number of air quality inspections	2,457	2,236	1,503	1,795
Average Days Open per Complaint	10.80	11.06	12.87	15.30
Division of Land Restoration Programs				
Organizations that adopted highways	1,186	1,867	1,536	1,879
Division of Mining and Reclamation				
Surface mine blasting examinations and certifications	125	109	118	149
Surface mine mineral extraction inspections	20,530	21,243	20,812	13,391
Number of acres reclaimed through reclamation and restoration of land	7,842	5,887	2,784	2,298
Office of Miners Health and Safety (calendar year)				
Total safety inspections	6,432	5,413	5,873	5,980
Violations issued by mine inspectors	15,705	18,708	15,306	14,804
Lost time injuries of mining personnel**	648	784	801	809
Military Affairs and Public Safety				
Division of Corrections				
Adult inmate housing capacity	5,242	5,185	5,114	5,113
Inmate employment (Correctional Industries)	253	243	242	247
Youth successfully completed programs/returned to community	163	148	159	159
Veterans' Home				
Average daily number of residents	98	100	97	97
Average daily cost per resident	$87.05	$77.32	$76.53	$70.78
Senior Services				
Persons served under Medicaid aged and disabled waiver	8,530	8,029	5,950	6,449

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.

2008	2007	2006	2005	2004	2003
1,169	874	1,105	1,232	1,165	1,064
527	324	481	490	488	384
1,557	944	1,239	1,208	1,070	1,040
141	128	100	97	152	163
8,380	9,517	11,069	20,511	24,400	27,072
10%	10%	17%	4%	7%	10%
80%	80%	68%	76%	85%	77%
96%	93%	93%	96%	93%	82%
245,931	235,772	261,577	255,281	249,227	235,420
24,555,462	22,869,066	21,982,039	20,986,880	20,563,342	19,266,926
307,686	305,054	311,289	321,158	316,668	306,185
93%	89%	89%	85%	62%	42%
$201	$192	$188	$187	$177	$179
20,224	26,800	25,950	25,780	24,155	23,826
6.7	6.5	6.7	7.3	6.4	7.6
983,544	955,737	968,954	1,058,821	1,151,623	1,418,479
181,105	170,266	201,358	209,542	227,752	218,444
2,096	1,584	1,565	1,401	1,156	778
32.41	37.34	25.96	19.43	26.68	35.39
1,834	1,882	1,891	1,456	1,518	1,481
123	159	191	144	94	151
21,183	22,092	21,891	20,085	20,193	18,885
2,483	7,261	12,655	10,963	9,893	9,470
5,709	5,508	5,816	5,727	5,984	5,787
16,130	12,488	12,258	10,749	8,454	6,539
973	929	1,089	965	875	1,129
5,017	4,931	4,520	4,070	4,070	3,880
245	238	230	260	259	244
156	115	160	180	196	148
95	89	96	95	79	112
$71.19	$68.74	$64.00	$61.54	$60.28	$57.36
5,300	4,737	4,571	4,901	5,760	5,760

Schedule 15
Capital Assets Statistics by Function
Last Ten Fiscal Years

	2012	2011	2010	2009
Vehicles				
Executive	192	178	185	171
Judicial	15	14	14	12
Administration				
Agency-Owned	7	6	6	6
Leased to other agencies	2,035	1,743	1,731	1,685
Total Administration	2,042	1,749	1,737	1,691
Revenue	1	1	—	—
Commerce				
Division of Natural Resources (Parks)	571	510	582	584
Division of Forestry	96	132	136	133
Others	17	8	7	7
Total Commerce	684	650	725	724
Environmental Protection	11	10	11	11
Education	42	44	51	58
Health and Human Services	25	28	68	72
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	852	947	992	999
Division of Corrections	42	36	40	40
Regional Jail	27	40	94	99
Others	32	34	34	31
Total MAPS	953	1,057	1,160	1,169
Veterans Assistance	75	70	72	59
Regulatory Boards and Commissions	2	2	2	2
Boats				
Commerce	92	93	90	95
Environmental Protection	7	7	7	6
Buildings				
Executive	29	28	28	28
Administration	78	78	72	70
Revenue	3	2	2	2
Commerce				
Division of Natural Resources (Parks)	905	889	889	889
Division of Forestry	5	5	5	5
Others	8	8	8	8
Total Commerce	918	902	902	902
Environmental Protection	7	8	7	7
Education	82	81	91	91
Health and Human Services	108	108	108	109
Military Affairs and Public Safety (MAPS)				
West Virginia State Police	90	85	85	85
Division of Corrections	55	53	55	55
Armory Board	154	157	158	167
Others	55	51	50	46
Total MAPS	354	346	348	353
Veterans Assistance	10	9	9	9
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.

2008	2007	2006	2005	2004	2003
169	171	140	123	116	121
10	10	5	6	4	4
4	4	5	6	6	6
1,648	1,857	1,623	1,588	1,455	1,570
1,652	1,861	1,628	1,594	1,461	1,576
1	1	1	3	3	3
570	581	581	572	543	557
130	135	137	137	137	137
7	5	6	6	5	14
707	721	724	715	685	708
11	13	12	12	10	9
42	41	41	44	44	44
68	69	68	65	58	59
1,110	916	811	952	960	939
38	28	25	21	21	23
104	90	87	67	67	71
30	28	24	23	23	17
1,282	1,062	947	1,063	1,071	1,050
56	51	53	32	32	21
2	2	2	2	—	—
94	93	92	93	89	89
5	5	4	4	3	3
28	28	28	28	28	28
68	66	60	52	50	46
2	2	2	2	2	2
884	885	893	888	887	881
5	4	4	4	4	4
8	7	6	6	6	6
897	896	903	898	897	891
7	7	7	7	4	4
90	90	90	90	89	88
109	157	147	147	145	144
83	82	81	81	80	78
54	53	53	50	47	46
165	167	171	171	168	167
43	40	31	30	28	27
345	342	336	332	323	318
9	9	9	9	9	7
3	3	3	2	2	2

Schedule 16
Miscellaneous Statistics
June 30, 2012

Date of Statehood	June 20, 1863

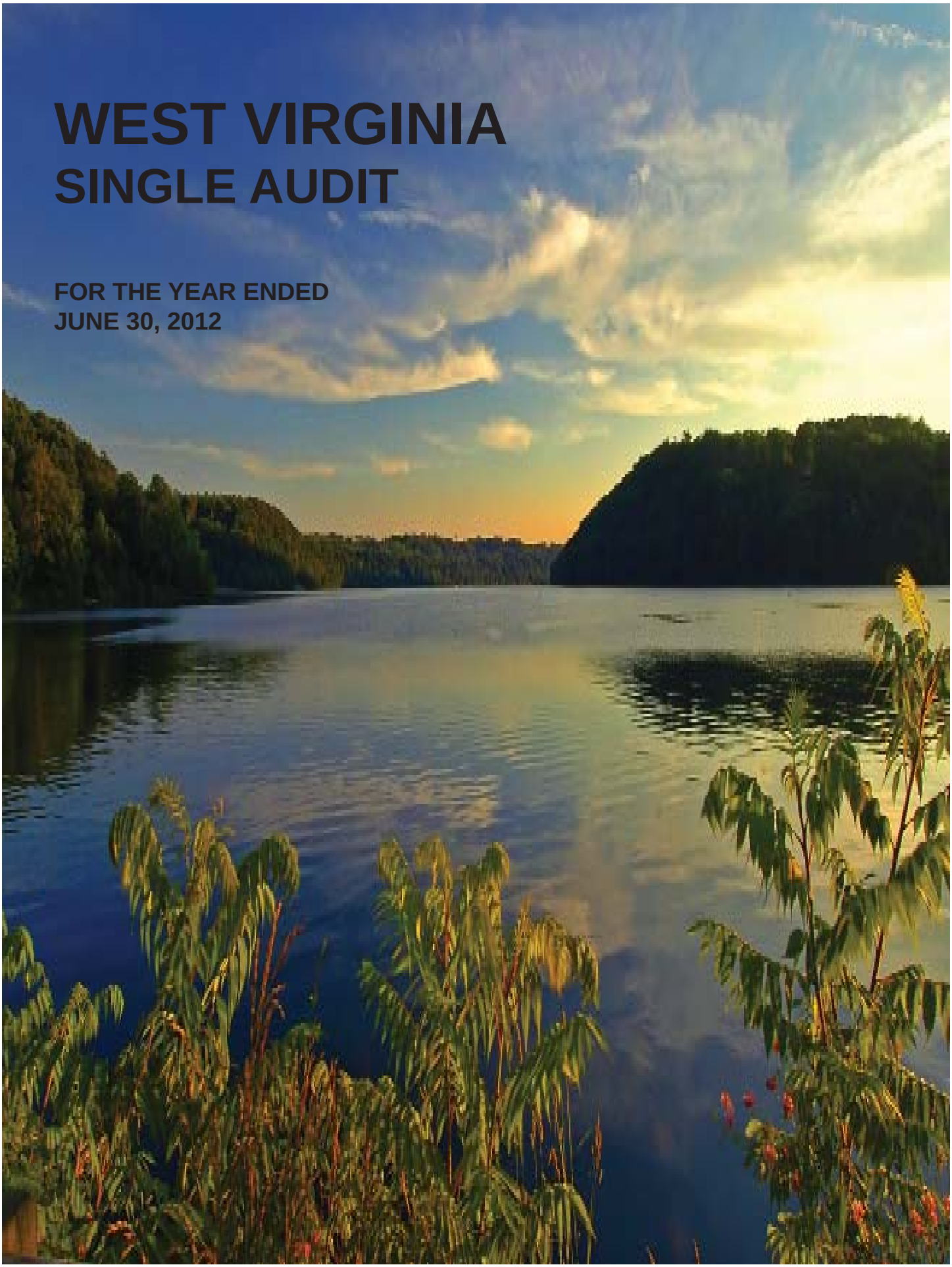
West Virginia shares its history with Virginia from 1609 until Virginia seceded from the Union in 1861. The delegates of 40 western counties formed their own government, which was granted statehood in 1863. Declared a state by President Abraham Lincoln, West Virginia is the only state to be designated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

Form of Government	Constitutional Representative Government
Branches of Government	Legislative - Executive - Judicial
Area (Land and Water)	24,231 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	38,646
Miles Maintained by the State	35,896
State Police Protection:	
Number of State Police Detachments	60
Number of State Police Troopers	680
Higher Education (State Supported):	
Number of Campuses	22
Number of Students	92,140
Recreation:	
Number of State Parks	34
Area of State Parks	76,960 acres
Number of State Forests	8
Area of State Forests	71,415 acres
Number of State Owned and Operated Rail Trails	2
Distance of Rail Trails	150 miles
Wildlife Fish and Game Management Areas	98
Acreage of Wildlife Management Areas (Owned and Leased)	371,121 acres

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

WEST VIRGINIA
SINGLE AUDIT

FOR THE YEAR ENDED
JUNE 30, 2012



STATE OF WEST VIRGINIA SINGLE AUDIT

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STATE OF WEST VIRGINIA.
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AUDITORS' REPORTS

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Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of West Virginia as of and for the year ended June 30, 2012, which collectively comprise the State of West Virginia's basic financial statements and have issued our report thereon dated January 31, 2013. Our report was modified to include a reference to 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. Other auditors audited 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 as described in our report on the State of West Virginia's financial statements. This report does not include the results of the other auditors' testing of internal controls over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the West Virginia Investment Management Board, the West Virginia Offices of the Insurance Commissioner, 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., The Marshall University Foundation, Inc., New River Community and Technical College Foundation, Inc., Provident Group-Marshall Properties, LLC, The Shepherd University Foundation, Inc., Southern West Virginia Community College Foundation, Inc., West Liberty 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. audited by other auditors were not performed in accordance with *Government Auditing Standards*.

Internal control over financial reporting

Management of the State of West Virginia is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State of West Virginia's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of West Virginia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State of West Virginia's internal control over financial reporting.

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Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs designated as items 2012-2, 2012-3, and 2012-51 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs designated as items 2012-1 and 2012-4 to be significant deficiencies.

Compliance and other matters

As part of obtaining reasonable assurance about whether the State of West Virginia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

The State of West Virginia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the State of West Virginia's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the State of West Virginia, the State's cognizant agency, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

January 31, 2013

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Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

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

Compliance

We have audited the State of West Virginia's compliance with the types of compliance requirements described in the US Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State of West Virginia's major federal programs for the year ended June 30, 2012. The State of West Virginia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. We did not audit the State of West Virginia's compliance with the compliance requirements referred to above that are applicable to the Capitalization Grant for Clean Water Revolving Fund and portions of the Capitalization Grant for Drinking Water State Revolving Fund and the State Fiscal Stabilization Fund Cluster, that comprise expenditures of approximately $17.9 million and $3.7 million, respectively. These major programs and portions of major programs, respectively, were audited by other auditors whose reports thereon have been furnished to us. Our opinion on compliance, insofar as it relates to the major programs and portions of major programs referred to above is based solely upon the reports of other auditors. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the State of West Virginia's management. Our responsibility is to express an opinion on the State of West Virginia's compliance based on our audit.

The State of West Virginia's basic financial statements include the operations of the Housing Development Fund, the West Virginia University Research Corporation, the West Virginia State Research Corporation, and Marshall University Research Corporation which expended $187,128,117 in federal awards which are not included in the schedule during the year ended June 30, 2012. Our audit, described below, did not include the operations of these discretely presented component units, because these entities engaged other auditors to perform an audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of West Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State of West Virginia's compliance with those requirements.

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As described in item 2012-7, 2012-9, 2012-12 to 2012-16, 2012-57, and 2012-59 in the accompanying schedule of findings and questioned costs, the State of West Virginia did not comply with requirements regarding allowable costs/cost principles applicable to the Broadband Technology Opportunities Program and Low-Income Home Energy Assistance programs; cash management applicable to the Broadband Technology Opportunities Program; eligibility applicable to the Low-Income Home Energy Assistance and Adoption Assistance programs, reporting applicable to the Broadband Technology Opportunities Program; and subrecipient monitoring applicable to the Broadband Technology Opportunities Program, Weatherization Assistance for Low-Income Persons Program, State Fiscal Stabilization Fund Cluster, and Abandoned Mine Land Reclamation Program. Compliance with such requirements is necessary, in our opinion, for the State of West Virginia to comply with requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the State of West Virginia did not comply in all material respects, with the requirements referred to above that could have a direct and material effect on the Broadband Technology Opportunities Program. Also, in our opinion, the State of West Virginia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2012.

The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-6, 2012-8, 2012-10, 2012-17 to 2012-20, 2012-22 to 2012-35, 2012-38 to 2012-50, 2012-52, 2012-54, 2012-55, and 2012-60 to 2012-63.

Internal control over compliance

The management of the State of West Virginia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the State of West Virginia's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of West Virginia's internal control over compliance. Our consideration of internal control did not include the aforementioned major federal programs, which were audited by other auditors, whose reports have been provided to us. Our report on internal control over compliance, insofar as it relates to the aforementioned major federal programs, is based solely on the reports of the other auditors.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-5 to 2012-9, 2012-11 to 2012-17, 2012-21, 2012-51, 2012-56 to 2012-59, 2012-61, and 2012-63 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2012-10, 2012-18 to 2012-20, 2012-22 to 2012-50, 2012-52 to 2012-55, 2012-60, and 2012-62 to be significant deficiencies.

The State of West Virginia's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the State of West Virginia's responses and, accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of West Virginia as of and for the year ended June 30, 2012, and have issued our report thereon dated January 31, 2013 which contained an unqualified opinion on those financial statements and was modified to include a reference to other auditors. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the State of West Virginia's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

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This report is intended solely for the information and use of management of the State of West Virginia, the State's cognizant agency, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

March 30, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

STATE OF WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FEDERAL GRANTOR LISTING
FOR THE YEAR ENDING JUNE 30, 2012

FEDERAL CFDA/GRANT/ CONTRACT NUMBER	NAME OF PROGRAM	STATE OF WEST VIRGINIA EXPENDITURES	TOTAL SUBRECIPIENT AWARDS	TOTAL FEDERAL EXPENDITURES
OFFICE OF DRUG CONTROL POLICY				
G11AP0001A	APPALACHIAN HIDTA (NOTE 4)	$305,190	$0	$305,190
G12AP0001A	APPALACHIAN HIDTA (NOTE 4)	$80,426	$0	$80,426
TOTAL OFFICE OF DRUG CONTROL POLICY		**$385,616**	**$0**	**$385,616**
DEPARTMENT OF AGRICULTURE				
10.025	PLANT AND ANIMAL DISEASE, PEST CONTROL, AND ANIMAL CARE	$631,977	$0	$631,977
10.103	2009 AQUACULTURE GRANT PROGRAM	$11,829	$0	$11,829
10.163	MARKET PROTECTION AND PROMOTION	$5,629	$0	$5,629
10.169	SPECIALTY CROP BLOCK GRANT PROGRAM	$235	$0	$235
10.170	SPECIALITY CROP BLOCK GRANT PROGRAM - FARM BILL	$210,441	$0	$210,441
10.206	GRANTS FOR AGRICULTURAL RESEARCH-COMPETITIVE RESEARCH GRANTS	$12,636	$0	$12,636
10.207	ANIMAL HEALTH AND DISEASE RESEARCH	$6,269	$0	$6,269
10.290	AGRICULTURAL MARKET AND ECONOMIC RESEARCH	$5,816	$0	$5,816
10.458	CROP INSURANCE EDUCATION IN TARGETED STATES	$215,968	$0	$215,968
10.475	COOPERATIVE AGREEMENTS WITH STATES FOR INTRASTATE MEAT AND POULTRY INSPECTION	$646,923	$0	$646,923
10.479	FOOD SAFETY COOPERATIVE AGREEMENTS	$96,202	$0	$96,202
10.500	COOPERATIVE EXTENSION SERVICE	$5,312,153	$72,466	$5,384,619
10.557	SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN	$29,395,699	$9,136,286	$38,531,985
10.558	CHILD AND ADULT CARE FOOD PROGRAM	$362,517	$15,605,041	$15,967,558
10.560	STATE ADMINISTRATIVE EXPENSES FOR CHILD NUTRITION	$8,397,752	$1	$8,397,753
10.572	WIC FARMERS' MARKET NUTRITION PROGRAM (FMNP)	$65,884	$0	$65,884
10.574	TEAM NUTRITION GRANTS	$0	$22,314	$22,314
10.576	SENIOR FARMERS MARKET NUTRITION PROGRAM	$423,565	$0	$423,565
10.578	WIC GRANTS TO STATES (WGS)	$34,637	$0	$34,637
10.579	CHILD NUTRITION DISCRETIONARY GRANTS LIMITED AVAILABILITY	$0	$81,481	$81,481
10.582	FRESH FRUIT AND VEGETABLE PROGRAM	$110,671	$1,941,413	$2,052,084
10.664	COOPERATIVE FORESTRY ASSISTANCE	$705,701	$113,497	$819,198
10.676	FOREST LEGACY PROGRAM	$34,663	$0	$34,663
10.678	FOREST STEWARDSHIP PROGRAM	$615,268	$0	$615,268
10.680	FOREST HEALTH PROTECTION	$296,530	$0	$296,530
10.902	SOIL AND WATER CONSERVATION	$249,763	$0	$249,763
10.903	SOIL SURVEY	$236,271	$0	$236,271
10.905	PLANT MATERIALS FOR CONSERVATION	$462	$0	$462
10.912	ENVIRONMENTAL QUALITY INCENTIVES PROGRAM	$126,506	$0	$126,506
10.913	FARM AND RANCH LANDS PROTECTION PROGRAM	$58,668	$0	$58,668
10.914	WILDLIFE HABITAT INCENTIVE PROGRAM	$159,375	$0	$159,375
10.917	AGRICULTURAL MANAGEMENT ASSISTANCE	$30,599	$0	$30,599
NOTE 6A	SNAP CLUSTER	$506,748,404	$2,891,731	$509,640,135
NOTE 6B	CHILD NUTRITION CLUSTER	$764,989	$84,375,128	$85,140,117
NOTE 6C	EMERGENCY FOOD ASSISTANCE CLUSTER	$1,710,834	$0	$1,710,834
NOTE 6D	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	$2,016,901	$0	$2,016,901
07-JV-11242300-099 UNDER 02	SOIL CARBON MODELING	$10,250	$0	$10,250
10-8100-1507-CA	TAXONOMY OF SPATHIUS AGRILI YANG (BRACONIDAE) ND NATIVE SPATHIUS SPECIES: DEVELOPMENT OF IDENTIFICATION TOOLS	($2,309)	$0	($2,309)
10-CR-11060500-052	ALTERNATIVE TRANSPORTATION STUDY: MOUNT BAKER-SNOQUALMIE NF	$12,774	$0	$12,774
AGR # 68-7482-8-436Y	FRAGIPAN INFLUENCE IN WV	$14,036	$0	$14,036
NFS 10-CR-11060120-038	DESCHUTES NF SOCIAL CARRYING CAPACITY	$12,585	$0	$12,585
NFS 2010-CR-11062759-030	REGION 6 ROUND 3 NVUM	$335,419	$65,241	$400,660
NRS GREENHOUSE	AG SCIENCE GREENHOUSE	$1,197,000	$0	$1,197,000
NSF 06-CR-10062759-439	RECREATION USE MONITORING	($567)	$0	($567)
TOTAL DEPARTMENT OF AGRICULTURE		**$561,280,925**	**$114,304,599**	**$675,585,524**
DEPARTMENT OF COMMERCE				
11.111	FOREIGN-TRADE ZONES IN THE UNITED STATES	$54,612	$0	$54,612
11.463	HABITAT CONSERVATION	$985,951	$0	$985,951
11.555	PUBLIC SAFETY INTEROPERABLE COMMUNICATIONS GRANT PROGRAM	$1,685,890	$2,318,744	$4,004,634
11.557	ARRA - BROADBAND TECHNOLOGY OPPORTUNITIES PROGRAM (BTOP)	$22,788,677	$2,856,109	$25,644,786
11.558	ARRA - STATE BROADBAND DATA AND DEVELOPMENT GRANT PROGRAM	$501,042	$0	$501,042
TOTAL DEPARTMENT OF COMMERCE		**$26,016,172**	**$5,174,853**	**$31,191,025**
DEPARTMENT OF DEFENSE				
12.113	STATE MEMORANDUM OF AGREEMENT PROGRAM FOR THE REIMBURSEMENT OF TECHNICAL SERVICES	$101,825	$0	$101,825
12.300	BASIC AND APPLIED SCIENTIFIC RESEARCH	$182,091	$0	$182,091
12.400	MILITARY CONSTRUCTION, NATIONAL GUARD	$65,641,229	$0	$65,641,229
12.400	ARRA - MILITARY CONSTRUCTION, NATIONAL GUARD	$12,077	$0	$12,077
		$65,653,306	$0	$65,653,306
12.401	NATIONAL GUARD MILITARY OPERATIONS AND MAINTENANCE (O&M) PROJECTS	$19,086,595	$0	$19,086,595
12.404	NATIONAL GUARD CHALLENGE PROGRAM	$3,456,297	$0	$3,456,297
12.900	LANGUAGE GRANT PROGRAM	$232	$0	$232

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12.901	MATHEMATICAL SCIENCES GRANTS PROGRAM	$42,336	$42,796	$85,132
12.402	NATIONAL GUARD SPECIAL MILITARY OPERATIONS & PROJECTS	$2,036,485	$0	$2,036,485
84.815	TROOPS TO TEACHERS	$65,248	$0	$65,248
DABT 60-96-C-0014	ROTC	$13,500	$0	$13,500
TOTAL DEPARTMENT OF DEFENSE		**$90,637,915**	**$42,796**	**$90,680,711**
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
14.110	MANUFACTURED HOME LOAN INSURANCE-FINANCING PURCHASE OF MANUFACTURED HOMES AS PRINCIPAL RESIDENCES OF BORROWERS	$52,011	$0	$52,011
14.231	EMERGENCY SOLUTIONS GRANT PROGRAM	$16,289	$901,779	$918,068
14.235	SUPPORTIVE HOUSING PROGRAM	($5,378)	$0	($5,378)
14.241	HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	$29,771	$373,039	$402,810
14.246	COMMUNITY DEVELOPMENT BLOCK GRANTS/BROWNFIELDS ECONOMIC DEVELOPMENT INITIATIVE	$194,031	$0	$194,031
14.251	ECONOMIC DEVELOPMENT INITIATIVE-SPECIAL PROJECT, NEIGHBORHOOD INITIATIVE AND MISCELLANEOUS GRANTS	$228,344	$0	$228,344
14.257	ARRA - HOMELESSNESS PREVENTION AND RAPID RE-HOUSING PROGRAM (RECOVERY ACT FUNDED)	$93,759	$1,981,314	$2,075,073
14.400	EQUAL OPPORTUNITY IN HOUSING	$59,003	$0	$59,003
NOTE 6E	CDBG - STATE ADMINISTERED CDBG CLUSTER	$848,096	$18,056,924	$18,905,020
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		**$1,515,926**	**$21,313,056**	**$22,828,982**
DEPARTMENT OF THE INTERIOR				
15.250	REGULATION OF SURFACE COAL MINING AND SURFACE EFFECTS OF UNDERGROUND COAL MINING	$12,507,565	$0	$12,507,565
15.252	ABANDONED MINE LAND RECLAMATION (AMLR) PROGRAM	$46,819,425	$12,683,086	$59,502,511
15.255	SCIENCE AND TECHNOLOGY PROJECTS RELATED TO COAL MINING AND RECLAMATION	$139,714	$0	$139,714
15.433	FLOOD CONTROL ACT LANDS	$206,754	$0	$206,754
15.608	FISH AND WILDLIFE MANAGEMENT ASSISTANCE	$73,291	$0	$73,291
15.615	COOPERATIVE ENDANGERED SPECIES CONSERVATION FUND	$68,972	$0	$68,972
15.622	SPORTFISHING AND BOATING SAFETY ACT	$23,345	$60,828	$84,173
15.633	LANDOWNER INCENTIVE PROGRAM	$32,432	$0	$32,432
15.634	STATE WILDLIFE GRANTS	$408,695	$0	$408,695
15.657	ENDANGERED SPECIES CONSERVATION - RECOVERY IMPLEMENTATION FUNDS	$101,949	$0	$101,949
15.808	U.S. GEOLOGICAL SURVEY-RESEARCH AND DATA COLLECTION	$27,545	$0	$27,545
15.810	NATIONAL COOPERATIVE GEOLOGIC MAPPING PROGRAM	$24,220	$0	$24,220
15.904	HISTORIC PRESERVATION FUND GRANTS-IN-AID	$594,838	$80,446	$675,284
15.916	OUTDOOR RECREATION-ACQUISITION, DEVELOPMENT AND PLANNING	$1,967	$293,656	$295,623
NOTE 6F	FISH AND WILDLIFE CLUSTER	$4,518,096	$0	$4,518,096
4000-8-9004	NATIONAL PARK SERVICE GRANT	$0	$12,202	$12,202
4560-05-0013	NATIONAL PARK SERVICE GRANT	$116,656	$0	$116,656
H600008200 Order # J3100110007	CAVE ASSESSMENTS IN THE CHESAPEAKE AND OHIO CANAL NATIONAL HISTORIC PARK (CESU)	$14,282	$0	$14,282
J5471100018/H6000082000	THE EVALUATION OF SELECT GRSM CHESTNUT SITES FOR THE INCIDENCE OF BIOLOGICAL CONTROL AGENTS OF CRYPHONECTRIA PARASITICA	$1,726	$0	$1,726
TOTAL DEPARTMENT OF THE INTERIOR		**$65,681,472**	**$13,130,218**	**$78,811,690**
DEPARTMENT OF JUSTICE				
16.017	SEXUAL ASSAULT SERVICES FORMULA PROGRAM	$0	$211,823	$211,823
16.523	JUVENILE ACCOUNTABILITY BLOCK GRANTS	$21,165	$409,612	$430,777
16.529	EDUCATION, TRAINING, AND ENHANCED SERVICES TO END VIOLENCE AGAINST AND ABUSE OF WOMEN WITH DISABILITIES	$13,362	$0	$13,362
16.540	JUVENILE JUSTICE AND DELINQUENCY PREVENTION-ALLOCATION TO STATES	$85,775	$264,385	$350,160
16.543	MISSING CHILDREN'S ASSISTANCE	$308,229	$0	$308,229
16.548	TITLE V-DELINQUENCY PREVENTION PROGRAM	$3,206	$35,801	$39,007
16.550	STATE JUSTICE STATISTICS PROGRAM FOR STATISTICAL ANALYSIS CENTERS	$61,506	$0	$61,506
16.554	NATIONAL CRIMINAL HISTORY IMPROVEMENT PROGRAM (NCHIP)	$230,586	$0	$230,586
16.575	CRIME VICTIM ASSISTANCE	$111,196	$2,414,339	$2,525,535
16.576	CRIME VICTIM COMPENSATION	$1,977,000	$0	$1,977,000
16.579	EDWARD BYRNE MEMORIAL FORMULA GRANT PROGRAM	$256,981	$2,463,895	$2,720,876
16.580	EDWARD BYRNE MEMORIAL STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE DISCRETIONARY GRANTS PROGRAM	$577,867	$0	$577,867
16.588	VIOLENCE AGAINST WOMEN FORMULA GRANTS	$76,982	$1,090,768	$1,167,750
16.588	ARRA - VIOLENCE AGAINST WOMEN FORMULA GRANT	$7,091	$307,102	$314,193
		$84,073	$1,397,870	$1,481,943
16.589	RURAL DOMESTIC VIOLENCE, DATING VIOLENCE, SEXUAL ASSAULT, AND STALKING ASSISTANCE PROGRAM	$5,736	$158,567	$164,303
16.590	GRANTS TO ENCOURAGE ARREST POLICIES AND ENFORCEMENT OF PROTECTION ORDERS PROGRAM	$9,684	$519,417	$529,101
16.593	RESIDENTIAL SUBSTANCE ABUSE TREATMENT FOR STATE PRISONERS	$3,420	$141,364	$144,784
16.609	PROJECT SAFE NEIGHBORHOODS	$4,496	$49,483	$53,979
16.710	PUBLIC SAFETY PARTNERSHIP AND COMMUNITY POLICING GRANTS	$21,599	$0	$21,599
16.727	ENFORCING UNDERAGE DRINKING LAWS PROGRAM	$17,062	$342,531	$359,593
16.734	SPECIAL DATA COLLECTIONS AND STATISTICAL STUDIES	($7,371)	$0	($7,371)

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16.741	DNA BACKLOG REDUCTION PROGRAM	$205,965	$0	$205,965
16.742	PAUL COVERDELL FORENSIC SCIENCES IMPROVEMENT GRANT PROGRAM	$155,317	$0	$155,317
16.744	ANTI-GANG INITIATIVE	$0	$11,856	$11,856
16.745	CRIMINAL AND JUVENILE JUSTICE AND MENTAL HEALTH COLLABORATION PROGRAM	$64,800	$0	$64,800
16.800	ARRA - RECOVERY ACT - INTERNET CRIMES AGAINST CHILDREN TASK FORCE PROGRAM (ICAC)	$243,352	$0	$243,352
16.801	ARRA - RECOVERY ACT - STATE VICTIM ASSISTANCE FORMULA GRANT PROGRAM	$1,802	$143,481	$145,283
16.810	ARRA - RECOVERY ACT- ASSISTANCE TO RURAL LAW ENFORCEMENT TO COMBAT CRIME AND DRUGS COMPETITIVE GRANT PROGRAM	$75,010	$0	$75,010
16.816	JOHN R. JUSTICE PROSECUTORS AND DEFENDERS INCENTIVE ACT	$10,393	$88,590	$98,983
NOTE 6G	JAG PROGRAM CLUSTER	$381,039	$313,839	$694,878
2001100	MISCELLANEOUS JUSTICE PROGRAMS	$527,805	$0	$527,805
PL-106-170	SOCIAL SECURITY INMATE INCENTIVE	$6,082	$0	$6,082
WV-1	PURDUE PHARMA SETTLEMENT	$9,918,583	$1,117,925	$11,036,508
WV-2	EQUITABLE SHARING PROGRAM-JUSTICE	$266,869	$0	$266,869
TOTAL DEPARTMENT OF JUSTICE		**$15,642,589**	**$10,084,778**	**$25,727,367**
DEPARTMENT OF LABOR				
17.002	LABOR FORCE STATISTICS	$677,257	$0	$677,257
17.005	COMPENSATION AND WORKING CONDITIONS	$120,075	$0	$120,075
17.203	LABOR CERTIFICATION FOR ALIEN WORKERS	$52	$0	$52
17.225	UNEMPLOYMENT INSURANCE (NOTE 5)	$608,787,271	$0	$608,787,271
17.225	ARRA - UNEMPLOYMENT INSURANCE (NOTE 5)	$1,274,117	$0	$1,274,117
		$610,061,388	$0	$610,061,388
17.235	SENIOR COMMUNITY SERVICE EMPLOYMENT PROGRAM	$65,370	$1,005,756	$1,071,126
17.245	TRADE ADJUSTMENT ASSISTANCE	$4,908,868	$0	$4,908,868
17.246	EMPLOYMENT AND TRAINING ASSISTANCE-DISLOCATED WORKERS	($147)	$0	($147)
17.260	WIA - DISLOCATED WORKERS	$446,758	$450,403	$897,161
17.260	ARRA - WIA DISLOCATED WORKERS	$51,217	$113,291	$164,508
		$497,975	$563,694	$1,061,669
17.266	WORK INCENTIVES GRANT	$40	$0	$40
17.269	COMMUNITY BASED JOB TRAINING GRANTS	$137,843	$0	$137,843
17.271	WORK OPPORTUNITY TAX CREDIT PROGRAM (WOTC)	$308,373	$0	$308,373
17.273	TEMPORARY LABOR CERTIFICATION FOR FOREIGN WORKERS	$70,004	$0	$70,004
17.275	ARRA - PROGRAM OF COMPETITIVE GRANTS FOR WORKER TRAINING AND PLACEMENT IN HIGH GROWTH AND EMERGING INDUSTRY SECTORS	$1,430,658	$631,522	$2,062,180
17.277	WORKFORCE INVESTMENT ACT (WIA) NATIONAL EMERGENCY GRANTS	$1,252	$0	$1,252
17.282	TRADE ADJUSTMENT ASSISTANCE COMMUNITY COLLEGE AND CAREER TRAINING (TAACCCT) GRANTS	$487,539	$0	$487,539
17.504	CONSULTATION AGREEMENTS	$463,770	$0	$463,770
17.600	MINE HEALTH AND SAFETY GRANTS	$227,360	$0	$227,360
NOTE 6H	EMPLOYMENT SERVICE CLUSTER	$7,520,343	$0	$7,520,343
NOTE 6I	WIA CLUSTER	$577,438	$6,945,809	$7,523,247
17.276	ARRA - HEALTH CARE TAX CREDIT (HCTC) NATIONAL EMERGENCY GRANTS (NEGS)	$39,910	$0	$39,910
17.999	MISCELLANEOUS LABOR PROGRAMS	$430,678	$2,466,715	$2,897,393
TOTAL DEPARTMENT OF LABOR		**$628,026,046**	**$11,613,496**	**$639,639,542**
DEPARTMENT OF TRANSPORTATION				
20.215	HIGHWAY TRAINING AND EDUCATION	$10,958	$0	$10,958
20.218	NATIONAL MOTOR CARRIER SAFETY	$1,969,584	$0	$1,969,584
20.232	COMMERCIAL DRIVER'S LICENSE PROGRAM IMPROVEMENT GRANT	$233,168	$0	$233,168
20.505	METROPOLITAN TRANSPORTATION PLANNING	$165,557	$2,781	$168,338
20.509	FORMULA GRANTS FOR OTHER THAN URBANIZED AREAS	$758,030	$4,491,056	$5,249,086
20.509	ARRA - FORMULA GRANTS FOR OTHER THAN URBANIZED AREAS	$188,352	$108,918	$297,270
		$946,382	$4,599,974	$5,546,356
20.607	ALCOHOL OPEN CONTAINER REQUIREMENTS	$3,610,193	$0	$3,610,193
20.608	MINIMUM PENALTIES FOR REPEAT OFFENDERS FOR DRIVING WHILE INTOXICATED	$574,294	$1,132,688	$1,706,982
20.614	NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION (NHTSA) DISCRETIONARY SAFETY GRANTS	$59,939	$0	$59,939
20.700	PIPELINE SAFETY PROGRAM STATE BASE GRANT	$342,921	$0	$342,921
NOTE 6K	FEDERAL TRANSIT CLUSTER	$5,296,975	$488,848	$5,785,823
NOTE 6L	TRANSIT SERVICES PROGRAMS CLUSTER	$408,589	$540,579	$949,168
NOTE 6M	HIGHWAY SAFETY CLUSTER	$1,960,060	$2,312,258	$4,272,318
WV-26-7009-00	EVALUATION AND DEMONSTRATION OF PLUG-IN HYBRID AIR-PORT SHUTTLE BUSES	$1	$0	$1
TOTAL DEPARTMENT OF TRANSPORTATION		**$15,578,621**	**$9,077,128**	**$24,655,749**

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DEPARTMENT OF THE TREASURY				
WV-3	EQUITABLE SHARING PROGRAM-TREASURY	$1	$0	$1
TOTAL DEPARTMENT OF THE TREASURY		**$1**	**$0**	**$1**
APPALACHIAN REGIONAL COMMISSION				
23.001	APPALACHIAN REGIONAL DEVELOPMENT (SEE INDIVIDUAL APPALACHIAN PROGRAMS)	($4,100)	$0	($4,100)
23.002	APPALACHIAN AREA DEVELOPMENT	$84,044	$3,755,640	$3,839,684
23.011	APPALACHIAN RESEARCH, TECHNICAL ASSISTANCE, AND DEMONSTRATION PROJECTS	$168,627	$1,486,934	$1,655,561
TOTAL APPALACHIAN REGIONAL COMMISSION		**$248,571**	**$5,242,574**	**$5,491,145**
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION				
30.001	EMPLOYMENT DISCRIMINATION-TITLE VII OF THE CIVIL RIGHTS ACT OF 1964	$177,009	$0	$177,009
TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION		**$177,009**	**$0**	**$177,009**
GENERAL SERVICES ADMINISTRATION				
39.003	DONATION OF FEDERAL SURPLUS PERSONAL PROPERTY	$75,178	$0	$75,178
TOTAL GENERAL SERVICES ADMINISTRATION		**$75,178**	**$0**	**$75,178**
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION				
43.001	SCIENCE	$640,723	$0	$640,723
TOTAL NATIONAL AERONAUTICS AND SPACE ADMINISTRATION		**$640,723**	**$0**	**$640,723**
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
45.025	PROMOTION OF THE ARTS-PARTNERSHIP AGREEMENTS	$330,721	$390,828	$721,549
45.310	GRANTS TO STATES	$1,167,168	$352,442	$1,519,610
45.312	NATIONAL LEADERSHIP GRANTS	$3,600	$0	$3,600
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES		**$1,501,489**	**$743,270**	**$2,244,759**
NATIONAL SCIENCE FOUNDATION				
47.070	COMPUTER AND INFORMATION SCIENCE AND ENGINEERING	$46,268	$0	$46,268
47.075	SOCIAL, BEHAVIORAL, AND ECONOMIC SCIENCES	$1,785	$0	$1,785
47.076	EDUCATION AND HUMAN RESOURCES	$182,074	$8,716	$190,790
47.081	OFFICE OF EXPERIMENTAL PROGRAM TO STIMULATE COMPETITIVE RESEARCH	$3,583,174	$0	$3,583,174
47.082	ARRA - TRANS-NSF RECOVERY ACT RESEARCH SUPPORT	$1,688,270	$0	$1,688,270
TOTAL NATIONAL SCIENCE FOUNDATION		**$5,501,571**	**$8,716**	**$5,510,287**
SMALL BUSINESS ADMINISTRATION				
59.037	SMALL BUSINESS DEVELOPMENT CENTERS	$786,090	$0	$786,090
TOTAL SMALL BUSINESS ADMINISTRATION		**$786,090**	**$0**	**$786,090**
DEPARTMENT OF VETERANS AFFAIRS				
64.005	GRANTS TO STATES FOR CONSTRUCTION OF STATE HOME FACILITIES	$20,235	$0	$20,235
64.015	VETERANS STATE NURSING HOME CARE	$3,837,393	$0	$3,837,393
64.124	ALL-VOLUNTEER FORCE EDUCATIONAL ASSISTANCE	$135,527	$0	$135,527
64.203	STATE CEMETERY GRANTS	$7,242,352	$0	$7,242,352
TOTAL DEPARTMENT OF VETERANS AFFAIRS		**$11,235,507**	**$0**	**$11,235,507**
ENVIRONMENTAL PROTECTION AGENCY				
66.001	AIR POLLUTION CONTROL PROGRAM SUPPORT	$1,479,639	$0	$1,479,639
66.032	STATE INDOOR RADON GRANTS	$86,181	$29,587	$115,768
66.034	SURVEYS, STUDIES, RESEARCH, INVESTIGATIONS, DEMONSTRATIONS, AND SPECIAL PURPOSE ACTIVITIES RELATING TO THE CLEAN AIR ACT	$146,629	$0	$146,629
66.040	STATE CLEAN DIESEL GRANT PROGRAM	$0	$189,436	$189,436
66.202	CONGRESSIONALLY MANDATED PROJECTS	$153,140	$0	$153,140
66.419	WATER POLLUTION CONTROL STATE, INTERSTATE, AND TRIBAL PROGRAM SUPPORT	$2,103,567	$52,890	$2,156,457
66.432	STATE PUBLIC WATER SYSTEM SUPERVISION	$914,667	$0	$914,667
66.433	STATE UNDERGROUND WATER SOURCE PROTECTION	$184,540	$0	$184,540
66.454	WATER QUALITY MANAGEMENT PLANNING	$209,291	$60,615	$269,906
66.454	ARRA - WATER QUALITY MANAGEMENT PLANNING	$96,795	$75,034	$171,829
		$306,086	$135,649	$441,735
66.458	CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS	$0	$46,104,740	$46,104,740
66.458	ARRA - CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS	$0	$2,077,398	$2,077,398
		$0	$48,182,138	$48,182,138
66.460	NONPOINT SOURCE IMPLEMENTATION GRANTS	$2,218,497	$0	$2,218,497
66.461	REGIONAL WETLAND PROGRAM DEVELOPMENT GRANTS	$187,946	$126,861	$314,807
66.466	CHESAPEAKE BAY PROGRAM	$1,133,369	$0	$1,133,369
66.468	CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS	$2,861,964	$18,419,904	$21,281,868
66.468	ARRA - CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS	$0	$686,549	$686,549
		$2,861,964	$19,106,453	$21,968,417

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FEDERAL CFDA/GRANT/ CONTRACT NUMBER	NAME OF PROGRAM	STATE OF WEST VIRGINIA EXPENDITURES	TOTAL SUBRECIPIENT AWARDS	TOTAL FEDERAL EXPENDITURES
66.471	STATE GRANTS TO REIMBURSE OPERATORS OF SMALL WATER SYSTEMS FOR TRAINING AND CERTIFICATION COSTS	$526,912	$0	$526,912
66.474	WATER PROTECTION GRANTS TO THE STATES	$20,986	$4,761	$25,747
66.605	PERFORMANCE PARTNERSHIP GRANTS	$396,246	$0	$396,246
66.606	SURVEYS, STUDIES, INVESTIGATIONS AND SPECIAL PURPOSE GRANTS	$566,716	$0	$566,716
66.608	ENVIRONMENTAL INFORMATION EXCHANGE NETWORK GRANT PROGRAM AND RELATED ASSISTANCE	$209,558	$0	$209,558
66.701	TOXIC SUBSTANCES COMPLIANCE MONITORING COOPERATIVE AGREEMENTS	$132,691	$0	$132,691
66.707	TSCA TITLE IV STATE LEAD GRANTS CERTIFICATION OF LEAD-BASED PAINT PROFESSIONALS	$160,615	$0	$160,615
66.708	POLLUTION PREVENTION GRANTS PROGRAM	$0	$61,000	$61,000
66.801	HAZARDOUS WASTE MANAGEMENT STATE PROGRAM SUPPORT	$2,449,697	$0	$2,449,697
66.802	SUPERFUND STATE, POLITICAL SUBDIVISION, AND INDIAN TRIBE SITE-SPECIFIC COOPERATIVE AGREEMENTS	$278,488	$0	$278,488
66.804	UNDERGROUND STORAGE TANK PREVENTION, DETECTION AND COMPLIANCE PROGRAM	$598,322	$6,700	$605,022
66.805	LEAKING UNDERGROUND STORAGE TANK TRUST FUND CORRECTIVE ACTION PROGRAM	$687,221	$0	$687,221
66.805	ARRA - LEAKING UNDERGROUND STORAGE TANK TRUST FUND CORRECTIVE ACTION PROGRAM	$260,934	$0	$260,934
		$948,155	$0	$948,155
66.809	SUPERFUND STATE AND INDIAN TRIBE CORE PROGRAM COOPERATIVE AGREEMENTS	$338,767	$0	$338,767
66.814	BROWNFIELDS TRAINING, RESEARCH, AND TECHNICAL ASSISTANCE GRANTS AND COOPERATIVE AGREEMENTS	$52,952	$27,980	$80,932
66.818	BROWNFIELD ASSESSMENT AND CLEANUP COOPERATIVE AGREEMENTS	$55,513	$0	$55,513
WV-4	MISC. FEDERAL AWARD PROGRAMS	($771,017)	$0	($771,017)
TOTAL ENVIRONMENTAL PROTECTION AGENCY		**$17,740,826**	**$67,923,455**	**$85,664,281**
DEPARTMENT OF ENERGY				
81.041	STATE ENERGY PROGRAM	$221,335	$45,171	$266,506
81.041	ARRA - STATE ENERGY PROGRAM	$15,634,184	$463,517	$16,097,701
		$15,855,519	$508,688	$16,364,207
81.042	WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	$276,197	$177,351	$453,548
81.042	ARRA - WEATHERIZATION ASSISTANCE FOR LOW-INCOME PERSONS	$422,735	$11,000,834	$11,423,569
		$698,932	$11,178,185	$11,877,117
81.117	ENERGY EFFICIENCY AND RENEWABLE ENERGY INFORMATION DISSEMINATION, OUTREACH, TRAINING AND TECHNICAL ANALYSIS/ASSISTANCE	$114,470	$0	$114,470
81.119	STATE ENERGY PROGRAM SPECIAL PROJECTS	$91,173	$26,732	$117,905
81.119	ARRA - STATE ENERGY PROGRAM SPECIAL PROJECTS	$130,876	$73,095	$203,971
		$222,049	$99,827	$321,876
81.122	ARRA - ELECTRICITY DELIVERY AND ENERGY RELIABILITY, RESEARCH, DEVELOPMENT AND ANALYSIS	$387,314	$0	$387,314
81.127	ENERGY EFFICIENT APPLIANCE REBATE PROGRAM (EEARP)	$22,802	$57,185	$79,987
81.128	ARRA - ENERGY EFFICIENCY AND CONSERVATION BLOCK GRANT PROGRAM (EECBG)	$62,208	$5,374,095	$5,436,303
DOE-IPA	DOE - INTERGOVERNMENTAL PERSONNEL ACT	$17,109	$0	$17,109
WV-5	PETROLEUM VIOLATION ESCROW FUNDS	$225,927	$25,012	$250,939
TOTAL DEPARTMENT OF ENERGY		**$17,606,330**	**$17,242,992**	**$34,849,322**
DEPARTMENT OF EDUCATION				
84.002	ADULT EDUCATION - BASIC GRANTS TO STATES	$533,272	$3,663,615	$4,196,887
84.011	MIGRANT EDUCATION-STATE GRANT PROGRAM	$0	$10,420	$10,420
84.013	TITLE I STATE AGENCY PROGRAM FOR NEGLECTED AND DELINQUENT CHILDREN AND YOUTH	$746,363	$0	$746,363
84.031	HIGHER EDUCATION-INSTITUTIONAL AID	$3,108,697	$0	$3,108,697
84.048	CAREER AND TECHNICAL EDUCATION-BASIC GRANTS TO STATES	$3,392,614	$5,318,464	$8,711,078
84.116	FUND FOR THE IMPROVEMENT OF POSTSECONDARY EDUCATION	$159,743	$0	$159,743
84.128	REHABILITATION SERVICES-SERVICE PROJECTS	$0	$26,250	$26,250
84.176	DOUGLAS TEACHER SCHOLARSHIPS	($2,100)	$0	($2,100)
84.184	SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES-NATIONAL PROGRAMS	$463,797	$1,643,048	$2,106,845
84.185	BYRD HONORS SCHOLARSHIPS	$89,597	$12,000	$101,597
84.186	SAFE AND DRUG-FREE SCHOOLS AND COMMUNITIES-STATE GRANTS	$53,984	$228,267	$282,251
84.187	SUPPORTED EMPLOYMENT SERVICES FOR INDIVIDUALS WITH THE MOST SIGNIFICANT DISABILITIES	$68,387	$0	$68,387
84.213	EVEN START-STATE EDUCATIONAL AGENCIES	$6,520	$413,996	$420,516
84.215	FUND FOR THE IMPROVEMENT OF EDUCATION	$16,259	$0	$16,259
84.224	ASSISTIVE TECHNOLOGY	$12,940	$0	$12,940
84.243	TECH-PREP EDUCATION	$21,744	$214,207	$235,951

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84.265	REHABILITATION TRAINING-STATE VOCATIONAL REHABILITATION UNIT IN-SERVICE TRAINING	$46,946	$0	$46,946
84.286	READY TO TEACH	$34,035	$0	$34,035
84.287	TWENTY-FIRST CENTURY COMMUNITY LEARNING CENTERS	$326,503	$7,227,872	$7,554,375
84.293	FOREIGN LANGUAGE ASSISTANCE	$102,417	$1,637	$104,054
84.323	SPECIAL EDUCATION - STATE PERSONNEL DEVELOPMENT	$696,867	$67,539	$764,406
84.326	SPECIAL EDUCATION-TECHNICAL ASSISTANCE AND DISSEMINATION TO IMPROVE SERVICES AND RESULTS FOR CHILDREN WITH DISABILITIES	$105,576	$20,499	$126,075
84.330	ADVANCED PLACEMENT PROGRAM (ADVANCED PLACEMENT TEST FEE; ADVANCED PLACEMENT INCENTIVE PROGRAM GRANTS)	$907	$280	$1,187
84.331	GRANTS TO STATES FOR WORKPLACE AND COMMUNITY TRANSITION TRAINING FOR INCARCERATED INDIVIDUALS	$42,200	$0	$42,200
84.334	GAINING EARLY AWARENESS AND READINESS FOR UNDERGRADUATE PROGRAMS	$5,040,111	$1,076,433	$6,116,544
84.335	CHILD CARE ACCESS MEANS PARENTS IN SCHOOL	$62,000	$0	$62,000
84.350	TRANSITION TO TEACHING	$679,977	$5,505	$685,482
84.357	READING FIRST STATE GRANTS	$0	($1,998)	($1,998)
84.358	RURAL EDUCATION	$37,649	$2,526,009	$2,563,658
84.365	ENGLISH LANGUAGE ACQUISITION STATE GRANTS	$179,111	$583,300	$762,411
84.366	MATHEMATICS AND SCIENCE PARTNERSHIPS	$124,604	$265,645	$390,249
84.367	IMPROVING TEACHER QUALITY STATE GRANTS	$1,264,031	$22,786,572	$24,050,603
84.369	GRANTS FOR STATE ASSESSMENTS AND RELATED ACTIVITIES	$3,537,478	$2,139	$3,539,617
84.371	STRIVING READERS	$100,134	$4,069	$104,203
84.373	SPECIAL EDUCATION_TECHNICAL ASSISTANCE ON STATE DATA COLLECTION	$58,954	$0	$58,954
84.378	COLLEGE ACCESS CHALLENGE GRANT PROGRAM	$1,170,195	$0	$1,170,195
84.410	EDUCATION JOBS FUND	$82,195	$36,245,214	$36,327,409
NOTE 6N	TITLE I, PART A CLUSTER	$1,205,667	$104,474,551	$105,680,218
NOTE 6O	SPECIAL EDUCATION CLUSTER (IDEA)	$6,108,148	$85,616,637	$91,724,785
NOTE 6P	TRIO CLUSTER	$4,735,552	$0	$4,735,552
NOTE 6Q	VOCATIONAL REHABILITATION CLUSTER	$47,805,533	$1,601,360	$49,406,893
NOTE 6R	INDEPENDENT LIVING STATE GRANTS CLUSTER	$12,984	$537,493	$550,477
NOTE 6S	INDEPENDENT LIVING SERVICES FOR OLDER INDIVIDUALS WHO ARE BLIND CLUSTER	$257,592	$0	$257,592
NOTE 6T	EARLY INTERVENTION SERVICES (IDEA) CLUSTER	$1,383,289	$517,383	$1,900,672
NOTE 6U	EDUCATION OF HOMELESS CHILDREN AND YOUTH CLUSTER	$123,023	$396,310	$519,333
NOTE 6V	EDUCATIONAL TECHNOLOGY STATE GRANTS CLUSTER	$46,496	$1,551,223	$1,597,719
NOTE 6W	SCHOOL IMPROVEMENT GRANTS CLUSTER	$502,425	$6,916,153	$7,418,578
NOTE 6X	STATE FISCAL STABILIZATION FUND CLUSTER	$13,693,181	$11,037,187	$24,730,368
84.116P	ERMA BYRD SCHOLARSHIP PROGRAM	$10,000	$0	$10,000
CO-13764E	APPALACHIAN HIGHER EDUCATION NETWORK	$36,619	$0	$36,619
ED-03-CO-0058	PERFORMANCE BASED DATA MANAGEMENT INITIATIVE	$136,848	$150,405	$287,253
VA06	VETERAN'S CERTIFICATION	$5,632	$0	$5,632
TOTAL DEPARTMENT OF EDUCATION		**$98,426,696**	**$295,139,684**	**$393,566,380**
ELECTION ASSISTANCE COMMISSION				
90.401	HELP AMERICA VOTE ACT REQUIREMENTS PAYMENTS	$588,558	$0	$588,558
TOTAL ELECTION ASSISTANCE COMMISSION		**$588,558**	**$0**	**$588,558**
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
93.041	SPECIAL PROGRAMS FOR THE AGING-TITLE VII, CHAPTER 3-PROGRAMS FOR PREVENTION OF ELDER ABUSE, NEGLECT, AND EXPLOITATION	$500	$21,520	$22,020
93.042	SPECIAL PROGRAMS FOR THE AGING-TITLE VII, CHAPTER 2-LONG TERM CARE OMBUDSMAN SERVICES FOR OLDER INDIVIDUALS	$0	$124,912	$124,912
93.043	SPECIAL PROGRAMS FOR THE AGING-TITLE III, PART D-DISEASE PREVENTION AND HEALTH PROMOTION SERVICES	$0	$127,682	$127,682
93.048	SPECIAL PROGRAMS FOR THE AGING-TITLE IV AND TITLE II - DISCRETIONARY PROJECTS	$13,882	$229,717	$243,599
93.052	NATIONAL FAMILY CAREGIVER SUPPORT, TITLE III, PART E	$60,798	$987,575	$1,048,373
93.065	LABORATORY LEADERSHIP, WORKFORCE TRAINING AND MANAGEMENT DEVELOPMENT, IMPROVING PUBLIC HEALTH LABORATORY INFRASTRUCTURE	$15,000	$0	$15,000
93.069	PUBLIC HEALTH EMERGENCY PREPAREDNESS	$2,576,328	$5,149,375	$7,725,703
93.071	MEDICARE ENROLLMENT ASSISTANCE PROGRAM	$0	$5,705	$5,705
93.092	AFFORDABLE CARE ACT (ACA) PERSONAL RESPONSIBILITY EDUCATION PROGRAM	$4,635	$175,096	$179,731
93.103	FOOD AND DRUG ADMINISTRATION-RESEARCH	$6,249	$0	$6,249
93.104	COMPREHENSIVE COMMUNITY MENTAL HEALTH SERVICES FOR CHILDREN WITH SERIOUS EMOTIONAL DISTURBANCES (SED)	$0	$17,827	$17,827
93.110	MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS	$152,019	$43,000	$195,019
93.116	PROJECT GRANTS AND COOPERATIVE AGREEMENTS FOR TUBERCULOSIS CONTROL PROGRAMS	$325,192	$0	$325,192
93.127	EMERGENCY MEDICAL SERVICES FOR CHILDREN	$165,528	$33,500	$199,028
93.130	COOPERATIVE AGREEMENTS TO STATES/TERRITORIES FOR THE COORDINATION AND DEVELOPMENT OF PRIMARY CARE OFFICES	$145,165	$128,892	$274,057
93.136	INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS	$4,745	$193,214	$197,959
93.150	PROJECTS FOR ASSISTANCE IN TRANSITION FROM HOMELESSNESS (PATH)	$1,826	$244,910	$246,736
93.165	GRANTS TO STATES FOR LOAN REPAYMENT PROGRAM	$0	$179,000	$179,000
93.178	NURSING WORKFORCE DIVERSITY	$300,526	$0	$300,526

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93.197	CHILDHOOD LEAD POISONING PREVENTION PROJECTS-STATE AND LOCAL CHILDHOOD LEAD POISONING PREVENTION AND SURVEILLANCE OF BLOOD LEAD LEVELS IN CHILDREN	$43,495	$0	$43,495
93.217	FAMILY PLANNING-SERVICES	$2,640,355	$0	$2,640,355
93.234	TRAUMATIC BRAIN INJURY STATE DEMONSTRATION GRANT PROGRAM	$272,565	$0	$272,565
93.240	STATE CAPACITY BUILDING	($3,353)	$0	($3,353)
93.241	STATE RURAL HOSPITAL FLEXIBILITY PROGRAM	$167,261	$167,726	$334,987
93.243	SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES_PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE	$149,817	$2,567,111	$2,716,928
93.251	UNIVERSAL NEWBORN HEARING SCREENING	$19,077	$5,667	$24,744
93.256	STATE HEALTH ACCESS PROGRAM	$62,915	$3,778,319	$3,841,234
93.283	CENTERS FOR DISEASE CONTROL AND PREVENTION_INVESTIGATIONS AND TECHNICAL ASSISTANCE	$7,726,619	$2,596,639	$10,323,258
93.301	SMALL RURAL HOSPITAL IMPROVEMENT GRANT PROGRAM	$9,200	$158,758	$167,958
93.389	NATIONAL CENTER FOR RESEARCH RESOURCES	$33,662	$0	$33,662
93.393	CANCER CAUSE AND PREVENTION RESEARCH	$24,910	$0	$24,910
93.414	ARRA - STATE PRIMARY CARE OFFICES	$34,611	$25,000	$59,611
93.505	AFFORDABLE CARE ACT (ACA) MATERNAL, INFANT, AND EARLY CHILDHOOD HOME VISITING PROGRAM	$291,656	$923,139	$1,214,795
93.506	ACA NATIONWIDE PROGRAM FOR NATIONAL AND STATE BACKGROUND CHECKS FOR DIRECT PATIENT ACCESS EMPLOYEES OF LONG TERM CARE FACILITIES AND PROVIDER	$2,648	$0	$2,648
93.507	PPHF 2012 NATIONAL PUBLIC HEALTH IMPROVEMENT INITIATIVE	$87,381	$209,964	$297,345
93.511	AFFORDABLE CARE ACT (ACA) GRANTS TO STATES FOR HEALTH INSURANCE PREMIUM REVIEW	$175,159	$0	$175,159
93.516	AFFORDABLE CARE ACT (ACA) PUBLIC HEALTH TRAINING CENTERS PROGRAM, RESOURCES DEVELOPMENT AND ACADEMIC SUPPORT TO THE PUBLIC HEALTH TRAINING CENTERS PROGRAM AND PUBLIC HEALTH INFRASTRUCTURE AND SYSTEMS SUPPORT	$14,638	$0	$14,638
93.518	AFFORDABLE CARE ACT - MEDICARE IMPROVEMENTS FOR PATIENTS AND PROVIDERS	$0	$126,397	$126,397
93.519	AFFORDABLE CARE ACT (ACA) - CONSUMER ASSISTANCE PROGRAM GRANTS	$55,060	$0	$55,060
93.521	THE AFFORDABLE CARE ACT: BUILDING EPIDEMIOLOGY, LABORATORY, AND HEALTH INFORMATION SYSTEMS CAPACITY IN THE EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASE (ELC) AND EMERGING INFECTIONS PROGRAM (EIP) COOPERATIVE AGREEMENTS;PPHF	$209,331	$164,125	$373,456
93.525	STATE PLANNING AND ESTABLISHMENT GRANTS FOR THE AFFORDABLE CARE ACT (ACA)'S EXCHANGES	$1,590,560	$0	$1,590,560
93.531	PPHF 2012: COMMUNITY TRANSFROMATION GRANTS AND NATIONAL DISSEMINATION AND SUPPORT FOR COMMUNITY TRANSFORMATION GRANTS - FINANCED SOLELY BY 2012 PREVENTINON AND PUBLIC HEALTH FUNDS	$47,781	$34,200	$81,981
93.539	PPHF 2012 - PREVENTION AND PUBLIC HEALTH FUND (AFFORDABLE CARE ACT) - CAPACITY BUILDING ASSISTANCE TO STRENGTHEN PUBLIC HEALTH IMMUNIZATION INFRASTRUCTURE AND PERFORMANCE FINANCED IN PART BY 2012 PREVENTION AND PUBLIC HEALTH FUNDS	$3,697	$8,204	$11,901
93.544	THE PATIENT PROTECTION AND AFFORDABLE CARE ACT OF 2010 (AFFORDABLE CARE ACT) AUTHORIZES COORDINATED CHRONIC DISEASE PREVENTION AND HEALTH PROMOTION PROGRAM	$78,422	$0	$78,422
93.556	PROMOTING SAFE AND STABLE FAMILIES	$3,453,826	$1,518,041	$4,971,867
93.560	FAMILY SUPPORT PAYMENTS TO STATES-ASSISTANCE PAYMENTS	($17,277)	$0	($17,277)
93.563	CHILD SUPPORT ENFORCEMENT	$28,808,711	$0	$28,808,711
93.566	REFUGEE AND ENTRANT ASSISTANCE-STATE ADMINISTERED PROGRAMS	$8,043	$66,250	$74,293
93.568	LOW-INCOME HOME ENERGY ASSISTANCE	$23,457,425	$2,992,287	$26,449,712
93.586	STATE COURT IMPROVEMENT PROGRAM	$361,214	$0	$361,214
93.590	COMMUNITY-BASED CHILD ABUSE PREVENTION GRANTS	$18,611	$206,862	$225,473
93.597	GRANTS TO STATES FOR ACCESS AND VISITATION PROGRAMS	$84,514	$0	$84,514
93.599	CHAFEE EDUCATION AND TRAINING VOUCHERS PROGRAM (ETV)	$232,885	$20,955	$253,840
93.603	ADOPTION INCENTIVE PAYMENTS	$3,638,306	$0	$3,638,306
93.630	DEVELOPMENTAL DISABILITIES BASIC SUPPORT AND ADVOCACY GRANTS	$248,051	$526,651	$774,702
93.643	CHILDREN'S JUSTICE GRANTS TO STATES	$42,025	$0	$42,025
93.645	STEPHANIE TUBBS JONES CHILD WELFARE SERVICES PROGRAM	$1,799,839	$0	$1,799,839
93.658	FOSTER CARE-TITLE IV-E	$15,464,166	$400,890	$15,865,056
93.658	ARRA - FOSTER CARE-TITLE IV-E	$337,066	$0	$337,066
		$15,801,232	$400,890	$16,202,122
93.659	ADOPTION ASSISTANCE	$19,293,768	$0	$19,293,768
93.659	ARRA - ADOPTION ASSISTANCE	$5,070	$0	$5,070
		$19,298,838	$0	$19,298,838
93.667	SOCIAL SERVICES BLOCK GRANT	$22,068,103	$0	$22,068,103
93.669	CHILD ABUSE AND NEGLECT STATE GRANTS	$100,648	$118,897	$219,545
93.671	FAMILY VIOLENCE PREVENTION AND SERVICES/GRANTS FOR BATTERED WOMEN'S SHELTERS-GRANTS TO STATES AND INDIAN TRIBES	$0	$910,501	$910,501
93.674	CHAFEE FOSTER CARE INDEPENDENCE PROGRAM	$333,002	$496,049	$829,051
93.713	ARRA - CHILD CARE AND DEVELOPMENT BLOCK GRANT	$147,716	$115,349	$263,065
93.717	ARRA - PREVENTING HEALTHCARE- ASSOCIATED INFECTIONS	$51,280	$93,450	$144,730
93.719	ARRA - STATE GRANTS TO PROMOTE HEALTH INFORMATION TECHNOLOGY	$3,688,369	$0	$3,688,369

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93.721	ARRA - HEALTH INFORMATION TECHNOLOGY PROFESSIONALS IN HEALTH CARE (NOTE 4)	$90,134	$0	$90,134
93.723	ARRA - PREVENTION AND WELLNESS-STATE, TERRITORIES AND PACIFIC ISLANDS	$235,816	$222,813	$458,629
93.724	ARRA - PREVENTION AND WELLNESS - COMMUNITIES PUTTING PREVENTION TO WORK FUNDING OPPORTUNITIES ANNOUNCEMENT (FOA)	$390,115	$2,557,185	$2,947,300
93.725	ARRA - COMMUNITIES PUTTING PREVENTION TO WORK: CHRONIC DISEASE SELF-MANAGEMENT PROGRAM	$35,763	$225,000	$260,763
93.767	CHILDREN'S HEALTH INSURANCE PROGRAM	$45,642,768	$0	$45,642,768
93.768	MEDICAID INFRASTRUCTURE GRANTS TO SUPPORT THE COMPETITIVE EMPLOYMENT OF PEOPLE WITH DISABILITIES	$88,716	$506,044	$594,760
93.779	CENTERS FOR MEDICARE AND MEDICAID SERVICES (CMS) RESEARCH, DEMONSTRATIONS AND EVALUATIONS	$157,684	$540,755	$698,439
93.791	MONEY FOLLOWS THE PERSON REBALANCING DEMONSTRATION	$23,007	$54,322	$77,329
93.793	MEDICAID TRANSFORMATION GRANTS	$31,553	($103,031)	($71,478)
93.824	AREA HEALTH EDUCATION CENTERS INFRASTRUCTURE DEVELOPMENT AWARDS (NOTE 4)	$52,700	$0	$52,700
93.887	HEALTH CARE AND OTHER FACILITIES	$112,591	$0	$112,591
93.889	NATIONAL BIOTERRORISM HOSPITAL PREPAREDNESS PROGRAM	$485,650	$2,891,588	$3,377,238
93.913	GRANTS TO STATES FOR OPERATION OF OFFICES OF RURAL HEALTH	$194,125	$38,000	$232,125
93.917	HIV CARE FORMULA GRANTS	$6,445,333	$480,000	$6,925,333
93.926	HEALTHY START INITIATIVE (NOTE 4)	$216,232	$0	$216,232
93.938	COOPERATIVE AGREEMENTS TO SUPPORT COMPREHENSIVE SCHOOL HEALTH PROGRAMS TO PREVENT THE SPREAD OF HIV AND OTHER IMPORTANT HEALTH PROBLEMS	$624,568	$2,609	$627,177
93.940	HIV PREVENTION ACTIVITIES-HEALTH DEPARTMENT BASED	$1,092,952	$512,263	$1,605,215
93.944	HUMAN IMMUNODEFICIENCY VIRUS (HIV)/ACQUIRED IMMUNODEFICIENCY VIRUS SYNDROME (AIDS) SURVEILLANCE	$105,356	$0	$105,356
93.946	COOPERATIVE AGREEMENTS TO SUPPORT STATE-BASED SAFE MOTHERHOOD AND INFANT HEALTH INITIATIVE PROGRAMS	$123,945	$0	$123,945
93.958	BLOCK GRANTS FOR COMMUNITY MENTAL HEALTH SERVICES	$663,621	$1,268,292	$1,931,913
93.959	BLOCK GRANTS FOR PREVENTION AND TREATMENT OF SUBSTANCE ABUSE	$361,335	$7,619,324	$7,980,659
93.965	COAL MINERS RESPIRATORY IMPAIRMENT TREATMENT CLINICS AND SERVICES	$132,880	$1,371,253	$1,504,133
93.969	PPHF-2012 GERIATRIC EDUCATION CENTERS (NOTE 4)	$9,791	$0	$9,791
93.977	PREVENTIVE HEALTH SERVICES-SEXUALLY TRANSMITTED DISEASES CONTROL GRANTS	$774,674	$0	$774,674
93.982	MENTAL HEALTH DISASTER ASSISTANCE AND EMERGENCY MENTAL HEALTH	$0	$59,260	$59,260
93.988	COOPERATIVE AGREEMENTS FOR STATE-BASED DIABETES CONTROL PROGRAMS AND EVALUATION OF SURVEILLANCE SYSTEMS	$0	($3,686)	($3,686)
93.991	PREVENTIVE HEALTH AND HEALTH SERVICES BLOCK GRANT	$142,721	$226,458	$369,179
93.994	MATERNAL AND CHILD HEALTH SERVICES BLOCK GRANT TO THE STATES	$4,917,187	$2,465,537	$7,382,724
NOTE 6Y	AGING CLUSTER	$423,587	$8,934,451	$9,358,038
NOTE 6Z	IMMUNIZATION CLUSTER	$1,231,975	$695,602	$1,927,577
NOTE 6AA	TANF CLUSTER	$111,127,672	$18,023,553	$129,151,225
NOTE 6AB	CSBG CLUSTER	$100,464	$7,648,806	$7,749,270
NOTE 6AC	CCDF CLUSTER	$19,907,481	$9,784,987	$29,692,468
NOTE 6AD	HEAD START CLUSTER	$120,395	$137,929	$258,324
NOTE 6AE	MEDICAID CLUSTER	$2,090,763,326	$3,412,095	$2,094,175,421
050805WV5002	WAIVED LABS	$6,955	$0	$6,955
0805WV5002	CLINICAL LABORATORY IMPROVEMENT AMENDMENTS	$145,524	$0	$145,524
20020507251	VITAL STATISTICS COOP PROGRAM	$128,522	$0	$128,522
200540049P	FOOD INSPECTIONS	$68,668	$0	$68,668
223024448	MAMMOGRAPHY QUALITY ACT	$52,751	$0	$52,751
280-06-1600	OLMSTEAD COMMUNITY INTEGRATION	$123	$0	$123
93070	ADDRESSING ASTHMA	$251,371	$114,756	$366,127
HHSF223200640090P/001	FEDERAL FOOD, DRUG AND COSMETIC ACT	$963	$0	$963
SEOW	STATE EPIDEMIOLOGICAL OUTCOMES WORKGROUP	$130,040	$0	$130,040
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES		**$2,428,746,255**	**$95,579,521**	**$2,524,325,776**
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
94.003	STATE COMMISSIONS	$209,511	$0	$209,511
94.004	LEARN AND SERVE AMERICA-SCHOOL AND COMMUNITY BASED PROGRAMS	$3,390	$70,758	$74,148
94.006	AMERICORPS	$27,053	$3,119,371	$3,146,424
94.007	PROGRAM DEVELOPMENT AND INNOVATION GRANTS	$58,736	$7,115	$65,851
94.009	TRAINING AND TECHNICAL ASSISTANCE	$73,009	$5,300	$78,309
94.013	VOLUNTEERS IN SERVICE TO AMERICA	$73,144	$0	$73,144
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		**$444,843**	**$3,202,544**	**$3,647,387**
SOCIAL SECURITY ADMINISTRATION				
96.008	SOCIAL SECURITY - WORK INCENTIVES PLANNING AND ASSISTANCE PROGRAM	$0	$247,056	$247,056
NOTE 6AF	DISABILITY INSURANCE/SSI CLUSTER	$19,198,156	$0	$19,198,156
SS000860067	ENUMERATION AT BIRTH	$45,800	$0	$45,800
TOTAL SOCIAL SECURITY ADMINISTRATION		**$19,243,956**	**$247,056**	**$19,491,012**
DEPARTMENT OF HOMELAND SECURITY				
97.001	PILOT DEMONSTRATION OR EARMARKED PROJECTS	$0	$143,600	$143,600
97.007	HOMELAND SECURITY PREPAREDNESS TECHNICAL ASSISTANCE PROGRAM	$57,704	$67,000	$124,704
97.012	BOATING SAFETY FINANCIAL ASSISTANCE	$639,882	$0	$639,882

STATE OF WEST VIRGINIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FEDERAL GRANTOR LISTING
FOR THE YEAR ENDING JUNE 30, 2012

FEDERAL CFDA/GRANT/ CONTRACT NUMBER	NAME OF PROGRAM	STATE OF WEST VIRGINIA EXPENDITURES	TOTAL SUBRECIPIENT AWARDS	TOTAL FEDERAL EXPENDITURES
97.023	COMMUNITY ASSISTANCE PROGRAM STATE SUPPORT SERVICES ELEMENT (CAP-SSSE)	$94,886	$0	$94,886
97.029	FLOOD MITIGATION ASSISTANCE	$54,827	$0	$54,827
97.032	CRISIS COUNSELING	$27,894	$29,846	$57,740
97.036	DISASTER GRANTS - PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS)	$2,689,468	$559,326	$3,248,794
97.039	HAZARD MITIGATION GRANT	$0	$3,472,312	$3,472,312
97.041	NATIONAL DAM SAFETY PROGRAM	$127,921	$0	$127,921
97.042	EMERGENCY MANAGEMENT PERFORMANCE GRANTS	$469,959	$1,909,701	$2,379,660
97.045	COOPERATING TECHNICAL PARTNERS	$90,000	$0	$90,000
97.050	PRESIDENTIAL DECLARED DISASTER ASSISTANCE TO INDIVIDUALS AND HOUSEHOLDS_ OTHER NEEDS	$374,149	$1,211	$375,360
97.055	INTEROPERABLE EMERGENCY COMMUNICATIONS	$0	$160,614	$160,614
97.056	PORT SECURITY GRANT PROGRAM	$0	$668,687	$668,687
97.067	HOMELAND SECURITY GRANT PROGRAM	$292,414	$3,165,219	$3,457,633
97.089	DRIVER'S LICENSE SECURITY GRANT PROGRAM	$1,333,717	$0	$1,333,717
97.110	SEVERE REPETITIVE LOSS PROGRAM	$6,032	$0	$6,032
97.111	REGIONAL CASTASTROPHIC PREPAREDNESS GRANT PROGRAM	$0	$1,349,869	$1,349,869
TOTAL DEPARTMENT OF HOMELAND SECURITY		**$6,258,853**	**$11,527,385**	**$17,786,238**
MULTIPLE FEDERAL AGENCY CLUSTER				
NOTE 6J	HIGHWAY PLANNING AND CONSTRUCTION CLUSTER	$482,754,549	$11,918,371	$494,672,920
NOTE 6AG	STUDENT FINANCIAL ASSISTANCE CLUSTER	$644,764,715	$0	$644,764,715
NOTE 6AH	RESEARCH AND DEVELOPMENT CLUSTER	$3,801,305	$22,001	$3,823,306
TOTAL MULTIPLE FEDERAL AGENCY CLUSTER		**$1,131,320,569**	**$11,940,372**	**$1,143,260,941**
TOTAL EXPENDITURES OF FEDERAL AWARDS		**$5,145,308,307**	**$693,538,493**	**$5,838,846,800**

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards (the Schedule) has been prepared on the cash basis of accounting except for the federal awards expended from the U.S. Department of Transportation and the School Building Authority, which are presented on the accrual basis. The federal awards are listed in the schedule under the federal agency supplying the award. The individual Catalog of Federal Domestic Assistance (CFDA) numbers are listed first, then clusters, then federal contract numbers, and then state assigned numbers. Federal contract numbers are used if the CFDA number is not available. Numbers were assigned to awards that had no identifying numbers as listed in Note 9.

The Schedule includes noncash items such as Food Stamps (CFDA number 10.551), State Administrative Expense for Child Nutrition (CFDA number 10.560), and Donation of Federal Surplus Personal Property (CFDA number 39.003). All items are valued based on amounts as established by the federal grantor agency. The Schedule also includes Federal Direct Student Loans (Direct Loan) (CFDA number 84.268) that are made directly to individual students. In accordance with the federal guidelines, the Department of Health and Human Resources transferred $13,167,405 from CFDA number 93.558 to CFDA number 93.667. This transfer is reported in the Schedule as CFDA number 93.667.

NOTE 2. REPORTING ENTITY

The Schedule includes various departments, agencies, boards and commissions governed by the legislature, judiciary and/or constitutional officers of the State of West Virginia (the State). The reporting entity also includes the State's institutions of public higher education. Certain

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 2. REPORTING ENTITY (Continued)

institutions of higher education within the State maintain separate research corporations. These corporations receive various federal awards for research and development and other programs. Each of the research corporations has a separate audit performed in accordance with OMB Circular A-133, and accordingly, a separate A-133 submission has been made (see Note 8).

The Schedule does not include federal funds received and expended by certain independent authorities and other organizations included in the reporting entity under the criteria of the Governmental Accounting Standards Board, as described in Note 1 to the State's basic financial statements published in the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. The West Virginia Housing Development Fund, which is a discretely presented component unit, elects to have their own single audit and their own schedule of expenditures of federal awards. This component unit is required to submit their own single audit report to the federal audit clearinghouse.

NOTE 3. SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP)

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of the total expenditures for SNAP benefits that is supported by Recovery ACT funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households income, deductions, and

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 3. SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM (SNAP) (Continued)

assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 10.95 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2012.

NOTE 4. INDIRECT/PASS-THROUGH FEDERAL FUNDS

The United States Office of Drug Control Policy provides funds to the Laurel County Fiscal Court of London, Kentucky. A portion of these funds are passed through from the Fiscal Court to the State.

The West Virginia Research Corporation passed funds to the West Virginia Department of Health and Human Services for CFDA Number 93.926, and the West Virginia School of Osteopathic Medicine for CFDA Numbers 93.824 and 93.969. Higher Education received ARRA pass-through funds from Tidewater Community College of Virginia CFDA 93.721.

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 5. UNEMPLOYMENT INSURANCE PROGRAM (UI) (CFDA NUMBER 17.225)

The U.S. Department of Labor, in consultation with the Office of Management and Budget officials, has determined that for the purpose of audits and reporting under OMB Circular A-133, state UI funds as well as federal funds should be considered federal awards for determining Type A programs. The State receives federal funds for administrative purposes. State unemployment taxes must be deposited to a state account in the Federal Unemployment Trust Fund, used only to pay benefits under the federally approved state law. State UI funds as well as federal funds are included on the Schedule. The following schedule provides a breakdown of the state and federal portions of the total expended under CFDA number 17.225:

	Beginning Balance July 1, 2011	Receipts	Expenditures	Ending Balance June 30, 2012
State UI Funds	$ 236,774	$423,415,858	$423,887,940	$ (235,308)
Federal UI Funds	1,969,869	186,460,089	186,173,448	2,256,510
Total	$2,206,643	$609,875,947	$610,061,388	$2,021,202

NOTE 6. PROGRAM CLUSTERS

The following tables detail program clusters referred to in the Schedule. As noted below, the Highway Planning and Construction, Student Financial Assistance, and Research and Development clusters have CFDA's involving awards from multiple federal agencies. The respective federal agency amount by CFDA for these clusters is disclosed in this note. For presentation purposes in the Schedule, these multiple federal agency clusters are presented at the end of the Schedule.

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6. PROGRAM CLUSTERS (Continued)

Federal Agency	CFDA Number	Name of Program	Total Expenditures
(A) SNAP Cluster			
USDA	10.551	Supplemental Nutrition Assistance Program (SNAP)	$491,416,398
	10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	18,223,737
		Total SNAP Cluster	$509,640,135
(B) Child Nutrition Cluster			
USDA	10.553	School Breakfast Program (SBP)	$24,255,545
	10.555	National School Lunch Program (NSLP)	58,676,603
	10.556	Special Milk Program for Children (SMP)	33,471
	10.559	Summer Food Service Program for Children (SFSPC)	2,174,498
		Total Child Nutrition Cluster	$85,140,117
(C) Emergency Food Assistance Cluster			
USDA	10.568	Emergency Food Assistance Program (Administrative Costs)	$ 380,197
	10.569	Emergency Food Assistance Program (Food Commodities)	1,330,637
		Total Emergency Food Assistance Cluster	$1,710,834

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6. PROGRAM CLUSTERS (Continued)

Federal Agency	CFDA Number	Name of Program	Total Expenditures
(D) Forest Service Schools and Roads Cluster			
USDA	10.665	Schools and Roads - Grants to States	$2,016,901
		Total Forest Service Schools and Roads Cluster	$2,016,901
(E) CDBG – State-Administered CDBG Cluster			
HUD	14.228	Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii	$18,309,726
	14.255	ARRA - Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii (Recovery Act Funded)	595,294
		Total CDBG – State-Administered CDBG Cluster	$18,905,020
(F) Fish and Wildlife Cluster			
DOI	15.605	Sport Fish Restoration Program	$2,411,047
	15.611	Wildlife Restoration and Basic Hunter Education	2,107,049
		Total Fish and Wildlife Cluster	$4,518,096

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6. PROGRAM CLUSTERS (Continued)

Federal Agency	CFDA Number	Name of Program	Total Expenditures
(G) JAG Program Cluster			
DOJ	16.803	ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	$694,878
		Total JAG Program Cluster	$694,878
(H) Employment Service Cluster			
DOL	17.207	Employment Service/ Wagner-Peyser Funded Activities	$6,579,692
	17.207	ARRA - Employment Service/ Wagner-Peyser Funded Activities	4,182
		Total Employment Service/ Wagner-Peyser Funded Activities	6,583,874
	17.801	Disabled Veterans' Outreach Program (DVOP)	411,637
	17.804	Local Veterans' Employment Representative (LVER) Program	524,832
		Total Employment Service Cluster	$7,520,343
(I) WIA Cluster			
DOL	17.258	WIA Adult Program	$ 3,861,718
	17.258	ARRA - WIA Adult Program	36,794
		Total WIA Adult Program	3,898,512

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6. PROGRAM CLUSTERS (Continued)

Federal Agency	CFDA Number	Name of Program	Total Expenditures
(I) WIA Cluster (Continued)			
	17.259	WIA Youth Activities	3,587,941
	17.259	ARRA - WIA Youth Activities	36,794
		Total WIA Youth Activities	3,624,735
		Total WIA Cluster	$7,523,247
(J) Highway Planning and Construction Cluster			
DOT	20.205	Highway Planning and Construction	$410,642,930
	20.205	ARRA - Highway Planning and Construction	13,884,064
		Total Highway Planning and Construction	424,526,994
	20.219	Recreational Trails Program	500,550
ARC	23.003	Appalachian Development Highway System	69,645,376
		Total Highway Planning and Construction Cluster	$494,672,920
(K) Federal Transit Cluster			
DOT	20.500	Federal Transit - Capital Investment Grants	$5,785,823
		Total Federal Transit Cluster	$5,785,823

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6. PROGRAM CLUSTERS (Continued)

Federal Agency	CFDA Number	Name of Program	Total Expenditures
(L) Transit Services Programs Cluster			
DOT	20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	$385,712
	20.516	Job Access - Reverse Commute Program	348,988
	20.521	New Freedom Program	214,468
		Total Transit Services Programs Cluster	$949,168
(M) Highway Safety Cluster			
DOT	20.600	State and Community Highway Safety	$1,559,039
	20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	1,725,864
	20.609	Safety Belt Performance Grants	752,903
	20.610	State Traffic Safety Information System Improvements Grants	60,997
	20.611	Incentive Grant Program to Prohibit Racial Profiling	1,111
	20.612	Incentive Grant Program to Increase Motorcyclist Safety	80,816
	20.613	Child Safety and Child Booster Seat Incentive Grants	91,588
		Total Highway Safety Cluster	$4,272,318

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6. PROGRAM CLUSTERS (Continued)

Federal Agency	CFDA Number	Name of Program	Total Expenditures
(N) Title 1, Part A Cluster			
ED	84.010	Title 1 Grants to Local Educational Agencies	$ 98,754,214
	84.389	ARRA - Title 1 Grants to Local Educational Agencies, Recovery Act	6,926,004
		Total Title 1, Part A Cluster	$105,680,218
(O) Special Education Cluster (IDEA)			
ED	84.027	Special Education - Grants to States (IDEA, Part B)	$75,603,576
	84.173	Special Education - Preschool Grants (IDEA Preschool)	3,245,490
	84.391	ARRA - Special Education - Grants to States (IDEA, Part B), Recovery Act	11,823,689
	84.392	ARRA - Special Education - Preschool Grants (IDEA Preschool), Recovery Act	1,052,030
		Total Special Education Cluster (IDEA)	$91,724,785
(P) TRIO Cluster			
ED	84.042	TRIO - Student Support Services	$1,864,800
	84.044	TRIO - Talent Search	203,521
	84.047	TRIO - Upward Bound	1,859,494
	84.066	TRIO - Educational Opportunity Centers	336,758
	84.217	TRIO - McNair Post-Baccalaureate Achievement	470,979
		Total TRIO Cluster	$4,735,552

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6. PROGRAM CLUSTERS (Continued)

Federal Agency	CFDA Number	Name of Program	Total Expenditures
(Q) Vocational Rehabilitation Cluster			
ED	84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	$49,345,143
	84.390	ARRA - Rehabilitation Services - Vocational Rehabilitation Grants to States, Recovery Act	61,750
		Total Vocational Rehabilitation Cluster	$49,406,893
(R) Independent Living State Grants Cluster			
ED	84.169	Independent Living - State Grants	$550,477
		Total Independent Living State Grants Cluster	$550,477
(S) Independent Living Services for Older Individuals Who Are Blind Cluster			
ED	84.177	Independent Living Services for Older Individuals Who are Blind	$257,592
		Total Independent Living Services for Older Individuals Who Are Blind Cluster	$257,592
(T) Early Intervention Services (IDEA) Cluster			
ED	84.181	Special Education - Grants for Infants and Families	$1,777,883
	84.393	ARRA - Special Education - Grants for Infants and Families, Recovery Act	122,789
		Total Early Intervention Services (IDEA) Cluster	$1,900,672

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6. PROGRAM CLUSTERS (Continued)

Federal Agency	CFDA Number	Name of Program	Total Expenditures
(U) Education of Homeless Children and Youth Cluster			
ED	84.196	Education for Homeless Children and Youth	$433,550
	84.387	ARRA - Education for Homeless Children and Youth, Recovery Act	85,783
		Total Education of Homeless Children and Youth Cluster	$519,333
(V) Educational Technology State Grants Cluster			
ED	84.318	Educational Technology State Grants	$ 817,712
	84.386	ARRA - Educational Technology State Grants, Recovery Act	780,007
		Total Educational Technology State Grants Cluster	$1,597,719
(W) School Improvement Grants Cluster			
ED	84.377	School Improvement Grants	$1,643,899
	84.388	ARRA - School Improvement Grants, Recovery Act	5,774,679
		Total School Improvement Grants Cluster	$7,418,578
(X) State Fiscal Stabilization Fund Cluster			
ED	84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act (Education Stabilization Fund)	$ 3,521,454
	84.397	ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	21,208,914
		Total State Fiscal Stabilization Fund Cluster	$24,730,368

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6. PROGRAM CLUSTERS (Continued)

Federal Agency	CFDA Number	Name of Program	Total Expenditures
(Y) Aging Cluster			
HHS	93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	$2,912,171
	93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	5,410,319
	93.053	Nutrition Services Incentive Program	1,035,548
		Total Aging Cluster	$9,358,038
(Z) Immunization Cluster			
HHS	93.268	Immunization	$1,780,410
	93.712	ARRA - Immunization	147,167
		Total Immunization Cluster	$1,927,577
(AA) TANF Cluster			
HHS	93.558	Temporary Assistance for Needy Families (TANF) State Programs	$130,503,801
	93.714	ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	(1,352,576)
		Total TANF Cluster	$129,151,225
(AB) CSBG Cluster			
HHS	93.569	Community Services Block Grants	$7,757,114
	93.710	ARRA - Community Services Block Grants	(7,844)
		Total CSBG Cluster	$7,749,270

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6. PROGRAM CLUSTERS (Continued)

Federal Agency	CFDA Number	Name of Program	Total Expenditures
(AC) CCDF Cluster			
HHS	93.575	Child Care and Development Block Grant	$13,455,175
	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	16,237,293
		Total CCDF Cluster	$29,692,468
(AD) Head Start Cluster			
HHS	93.600	Head Start	$138,947
	93.708	ARRA - Head Start	119,377
		Total Head Start Cluster	$258,324
(AE) Medicaid Cluster			
HHS	93.775	State Medicaid Fraud Control Units	$ 785,029
	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	3,450,984
	93.778	Medical Assistance Program	2,053,422,811
	93.778	ARRA - Medical Assistance Program	36,516,597
		Total Medical Assistance Program	2,089,939,408
		Total Medicaid Cluster	$2,094,175,421
(AF) Disability Insurance/SSI Cluster			
SSA	96.001	Social Security - Disability Insurance (DI)	$19,198,156
		Total Disability Insurance/SSI Cluster	$19,198,156

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6. PROGRAM CLUSTERS (Continued)

Federal Agency	CFDA Number	Name of Program	Total Expenditures
(AG) Student Financial Assistance Cluster			
ED	84.007	Federal Supplemental Educational Opportunity Grants (FSEOG)	$ 3,913,896
	84.033	Federal Work-Study Program (FWS)	3,506,067
	84.038	Federal Perkins Loans (FPL) - Federal Capital Contributions	3,008,301
	84.063	Federal Pell Grant Program (PELL)	145,001,005
	84.268	Federal Direct Student Loans (Direct Loan)	487,533,933
	84.375	Academic Competitiveness Grants (ACG)	3,880
	84.376	National Science and Mathematics Access to Retain Talent (SMART) Grants (SMART Grants)	7,194
	84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	686,702
		Subtotal Department of Education	643,660,978
HHS	93.264	Nurse Faculty Loan Program (NFLP)	93,021
	93.342	Health Professions Student Loans, including Primary Care Loans and Loans for Disadvantaged Students (HPSL/PCL/LDS)	743,153
	93.364	Nursing Student Loans (NSL)	82,450
	93.925	Scholarships for Disadvantaged Students (SDS)	185,113
		Subtotal Department of Health and Human Services	1,103,737
		Total Student Financial Assistance Cluster (Expenditures Only)	**644,764,715**

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6. PROGRAM CLUSTERS (Continued)

Federal Agency	CFDA Number	Name of Program	Total Expenditures
(AG) Student Financial Assistance Cluster (Continued)			
Loans outstanding, with continuing compliance requirements, are as follows:			
	84.038	Federal Perkins Loan (FPL) - Federal Capital Contributions	51,835,471
	93.264	Nurse Faculty Loan Program (NFLP)	232,636
	93.342	Health Professions Student Loans, including Primary Care Loans and Loans Disadvantaged Students (HPSL, PCL, LDS)	5,769,954
	93.364	Nursing Student Loans (NSL)	558,436
		Total Loans Outstanding	58,396,497
		Total Student Financial Assistance Cluster	$703,161,212

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program	Federal Expenditures
(AH) Research and Development Cluster		
Department of Agriculture		
10.202	Cooperative Forestry Research	$ 548,564
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act	2,937,559
	Total Department of Agriculture	3,486,123
Department of Defense		
12.431	Basic Scientific Research	7,122
	Total Department of Defense	7,122

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6.PROGRAM CLUSTERS (Continued)

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program	Federal Expenditures
(AH) Research and Development Cluster		
Department of Interior		
H6000082000 Order # P11AC60552	Vulnerability of Sensitive Karst Habitats Containing RTE Species in CHOH	34,074
	Total Department of Interior	34,074
Department of Energy		
81.087	Renewable Energy Research and Development	62,995
	Pass-Through Programs From: Arizona Geological Survey	
81.087	Renewable Energy Research and Development	38,996
81.089	Fossil Energy Research and Development	183,397
	Pass-Through Programs From: The WVU Research Corporation and The Battelle Research Institute	
81.089	Fossil Energy Research and Development	10,599
	Total Department of Energy	295,987
	Total Research and Development Cluster	**$3,823,306**

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 7. MEDICAID CLUSTER CONTINGENCY

As a recipient of funds under various federal programs that comprise the Medicaid Cluster (CFDA 93.775/93.777/93.778), the West Virginia Department of Health and Human Resources (DHHR) is required to establish payment rates for the services billed by county school boards. In 2003, DHHR requested a retroactive rate adjustment related to the rate calculation for school-based services which resulted in additional reimbursements from the U.S. Department of Health and Human Services (USDHHS) that were remitted to the county school boards. Subsequently, the Office of the Inspector General reviewed DHHR's retroactive rate adjustment and issued a report titled "Review of Medicaid Reimbursement Rates for School-Based Services in West Virginia (A-03-05-00203)". The OIG's report covered the period October 1, 2001 to September 30, 2003 and found that DHHR's claimed $22,806,230 Federal Financial Participation for school-based services did not comply with the reimbursement methodology in its approved Medicaid state plan and therefore disallowed the respective reimbursed costs. In November 2012, USDHHS Centers for Medicare and Medicaid Services (CMS) concurred with the OIG's findings and notified DHHR that the $22,806,230 is disallowed. DHHR is appealing the disallowance of the reimbursed amount. If the disallowance is upheld, the disallowance plus interest will be withheld from a subsequent grant award. Furthermore, for the fiscal years 2004 to 2005 and from 2007 to 2012, DHHR has received reimbursements from the USDHHS based on the use of an adjusted rate as a result of the above disallowance. These years have not been settled and/or reviewed by USDHHS and accordingly an amount may be disallowed in the future. Currently, the State does not know the ultimate outcome of these matters.

STATE OF WEST VIRGINIA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8. COMPONENT UNITS

The following is a summary of federal awards at the various Component Units that had separate OMB Circular A-133 audits and submissions. These awards have been excluded from the State's Schedule.

West Virginia University Research Corporation (Issued by Deloitte & Touche LLP dated February 5, 2013)	$ 75,014,425
Marshall University Research Corporation (Issued by Hayflich & Steinberg dated October 9, 2012)	$ 25,768,977
West Virginia State Research Corporation (Issued by Hayflich & Steinberg dated October 11, 2012)	$ 11,868,919
West Virginia Housing Development Fund (Issued by Gibbons & Kawash, A.C. dated November 7, 2012)	$ 74,475,796

NOTE 9. MISCELLANEOUS PROGRAMS

The following numeric references indicate that no CFDA number was available for publication. These expenditure amounts consist of numerous small grants. The individual grant information is not readily available. Therefore, a reference WV plus sequenced numbering is assigned for identification purposes.

Reference Number	Program Name	State Agency	Federal Agency
WV-1	Purdue Pharma Settlement	Justice and Community Services Division of Public Safety Department of Health Supreme Court of Appeals Division of Corrections	Department of Justice
WV-2	Equitable Sharing Program-Justice	Division of Public Safety	Department of Justice
WV-3	Equitable Sharing Program-Treasury	Division of Public Safety	Department of the Treasury
WV-4	Miscellaneous Federal Award Programs	Department of Environmental Protection	Environmental Protection Agency
WV-5	Petroleum Violation Escrow Funds	Department of Energy and Higher Education	Department of Energy

FINDINGS, QUESTIONED COSTS, AND MANAGEMENT RESPONSES

STATE OF WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

Part I. Summary of Auditor's Results

Financial statements section:

Type of auditors' report issued (unqualified, qualified, adverse or disclaimer):	Unqualified, with reliance on other auditors			
Internal control over financial reporting:				
Material weakness(es) identified?	X	Yes		No
Significant deficiency(ies) identified?	X	Yes		None Reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal awards section:

Internal control over major programs:				
Material weakness(es) identified?	X	Yes		No
Significant deficiency(ies) identified?	X	Yes		None Reported
Type of auditors' report issued on compliance for major programs (unqualified, qualified, adverse or disclaimer):	Unqualified for all major programs except for State Fiscal Stabilization Cluster, Abandoned Mine Land Reclamation (AMLR), Low-Income Home Energy Assistance, Weatherization Assistance for Low-Income Persons, and Adoption Assistance Programs which were qualified, and the Broadband Technology Opportunities Program which was adverse.			
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	X	Yes		No

Identification of Major Programs

Audited by Ernst & Young:

CFDA Number(s)	Reportable Findings	Name of Federal Program or Cluster
10.551/10.561	2012–51, 52, 53	SNAP Cluster
10.553/10.555/ 10.556/10.559	None	Child Nutrition Cluster
10.557	2012–10, 52, 53	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
11.557*	2012–7, 11, 12, 13, 14, 15	Broadband Technology Opportunities Program
12.400	None	National Guard Construction Projects
12.401*	None	National Guard Military Operations and Maintenance (O&M) Projects
14.228/14.255*	None	CDBG – State Administered CDBG Cluster
15.252	2012–6, 16	Abandoned Mine Land Reclamation (AMLR) Program
17.225*	2012–17	Unemployment Insurance
20.205*/20.219/ 23.003	2012–18, 19	Highway Planning and Construction Cluster
66.468*,#	2012–52, 53	Capitalization Grants for Drinking Water State Revolving Funds
81.042*	2012–7, 20	Weatherization Assistance for Low-Income Persons
84.007/84.033/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 93.264/93.342/ 93.364/93.925	2012–21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49	Student Financial Assistance Cluster
84.010/84.389*	2012–8	Title I, Part A
84.027/84.173/ 84.391*/84.392*	2012–8	Special Education Cluster (IDEA)
84.126/84.390*	2012–50	Vocational Rehabilitation Cluster
84.410	None	Education Jobs Fund

Identification of Major Programs (continued)

Audited by Ernst & Young:

CFDA Number(s)	Reportable Findings	Name of Federal Program or Cluster
84.394*/84.397*,^	2012–7, 9, 11	State Fiscal Stabilization Fund Cluster
93.558/93.714*/ 93.716*	2012–5, 8, 51, 52, 53, 54, 55, 56	TANF Cluster
93.563	2012–52, 53	Child Support Enforcement
93.568	2012–51, 52, 53, 57	Low-Income Home Energy Assistance
93.575/93.596	2012–8, 51, 52, 53, 58	CCDF Cluster
93.659*	2012–51, 52, 53, 59	Adoption Assistance Title IV-E
93.667	2012–5	Social Services Block Grant
93.767	2012–51, 60, 61	Children’s Health Insurance Program (CHIP)
93.720*/93.775/ 93.777/93.778*	2012–51, 52, 53, 62, 63	Medicaid Cluster
96.001/96.006	None	Disability Insurance/SSI Cluster

Identification of Major Programs (continued)

Audited by other auditors:

66.458*	None	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and B programs			$ 17,691,730	
Auditee qualified as low-risk auditee	_____	Yes	X	No

***** CFDA number includes federally identifiable American Recovery and Reinvestment Act Funds.

^ Approximately 15% of the State Fiscal Stabilization Fund Cluster is audited by other auditors. The findings referred to above are a result of our testing and were not from the other auditors.

Approximately 81% of the Capitalization Grants for Drinking Water State Revolving Fund is audited by other auditors.

STATE OF WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

Part II. Financial Statement Findings Section

Reference Number	Findings	Questioned Costs
2012–1	Tax Receipts and Refunds Monthly Reconciliations	N/A
2012–2	Capital Assets	N/A
2012–3	Payroll (PIMS /EPICS Comparison Reports)	N/A
2012–4	Unclaimed Property	N/A

Part III. Federal Award Findings and Questioned Costs Section

Reference Number	Findings	Questioned Costs
2012–5	Schedule of Expenditures of Federal Awards	N/A
2012–6	Subrecipient Risk Assessment	N/A
2012–7*	Subrecipient Monitoring - American Recovery and Reinvestment Act	N/A
2012–8	Transparency Act Reporting	Unknown
2012–9*	Subrecipient Identification	N/A
2012–10	FNS Review - Nutrition Services	Unknown
2012–11*	1512 Reporting	N/A
2012–12*	Allowable Costs - Lack of Supporting Documentation	$466,071
2012–13*	Cash Management	Unknown
2012–14*	Reporting - Financial	N/A
2012–15*	Reporting - Performance	N/A
2012–16	Subrecipient Monitoring - Audit Reports	Unknown
2012–17*	Internal Controls Over Reporting	N/A
2012–18*	Davis Bacon Act	N/A
2012–19*	1512 Reporting	N/A
2012–20*	1512 Reporting	N/A
2012–21	Special Tests and Provisions - Borrower Data Transmission and Reconciliation	N/A
2012–22	Cash Management	Unknown
2012–23	Fiscal Operations Report and Application to Participate	N/A
2012–24	Special Tests and Provisions - Return of Title IV Funds	N/A
2012–25	Eligibility	$6,830
2012–26	Fiscal Operations Report and Application to Participate	N/A
2012–27	Special Tests and Provisions - Disbursements to or on Behalf of Students	N/A
2012–28	Special Tests and Provisions - Return of Title IV Funds	$656
2012–29	Special Tests and Provisions - Loan Repayments	N/A
2012–30	Special Tests and Provisions - Institutional Eligibility	N/A
2012–31	Fiscal Operations Report and Application to Participate	N/A
2012–32	Earmarking	N/A
2012–33	Special Tests and Provisions - Borrower Data Transmission and Reconciliation	N/A
2012–34	Fiscal Operations Report and Application to Participate	N/A
2012–35	Special Tests and Provisions - Institutional Eligibility	N/A
2012–36	Cash Management	N/A
2012–37	Program Income	N/A
2012–38	Fiscal Operations Report and Application to Participate	N/A
2012–39	Special Tests and Provisions - Loan Defaults	N/A
2012–40	Special Tests and Provisions - Borrower Data Transmission and Reconciliation	N/A
2012–41	Special Tests and Provisions - Institutional Eligibility	N/A
2012–42	Schedule of Expenditures of Federal Awards	N/A
2012–43	Special Tests and Provisions - Enrollment Reporting	N/A
2012–44	Schedule of Expenditures of Federal Awards	N/A
2012–45	Special Tests and Provisions - Verification	N/A
2012–46	Special Tests and Provisions - Return of Title IV Funds	$153
2012–47	Special Tests and Provisions - Enrollment Reporting	N/A
2012–48	Special Tests and Provisions - Institutional Eligibility	N/A
2012–49	Special Tests and Provisions - Enrollment Reporting	N/A
2012–50	Indirect Cost Allocation	Unknown

STATE OF WEST VIRGINIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

Reference Number	Findings	Questioned Costs
2012–51*	DHHR Information System and Related Business Process Controls	N/A
2012–52*	Procurement Procedures	N/A
2012–53*	Time and Attendance Authorization Procedures	Unknown
2012–54	Eligibility	Unknown
2012–55	Reporting	Unknown
2012–56	Special Tests and Provisions - Sanctions	Unknown
2012–57	Allowability and Eligibility	$5,437
2012–58	Disaster Recovery Plan	N/A
2012–59	Eligibility Documentation	$3,938
2012–60	RAPIDS User Guide	N/A
2012–61	Eligibility	$308
2012–62*	Unallowable Costs - Personal Care Services	$380,369
2012–63*	Quality Control Error Rate	Unknown

* Finding includes federally identifiable American Recovery and Reinvestment Act Funds.

2012–1 TAX RECEIPTS AND REFUNDS MONTHLY RECONCILIATIONS

State Agency
Department of Revenue (Revenue) and Financial Accounting and Reporting Section (FARS)

Criteria: Revenue is responsible for establishing and maintaining adequate controls over the recording and collection of tax revenues and related receivables, including its information systems and processes. FARS is responsible for the estimation process to estimate tax refunds payable at year-end.

Condition: Consistent with prior year, we identified control deficiencies around the tax collection and refund process based on the following:

Revenue performs monthly tax refund and tax revenue reconciliations between the tax subledger (GenTax) and WVFIMS. The reconciliations are prepared by a staff and reviewed by a senior member of Revenue. During our review of the tax refund reconciliations, we noted that the preparation and review functions are not formally documented by signature and completion date. During our review of the tax remittance reconciliations performed by Revenue, we noted that the reconciliation for the month of March had not been finalized or reviewed by a senior member of Revenue. Furthermore, we noted that a material reconciling item and its ultimate resolution had not been documented. Management was able to provide supporting documentation for the reconciling item subsequent to our testing.

During our tax refunds payable testing, we identified reclassifying entries between current and noncurrent liabilities of $6.2 million at the government wide level.

Questioned Costs: N/A

Context: The total tax revenue for the year ended June 30, 2012, is approximately $5.0 billion. Taxes receivable and tax refunds payable approximated $464.1 million and $260.3 million, respectively, at June 30, 2012.

Cause: Management indicated that the deficiency noted above is due to lack of staffing resources.

Effect: The conditions outlined above could cause tax revenue and the related receivable and refunds payable to not be properly recorded in the financial statements in the correct account and period as well as for the proper amount. They may also create opportunities for errors and irregularities to go undetected.

Recommendation: We recommend that Revenue establish formal policies and procedures for performance of the reconciliation between GenTax and WVFIMS at least monthly in order to assure the resolution of unreconciled differences in a timely manner. When developing the reconciliation process, Revenue should consider segregation of duties, review and approval policies and procedures, including the formal documentation of those approvals, as well as developing formalized thresholds that are sensitive enough to identify material errors, documenting precision of review. In addition, formal preparer and reviewer sign offs should be required on the monthly reconciliations.

We also recommend that FARS and Revenue collaborate to finalize the tax refund reporting and estimation process. While developing historical trends, FARS and Revenue should consider State Code and the implications on the refund estimation process and the appropriate classification.

2012–1 TAX RECEIPTS AND REFUNDS MONTHLY RECONCILIATIONS (continued)

State Agency
Department of Revenue (Revenue) and Financial Accounting and Reporting Section (FARS)

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–2 CAPITAL ASSETS
(Prior Year Finding 2011–1)

State Agency:
Various

Criteria: As stated in the Capital Asset Policies Manual, "Agencies are required to complete an annual Inventory Certification Cover Sheet and submit to the Purchasing Division by July 15 of every year." This control procedure is used by the Financial Accounting and Reporting Section to require the agencies to certify the existence of assets purchased and the accuracy of the agency's capital assets that are reported in the State's Comprehensive Annual Financial Report (CAFR).

Also, the West Virginia Purchasing Division guidelines state, in part:

"… any item which has an original acquisition cost of $1,000 or more and useful life of one year or more is required to be entered into the West Virginia Financial Information Management System (WVFIMS) Fixed Asset System.

All equipment over $1,000 will have a numbered equipment identification tag … tags are to be placed on all items of property/equipment in such a manner that it can easily be seen and read.

All fields are required in WVFIMS as it applies to the equipment … tag number, item description, serial number …." Agencies are responsible for maintaining equipment from date of purchase to date of retirement, such as keeping equipment secure, entering assets into WVFIMS, conducting physical inventories, submitting annual certification, retiring assets properly, etc., all in accordance with policies and procedures.

Condition: Based on our procedures, we noted the following instances of noncompliance with State equipment policies and procedures:

In our sample test of 25 capital asset additions which totaled $110 million, one $2 million asset was capitalized in fiscal year 2012 that should have been capitalized in 2013. Additionally, five of the items sampled for additions testing did not possess the capital asset certificate proving ownership of the asset.

In our sample of 13 capital asset disposals which totaled $65 million, one disposal of $10 million net of accumulated depreciation should have been expensed as of June 30, 2011.

Questioned Costs: N/A

Context: Capital assets recorded in governmental activities of the primary government were $9.2 billion at June 30, 2012.

Cause: Management indicated that capital asset guideline noncompliance was due to the decentralization of the capital asset process, staffing limitations and lack of training and knowledge related to compliance requirements. Because of decentralization of the capital asset management process, additions or deletions might not be reported in the WVFIMS Fixed Asset System and ultimately not reported in the CAFR timely.

Effect: The deficiencies noted in the controls over capital assets could result in capital assets not being recorded or depreciated properly or disposals being appropriately expensed in the CAFR. Deficient controls could result in increased risk of theft, especially for portable electronic items (e.g., computers, cameras).

2012–2 CAPITAL ASSETS
(Prior Year Finding 2011–1) (continued)

State Agency:
Various

Recommendation: In order to safeguard assets from unauthorized use or disposition and enhance the reliability of the capital asset amounts reported in the financial statements, we recommend that procedures be implemented to ensure that the capital assets policies and guidelines are adhered to by State agencies. Periodic training covering general procedures as well as focused training in deficient areas should be considered to enhance compliance.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–3 PAYROLL (PIMS /EPICS COMPARISON REPORTS)

State Agency
West Virginia State Budget Office (Budget)

Criteria: The State is responsible for maintaining an effective control environment over routine processes including payroll. A component of the controls related to payroll includes the comparison of pay rates maintained in the Position Information Management System (PIMS) (i.e. master file of approved pay rates) and the Employee Payroll Information Control System (EPICS) (i.e., payroll journal). Budget is responsible for performing this control every pay payroll run and is required to investigate all discrepancies. When a discrepancy is identified, Budget contacts the respective agency so the discrepancy can be resolved.

Condition: Based on our procedures and inquiries of Budget, the control is either not being performed or it is not being performed in a timely manner. The State does not have a compensating control when this comparison is not performed or performed timely.

Questioned Costs: N/A

Context: Payroll expense for the State was $2.3 billion in fiscal year 2012.

Cause: The State Budget Office has not refined the control so that higher risk discrepancies are evaluated timely.

Effect: The deficiencies in internal control identified could result in employees being overpaid compared to their approved wage.

Recommendation: EY recommends that Budget develop policies and procedures related to the PIMS and EPICS comparison control. The control should give consideration as to the frequency of the control, the risk of the discrepancy and a tolerance threshold.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–4 UNCLAIMED PROPERTY

State Agency
Various

Criteria: The Financial Accounting and Reporting Section (FARS) is responsible for preparing the State's Comprehensive Annual Financial Report in accordance with generally accepted accounting principles. To estimate the current and noncurrent unclaimed property liability, FARS utilizes a database maintained by the State Treasurer's Office (STO) relating to unclaimed property to analyze payout trends and estimate the liability.

Condition: FARS estimated the liability related to unclaimed property utilizing trend data from the unclaimed property database that was implemented in fiscal year 2009. During our procedures, we determined that the liability was overstated by $11 million.

Questioned Costs: N/A

Context: The total unclaimed property for the State is $171.9 million as of June 30, 2012. The estimated liability related to unclaimed property is $35.1 million as of June 30, 2012.

Cause: The trend analysis and liability estimate prepared by FARS did not fully leverage the available information in the database to estimate the liability.

Effect: The methodology applied by FARS was not updated for the continued development of the trend data. This could result in a material misstatement of the estimate and the CAFR.

Recommendation: We recommend that FARS continue to update the policies and procedures related to the unclaimed property liability computation as additional trend data is developed and is available. The database has been in place since 2009 and as the information matures, the estimate should continue to be refined on a contemporaneous basis.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–5 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Prior Year Finding 2011–4)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	Various	Various

Criteria: OMB Circular A–133 Section 300a states, "The auditee shall prepare appropriate financial statements including the Schedule of Expenditures of Federal Awards (SEFA)."

Condition: The Department of Administration Financial Accounting and Reporting Section (FARS) is responsible for preparing the Schedule of Expenditures of Federal Awards (SEFA) for the State using information submitted by State agencies receiving federal monies during the year. The respective State agencies do not always report information and related revisions to the FARS Single Audit coordinator in a timely manner. Furthermore, the State agencies do not always identify reclassifications needed to report Federal expenditures under the correct CFDA. Late revisions and reclassifications to the SEFA could result in a program going above the Type A program threshold without being identified in a timely manner to allow completion of the necessary audit procedures by the required OMB Circular A–133 deadline. Late revisions and reclassifications to the SEFA could also result in a program that was initially audited as a Type A high risk and major program going below the Type A program threshold and becoming a Type B program. Such changes can result in effort being expended auditing a program which does not have to and should not be audited as a major program.

The State agencies are required to have internal controls in place surrounding the completion of their SEFAs which are submitted to FARS. During our testing of the individual major programs it was determined that many of the individual agencies did not have a formalized internal control process, such as a formalized review and approval control, surrounding the preparation of their SEFAs which were submitted to FARS.

Questioned Costs: N/A

Context: Total federal expenditures for the State included on the SEFA were $5.8 billion for the fiscal year ended June 30, 2012.

Cause: Policies and procedures related to timeliness are not being followed by all State agencies. FARS lacks the enforcement and oversight ability to enforce the established deadlines to ensure timeliness.

Formalized internal control processes are not established around the preparation and review of the SEFAs at the individual agencies.

Effect: Incorrect SEFAs may be submitted to FARS which could result in inaccurate reporting. Last-minute revisions and reclassifications are made to the SEFA that could result in a major program not being identified in a timely manner or cause effort to be expended auditing a program which does not have to and should not be audited as a major program.

Recommendation: We recommend that FARS continue to work with the Governor's Office to seek assistance in having the State agencies prioritize completion of accurate and complete SEFA information in a timely manner.

2012–5 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Prior Year Findings 2011–4) (continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	Various	Various

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–6 SUBRECIPIENT RISK ASSESSMENT

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	Various	Various

Criteria: Each state department and agency that receives and disburses federal awards is required by OMB Circular A-133 Sec .300(b) to "maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

OMB Circular No. A-133, Subpart D §400 requires a pass-through entity to "monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved." Pass-through entities are required to develop monitoring procedures including programmatic and financial monitoring to ensure subrecipients have used federal funds for authorized purposes.

Condition: Subrecipients are to be formally evaluated as higher risk or lower risk which determines the frequency and depth of monitoring. Throughout our audits of the various major programs which have subrecipients, we noted that some of agencies have various processes and procedures in place in order to assess subrecipient risk. However, while these policies and procedures may be in place, we were not able to obtain supporting documentation to evidence that these risk assessments were occurring. There is not a centralized, consistent process in place to ensure all agencies are following these requirements and are applying a consistent risk assessment to subrecipients of grants from multiple federal programs.

Questioned Cost: N/A

Context: Total awards to subrecipients for the State of West Virginia were $693,538,493 for the year ended June 30, 2012.

Cause: There is not a centralized, consistent process in place to ensure all agencies are appropriately monitoring subrecipient risk and consistently determining a subrecipient's risk assessment. Formal documentation is not maintained to evidence the review completed.

Effect: Inadequate subrecipient risk assessment documentation could result in the agencies not performing the proper degree of subrecipient monitoring.

Recommendation: The State should implement a centralized process in order to consistently address subrecipient risk. Formal documentation should be maintained in order to evidence the analysis completed.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–7 SUBRECIPIENT MONITORING - AMERICAN RECOVERY AND REINVESTMENT ACT (Prior Year Finding 2011–6)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Commerce	
	West Virginia Governor's Executive Office	
	Broadband Technology Opportunities Program (BTOP) Grant Award NT10BIX5570031	ARRA-11.557
	Weatherization Assistance for Low-Income Persons Grant Award DE-EE0000101	ARRA-81.042
	U.S. Department of Education	
	State Fiscal Stabilization Fund Cluster Grant Award 2009 Education S394A090049A Grant Award 2009 Government Services S397A090049	ARRA-84.394/ ARRA-84.397

Criteria: Per 2 CFR Section 176.210(c), "recipients agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of Recovery Act funds. When a recipient awards Recovery Act funds for an existing program, the information furnished to subrecipients shall distinguish the subawards of incremental Recovery Act funds from regular subawards under the existing program."

Condition: Based on our procedures, we noted that one of the subrecipients for the State Fiscal Stabilization Fund Cluster receiving Recovery Act funds was not notified by the awarding State agency of the above information at the time of each disbursement of ARRA funds.

Additionally, we noted that all subrecipients for the Broadband Technology Opportunities Program and Weatherization Assistance for Low-Income Persons Program were not notified by the awarding State agency of the above requirement at the time of the subaward or each disbursement of ARRA funds.

Questioned Cost: N/A

Context: The total amount of ARRA funded subawards made by the programs during the year ended June 30, 2012, was $24,894,130.

CFDA#	Program	ARRA Subrecipient Expenditures
ARRA-11.557	Broadband Technology Opportunities Program	$ 2,856,109
ARRA-81.042	ARRA-Weatherization Assistance for Low Income Persons	11,000,834
ARRA-84.394/ ARRA-84.397	State Fiscal Stabilization Fund Cluster	11,037,187
		$ 24,894,130

Cause: The State agencies did not properly identify the CFDA number and amount of Recovery Act funds to each subrecipient at the time of the award. Additionally, the State agencies did not notify subrecipients of the same information at each disbursement of Recovery Act funds.

Effect: Management is not able to communicate, in a timely manner, the existence of Recovery Act funds to subrecipients.

2012–7 SUBRECIPIENT MONITORING - AMERICAN RECOVERY AND REINVESTMENT ACT (Prior Year Finding 2011–6) (continued)

Federal Program Information:

Federal Agency and Program Name	**CFDA#**
U.S. Department of Commerce	
West Virginia Governor's Executive Office	
Broadband Technology Opportunities Program (BTOP) Grant Award NT10BIX5570031	ARRA-11.557
Weatherization Assistance for Low-Income Persons Grant Award DE-EE0000101	ARRA-81.042
U.S. Department of Education	
State Fiscal Stabilization Fund Cluster Grant Award 2009 Education S394A090049A Grant Award 2009 Government Services S397A090049	ARRA-84.394/ ARRA-84.397

Recommendation: We recommend that management implement a process to notify all Recovery Act subrecipients of the CFDA number and amount of Recovery Act funds at the time of each subaward and at each subsequent disbursement.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–8 TRANSPARENCY ACT REPORTING
(Prior Year Finding 2011–7)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Health and Human Services	
	Temporary Assistance for Needy Families (TANF)	93.558
	Grant Award Grant Award 2012 – 2012G996115	
	CCDF Cluster	93.575/93.596
	Grant Award 20429	
	Grant Award 20430	
	Grant Award 20431	
	U.S. Department of Education	
	Title I, Part A Cluster	
	Grant Award S010A110048	84.010
	Special Education Cluster	
	Grant Award H173A110071	84.027/84.173
	Grant Award H027A110075	

Criteria: In accordance with OMB Circular A–133 Subpart C §_.300(b) the auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Per 2 CFR 170 Appendix A, unless the auditee is exempt as provided in paragraph d, the auditee must report each action that obligates $25,000 or more in Federal funds that does not include Recovery funds (as defined in section 1512(a)(2) of the American Recovery and Reinvestment Act of 2009, Pub. L. 111-5) for a subaward to an entity no later than the end of the month following the month in which the obligation was made.

Condition: State Agencies that make first-tier sub-awards using non-ARRA funds are required to comply with the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. P11-252), that relates to sub-award reporting. During our audit procedures, it was noted that TANF Cluster and CCDF Cluster did not comply with the timeliness requirement related to this reporting. It was also noted for the Title I, Part A Cluster that the required reports were not submitted. Finally, the Special Education Cluster did not comply with this reporting requirement for revisions made to existing awards and there was no evidence of review prior to submission.

Questioned Costs: Unknown

2012–8 TRANSPARENCY ACT REPORTING
(Prior Year Finding 2011–7) (continued)

Federal Program Information:

Federal Agency and Program Name	CFDA#
U.S. Department of Health and Human Services	
Temporary Assistance for Needy Families (TANF)	93.558
Grant Award Grant Award 2012 – 2012G996115	
CCDF Cluster	93.575/93.596
Grant Award 20429	
Grant Award 20430	
Grant Award 20431	
U.S. Department of Education	
Title I, Part A Cluster	
Grant Award S010A110048	84.010
Special Education Cluster	
Grant Award H173A110071	84.027/84.173
Grant Award H027A110075	

Total first-tier subawards subject to these reporting requirements for the above major programs after October 1, 2010 were approximately $198,660,588 for the year ended June 30, 2012.

CFDA#	Program	First-Tier Subawards
93.558	Temporary Assistance for Needy Families (TANF) State Programs	$ 18,026,556
93.575/93.596	CCDF Cluster	9,784,987
84.010	Title I, Part A Cluster	97,548,547
84.027/84.173	Special Education Cluster (IDEA)	73,300,498
		$ 198,660,588

Total federal expenditures for the State of West Virginia for fiscal year ended June 30, 2012, were approximately $5.8 billion. To be considered timely, these reports must be submitted at the end of the month following the month the subaward was granted.

Cause: Policies and procedures relating to the reporting of first tier subawards as required by the Transparency Act are not currently being followed.

Effect: Management is not able to determine, in a timely manner, the existence of material noncompliance.

Recommendation: We recommend that management take immediate action to ensure compliance with the reporting requirements of the Transparency Act. We further recommend that management implement a review process to ensure that information is being reviewed prior to being uploaded to the website.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–9 SUBRECIPIENT IDENTIFICATION
(Prior Year Finding 2011–8)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	Various	Various

Criteria: OMB Circular A–133 Section 300a states, "The auditee shall prepare appropriate financial statements including the Schedule of Expenditures of Federal Awards (SEFA)."

Each State department and agency that receives and disburses federal awards is required by OMB Circular A–133 Sec .300(b) to "maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Condition: During our OMB Circular A-133 audit compliance procedures at several State agencies, we noted that the initial SEFA's provided by the State agencies had other State agencies' transfers included within the subrecipient disbursements which inflated the amount of subrecipient expenditures. This, in effect, overstated the amount of federal expenditures initially reported during the period.

The State of West Virginia defines a "subrecipient" as any person or government department, agency, or establishment that received federal financial awards to carry out or administer a program but not an individual who is a beneficiary of such a program. Other State agencies are not identified as subrecipients because the State of West Virginia is considered to be one entity.

The expenditures of funds between the awarding agency and the State agency do not constitute subrecipient expenditures that should be reported as a SEFA item as it merely represents a transfer of funds between agencies. This inaccurate presentation at the agency level violated State policies and procedures and required extensive transfer reconciliation procedures to resolve the reclassification issue.

Further we noted that several State agencies are coding transfers between State agencies as awards to subrecipients. This inaccurate recording of transactions at the agency level violated State policies and procedures and required additional procedures to identify true subrecipients, as defined above, so that audit procedures related to the subrecipient monitoring compliance requirement are performed on the correct population.

Questioned Cost: N/A

Context: Total awards to subrecipients for the State of West Virginia were $693,538,493 for the year ended June 30, 2012.

Cause: The respective agencies identified the disbursements to other State agencies as they were maintaining their records as though the State agencies were true subrecipients. This method of documentation is in violation of State policies and procedures.

Effect: Subrecipient expenditures and total federal expenditures on the initial SEFA were overstated. Additionally, transfer amounts may not be identified in a timely manner and thus result in improper reporting of awards to subrecipients.

2012–9 SUBRECIPIENT IDENTIFICATION ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Prior Year Finding 2011–8) (continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	Various	Various

Recommendation: We recommend that agencies ensure that appropriate SEFA preparation and reconciliation procedures are in place to address potential reconciliation issues. Agencies should follow FARS closing book instructions, specifically forms 9C and 9D, in order to properly identify and report transfers to other State agencies appropriately and not as subrecipient expenditures. Additionally, agencies should record transfers with other State agencies to the proper object code, rather than the subrecipient object code, to avoid the possibility of improper classification on the agency's SEFA.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–10 FNS REVIEW - NUTRITION SERVICES

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Health and Human Services	
	Women Infants and Children (WIC)	10.557
	Grant Award 2012 2012IW100341	
	Grant Award 2012 2012IW100641	
	Grant Award 2012 2012IW500341	

Criteria:

- Per 7 CFR 246.2; 7 CFR 246.7(e); 7 CFR 246.1 0 (b)(2); 7 CFR 246.19 (b) (1-6) the State agency must monitor local agencies/clinics to make sure they periodically evaluate the quality of services provided by Competent Professional Authorities and other WIC staff.
- Per 7 CFR 246.11 (e)(4), the local agency shall document in each participant's certification file that nutrition education has been given to the participant in accordance with State agency standards.
- Per 7 CFR 246.10 Food Packages (FP) for breastfeeding mothers should match the FP for their infant.

Condition: During fiscal year 2012, the U.S. Department of Agriculture completed a West Virginia fiscal year 2012 State Technical Assistance Review (STAR) of the WIC program for the functional area of Nutrition Services. This review resulted in three findings:

- The State agency does not monitor its local agencies/clinics to ensure that they periodically evaluate the quality of the services provided by Competent Professional Authorities and other WIC staff.
- The State agency is not ensuring that participants are offered opportunities to receive the minimum number of nutrition education contacts per certification period.
- Exceptions of Food Packages issued to breastfeeding mothers and their infants need to be resolved in the system and documented in the participant's file.

Questioned Costs: Unknown

Context: Total federal expenditures for the Special Supplemental Nutrition Program for the WIC program were $38,531,985 for the year ended June 30, 2012.

Cause: The WIC program has not established proper policies and procedures to manage nutrition services' compliance.

Effect: The WIC program is not in compliance with compliance requirements related to nutrition services.

2012–10 FNS REVIEW - NUTRITION SERVICES
(continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Health and Human Services	
	Women Infants and Children (WIC)	10.557
	Grant Award 2012 2012IW100341	
	Grant Award 2012 2012IW100641	
	Grant Award 2012 2012IW500341	

Recommendation: We recommend the WIC program implement the recommended corrective action indicated in the review by the U.S. Department of Agriculture including the following 1) the State agency must monitor and evaluate its local agencies' operations once every two years and require that agencies establish their own management evaluation system to ensure WIC staff is qualified for their positions and performing their roles and responsibilities in accordance with program requirements. 2) the State agency must ensure that during each six-month certification period at least two nutrition contacts must be made available to all adult participants and the parents or caretakers of infant and child participants, and wherever possible, the child participants themselves. 3) All exceptions must be resolved in the system and documented in the participants' files. The breastfeeding mother's record matched with infant's. Exception records report must be submitted to the local agencies for monitoring purposes. Staff must be re-trained to ensure the breastfeeding food package assignment protocols are followed.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–11 1512 REPORTING

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Commerce	
	Broadband Technology Opportunities Program (BTOP) Grant Award NT10BIX5570031	ARRA-11.557
	U.S. Department of Education	
	State Fiscal Stabilization Fund Cluster Grant Award S394A090049A	ARRA-84.394/ ARRA-84.397

Criteria: In accordance with OMB Circular A–133 Subpart C §_.300(b) the auditee shall: Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Condition: State Agencies that receive and spend ARRA funds are required to complete a Section 1512 report on a quarterly basis. There are certain programs that are exempt from this requirement as noted within the applicable guidance. During our review of the March 31, 2012 Section 1512 report for BTOP and the September 30, 2011 Section 1512 report for the State Fiscal Stabilization Fund Cluster it was determined that there were inadequate internal controls in place at the State of West Virginia Office of the Governor (Governor's Office) surrounding the preparation and review of the Section 1512 report for accuracy and completeness prior to submission. While the process performed is documented, evidence for each of the levels of review is not maintained.

Questioned Costs: N/A

Context: Total federal expenditures for BTOP and the State Fiscal Stabilization Fund Cluster were $25,644,786 and $24,730,368 respectively for the year ended June 30, 2012. Total federal expenditures for the State of West Virginia for fiscal year ended June 30, 2012, were approximately $5.8 billion.

Cause: Policies and procedures related to the process surrounding the preparation and review of the 1512 reports are in effect, however, the review procedures do not appear to be occurring nor is documentation to support the level of review maintained.

Effect: Section 1512 reports may be inaccurate when submitted through the Recovery.gov submission process thereby resulting in noncompliance.

Recommendation: We recommend that the Governor's Office establish a review process around the 1512 reports and maintain documentation to evidence the control process. We also recommend that the Governor's Office maintain documentation to support the levels of review which have occurred per the documented internal control processes.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–12 ALLOWABLE COSTS-LACK OF SUPPORTING DOCUMENTATION

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Commerce Broadband Technology Opportunities Program (BTOP) Grant Award NT10BIX5570031	ARRA-11.557

Criteria: Per 2 CFR 215.53(b), "financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Federal awarding agency."

Condition: We reviewed 60 expense transactions and did not receive supporting documentation for 30 of these transactions.

Questioned Costs: $466,071

Context: The 30 activities we did not receive supporting information for represents $466,070 out of a total of $4,097,087 in expenditures tested for allowability. Total federal expenditures for BTOP for the fiscal year ended June 30, 2012 were $25,644,786, all of which were ARRA funded expenditures.

Cause: Due to the use of multiple agencies in administering BTOP activities, the State of West Virginia Office of the Governor (Governor's office) was unable to track all expenditures in a detailed enough manner and maintain supporting documentation in a central location. In addition, there are no reconciliations being performed for the amounts transferred to other agencies.

Effect: Reimbursement may be made for expenditures that are unallowable.

Recommendation: We recommend that the Governor's Office instill procedural changes to ensure that all supporting documentation for expenses reimbursed is maintained in a central location. Supporting documentation should be reconciled to amounts transferred to other agencies to ensure there are no discrepancies. This will allow for adequate supporting and proper reporting of federal expenditures.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–13 CASH MANAGEMENT
(Prior Year Finding 2011–11)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Commerce Broadband Technology Opportunities Program (BTOP) Grant Award NT10BIX5570031	ARRA-11.557

Criteria: OMB Circular A-102, Section 2(a) requires grantor agency to "establish methods and procedures for transferring funds to minimize the time elapsing between the transfer to recipients of grants and cooperative agreements and the recipient's need for the funds."

Condition: For the period of July 1, 2011 through June 30, 2012, the State of West Virginia Office of the Governor (Governor's Office) had developed procedures for cash management; however these procedures were not sufficient enough to minimize the time elapsing between when a cash drawdown was received and subsequently disbursed. The BTOP program through the Governor's office utilizes other State agencies for their administration of program activities. Invoices are provided by these agencies as support for drawdown requests. Once these amounts are transferred from the Governor's office to the other agency, the funds are not immediately disbursed to meet the required timeframe.

Questioned Costs: Unknown

Context: For 12 of the 18 ARRA transactions selected in our cash management testing, cash drawdowns were not expended within three days of the receipt of the federal funds. These items represented $3,303,324 out of a total sample of $4,012,949. Total federal expenditures for the BTOP program for the fiscal year ended June 30, 2012 were $25,644,786, all of which were ARRA funded expenditures.

Cause: There are no reconciliations being performed for the amounts transferred to other agencies to ensure they are expended in the required timeframe. Additionally, there does not appear to be adequate communication between the respective agencies to ensure that transfers are for expenses reported in the same financial reporting period.

Effect: The Governor's Office is not in compliance with the federal rules and regulations regarding cash management.

Recommendation: We recommend that the Governor's Office implement a monthly reconciliation process, utilizing both the monthly State Auditor Reports (SARs) and an exported monthly Crystal Report for Fund 8717 CFDA# 11.557 to ensure that the amounts transferred to each agency matches the FIMS expenditure detail provided by the agency. This will allow for adequate supporting and proper reporting of federal expenditures. All agencies' FIMS Fund and Object code expenditures should be reconciled with the Governor's Office financial information. Additionally, each agency receives a monthly report from the State Auditor's Office (SAR) that details the receipts and expenditures during the period, and this report should also be reconciled to FIMS fund activity and separately maintained financial information, as applicable.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–14 REPORTING - FINANCIAL

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Commerce	
	Broadband Technology Opportunities Program (BTOP)	
	Grant Award NT10BIX5570031	ARRA-11.557

Criteria: Per 2 CFR 176.50(d), "agencies are responsible for ensuring that their recipients report information required under the Recovery Act in a timely manner. The recipient shall report the information described in section 1512(c) of the Recovery Act using the reporting instructions and data elements that will be provided online at *http://www.FederalReporting.gov* and ensure that any information that is pre-filled is corrected or updated as needed."

Condition: State Agencies that receive and spend ARRA funds are required to complete a Section 1512 report on a quarterly basis. There are certain programs that are exempt from this requirement as noted within the applicable guidance. During our testing of the March 31, 2012 Section 1512 reports submitted for BTOP, it was noted that the expenditure amount reported did not agree to actual amounts expended for the program during the time frame. Additionally, BTOP awards are subject to financial reporting on a quarterly basis and each recipient must submit the OMB Standard Form 425 Federal Financial Report (SF-425 FFR). The recipient must demonstrate that its internal accounting systems and controls comply with Federal grant management and accounting requirements governing the receipt and expenditure of Federal award funds. We tested two SF-425 reports submitted during the fiscal year and noted that the expenditure amount reported did not agree to actual amounts expended for the program during the applicable time frame.

Questioned Costs: N/A

Context:

1) Total cumulative expenditure amount reported on the March 31, 2012 1512 report is $54,331,315. The current fiscal year expenditure included in this amount is $23,660,008 while the actual current year amount expended is $22,000,089, a difference of $1,659,919.

2) Total cumulative expenditure amount reported on the December 31, 2011 SF-425 report is $42,766,750. The current fiscal year expenditure included in this amount is $12,095,444 while the actual current year amount expended is $6,710,126, a difference of $5,385,318.

3) Total cumulative expenditure amount reported on the June 30, 2012 SF-425 report is $57,630,765. The current fiscal year expenditure included in this amount is $26,959,458 while the actual current year amount expended is $24,557,828, a difference of $2,401,630.

Total federal expenditures for BTOP for the fiscal year ended June 30, 2012 were $25,644,786, all of which were ARRA funded expenditures.

Cause: There are no reconciliations being performed for the amounts transferred to other state agencies who administer BTOP grant activities to ensure that funds transferred for program purpose are in the same reporting period.

Effect: Financial and special reports submitted may contain inaccurate amounts when submitted to the federal reporting agency.

2012–14 REPORTING - FINANCIAL
(continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Commerce	
	Broadband Technology Opportunities Program (BTOP)	
	Grant Award NT10BIX5570031	ARRA-11.557

Recommendation: We recommend that the Governor's Office implement a monthly reconciliation process, utilizing both the monthly State Auditor Reports (SARs) and an exported monthly Crystal Report for Fund 8717 CFDA# 11.557 to ensure that the amounts transferred to each agency matches the FIMS expenditure detail provided by the agency. This will allow for adequate supporting and proper reporting of federal expenditures. Additionally, we recommend that the Governor's Office instill policy changes to mandate that amounts transferred to other state agencies are expended within the required timeframe and within the same reporting period.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–15 REPORTING - PERFORMANCE

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Commerce Broadband Technology Opportunities Program (BTOP) Grant Award NT10BIX5570031	ARRA-11.557

Criteria: Per 49 CFR 18.40(a), "grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

Condition: BTOP is required to submit quarterly and annual progress report for Broadband Infrastructure Projects. These reports are due 30 days after the end of the calendar quarter and should include project indicators and budget execution details. During our testing of 2 submitted quarterly performance reports and the annual report, we noted that the critical information line item "*number of new towers*" contained incorrect information. Upon discussion with program coordinator, it was determined that the wrong completion dates had been provided by the subcontractor.

Questioned Costs: N/A

Context: Total federal expenditures for BTOP for the fiscal year ended June 30, 2012 were $25,644,786, all of which were ARRA funded expenditures.

Cause: Policies and procedures related to the verification of information received from subcontractors are not in place.

Effect: Performance reports submitted during the fiscal year could have inaccurate key data elements as a result of the failure to verify key data reported.

Recommendation: We recommend that the State of West Virginia Office of the Governor instill procedural changes to ensure that data reported is properly reconciled to source information and verified for accuracy in order to prevent incorrect reporting.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–16 SUBRECIPIENT MONITORING – AUDIT REPORTS
(Prior Year Finding 2011–14)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Interior	
	Abandoned Mine Land Reclamation (AMLR)	15.252
	Grant Award S09AP15122	
	Grant Award S10AP16155	
	Grant Award S11AF20009	
	Grant Award S12AF20037	

Criteria: Each State department and agency that receives and disburses federal awards is required by OMB Circular A-133 Sec .300(b) to "maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

All subrecipients subject to OMB Circular A-133 spending more than $500,000 in federal awards must have required audits completed in accordance with OMB Circular A-133 and provide copies of their audit reports to the primary recipient. The required audits must be completed within nine months of the end of the subrecipient's audit period.

Condition: For one of the five subrecipients tested, the subrecipient audit report tested was neither received by the Federal Clearinghouse nor by the program administrator by the ninth month following the end of the subrecipient's fiscal year, as required by OMB Circular A-133. One of the five subrecipients tested submitted their audit report to the Federal Clearinghouse in a timely manner, but did not submit the audit to the program administrator by the ninth month following the subrecipient's fiscal year, as required by OMB Circular A-133.

Furthermore, per our review of the AMLR subrecipient monitoring log, there were five other subrecipient audits that were not received by the program administrator by the ninth month following the subrecipient's fiscal year. Of those five subrecipients, three were not submitted to the Federal Audit Clearinghouse by the ninth month following the subrecipient's fiscal year.

Questioned Costs: Unknown

Context: The total disbursements made to the subrecipients identified above that were not in compliance were $8,024,198 for the year ended June 30, 2012. Total federal expenditures to all subrecipients for AMLR were $12,683,086 for the year ended June 30, 2012. Total federal expenditures for AMLR were $59,502,511 for the year ended June 30, 2012.

Cause: Management indicated that the subgrant unit of AMLR has had continual contact with subrecipients in efforts to receive the audit report by the required deadline. Management indicated that there were delays in the timing of the audits for various reasons which caused the audits to not be submitted in a timely manner.

Effect: AMLR is unable to determine, in a timely manner, the existence of material noncompliance or internal control issues with subrecipients that may be identified through the monitoring process.

2012–16 SUBRECIPIENT MONITORING – AUDIT REPORTS
(Prior Year Finding 2011–14) (continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Interior	
	Abandoned Mine Land Reclamation (AMLR)	15.252
	Grant Award S09AP15122	
	Grant Award S10AP16155	
	Grant Award S11AF20009	
	Grant Award S12AF20037	

Recommendation: AMLR currently has procedures in place to monitor and track subrecipient audit reports. We recommend management continue to implement and enhance these procedures and follow up with subrecipients subject to OMB Circular A-133 requirements to ensure that the required audits are completed in a timely manner. Management should also consider sanctions against pervasive noncomplicance by subrecipients as outlined in the federal guidelines.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–17 INTERNAL CONTROLS OVER REPORTING
(Prior Year Finding 2011–15)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Labor	
	Unemployment Insurance (UI)	17.225 and
	Grant Award UI-19617-10-55-A-54	ARRA-17.225
	Grant Award UI-1211341155A54	

Criteria: The management of WorkForce West Virginia (WWV) is responsible for establishing and maintaining effective internal controls over compliance.

Condition: During the fiscal year ended June 30, 2012, it was noted that there were incorrect amounts reported on the Overpayment Detection/Recovery Report (Form ETA-227). Per the instructions for Form ETA-227, the number of cases to be included in line 204, box 6, is the State New Hire and W-4 totals from the cleared cases report plus boxes seven and nine of line 204. According to supporting documentation supplied by WWV, the total to be included in line 204, box 6 for the month of August 2011 was 786 cases. We noted that the total cases reported on line 204, box 6 on the original August 2011 report were 1,726, a difference of 940 cases.

Questioned Costs: N/A

Context: Total federal disbursements for the UI were $610,061,388 for the year ended June 30, 2012.

Cause: During the UI Single Audit for the year-ended June 30, 2012, new personnel began preparing the form ETA-227. It was during the transition period that the error was made in the report for the quarter ended September 30, 2011. WWV management reviewed and approved the report. However, the mistakes were not detected and remediated prior to the report submission.

Effect: WWV was unable to determine, in a timely manner, the existence of material noncompliance at the program level that may be identified through the application of effective controls and monitoring of those controls.

Recommendation: We recommend that WWV implement compensating controls over the data entry and submission of all reports. At a minimum, such controls should include a documented review and approval process and ensuring that reported amounts agree with supporting documentation. We recommend that the review be performed by an individual independent of the data entry process.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–18 DAVIS BACON ACT

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Transportation	
	Highway Planning and Construction Cluster	
	Highway Planning and Construction	
	Recreation Trails Program	
	Appalachian Development Highway System	20.205/ ARRA-20.205/ 20.219/23.003

Criteria: 29 CFR Part 1 – Procedures for predetermination of wage rates; Part 3 – Contractors and subcontractors on public building or public work financed in whole or in part by loans or grants from the United States; and Part 5 – Labor standards provisions applicable to contracts covering federally-financed and assisted construction – The Davis-Bacon Act requires that contractors and subcontractors pay minimum wages, including fringe benefits, to laborers and mechanics engaged in construction activity financed by or with the assistance of the United States and that each contractor or subcontractor engaged in the construction furnish each week a statement with respect to the wages paid each of its employees engaged in work covered under the Act.

Condition: For one of sixteen contracts tested, the contractor did not submit certified payrolls. The contract award to the contractor during the year was $1,387,112, none of which were ARRA funds. Total contract awards in sample were $47,969,348.

Questioned Costs: N/A

Context: Total federal expenditures for the Highway Planning and Construction Cluster were $494,672,399 for the year ended June 30, 2012.

Cause: Although the State of West Virginia Department of Highways (Highways) has Davis Bacon guidelines in place and had made multiple requests, they were unable to obtain and review certified payrolls from the contractor.

Effect: Noncompliance with Davis-Bacon Act provisions may result in the disallowance of costs by the U.S. Department of Transportation.

Recommendation: We recommend that Highways instill procedural changes to ensure that Davis-Bacon Act requirements are considered and that monitoring of contractors and subcontractors compliance is documented by district managers. In addition, Highways should have policies and procedures to address contractors that are not in compliance with this requirement.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–19 1512 REPORTING

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Transportation	
	Highway Planning and Construction Cluster	
	Highway Planning and Construction	
	Recreation Trails Program	
	Appalachian Development Highway System	20.205/ ARRA-20.205/ 20.219/23.003

Criteria: Per 2 CFR 176.50(d), "agencies are responsible for ensuring that their recipients report information required under the Recovery Act in a timely manner. The recipient shall report the information described in section 1512(c) of the Recovery Act using the reporting instructions and data elements that will be provided online at *http://www.FederalReporting.gov* and ensure that any information that is pre-filled is corrected or updated as needed."

Condition: State Agencies that receive and spend ARRA funds are required to complete a Section 1512 report on a quarterly basis. During our testing of the March 31, 2012 Section 1512 reports submitted for the Highway Planning and Construction program, it was noted that, for 5 of the 47 reports tested, the award amount in the submitted report did not agree to the federal award supporting information provided by the Agency. Upon further review, it was determined that there were grant award amendments which were not properly reflected in the submitted reports. It was also determined that the review process in place failed to identify these discrepancies prior to submission.

Questioned Costs: N/A

Context: Total ARRA expenditures for the Highway Planning and Construction program were $13,884,063 for the year ended June 30, 2012.

Cause: Policies and procedures surrounding the preparation and review of the 1512 reports are not in place and proper reconciliation of data elements reported is not being completed.

Effect: Section 1512 reports submitted during the fiscal year could have inaccurate key data elements as a result of the failure to reconcile key data elements to supporting information.

Recommendation: We recommend that the State of West Virginia Department of Highways implement procedural changes to ensure that reports are properly reconciled to source documentation and that reviews are completed in a precise manner such that amounts reported agree to supporting documentation to ensure that reviewers effectively catch all errors and inconsistencies.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–20 1512 REPORTING

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Commerce	
	Weatherization Assistance for Low-Income Persons	81.042 and ARRA-81.042
	Grant Award DE-EE0000086 Grant Award DE-EE0000101	

Criteria: Per 2 CFR 176.50(d), "agencies are responsible for ensuring that their recipients report information required under the Recovery Act in a timely manner. The recipient shall report the information described in section 1512(c) of the Recovery Act using the reporting instructions and data elements that will be provided online at *http://www.FederalReporting.gov* and ensure that any information that is pre-filled is corrected or updated as needed."

Condition: State Agencies that receive and spend ARRA funds are required to complete a Section 1512 report on a quarterly basis. There are certain programs that are exempt from this requirement as noted within the applicable guidance. During our testing of the March 31, 2012 Section 1512 report for the Weatherization program, it was noted that the award amount in the submitted report was $38,371,174 which did not agree to the grant award amount of $38,071,174. It was discovered that this was a typographical error which was later corrected in subsequent reporting periods. It was determined that the review process in place failed to catch this error prior to submission.

Questioned Costs: N/A

Context: Total ARRA expenditures for the Weatherization program were $11,423,569 for the year ended June 30, 2012.

Cause: Policies and procedures related to the process surrounding the preparation and review of the 1512 reports are documented and in place; however, the review procedures failed to recognize the error as the control in place was not operating effectively.

Effect: Section 1512 reports submitted during the fiscal year could have inaccurate key data elements as a result of the review process failure.

Recommendation: We recommend that Weatherization personnel ensure report reviews are completed in a precise manner such that amounts reported agree to supporting documentation and that reviewers effectively catch all errors and inconsistencies.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–21 SPECIAL TEST AND PROVISIONS - BORROWER DATA TRANSMISSION AND RECONCILIATION

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: In accordance with 34 CFR §685.102(b), "Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 30 days of disbursement. Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records."

Condition: The institutions are required to have internal controls in place surrounding the monthly reconciliation of the institution's financial records to the COD SAS data file. During our testing of the institutions, it was determined that the institutions did not have a formalized internal control process, such as a formalized review and approval control, surrounding the reconciliation of borrower data.

Questioned Cost: N/A

Context: Total Direct Loan expenditures for the State of West Virginia were $487,533,933 for the year ended June 30, 2012.

Cause: Formal review and approval process is not in place related to the reconciliation of borrower data nor is evidence of the review maintained.

Effect: The absence of a review process for the direct loan reconciliations could result in the institution's financial records for Direct Loan expenditures to be improperly stated.

Recommendation: We recommend the institution ensure that that monthly reconciliations are performed and saved as documented in the institution's written procedure, including retaining documentation of timely supervisor review and approval.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–22 CASH MANAGEMENT

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: Per 34 CFR Section 668.166(a)(1), any amounts (federal student financial aid) not disbursed by the end of the third business day are considered to be excess cash and generally are required to be promptly returned to the U.S. Department of Education (Department of Education).

Condition: During January 2012, Bluefield State College drew down $3,160,697 from the Department of Education. Once the drawdown was complete it was discovered that the calculation used to estimate the drawdown was incorrect and excess funds were drawn down. The institution did not return the excess cash of $101,830 to the Department of Education within the required time frame.

Questioned Costs: Unknown

Context: Bluefield State College's total Federal expenditures for the Student Financial Assistance Cluster for the year ended June 30, 2012 were $15,003,431.

Cause: Management did not follow procedures to minimize the amount of cash on hand and did not return excess cash to the Department of Education.

Effect: The institution maintained excess cash resulting in noncompliance with 34 CFR 668.166(a)(1).

Recommendation: We recommend the institution review procedures to ensure that if excess cash is discovered, it is promptly returned to the Department of Education.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–23 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: ED Form 646-1, *Fiscal Operations Report and Application to Participate* (FISAP) (OMB No. 1845-0030) – This electronic report is submitted annually to receive funds for the campus-based programs. The Institution uses the *Fiscal Operations Report* portion to report its expenditures in the previous award year and the *Application to Participate* portion to apply for the following year. FISAPs are required to be submitted by October 1 following the end of the award year (which is always June 30). For example, by October 1, 2012, the institution should submit its FISAP that includes the *Fiscal Operations Report* for the award year ended June 30, 2012 and the *Application to Participate* for the 2013–2014 award year (FPL, FWS, FSEOG 34 CFR Section 673.3; *Instruction Booklet for Fiscal Operations Report and Application to Participate*).

Condition: Multiple line items related to Federal Work Study funds reported on the June 30, 2012 FISAP for Blue Ridge Community and Technical College (Blue Ridge CTC) required revision after the original submission as the supporting documentation was not clerically accurate and thus the amount reported was incorrect.

Questioned Costs: N/A

Context: The Blue Ridge CTC FISAP required a revision to the amounts reported under Part V, Section C, G and H.

Cause: The review process failed to detect, prior to submission, incorrect amounts originally reported on the FISAP.

Effect: The U.S. Department of Education uses the information in the Application to Participate and in the Fiscal Operations Report to determine the amount of funds the Institution will receive for each campus-based program. The Institution must submit accurate data. If not, the Institution might not receive all the funds to which the Institution is entitled, or the Institution might be required to return funds that the Institution was not entitled to receive.

Recommendation: We recommend that Blue Ridge CTC strengthen the procedures and controls used to review the FISAP to ensure all aspects of the report are properly reviewed and supporting documentation is accurately calculated.

2012–23 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE (continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–24 SPECIAL TEST AND PROVISIONS - RETURN OF TITLE IV FUNDS

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: 34 CFR §668.22 states when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs.

Condition: For 2 of the 2 students in our program compliance sample of students who withdrew, dropped out, or enrolled but never attended within the refund period, the refund amount was not returned to the Title IV program within the required timeframe.

Questioned Costs: N/A

Context: Refunds for Blue Ridge Community and Technical College were not returned to the Title IV program within the required timeframe.

Cause: A review process related to the return of Title IV funds is not in place.

Effect: The institution is not returning Title IV refunds to the U.S. Department of Education in a timely manner.

Recommendation: We recommend the institution implement procedures to ensure that refunds are timely returned to the federal government in accordance with federal guidelines.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–25 ELIGIBILITY

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: Per 34 CFR sections 673.5 and 673.6, "awards must be coordinated among the various programs and with other Federal and non-Federal aid (need and non-need based aid) to ensure that total aid is not awarded in excess of the student's financial need."

Condition: For 1 of the 25 students in our program compliance Eligibility sample of students, the sum of Direct Loan Subsidized and Pell awards were greater than total need. Per inquiry of financial aid personnel, it was noted that after the student's total need was calculated at the beginning of the semester, the student became a Resident Assistant in the dormitories and received an additional non-federal aid award which resulted in the total Title IV awards greater than total need.

Questioned Costs: $6,830

Context: Total Direct Loan disbursements for Fairmont State University were $23,179,447 for the year ended June 30, 2012.

Cause: The procedures surrounding eligibility were not followed such that non-financial aid awarded which subsequently affected Title IV funding awarded was not noted and corrected by financial aid personnel.

Effect: The institution allowed a student to receive Title IV financial aid in excess of financial need.

Recommendation: We recommend the institution ensure that policies and procedures related to student eligibility are followed and any changes to non-federal financial aid awarded have been appropriately calculated and considered in the calculation of federal financial aid awarded to students. If any overage has been awarded, the institution should determine the overage, collect the overage from the student and refund the overage to the federal government in accordance with federal guidelines.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–26 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education	
	Office of Student Financial Assistance	
	Office of Post Secondary Education	
	U.S. Department of Health and Human Services	
	Health Resources and Services Administration	
	Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: ED Form 646-1, *Fiscal Operations Report and Application to Participate* (FISAP) (OMB No. 1845-0030) – This electronic report is submitted annually to receive funds for the campus-based programs. The University uses the *Fiscal Operations Report* portion to report its expenditures in the previous award year and the *Application to Participate* portion to apply for the following year. FISAPs are required to be submitted by October 1 following the end of the award year (which is always June 30). For example, by October 1, 2012, the institution should submit its FISAP that includes the *Fiscal Operations Report* for the award year ended June 30, 2012 and the *Application to Participate* for the 2013–2014 award year (FPL, FWS, FSEOG 34 CFR Section 673.3; *Instruction Booklet for Fiscal Operations Report and Application to Participate*).

Condition: Part V, Section C reported in the June 30, 2012 FISAP for Fairmont State University required revision after the original submission was inaccurate. The total compensation for America Counts and America Reads was reported as off-campus earned compensation reported on line 12b of Part V, Section C instead of line 12a on-campus earned compensation within the same section.

Questioned Costs: N/A

Context: The Fairmont State University FISAP required a revision to the amounts reported under Part V, Section C.

Cause: The review process failed to detect, prior to submission, incorrect amounts originally reported on the FISAP.

Effect: The U.S. Department of Education uses the information in the Application to Participate and in the Fiscal Operations Report to determine the amount of funds the University will receive for each campus-based program. The University must submit accurate data. If not, the University might not receive all the funds to which the University is entitled, or the University might be required to return funds that the University was not entitled to receive.

Recommendation: We recommend the University strengthen the procedures and controls used to review the FISAP to ensure all aspects of the report are properly reviewed and supporting documentation is accurately calculated.

2012–26 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE (continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–27 SPECIAL TESTS AND PROVISIONS – DISBURSEMENTS TO OR ON BEHALF OF STUDENTS

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria:

In accordance with 34 CFR 685.304(a), "a school must ensure that entrance counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan student borrower prior to making the first disbursement of the proceeds of a loan to a student borrower unless the student borrower has received a prior Direct Subsidized, Direct Unsubsidized, Federal Stafford, or Federal SLS Loan."

(3) Entrance counseling for Direct Subsidized Loan, Direct Unsubsidized Loan, and graduate or professional student Direct PLUS Loan borrowers must provide the borrower with comprehensive information on the terms and conditions of the loan and on the responsibilities of the borrower with respect to the loan. This information may be provided to the borrower—

(i) During an entrance counseling session, conducted in person;

(ii) On a separate written form provided to the borrower that the borrower signs and returns to the school; or

(iii) Online or by interactive electronic means, with the borrower acknowledging receipt of the information.

(4) If entrance counseling is conducted online or through interactive electronic means, the school must take reasonable steps to ensure that each student borrower receives the counseling materials, and participates in and completes the entrance counseling, which may include completion of any interactive program that tests the borrower's understanding of the terms and conditions of the borrower's loans.

In accordance with 34 CFR 685.304(b), "A school must ensure that exit counseling is conducted with each Direct Subsidized Loan or Direct Unsubsidized Loan borrower and graduate or professional student Direct PLUS Loan borrower shortly before the student borrower ceases at least half-time study at the school. The exit counseling must be in person, by audiovisual presentation, or by interactive electronic means. In each case, the school must ensure that an individual with expertise in the title IV programs is reasonably available shortly after the counseling to answer the student borrower's questions.

2012–27 SPECIAL TESTS AND PROVISIONS – DISBURSEMENTS TO OR ON BEHALF OF STUDENTS (continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Condition: For 2 of the 25 Direct Loan Student disbursements tested, Fairmont State University did not have entrance counseling or exit counseling completed as required.

Questioned Costs: N/A

Context: Total Direct Loan expenditures were $23,179,447 for the year ended June 30, 2012.

Cause: Management failed to ensure that students had completed entrance counseling prior to disbursement to demonstrate compliance with the federal regulations and students had not completed exit counseling prior to graduation from the institution.

Effect: Fairmont State University was not in compliance with the requirements related to Disbursements to or on Behalf of Students.

Recommendation: We recommend Fairmont State University adhere to policies and procedures such that before making the first disbursement of a loan to a Direct Subsidized or Unsubsidized Loan borrower, the institution should ensure that students have received entrance counseling or document that the students have received a prior Direct Subsidized or Direct Unsubsidized loan. Additionally, the institution should ensure that the students have complete exit counseling shortly before ceasing at least half-time study at the school.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–28 SPECIAL TEST AND PROVISIONS - RETURN OF TITLE IV FUNDS

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: 34 CFR §668.22 states when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs.

Condition: For 1 of the 12 students in our program compliance sample of students who withdrew, dropped out, or enrolled but never attended within the refund period, we noted the institution did not return the entire amount calculated by the institution. The amount to be returned per the institution's refund calculation was $2,398; however upon review of disbursement records, we noted the institution only returned $1,742.

Questioned Costs: $656

Context: Total Title IV Refunds for Fairmont State University were $222,289 for the year ended June 30, 2012.

Cause: While a review process related to the return of Title IV funds is in place, we did note one instance of noncompliance.

Effect: The institution is not making returns for the proper amount of Title IV funds.

Recommendation: We recommend the institution revisit the review policies and procedures in place to ensure that refunds are returned to the federal government in accordance with federal guidelines and that procedures are followed to prevent further noncompliance.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–29 SPECIAL TESTS AND PROVISIONS – LOAN REPAYMENTS

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: In accordance with 34 CFR 674.42 (b)(1), "An institution must ensure that exit counseling is conducted with each borrower either in person, by audiovisual presentation, or by interactive electronic means. The institution must ensure that exit counseling is conducted shortly before the borrower ceases at least half-time study at the institution. As an alternative, in the case of a student enrolled in a correspondence program or a study-abroad program that the institution approves for credit, the borrower may be provided with written counseling material by mail within 30 days after the borrower completes the program. If a borrower withdraws from the institution without the institution's prior knowledge or fails to complete an exit counseling session as required, the institution must ensure that exit counseling is provided through either interactive electronic means or by mailing counseling materials to the borrower at the borrower's last known address within 30 days after learning that the borrower has withdrawn from the institution or failed to complete exit counseling as required."

Condition: For 2 out of a sample of 10 students entering repayment for Federal Perkins Loans, an exit interview was not sent or completed by Fairmont State University (Fairmont). Fairmont had a total of 104 students entering repayment for the year ended June 30, 2012.

Questioned Costs: N/A

Context: Fairmont total Perkins Loan expenditures were $139,999 for the year ended June 30, 2012.

Cause: Management failed to ensure that exit interviews were completed within the required time frame to demonstrate compliance with the federal regulations.

Effect: The lack of timely mailing for the students' exit interviews results in noncompliance with CFR Section 674.42.

2012–29 SPECIAL TESTS AND PROVISIONS – LOAN REPAYMENTS (continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Recommendation: We recommend Fairmont implement policies and procedures to ensure that exit interviews are completed by all borrowers who are entering repayment and that the interviews are being conducted within the required 30 days after the borrower completes the program.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–30 SPECIAL TESTS AND PROVISIONS - INSTITUTIONAL ELIGIBILITY

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: In accordance with 34 CFR §668.34(a), "An institution must establish a reasonable satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the title IV, HEA programs. The Secretary considers the institution's policy to be reasonable if—

(11) The policy provides for notification to students of the results of an evaluation that impacts the student's eligibility for title IV, HEA program funds."

Condition: Fairmont State University's (Fairmont) satisfactory academic progress policy does not include policies and procedures for providing notification to students of the results of an evaluation that impacts the student's eligibility as required.

Questioned Costs: N/A

Context: Total Student Financial Assistance Cluster expenditures for Fairmont were $32,755,403 for the year ended June 30, 2012.

Cause: Policies and procedures related to student's maintaining satisfactory academic progress did not encompass all of the required elements.

Effect: Fairmont was not in compliance with the requirements related to Institutional Eligibility, specifically the institution's satisfactory academic progress policy.

Recommendation: We recommend the institution update their satisfactory academic progress policy to ensure it provides notification to students of the results of an evaluation that impacts the students' eligibility for Title IV and HEA program funds.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–31 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: ED Form 646-1, *Fiscal Operations Report and Application to Participate* (FISAP) (OMB No. 1845-0030) – This electronic report is submitted annually to receive funds for the campus-based programs. The University uses the *Fiscal Operations Report* portion to report its expenditures in the previous award year and the *Application to Participate* portion to apply for the following year. FISAPs are required to be submitted by October 1 following the end of the award year (which is always June 30). For example, by October 1, 2012, the institution should submit its FISAP that includes the *Fiscal Operations Report* for the award year ended June 30, 2012 and the *Application to Participate* for the 2013–2014 award year (FPL, FWS, FSEOG 34 CFR Section 673.3; *Instruction Booklet for Fiscal Operations Report and Application to Participate*).

Condition: One line item reported on the June 30, 2012 FISAP for Marshall University (the University) required revision after the original submission as the supporting documentation was not clerically accurate and thus the amount reported was incorrect.

Questioned Costs: N/A

Context: The University's FISAP required a revision to the amounts reported under Part II, Section E.

Cause: The review process failed to detect, prior to submission, incorrect amounts originally reported on the FISAP.

Effect: The U.S. Department of Education uses the information in the Application to Participate and in the Fiscal Operations Report to determine the amount of funds the University will receive for each campus-based program. The University must submit accurate data. If not, the University might not receive all the funds to which the University is entitled, or the University might be required to return funds that the University was not entitled to receive.

Recommendation: We recommend the University strengthen the procedures and controls used to review the FISAP to ensure all aspects of the report are properly reviewed and supporting documentation is accurately calculated.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–32 EARMARKING
(Prior Year Finding 2011–35)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: In accordance with 34 CFR 675.18, "(1) For the 2000–2001 award year and subsequent award years, an institution must use at least seven percent of the sum of its initial and supplemental FWS allocations for an award year to compensate students employed in community service activities. In meeting this community service requirement, an institution must include at least one—(i) Reading tutoring project that employs one or more FWS students as reading tutors for children who are preschool age or are in elementary school; or (ii) Family literacy project that employs one or more FWS students in family literacy activities. (2) The Secretary may waive the requirements in paragraph (g)(1) of this section if the Secretary determines that an institution has demonstrated that enforcing the requirements in paragraph (g)(1) of this section would cause a hardship for students at the institution. (3) To the extent practicable, in providing reading tutors for children under paragraph (g)(1)(i), an institution must—(i) Give priority to the employment of students to tutor in reading in schools that are participating in a reading reform project that—(A) Is designed to train teachers how to teach reading on the basis of scientifically-based research on reading; and (B) Is funded under the Elementary and Secondary Education Act of 1965; and (ii) Ensure that any student who is employed in a school participating in a reading reform project described in paragraph (g)(3)(i) of this section receives training from the employing school in the instructional practices used by the school. (4)(i) In meeting the seven percent community service expenditure requirement in paragraph (g)(1) of this section, students may be employed to perform civic education and participation activities in projects that—(A) Teach civics in schools; (B) Raise awareness of government functions or resources; or (C) Increase civic participation. (ii) To the extent practicable, in providing civic education and participation activities under paragraph (g)(4)(i) of this section, an institution must—(A) Give priority to the employment of students in projects that educate or train the public about evacuation, emergency response, and injury prevention strategies relating to natural disasters, acts of terrorism, and other emergency situations; and (B) Ensure that the students receive appropriate training to carry out the educational services required."

Condition: For the year ended June 30, 2012 New River Community and Technical College (New River) earmarked $3,328 to compensate students employed in a community service activity. The earmarking requirement is 7% of the Federal Work Study allocation or $6,656.

Questioned Costs: N/A

2012–32 EARMARKING
(Prior Year Finding 2011–35) (continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Context: Total Student Financial Assistance Cluster expenditures for New River were $10,966,879 for the year ended June 30, 2012. Total federal expenditures for the Federal Work Study program were $47,497 for the year ended June 30, 2012.

Cause: Management failed to track the status of the Federal Work Study earmarking requirement.

Effect: The institution was not in compliance with the requirements related to earmarking for the Federal Work Study program.

Recommendation: We recommend New River implement policies and procedures to ensure that earmarking requirements are being monitored and met throughout the year.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–33 SPECIAL TEST AND PROVISIONS - BORROWER DATA TRANSMISSION AND RECONCILIATION

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education	
	Office of Student Financial Assistance	
	Office of Post Secondary Education	
	U.S. Department of Health and Human Services	
	Health Resources and Services Administration	
	Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 30 days of disbursement (OBM No. 1845-0021). Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records. Since up to three Direct Loan program years may be open at any given time, schools may receive three SAS data files each month (34 CFR sections 685.102(b), 685.301, and 685.303).

Condition: For the three months selected for testing of Direct Loan SAS reconciliation requirements, proper reconciliations could not be produced by the institution for control or compliance testing.

Questioned Costs: N/A

Context: Total Student Financial Assistance Cluster expenditures for New River Community and Technical College were $10,966,879 for the year ended June 30, 2012. Total Direct Loan expenditures were $3,059,392 for the year ended June 30, 2012.

Cause: Written procedures detailing the process to reconcile loans from COD to Banner exist, as provided in narrative form during the audit. However, management represented that a formal reconciliation process has not been successfully implemented.

Effect: As a result of the aforementioned issues noted with the Borrower Data Transmission and Reconciliation procedures, we could not determine if all the monthly required reconciliations necessary for proper loan disbursement reporting were completed. The absence of the reconciliations could result in the institution's financial records for Direct Loan expenditures to be improperly stated.

Recommendation: We recommend that management implement the reconciliation process that monthly reconciliations are performed and saved as documented in the institution's written procedure, including documentation of supervisor review and approval.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–34 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: ED Form 646-1, *Fiscal Operations Report and Application to Participate* (FISAP) (OMB No. 1845-0030) – This electronic report is submitted annually to receive funds for the campus-based programs. The School uses the *Fiscal Operations Report* portion to report its expenditures in the previous award year and the *Application to Participate* portion to apply for the following year. FISAPs are required to be submitted by October 1 following the end of the award year (which is always June 30). For example, by October 1, 2012, the institution should submit its FISAP that includes the *Fiscal Operations Report* for the award year ended June 30, 2012 and the *Application to Participate* for the 2013–2014 award year (FPL, FWS, FSEOG 34 CFR Section 673.3; *Instruction Booklet for Fiscal Operations Report and Application to Participate).*

As noted on page V of the instructions for the *Fiscal Operations Report* for 2011–2012 and the *Application to Participate* for 2013-2014, all corrections to FISAP data and correction of edit errors must be submitted to the U.S. Department of Education (the Department) by December 14, 2012. If there is a need to make a correction after December 14, 2012, the institution must access the eCB website and make the necessary correction. This data will be saved in a Working Copy of the FISAP. The institution then must justify the need to make the correction on the Additional Information page in the system. However, the institution will not be able to submit the correction at this stage in the process. The request must be reviewed by the Department, and the institution will be notified if the correction is allowed.

Condition: Four line items reported on the June 30, 2012 FISAP for West Virginia School of Osteopathic Medicine (the School) required revision after the original submission. The revision was not submitted by the revision due date and required additional review by the Department after it was allowed.

Questioned Costs: N/A

Context: The School's FISAP required a revision to four amounts reported under Part V, Section D and Section E.

Cause: The review process failed to detect, prior to submission, incorrect amounts originally reported on the FISAP.

2012–34 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE (continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Effect: The Department uses the information in the *Application to Participate* and in the *Fiscal Operations Report* to determine the amount of funds the School will receive for each campus-based program. The School must submit accurate data. If not, the School might not receive all the funds to which the School is entitled, or the School might be required to return funds that the School was not entitled to receive. The School must retain accurate and verifiable records for program review and audit purposes.

Recommendation: We recommend that the School implement policies and procedures to ensure that the proper documentation is maintained for the *Fiscal Operations Report* and *Application to Participate* and that accurate information is submitted to the Department.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–35 SPECIAL TEST AND PROVISIONS - INSTITUTIONAL ELIGIBILITY

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: In accordance with 34 CFR §668.34(a), "An institution must establish a reasonable satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the title IV, HEA programs. The Secretary considers the institution's policy to be reasonable if—

(11) The policy provides for notification to students of the results of an evaluation that impacts the student's eligibility for title IV, HEA program funds."

Condition: Pierpont Community and Technical College's (Pierpont) satisfactory academic progress policy does not include policies and procedures for providing notification to students of the results of an evaluation that impacts the student's eligibility as required.

Questioned Costs: N/A

Context: Total Student Financial Assistance Cluster expenditures for Pierpont were $20,365,905 for the year ended June 30, 2012.

Cause: Policies and procedures related to student's maintaining satisfactory academic progress did not encompass all of the required elements.

Effect: Pierpont was not in compliance with the requirements related to Institutional Eligibility, specifically the institution's satisfactory academic progress policy.

Recommendation: We recommend that Pierpont update the satisfactory academic progress policy to ensure it provides notification to students of the results of an evaluation that impacts the students' eligibility for Title IV and HEA program funds.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–36 CASH MANAGEMENT

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: OMB Circular A-102, Section 2(a) requires grantor agency to "establish methods and procedures for transferring funds to minimize the time elapsing between the transfer to recipients of grants and cooperative agreements and the recipient's need for the funds."

Condition: During our testing of two monthly reconciliations performed for the bank account in which drawdowns are received by the institution from the U.S. Department of Education, we noted that 1 of the 2 reconciliations were reviewed by an accounting assistant without the appropriate knowledge of the applicable compliance requirements.

Questioned Costs: N/A

Context: Total Student Financial Assistance Cluster net draws for Shepherd University were $28,584,652 for the year ended June 30, 2012.

Cause: Both the Comptroller and Vice President of Finance left the institution during the fiscal year 2012. An interim Comptroller was appointed and in May 2012 a full-time Comptroller took over the position. The Vice President of Finance position was filled in June 2012. From December 2011 to June 2012, Shephard University did not have the appropriate staffing to have a more experienced individual knowledgeable of the application compliance requirements review the account reconciliations..

Effect: The absence of a proper review process could result in the institution not being in compliance with the federal rules and regulations regarding cash management.

Recommendation: We recommend that the institution strengthen their control procedures by having reconciliations reviewed by a more experienced individual who is more knowledgeable of the applicable compliance requirements.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–37 PROGRAM INCOME

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education	
	Office of Student Financial Assistance	
	Office of Post Secondary Education	
	U.S. Department of Health and Human Services	
	Health Resources and Services Administration	
	Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: In accordance with 34 CFR 674.8(a) to participate in the Federal Perkins Loan program, an institution "(a) The institution shall establish and maintain a Fund and shall deposit into the Fund—(1) FCC received under this subpart; (2) Except as provided in paragraph (a)(1) of §674.7—(i) ICC equal to at least three-seventeenths of the FCC described in paragraph (a)(1) of this section in award year 1993–94; and (ii) ICC equal to at least one-third of the FCC described in paragraph (a)(1) of this section in award year 1994–95 and succeeding award years; (3) ICC equal to the amount of FCC described in paragraph (a)(1) of §674.7 for an institution that has been granted permission by the Secretary to participate in the ELO under the Federal Perkins Loan program; (4) Payments of principal, interest, late charges, penalty charges, and collection costs on loans from the Fund; (5) Payments to the institution as the result of loan cancellations under section 465(b) of the Act; (6) Any other earnings on assets of the Fund, including the interest earnings of the funds listed in paragraphs (a)(1) through (4) of this section net of bank charges incurred with regard to Fund assets deposited in interest-bearing accounts; and (7) Proceeds of short-term no-interest loans made to the Fund in anticipation of collections or receipt of FCC. (b) The institution shall use the money in the Fund only for—(1) Making loans to students; (2) Administrative expenses as provided for in 34 CFR 673.7; (3) Capital distributions provided for in section 466 of the Act; (4) Litigation costs (see §674.47); (5) Other collection costs, agreed to by the Secretary in connection with the collection of principal, interest, and late charges on a loan made from the Fund (see §674.47); and (6) Repayment of any short-term, no-interest loans made to the Fund by the institution in anticipation of collections or receipt of FCC.

Condition: During our testing of two monthly reconciliations performed for the bank account in which receipts of Federal Perkins Loan repayments are collected, we noted that 1 of the 2 reconciliations, specifically the month ended April 30, 2012 was not reviewed until October 3, 2012.

Questioned Costs: N/A

Context: Total Federal Perkins Loans receipts for Shepherd University were $95,151 for the year ended June 30, 2012.

Cause: Turnover within the institution's Finance Department led to employees taking on additional tasks and thus certain responsibilities were not addressed in a timely manner.

2012–37 PROGRAM INCOME
(continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education	
	Office of Student Financial Assistance	
	Office of Post Secondary Education	
	U.S. Department of Health and Human Services	
	Health Resources and Services Administration	
	Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Effect: Principal and interest repayments made by students and reimbursements for cancelled loans may not be properly accounted for in the institution's records in a timely manner, may not be properly calculated, or may not be used in accordance with program requirements.

Recommendation: We recommend that the institution strengthen their control procedures by having reconciliations reviewed in a timely manner.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–38 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: ED Form 646-1, *Fiscal Operations Report and Application to Participate* (FISAP) (OMB No. 1845-0030) – This electronic report is submitted annually to receive funds for the campus-based programs. The College uses the *Fiscal Operations Report* portion to report its expenditures in the previous award year and the *Application to Participate* portion to apply for the following year. FISAPs are required to be submitted by October 1 following the end of the award year (which is always June 30). For example, by October 1, 2011, the institution should submit its FISAP that includes the *Fiscal Operations Report* for the award year ended June 30, 2011, and the *Application to Participate* for the 2012-2013 award year (FPL, FWS, FSEOG, 34 CFR Section 673.3; Instruction Booklet for *Fiscal Operations Report and Application to Participate*).

Condition: Multiple line items reported on the June 30, 2012 FISAP for West Liberty University (the University) did not reconcile to supporting documentation.

Questioned Cost: N/A

Context: The amount reported in Part II Section E line 23 was inaccurate. Additionally, the institution was unable to support certain line items included in Part III Section A of the FISAP.

Cause: The review process failed to detect a transposed amount reported on the FISAP. Additionally, management should implement a policy to maintain adequate documentation for reports required to be submitted.

Effect: The U.S. Department of Education uses the information in the Application to Participate and in the Fiscal Operations Report to determine the amount of funds the University will receive for each campus-based program. The University must submit accurate data. If not, the University might not receive all the funds to which the University is entitled, or the University might be required to return funds that the University was not entitled to receive. The University must retain accurate and verifiable records for program review and audit purposes.

Recommendation: We recommend the University strengthen the procedures and controls used to review the FISAP to ensure all aspects of the report are properly reviewed, reported information is accurate, and adequate documentation to support reports submitted to the federal government is maintained.

2012–38 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE (continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–39 SPECIAL TESTS AND PROVISIONS-LOAN DEFAULTS

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: Institutions must exercise due care and diligence in the collection of loans. For the FPL, such due diligence procedures include Specific collection procedures to recover amounts from defaulted borrowers who do not respond satisfactorily to demands routinely made as part of the institution's billing procedures, including litigation procedures (34 CFR section 674.45).

Condition: During our compliance testing of student loan files for West Liberty University (the University), we noted for 1 of 3 students that collection procedures were not followed as the borrower was not contacted regarding the collection of their defaulted loan.

Questioned Costs: N/A

Context: Total Perkins Loan expenditures for the University were $201,536 for the year ended June 30, 2012.

Cause: Management failed to follow proper collection procedures to demonstrate compliance with the federal regulations.

Effect: The lack of properly conducting collection procedures for student loan defaults is a noncompliance issue with 34 CFR Section 674.45.

Recommendation: We recommend the University should implement policies and procedures to ensure due care and diligence are performed in the collection of loans.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–40 SPECIAL TEST AND PROVISIONS - BORROWER DATA TRANSMISSION AND RECONCILIATION
(Prior Year Finding 2011-24)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: In accordance with 34 CFR §685.102(b), "Institutions must report all loan disbursements and submit required records to the Direct Loan Servicing System (DLSS) via the Common Origination and Disbursement (COD) within 30 days of disbursement. Each month, the COD provides institutions with a School Account Statement (SAS) data file which consists of a Cash Summary, Cash Detail, and (optional at the request of the school) Loan Detail records. The school is required to reconcile these files to the institution's financial records."

Condition: During our testing of Direct Loan SAS reconciliations for West Liberty University (the University) in the current period we noted that reconciliations were not performed during July 2012 through September 2012.

Questioned Costs: N/A

Context: Total Direct Loan expenditures and total Student Financial Assistance Cluster expenditures for the University were $15,782,789 and $21,161,461, respectively, for the year ended June 30, 2012.

Cause: Policies and procedures related to the receipt, reconciliation of SAS to the institution's financial records, and records retention were not in place throughout the entire period.

Effect: The University was not in compliance with the requirements related to the Borrower Data Transmission and Reconciliation process.

Recommendation: We recommend that the University implement policies and procedures to ensure timely reconciliation of the SAS to the University's financial records and to ensure that all borrowers that are included in the DLSS are supported by the institution's records, including documentation of supervisory review and approval

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–41 SPECIAL TEST AND PROVISIONS - INSTITUTIONAL ELIGIBILITY

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: In accordance with 34 CFR §668.34(a), "An institution must establish a reasonable satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the title IV, HEA programs. The Secretary considers the institution's policy to be reasonable if—

(11) The policy provides for notification to students of the results of an evaluation that impacts the student's eligibility for title IV, HEA program funds."

Condition: During our review of West Liberty University's (the University) satisfactory academic progress policy we noted the institution did not discuss providing notification to students of the results of an evaluation that impacts the student's eligibility as required.

Questioned Costs: N/A

Context: Total Student Financial Assistance Cluster expenditures for the University were $21,161,461 for the year ended June 30, 2012.

Cause: Policies and procedures related to student's maintaining satisfactory academic progress did not encompass all of the required elements.

Effect: The University was not in compliance with the requirements related to institutional eligibility, specifically the institution's satisfactory academic progress policy.

Recommendation: We recommend the University update their satisfactory academic progress policy to ensure it provides notification to students of the results of an evaluation that impacts the students' eligibility for Title IV and HEA program funds.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–42 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Prior Year Finding 2011–28)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education	
	Office of Student Financial Assistance	
	Office of Post Secondary Education	
	U.S. Department of Health and Human Services	
	Health Resources and Services Administration	
	Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: Subpart D, §___.300(d) of OMB Circular A-133 states, "Auditees shall prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §___.310." Section §___.310(b)(3) of OMB Circular A-133 states "Auditees must complete the SEFA and include CFDA numbers provided in Federal awards/subawards and associated expenditures."

Condition: During our testing of the Schedule of Expenditures of Federal Awards (SEFA) for West Virginia State University (WVSU), we noted that WVSU improperly reported current year expenditures for non-federal alternative loans provided by a private lender under CFDA# 84.032, Federal Family Education Loans (FFEL). The respective overstatement has been quantified within the context below.

Questioned Costs: N/A

Context: On the SEFA, WVSU overstated FFEL expenditures by $173,974. Total federal expenditures which should have been reported for the FFEL program were $0. Total Student Financial Assistance Cluster expenditures were $18,460,953.

Cause: Policies and procedures related to preparation and review of the SEFA are not being followed, therefore allowing for errors which are not being detected.

Effect: Improper reporting on the SEFA results in inaccurate reporting in the State of West Virginia's SEFA.

Recommendation: We recommend that WVSU implement a review process that is closely followed. Such procedures should include the formal documentation that the appropriate review was performed to ensure proper reporting of federal awards and expenditures.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–43 SPECIAL TESTS AND PROVISIONS – ENROLLMENT REPORTING

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: 34 CFR section 685.309(b) states a school shall—

(1) Upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and

(2) Unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who—

(i) Enrolled at that school but has ceased to be enrolled on at least a half-time basis;

(ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or

(iii) Has changed his or her permanent address.

Condition: For 4 of the 4 students in our internal control sample of students who withdrew, graduated, or enrolled but never attended, we noted the institution did not promptly notify the appropriate entities of a change in the student's status in a timely and accurate manner. For 3 of the 4 students in our program compliance sample of students who withdrew, graduated, or enrolled but never attended, we noted the institution did not promptly notify the appropriate entities of a change in the student's status in a timely and accurate manner.

Questioned Costs: N/A

Context: Total Direct Loan expenditures for West Virginia State University were $12,030,677 for the year ended June 30, 2012.

Cause: For the students noted above, there were timing discrepancies between the information reported by the institution to the National Student Clearinghouse and their subsequent reporting of enrollment detail to National Student Loan Data System (NSLDS).

2012–43 SPECIAL TESTS AND PROVISIONS – ENROLLMENT REPORTING (continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Effect: The institution is not promptly notifying the proper agencies of changes in student statuses in a timely and accurate manner.

Recommendation: As institutions are responsible for timely reporting whether they report directly or via a third-party servicer, we recommend that WVSU implement a review process to ensure they are promptly notifying the U.S. Department of Education and NSLDS of changes in a student's status in a timely and accurate manner.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–44 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Prior Year Finding 2011–20)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education	
	Office of Student Financial Assistance	
	Office of Post Secondary Education	
	U.S. Department of Health and Human Services	
	Health Resources and Services Administration	
	Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: OMB Circular A-133 Section 300a states, "The auditee shall prepare appropriate financial statements including the Schedule of Expenditures of Federal Awards (SEFA)."

Condition: During the current year testing of the SEFA, it was noted that West Virginia University (WVU) did not properly classify the reported expenditures for CFDA #93.264, #93.342, and #93.364 on the original SEFA prepared by management. The original SEFA improperly reported Health Professions Student Loans, including Primary Care Loans and Loans for Disadvantaged Students (HPSL/PCL/LDS) expenditures of $46,071 and Nursing Student Loan (NSL) expenditures of $765,317. Upon our review we noted that management improperly classified these expenditures. The corrected and resubmitted SEFA properly reported Nursing Faculty Loan Program (NFLP) expenditures of $30,785, HPSL/PCL/LDS expenditures of $698,153, and NSL expenditures of $82,450.

Questioned Costs: N/A

Context: Total expenditures for the NFLP Program, HPSL/PCL/LDS Program, and NSL Program were $30,785, $698,153, and $82,450, respectively, for the year ended June 30, 2012.

Cause: WVU's formal review process implemented during the current period related to the SEFA is not effective.

Effect: As a result of improperly classifying reported expenditures, expenditures for NFLP would have been understated, expenditures for HPSL/PCL/LDS would have been understated, and expenditures for NSL would have been overstated. Management subsequently updated WVU's SEFA to properly report the federal expenditures.

Recommendation: We recommend WVU enhance formalized review policies and procedures over the SEFA so the report is prepared in accordance with federal guidelines.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–45 SPECIAL TESTS AND PROVISIONS - VERIFICATION

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: In accordance with 34 CFR Section 668.57, acceptable documentation for verification of student aid application information includes (a) Adjusted Gross Income (AGI), income earned from work, and U.S. income tax paid and (d) Untaxed income and benefits.

Condition: For 1 of the 25 students in our program compliance sample of students who were verified, the amount of taxes paid per the individual's tax return was not consistent with the taxes paid per the institution's records. Further, for 5 of those 25 students, the individual verified untaxed income on the verification worksheet which was not included in the individuals' financial assistance calculation.

Questioned Costs: N/A

Context: We tested a total of 25 students out of 3,815 total students who had been selected for verification by the West Virginia University (WVU) during the year ended June 30, 2012.

Cause: The wrong line item from the tax return was used to update the individual's records during the verification process. Further, untaxed income amounts were omitted from the individual's records during the verification process.

Effect: The institution is not pulling the correct information from the student's records during the verification process which could lead to the institution improperly calculating the student's need and expected family contribution that could result in an improper amount of financial aid being awarded to the student.

Recommendation: We recommend that WVU implement policies and procedures to ensure that the correct information is obtained from students' records during the verification process.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–46 SPECIAL TEST AND PROVISIONS - RETURN OF TITLE IV FUNDS

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education	
	Office of Student Financial Assistance	
	Office of Post Secondary Education	
	U.S. Department of Health and Human Services	
	Health Resources and Services Administration	
	Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: 34 CFR §668.22 states when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student or on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs.

Condition: For 1 of the 25 students in the internal control sample of students who withdrew, dropped out, or enrolled but never attended within the refund period, the institution did not return the entire amount calculated by the institution. The amount to be returned per the institution's refund calculation was $1,148; however the institution only returned $995.

Questioned Costs: $153

Context: Total Title IV Refunds for West Virginia University (WVU) were $1,001,489 for the year ended June 30, 2012.

Cause: WVU does not have a formal review process related to the return of Title IV funds.

Effect: WVU is not refunding Title IV funds to the federal government in accordance with federal guidance.

Recommendation: We recommend that WVU implement review policies and procedures to ensure that refunds are returned to the federal government in accordance with federal guidelines.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–47 SPECIAL TESTS AND PROVISIONS – ENROLLMENT REPORTING
(Prior Year Finding 2011–22)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: 34 CFR section 685.309(b) states a school shall—

(1) Upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and

(2) Unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who—

(i) Enrolled at that school but has ceased to be enrolled on at least a half-time basis;

(ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or

(iii) Has changed his or her permanent address.

Condition: For 3 of the 25 students in the program compliance sample of students who withdrew, graduated, or enrolled but never attended, the institution did not promptly notify the appropriate entities of a change in the student's status in a timely and accurate manner. One student graduated during May 2012; however, this had not been reported to National Student Loan Data System (NSLDS). The second individual graduated in May 2012; however this was not reported until August 2012. The third student graduated in May 2012 per the institution's records; however the individual had been reported as withdrawn effective December 2011.

Questioned Costs: N/A

Context: Total Direct Loan expenditures for West Virginia University (WVU)were $212,830,033 for the year ended June 30, 2012.

Cause: One of the students was originally reported under an incorrect social security number. For the remaining two students there were discrepancies between the information reported by the institution to the National Student Clearinghouse and the enrollment detail per NSLDS.

Effect: The institution is not promptly notifying the proper agencies of changes in student statuses in a timely and accurate manner.

2012–47 SPECIAL TESTS AND PROVISIONS – ENROLLMENT REPORTING
(Prior Year Finding 2011–22) (continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education	
	Office of Student Financial Assistance	
	Office of Post Secondary Education	
	U.S. Department of Health and Human Services	
	Health Resources and Services Administration	
	Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Recommendation: We recommend that WVU review enrollment reporting information to make certain students are reported under the correct social security number to ensure that changes in the student's status are reported in accordance with federal guidelines. As institutions are responsible for timely reporting whether they report directly or via a third-party servicer, WVU should implement a review process to ensure they are promptly notifying the U.S. Department of Education and NSLDS of changes in a student's status in a timely and accurate manner.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–48 SPECIAL TEST AND PROVISIONS - INSTITUTIONAL ELIGIBILITY

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: In accordance with 34 CFR §668.34(a), An institution must establish a reasonable satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the Title IV, HEA programs. The Secretary considers the institution's policy to be reasonable if the standards meet various criteria, including the following:

(8) If the institution places students on financial aid warning, or on financial aid probation, as defined in paragraph (b) of this section, the policy describes these statuses and that—

(i) A student on financial aid warning may continue to receive assistance under the Title IV, HEA programs for one payment period despite a determination that the student is not making satisfactory academic progress. Financial aid warning status may be assigned without an appeal or other action by the student; and

(ii) A student on financial aid probation may receive Title IV, HEA program funds for one payment period. While a student is on financial aid probation, the institution may require the student to fulfill specific terms and conditions such as taking a reduced course load or enrolling in specific courses. At the end of one payment period on financial aid probation, the student must meet the institution's satisfactory academic progress standards or meet the requirements of the academic plan developed by the institution and the student to qualify for further Title IV, HEA program funds;

(11) The policy provides for notification to students of the results of an evaluation that impacts the student's eligibility for Title IV, HEA program funds.

Condition: West Virginia University-Parkersburg's (WVUP) satisfactory academic progress policy did not provide specific procedures for disbursements to students on financial aid warning status or financial aid probation status as required. Additionally, the institution's policy did not provide notification to the students of their results of an evaluation that impacts their eligibility for Title IV.

Questioned Costs: N/A

2012–48 SPECIAL TEST AND PROVISIONS - INSTITUTIONAL ELIGIBILITY (continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Context: Total Student Financial Assistance Cluster expenditures for WVUP were $21,458,832 for the year ended June 30, 2012.

Cause: Policies and procedures related to student's maintaining satisfactory academic progress, specifically, providing specific procedures for disbursements to students on financial aid warning status or financial aid probation status and providing notification to the students of their results of an evaluation that impacts their eligibility for Title IV, did not encompass all of the required elements.

Effect: WVUP was not in compliance with the requirements related to Institutional Eligibility.

Recommendation: We recommend that WVUP update the satisfactory academic progress policy to ensure it provides specific procedures for disbursements to students on financial aid warning status or financial aid probation status and notification to the students of their results of an evaluation that impacts their eligibility for Title IV, as required.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–49 SPECIAL TESTS AND PROVISIONS – ENROLLMENT REPORTING

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Criteria: 34 CFR section 685.309(b) states a school shall—

(1) Upon receipt of a student status confirmation report from the Secretary, complete and return that report to the Secretary within 30 days of receipt; and

(2) Unless it expects to submit its next student status confirmation report to the Secretary within the next 60 days, notify the Secretary within 30 days if it discovers that a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan has been made to or on behalf of a student who—

(i) Enrolled at that school but has ceased to be enrolled on at least a half-time basis;

(ii) Has been accepted for enrollment at that school but failed to enroll on at least a half-time basis for the period for which the loan was intended; or

(iii) Has changed his or her permanent address.

Condition: For two of the four students in the internal control sample of students who withdrew, graduated, or enrolled but never attended, the institution did not promptly notify the appropriate entity of a change in the student's status in a timely and accurate manner.

Questioned Costs: N/A

Context: Total Direct Loan expenditures for West Virginia University-Parkersburg (WVUP) were $11,215,249 for the year ended June 30, 2012.

Cause: While WVUP reported the students' status changes to the National Student Clearinghouse in a timely manner, the Clearinghouse did not notify National Student Loan Data System (NSLDS) of the change within the appropriate timeframe.

Effect: The institution is not promptly notifying the appropriate entity of changes in student statuses in a timely and accurate manner.

2012–49 SPECIAL TESTS AND PROVISIONS – ENROLLMENT REPORTING (continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Education Office of Student Financial Assistance Office of Post Secondary Education U.S. Department of Health and Human Services Health Resources and Services Administration Student Financial Assistance Cluster	84.007/84.032/ 84.033/84.037/ 84.038/84.063/ 84.268/84.375/ 84.376/84.379/ 84.408/93.264/ 93.342/93.364/ 93.407/93.408/ 93.925

Recommendation: As institutions are responsible for timely reporting whether they report directly or via a third-party servicer, we recommend the institution implement a review process to ensure they are promptly notifying the Department of Education and NSLDS of changes in a student's status in a timely and accurate manner.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–50 INDIRECT COST ALLOCATION

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Deparment of Education	
	Vocational Rehabilitation Cluster	
	Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126
	ARRA Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act	84.390
	Grant Award 2012 Regular H126A120073	
	Grant Award 2011 Regular H126A110073	
	Grant Award 2009 ARRA H390A090073A	

Criteria: Each state department and agency that receives and disburses federal awards is required by OMB Circular A–133 Sec .300(b) to "maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

Per OMB Circular A-87 Attachment E Section A(3), "indirect costs are normally charged to Federal awards by the use of an indirect cost rate. A separate indirect cost rate(s) is usually necessary for each department or agency of the governmental unit claiming indirect costs under Federal awards." Section C(1)(c) states "specific methods for allocating indirect costs and computing indirect cost rates along with the conditions under which each method should be used are described in subsections 2, 3 and 4."

Condition: The West Virginia Division of Rehabilitation Services (the Division) does have a formal indirect cost rate proposal (ICRP); however, the method of allocation is not based on methodology allowed by OMB Circular A-87 for the Vocational Rehabilitation Cluster program. Initially, all indirect charges for the West Virginia Division of Rehabilitation Services are assigned to the Vocational Rehabilitation Cluster program. Then the indirect costs allocable to the Disability Insurance SSI Cluster program are reassigned through an electronic transfer. The remaining unassigned indirect costs are charged to the Vocational Rehabilitation Cluster program. As a result, the indirect expenditures charged to the Vocational Rehabilitation Cluster program are not based upon an approved rate, but are represent the remaining unallocated portion of the total.

Questioned Costs: Unknown

Context: Total federal administrative expenditures for the Vocational Rehabilitation Cluster program for the year ended June 30, 2012, were $49,406,893, of which $49,345,143 were for non-ARRA expenditures while $61,750 were for ARRA expenditures.

Cause: The Division has not created a formal methodology to allocate indirect costs based upon their approved indirect cost rate for the Vocational Rehabilitation Cluster program.

Effect: The Vocational Rehabilitation Cluster program is not in compliance with OMB Circular A-87 cost principles related to indirect costs.

Recommendation: We recommend the Division develops policies and procedures to adhere to a formal ICRP to allocate indirect costs on a consistent basis in accordance with OMB Circular A-87 to the Vocational Rehabilitation Cluster program.

2012–50 INDIRECT COST ALLOCATION
(continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Deparment of Education	
	Vocational Rehabilitation Cluster	
	Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126
	ARRA Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act	84.390
	Grant Award 2012 Regular H126A120073	
	Grant Award 2011 Regular H126A110073	
	Grant Award 2009 ARRA H390A090073A	

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–51 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS (Prior Year Finding 2011–46)

Federal Program Information:

Federal Agency and Program Name	CFDA#
U.S. Department of Health and Human Services	
Temporary Assistance for Needy Families (TANF) Cluster	93.558/ ARRA-93.714
Grant Award 2012 – 2012G996115	
Medicaid Cluster	93.775/93.777/ 93.778 and ARRA-93.778
Grant Award 2012-05-1205WV5MAP	
Low-Income Home Energy Assistance (LIHEAP)	93.568
Grant Award G-12B1WVLIEA	
CCDF Cluster	93.575/93.596
Grant Award G1201WVCCDF	
Grant Award G1101WVCCDF	
State Children's Health Insurance Program	93.767
Grant Award 1105WV5021	
Adoption Assistance—Title IV–E	93.659 and ARRA-93.659
Grant Award 1101WV1405	
Grant Award 1101WV1407	
Grant Award 1201WV1405	
Grant Award 1201WV1407	
U.S. Department of Agriculture	
SNAP Cluster	10.551/10.561 and ARRA-10.561
Grant Award 1WV400401	
Grant Award 1WV700701	

Criteria: Each State department and agency that receives and disburses federal awards is required by OMB Circular A-102 to have a "grantee financial management system which shall provide accurate, current, and complete disclosure of the financial results of each grant program."

Management of the West Virginia Department of Health and Human Resources (DHHR) is responsible for establishing and maintaining adequate controls over its information systems and the related processes. An integral part of an entity's accounting function is the establishment of internal control, including assigning the responsibilities for authorizing transactions, recording transactions, and maintaining custody of assets to different individuals, thus reducing the risk of irregularities or defalcations occurring and not being detected. Furthermore, management of the DHHR is responsible for establishing and maintaining adequate information system internal controls for the determination of eligibility and the processing of allowable payments.

2012–51 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS (Prior Year Finding 2011–46) (continued)

Federal Program Information:

Federal Agency and Program Name	CFDA#
U.S. Department of Health and Human Services	
Temporary Assistance for Needy Families (TANF) Cluster	93.558/ ARRA-93.714/ ARRA-93.716
Grant Award 2012 – 2012G996115	
Medicaid Cluster	93.775/93.777/ 93.778 and ARRA-93.778
Grant Award 2012-05-1205WV5MAP	
Low-Income Home Energy Assistance (LIHEAP)	93.568
Grant Award G-12B1WVLIEA	
CCDF Cluster	93.575/93.596/ ARRA-93.713
Grant Award G1201WVCCDF	
Grant Award G1101WVCCDF	
State Children's Health Insurance Program	93.767
Grant Award 1105WV5021	
Adoption Assistance—Title IV–E	93.659 and ARRA-93.659
Grant Award 1101WV1405	
Grant Award 1101WV1407	
Grant Award 1201WV1405	
Grant Award 1201WV1407	
U.S. Department of Agriculture	
SNAP Cluster	10.551/10.561 and ARRA-10.561
Grant Award 1WV400401	
Grant Award 1WV700701	

Condition: DHHR operates a wide variety of computer applications, many of which affect federal and State programs' data. Our review of the information system controls noted that adequate segregation of duties does not exist for the Family and Children Tracking System (FACTS) information systems. Users (primarily supervisors) with security level 15 access within the application have the ability to create and approve cases. We noted management implemented a mitigating detective control during the current period in response to this repeat finding, however as this control was not formally implemented and able to be tested until December, 2011 and was not designed to encompass the Adoption program this remains a finding for the current period. The system payment and supervisory approval functionality is in accordance with the business rules of the Bureau for Children and Families.

In addition, the case information entered into FACTS for the Adoption program, which impacts eligibility and ultimately the benefit subsidy, is not formally reviewed to ensure the information entered is accurate according to the adoption finalization decree and signed affidavit. Further, the individual inputting the information has the ability to subsequently change the address or subsidy amount (up to $999 per case) without approval.

2012–51 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS (Prior Year Finding 2011–46) (continued)

Federal Program Information:

Federal Agency and Program Name	CFDA#
U.S. Department of Health and Human Services	
Temporary Assistance for Needy Families (TANF) Cluster	93.558/ ARRA-93.714/ ARRA-93.716
Grant Award 2012 – 2012G996115	
Medicaid Cluster	93.775/93.777/ 93.778 and ARRA-93.778
Grant Award 2012-05-1205WV5MAP	
Low-Income Home Energy Assistance (LIHEAP)	93.568
Grant Award G-12B1WVLIEA	
CCDF Cluster	93.575/93.596/ ARRA-93.713
Grant Award G1201WVCCDF	
Grant Award G1101WVCCDF	
State Children's Health Insurance Program	93.767
Grant Award 1105WV5021	
Adoption Assistance—Title IV–E	93.659 and ARRA-93.659
Grant Award 1101WV1405	
Grant Award 1101WV1407	
Grant Award 1201WV1405	
Grant Award 1201WV1407	
U.S. Department of Agriculture	
SNAP Cluster	10.551/10.561 and ARRA-10.561
Grant Award 1WV400401	
Grant Award 1WV700701	

Our testing of the controls surrounding eligibility determination noted that adequate segregation of duties also does not exist for the RAPIDS system. No supervisory review is required for case information input into the system. Further, it was noted that approval of disbursements only occurs at the batch level which does not allow the approval worker to review each transaction.

Questioned Costs: N/A

Context: Total federal expenditures for these programs can be located in the Schedule of Expenditures of Federal Awards. The RAPIDS computer system is utilized to process federal awards for the Medicaid Cluster, TANF, LIHEAP, State Children's Health Insurance Program (SCHIP), and the SNAP Cluster. The FACTS computer system is utilized to process federal awards for the CCDF Cluster, and the Adoption Assistance Title IV–E programs. The table below identifies the programs and OMB Circular A-133 compliance requirements impacted.

2012–51 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS (Prior Year Finding 2011–46) (continued)

Federal Program Information:

Federal Agency and Program Name	CFDA#
U.S. Department of Health and Human Services	
Temporary Assistance for Needy Families (TANF) Cluster	93.558/ ARRA-93.714/ ARRA-93.716
Grant Award 2012 – 2012G996115	
Medicaid Cluster	93.775/93.777/ 93.778 and ARRA-93.778
Grant Award 2012-05-1205WV5MAP	
Low-Income Home Energy Assistance (LIHEAP)	93.568
Grant Award G-12B1WVLIEA	
CCDF Cluster	93.575/93.596/ ARRA-93.713
Grant Award G1201WVCCDF	
Grant Award G1101WVCCDF	
State Children's Health Insurance Program	93.767
Grant Award 1105WV5021	
Adoption Assistance—Title IV–E	93.659 and ARRA-93.659
Grant Award 1101WV1405	
Grant Award 1101WV1407	
Grant Award 1201WV1405	
Grant Award 1201WV1407	
U.S. Department of Agriculture	
SNAP Cluster	10.551/10.561 and ARRA-10.561
Grant Award 1WV400401	
Grant Award 1WV700701	

Federal Program	System	Compliance Requirements Impacted
SCHIP	RAPIDS	Eligibility
SNAP Cluster	RAPIDS	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Availability of Federal Funds, Special Tests and Provisions – ADP System for Food Stamps
TANF Cluster	RAPIDS	Activities Allowed or Unallowed, Allowable Costs/Cost Principles
LIHEAP	RAPIDS	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Period of Availability of Federal Funds
Medicaid Cluster	RAPIDS	Eligibility
Adoption Assistance - Title IV–E	FACTS	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility
CCDF Cluster	FACTS	Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Eligibility, Period of Availability of Federal Funds

2012–51 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS (Prior Year Finding 2011–46) (continued)

Federal Program Information:

Federal Agency and Program Name	CFDA#
U.S. Department of Health and Human Services	
Temporary Assistance for Needy Families (TANF) Cluster	93.558/ ARRA-93.714/ ARRA-93.716
Grant Award 2012 – 2012G996115	
Medicaid Cluster	93.775/93.777/ 93.778 and ARRA-93.778
Grant Award 2012-05-1205WV5MAP	
Low-Income Home Energy Assistance (LIHEAP)	93.568
Grant Award G-12B1WVLIEA	
CCDF Cluster	93.575/93.596/ ARRA-93.713
Grant Award G1201WVCCDF	
Grant Award G1101WVCCDF	
State Children's Health Insurance Program	93.767
Grant Award 1105WV5021	
Adoption Assistance—Title IV–E	93.659 and ARRA-93.659
Grant Award 1101WV1405	
Grant Award 1101WV1407	
Grant Award 1201WV1405	
Grant Award 1201WV1407	
U.S. Department of Agriculture	
SNAP Cluster	10.551/10.561 and ARRA-10.561
Grant Award 1WV400401	
Grant Award 1WV700701	

Cause: Policies and procedures have not been adequately updated for changes in the processing of eligibility. Allowable costs have not been rechallenged for adequacy in a timely manner. Furthermore, management indicated a lack of personnel resources contributes to the proper segregation of duties issue and failure to complete all the required compliance supplement security review procedures.

Effect: Without proper segregation of duties and absent adequate detect controls, the ability exists for and only for unit supervisors with the appropriate level of access to create and approve cases and demand payments within the FACTS application. Information can be input into the FACTS application or modified within the application without supervisory review which could lead to payments being made to ineligible applicants, for the improper amount, or for an improper length of time.

Without proper segregation of duties and absent adequate detect controls the ability exists for caseworkers to input unsupported information into the applicants eligibility calculation within RAPIDS. Further without supervisory review at the transactional level disbursements for unallowable costs or activities could occur.

2012–51 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS
(Prior Year Finding 2011–46) (continued)

Federal Program Information:

Federal Agency and Program Name	**CFDA#**
U.S. Department of Health and Human Services	
Temporary Assistance for Needy Families (TANF) Cluster	93.558/ ARRA-93.714/ ARRA-93.716
Grant Award 2012 – 2012G996115	
Medicaid Cluster	93.775/93.777/ 93.778 and ARRA-93.778
Grant Award 2012-05-1205WV5MAP	
Low-Income Home Energy Assistance (LIHEAP)	93.568
Grant Award G-12B1WVLIEA	
CCDF Cluster	93.575/93.596/ ARRA-93.713
Grant Award G1201WVCCDF	
Grant Award G1101WVCCDF	
State Children's Health Insurance Program	93.767
Grant Award 1105WV5021	
Adoption Assistance—Title IV–E	93.659 and ARRA-93.659
Grant Award 1101WV1405	
Grant Award 1101WV1407	
Grant Award 1201WV1405	
Grant Award 1201WV1407	
U.S. Department of Agriculture	
SNAP Cluster	10.551/10.561 and ARRA-10.561
Grant Award 1WV400401	
Grant Award 1WV700701	

Recommendation: We recommend that access to the FACTS system various applications be restricted to a limited number of users. Controls should be established to ensure that an individual is limited to both creating or approving cases and demand payments. A detective control that would require a review to ensure that cases and demand payments created and approved were appropriate.

Further, we recommend that a formal review process be implemented to ensure that information input into FACTS and RAPIDS is properly reviewed by authorized individuals is appropriate.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–52 PROCUREMENT PROCEDURES

Federal Program Information:

Federal Agency and Program Name	CFDA#
U.S. Department of Health and Human Services	
Temporary Assistance for Needy Families	93.558/
Grant Award 2012G996115	ARRA-93.714/
	ARRA-93.716
Medicaid Cluster	ARRA-93.720/
	93.775/93.777/
Grant Award 05-1105WV5MAP, 05-1105WV5ADM,	93.778/
05-1205WV5MAP, and 05-1205WVADM	ARRA-93.778
Low-Income Home Energy Assistance	93.568
Grant Award G-12B1WVLIEA	
Child Care Cluster	93.575/93.596
Grant Awards G1201WVCCDF and G1101WVCCDF	
Child Support Enforcement	93.563
Grant Award 1204WV4005 and 1104WV4004	
Adoption Assistance Title IV-E	93.659
Grant Award 1101WV1407, 1101WV1405,	
1201WV1407, and 1201WV1405	
U.S. Department of Agriculture	
SNAP Cluster	10.551/10.561/
Grant Award 1WV400401	ARRA-10.561
WIC – Special Supplemental Nutrition	10.557
Grant Award 1WV700701	
U.S. Department of Environmental Protection	
Drinking Water State Revolving Fund	66.468
Grant Award FS-99390009, 2F-09390009, FS-	
99390008, FS-99390007, and FS-00390010	

Criteria: Per 2 CFR Section 215.43, "All procurement transactions shall be conducted in a manner to provide, to the maximum extent practical, open and free competition." Section 215.44 goes on to further outline the procurement procedures to be followed. Specifically, 215.44(e) states, "Recipients shall, on request, make available…pre-award review and procurement documents, such as request for proposals or invitations for bids, independent cost estimates, etc." This requirement is applicable in various instances, including when a recipient's procurement procedures or operation fails to comply with the procurement standards in the Federal awarding agency's implementation of this part related to various DHHR programs.

Condition: Based on our testing of 60 procurement transactions totaling $1,268,273, two instances totaling $9,070 were noted in which proper procurement procedures were not followed. These instances involved emergency repair work; the repairs were called in and completed without a bid process and without proper approval from management. Emergency contracts are to be reported by the morning following the emergency for approval of the services, vendor, and cost.

Questioned Costs: N/A

Context: Total federal expenditures for these programs can be located in the Schedule of Expenditures of Federal Awards.

Cause: DHHR appears to have procurement procedures in place that comply with federal regulations; however, the agency has failed to actively enforce the procedures related to emergency purchases.

2012–52 PROCUREMENT PROCEDURES
(continued)

Federal Program Information:

Federal Agency and Program Name	**CFDA#**
U.S. Department of Health and Human Services	
Temporary Assistance for Needy Families	93.558/
Grant Award 2012G996115	ARRA-93.714/
	ARRA-93.716
Medicaid Cluster	ARRA-93.720/
	93.775/93.777/
Grant Award 05-1105WV5MAP, 05-1105WV5ADM,	93.778/
05-1205WV5MAP, and 05-1205WVADM	ARRA-93.778
Low-Income Home Energy Assistance	93.568
Grant Award G-12B1WVLIEA	
Child Care Cluster	93.575/93.596
Grant Awards G1201WVCCDF and G1101WVCCDF	
Child Support Enforcement	93.563
Grant Award 1204WV4005 and 1104WV4004	
Adoption Assistance Title IV-E	93.659
Grant Award 1101WV1407, 1101WV1405,	
1201WV1407, and 1201WV1405	
U.S. Department of Agriculture	
SNAP Cluster	10.551/10.561/
Grant Award 1WV400401	ARRA-10.561
WIC – Special Supplemental Nutrition	10.557
Grant Award 1WV700701	
U.S. Department of Environmental Protection	
Drinking Water State Revolving Fund	66.468
Grant Award FS-99390009, 2F-09390009, FS-	
99390008, FS-99390007, and FS-00390010	

Effect: Services are being provided by companies that may not have the lowest price or best quality.

Recommendation: We recommend that the DHHR ensure compliance with established procurement procedures and make sure that all services are bid out when required.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–53 TIME AND ATTENDANCE AUTHORIZATION PROCEDURES (Prior Year Finding 2011–47)

Federal Program Information:

Federal Agency and Program Name	CFDA#
U.S. Department of Health and Human Services	
Temporary Assistance for Needy Families	93.558/
Grant Award 2012G996115	ARRA-93.714
Medicaid Cluster	93.775/93.777/
Grant Award 05-1105WV5MAP, 05-1105WV5ADM,	93.778/
05-1205WV5MAP, and 05-1205WVADM	ARRA-93.778
Low-Income Home Energy Assistance	93.568
Grant Award G-12B1WVLIEA	
Child Care Cluster	93.575/93.596/
Grant Awards G1201WVCCDF and G1101WVCCDF	ARRA-93.713
Child Support Enforcement	93.563/
Grant Award 1204WV4005 and 1104WV4004	ARRA-93.563/
Adoption Assistance Title IV-E	93.659
Grant Award 1101WV1407, 1101WV1405,	
1201WV1407, and 1201WV1405	
U.S. Department of Agriculture	
SNAP Cluster	10.551/10.561/
Grant Award 1WV400401	ARRA-10.561
WIC – Special Supplemental Nutrition	10.557
Grant Award 1WV700701	
U.S. Department of Environmental Protection	
Drinking Water State Revolving Fund	66.468
Grant Award FS-99390009, 2F-09390009, FS-	
99390008, FS-99390007, and FS-00390010	
Grant Award 1WV400401	

Criteria: OMB Circular A-133 section 300 states that the West Virginia Department of Health and Human Resources (DHHR) is responsible for maintaining internal control over Federal programs that provides reasonable assurance that management is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

Management of DHHR is responsible for establishing and maintaining adequate controls related to the approval of federally funded payroll changes for employees of the DHHR.

Condition: We reviewed individual federally funded employee payroll cash disbursements during the fiscal year ended June 30, 2012, and noted 1 instance out of 25 tested where the time sheet was not signed by the supervisor.

Questioned Costs: Unknown

Context: Total federal expenditures for these programs can be located in the Schedule of Expenditures of Federal Awards. The majority of the disbursements for these programs are non-payroll-related benefit payments.

2012–53 TIME AND ATTENDANCE AUTHORIZATION PROCEDURES
Prior Year Finding 2011–47) (continued)

Federal Program Information:

Federal Agency and Program Name	CFDA#
U.S. Department of Health and Human Services	
Temporary Assistance for Needy Families	93.558/
Grant Award 2012G996115	ARRA-93.714
Medicaid Cluster	93.775/93.777/
Grant Award 05-1105WV5MAP, 05-1105WV5ADM,	93.778/
05-1205WV5MAP, and 05-1205WVADM	ARRA-93.778
Low-Income Home Energy Assistance	93.568
Grant Award G-12B1WVLIEA	
Child Care Cluster	93.575/93.596/
Grant Awards G1201WVCCDF and G1101WVCCDF	ARRA-93.713
Child Support Enforcement	93.563/
Grant Award 1204WV4005 and 1104WV4004	ARRA-93.563/
Adoption Assistance Title IV-E	93.659
Grant Award 1101WV1407, 1101WV1405,	
1201WV1407, and 1201WV1405	
U.S. Department of Agriculture	
SNAP Cluster	10.551/10.561/
Grant Award 1WV400401	ARRA-10.561
WIC – Special Supplemental Nutrition	10.557
Grant Award 1WV700701	
U.S. Department of Environmental Protection	
Drinking Water State Revolving Fund	66.468

Cause: DHHR appears to have policies and procedures in place for the approval of individual employee pay but has failed to actively enforce the procedures.

Effect: DHHR has not consistently followed internal control policies and procedures.

Recommendation: We recommend that the DHHR strengthen the internal control procedures used to enforce and monitor existing time and attendance authorization procedures.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–54 ELIGIBILITY
(Prior Year Finding 2011–42)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Health and Human Services Temporary Assistance for Needy Families (TANF) Grant Award 2012 – 2012G996115	93.558

Criteria: Any family that includes an adult or minor child head of household or a spouse of the head of household who has received assistance under any State program funded by federal Temporary Assistance for Needy Families (TANF) funds for 60 months (whether or not consecutive) is ineligible for additional federally funded TANF assistance. However, the State may extend assistance to a family on the basis of hardship, as defined by the State, or if a family member has been battered or subjected to extreme cruelty. In determining the number of months for which the head of household or the spouse of the head of household has received assistance, the State must not count any month during which the adult received the assistance while living in Indian country or in an Alaskan Native Village and the most reliable data available with respect to that month (or a period including that month) indicate at least 50% of the adults living in Indian country or in the village were not employed (42 USC 608(a)(7); 45 CFR sections 264.1(a), (b), and (c)). Further, the average monthly number of families that include an adult or minor child head of household, or the spouse of the head of household, who has received assistance under any State program funded by federal TANF funds for more than 60 countable months (whether or not consecutive) may not exceed 20 percent of the average monthly number of all families to which the State provided assistance during the fiscal year or the immediately preceding fiscal year (but not both), as the State may elect (42 USC 608(a)(7)(C)(ii); 45 CFR sections 264.1(c) and (e)).

Condition: Due to the lack of a nationwide database, the West Virginia Department of Health and Human Resources (DHHR) does not have the ability to fully comply with the TANF federal 60-month eligibility limitation requirement.

Questioned Costs: Unknown

Context: The fiscal year ended June 30, 2002, was the first year in which the federal 60-month requirement became effective. Total federal expenditures for the TANF Cluster for the fiscal year ended June 30, 2012, were $129,151,225.

Cause: The U.S. Department of Health and Human Services (USDHHS) has not developed a method for tracking claimants who may have received benefits from multiple states.

Effect: Ineligible or potentially ineligible claims may have been reimbursed using federal funds.

Recommendation: DHHR has developed policies and procedures in accordance with USDHHS guidance regarding surrounding states; however, procedures to ensure claimants are not from other states cannot be developed without a centralized database and the assistance of the USDHHS. On January 15, 2010, the USDHHS Administration for Children and Families (ACF) issued a response letter regarding a prior year finding and recommendation #306908100 for this same issue. The letter stated in part "No further action is required with respect to this recommendation." However, we recommend that DHHR continue to work with USDHHS to resolve the control deficiency.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–55 REPORTING
(Prior Year Finding 2011–45)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Health and Human Services Temporary Assistance for Needy Families (TANF) Grant Award 2012 – 2012G996115	93.558

Criteria: According to 45 CFR section 265.9(c)(5) "each State must provide the average monthly total number or the total number of eligible families served for which the state claims Maintenance of Effort (MOE) expenditures at the end of the fiscal year."

Condition: In the ACF 204 report submitted to the federal government for the federal fiscal year ended September 30, 2012, the key line item "Total Number of Families Served under the Program with MOE Funds" was miscalculated duplicating 59,039 cases, rather than using average caseload throughout the year.

Questioned Costs: Unknown

Context: Total federal expenditures for the TANF Cluster for the fiscal year ended June 30, 2012, were $129,151,225. The total amount of State MOE for the federal fiscal year ended September 30, 2012, was $34,446,446.

Cause: Management did not review the September 30, 2012 ACF 204 adequately to ensure that the report was accurate and complete prior to submission to the federal government.

Effect: The TANF program is not in compliance with federal requirements regarding items that are to be reported on the ACF 204 report.

Recommendation: We recommend that management continue to enhance policies and procedures so reports submitted to the federal government are accurate and appropriately supported by documentation.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–56 SPECIAL TESTS AND PROVISIONS – SANCTIONS
(Prior Year Finding 2011–44)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Health and Human Services Temporary Assistance for Needy Families (TANF Cluster) Grant Award 2012 – 2012G996115	93.558

Criteria: The following applies to sanctions imposed on recipients of TANF benefits for failure to comply with child support enforcement requirements, refusal to engage in required work activities and refusal to engage in required work if the individual is a single adult custodial parent caring for a child less than six years of age.

"If the child support enforcement agency determines that an individual is not cooperating, and the individual does not qualify for a good cause or other exception established by the State agency responsible for making good cause determinations in accordance with section 454(29) of the Act or for a good cause domestic violence waiver, then the child support enforcement agency must notify the TANF agency promptly and the TANF agency must take appropriate action by 1) deducting from the assistance that would otherwise be provided to the family of the individual an amount equal to not less than 25 percent of the amount of such assistance; or 2) denying the family any assistance under the program" (45 CFR section 264.30(2)(b) and (c)).

"If an individual refuses to engage in work required under section 407 of the Act, the State must reduce or terminate the amount of assistance payable to the family, subject to any good cause or other exceptions the State may establish. The State must, at a minimum, reduce the amount of assistance otherwise payable to the family pro rata with respect to any period during the month in which the individual refuses to work. The State may impose a greater reduction, including terminating assistance" (45 CFR section 261.14(a)(b) and (c)).

"The State may not reduce or terminate assistance based on an individual's refusal to engage in required work if the individual is a single adult custodial parent caring for a child under six who has a demonstrated inability to obtain needed child care, as specified at Sec 261.56" (45 CFR section 261.15(a)).

Condition: The West Virginia Department of Health and Human Resources (DHHR) does not have a formal procedure in place or adequate controls for supervisor approval prior to the issuance or removal of sanctions against TANF recipients within the RAPIDS system.

Questioned Costs: Unknown

Context: Total federal expenditures for the TANF Cluster for the fiscal year ended June 30, 2012, were $129,151,225.

Cause: DHHR policies and procedures do not require a supervisor approval in RAPIDS prior to the issuance or removal of sanctions against TANF recipients.

Effect: Recipient benefits may potentially be reduced or increased without appropriate cause.

Recommendation: We recommend that DHHR management implement policies and procedures that would require supervisor approval prior to the issuance or removal of sanctions. The supervisor approval should be clearly documented, whether in RAPIDS or by other means.

2012–56 SPECIAL TESTS AND PROVISIONS – SANCTIONS
(Prior Year Finding 2011–44) (continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Health and Human Services Temporary Assistance for Needy Families (TANF Cluster) Grant Award 2012 – 2012G996115	93.558

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–57 ALLOWABILITY AND ELIGIBILITY
(Prior Year Finding 2011–50)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Health and Human Services Low-Income Home Energy Assistance (LIHEAP) Grant Award G–11B1WVLIEA	93.568

Criteria: The eligibility compliance requirements of the Low-Income Home Energy Assistance Program (LIHEAP) require the West Virginia Department of Health and Human Resources (DHHR) to determine whether federal monies are spent in accordance with the eligibility guidelines promulgated by 42 USC 8624(b)(2).

Condition: We noted the following during a review of 60 benefit payments for eligibility and allowability:

- For 8 of the 60 benefit payments, the client could not provide the applications for LIHEAP benefits.
- For 3 of the 60 benefit payments, the client did not provide a copy of the heating bill or a current receipt or invoice at the time of application or within 15 calendar days following the date the information was requested.
- For 4 of the 60 benefit payments, there was no Authorization of Payment (OFS-67) provided.
- For 6 of the 60 benefit payments, Section IV Agency Use was either not completed at all or partially completed by the DHHR caseworker.

Questioned Costs: $5,437

Context: The total of all benefit payments tested was $16,027. Total payments for assistance benefits for the LIHEAP program for the fiscal year ended June 30, 2012 were $21,755,539. The federal expenditures for the LIHEAP program for the fiscal year ended June 30, 2012 were $26,449,712.

Cause: Management indicated that the errors were due to caseworker oversight.

Effect: A payment may have been made for ineligible recipients and some payments were not properly approved and/or supported with appropriate documentation.

Recommendation: We recommend that DHHR evaluate the effectiveness of the current training programs for the LIHEAP program to ensure adequate technical training is provided. Furthermore, DHHR should follow established policies and procedures to ensure that necessary approvals are obtained and the necessary documentation is maintained in the recipient case files.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–58 DISASTER RECOVERY PLAN

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Health and Human Services	
	Child Care and Development Fund (CCDF) Cluster	93.596/93.575
	Grant Award 20429	
	Grant Award 20430	
	Grant Award 20431	

Criteria: Management of the West Virginia Department of Health and Human Resources (DHHR) is responsible for establishing and maintaining adequate controls and disaster recovery procedures to safeguard supporting documentation from loss.

Condition: DHHR utilizes various service providers for performing certain routine and critical data gathering activities necessary for the operation of its federal and State programs; however, DHHR has not fully developed formal policies and procedures to ensure that these service providers have adequate disaster recovery procedures in place.

Questioned Costs: N/A

Context: Total disbursements for the CCDF Cluster for fiscal year ended June 30, 2012, were $29,692,468.

Cause: Service providers who maintain certain critical records for the processing of allowability and eligibility of CCDF payments may not have adequate disaster recovery plans in place.

Effect: Critical data supporting allowability and eligibility may not be adequately safeguarded from loss which could result in disallowed costs.

Recommendation: We recommend that DHHR continue its current efforts to ensure that all regional child care agencies have sufficient disaster recovery and backup procedures in place to safeguard the eligibility and allowability documentation supporting transactions. Furthermore, DHHR should ensure that the procedures are periodically updated and tested for effectiveness and completeness.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–59 ELIGIBILITY DOCUMENTATION

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Health and Human Services	
	Adoption Assistance	93.659/ ARRA-93.659
	Grant Award 1101WV1405	
	Grant Award 1101WV1407	
	Grant Award 1201WV1405	
	Grant Award 1201WV1407	

Criteria: Section 473 of the Social Security Act states that the Adoption Assistance Agreement must be in effect prior to the adoptive parents' receipt of the Adoption Subsidy. Also, 45 CFR 1356.40 states the Adoption Assistance Agreement must be signed and in effect at the time of or prior to the final decree of adoption, and a copy of the signed agreement must be given to each party. Further, the eligibility compliance requirements of the Adoption Assistance program require the West Virginia Department of Health and Human Resources (DHHR) to determine whether federal monies are spent in accordance with the eligibility guidelines promulgated by the Adoption Assistance and Child Welfare Act of 1980. West Virginia State Code §49-3-1 states that consent by an agency or department to adopt a child must be given and a statement of relinquishment and termination of parental rights must be obtained from the birth parents. The Adoption Assistance Policy Manual states that an Adoption Placement Agreement (SSADP48) must be completed and signatures obtained as part of the preliminary adoption procedures after the parental rights have been terminated if the child is not registered on the Adoption Resource Network (ARN).

Condition: Four of the 60 cases reviewed for eligibility did not have a signed Adoption Placement Agreement on file. Two of the 60 cases reviewed for eligibility did not have the Adoption Assistance Agreement on file. Five of the 60 cases reviewed for eligibility did not have a Consent Form on file.

Questioned Costs: $3,938

Context: The seven instances (seven of 60 case files) represent $3,938 out of a total of $35,449 in total payments tested for eligibility. Total federal expenditures for the Adoption Assistance program were $19,298,838 for the year ended June 30, 2012.

Cause: Management indicated that the lack of inclusion of the proper forms in the case files was an oversight by the caseworker.

Effect: Documentation supporting the original eligibility determination could not be located. Ineligible or potentially ineligible claims may have been paid using federal funds.

Recommendation: We recommend that DHHR review the current staffing and training programs of the Adoption Assistance Office to ensure sufficient staff levels are maintained and adequate technical training is provided. Furthermore, the DHHR should establish policies and procedures to ensure that necessary documentation is filed in the adoption case files.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–60 RAPIDS USER GUIDE

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Health and Human Services State Children's Health Insurance Program (SCHIP) Grant Award 1105WV5021	93.767

Criteria: CFR 457 section 226 states "the SCHIP agency and, where applicable, local agencies administering the plan will – (a) maintain an accounting system and supporting fiscal records to assure that claims for Federal funds are in accord with the applicable Federal requirements..."

The WV SCHIP program uses an eligibility system called RAPIDS, which is part of the DHHR. According to the RAPIDS User Guide, the following are the definitions for Participation Status Codes:

- EA/EC (Eligible Adult/Eligible Child): An individual who is eligible to receive benefits.
- XA/XC (Excluded Adult/Excluded Child): An individual who is ineligible to receive benefits due to failure to meet some nonfinancial eligibility criteria and is not the LRR (Legally Responsible Relative) of an AG (Assistance Group) member.

Condition: Four of the 60 applicants reviewed for eligibility had a participation status of "XC" at the time of the claim, indicating that they were not eligible to receive benefits from the SCHIP program. Though the "XC" status indicates ineligibility per the RAPIDS User Guide, that status is determined automatically using income amounts input into the system – i.e., a status of "XC" means that an individual is initially determined to be ineligible on the basis of income. However, individuals with a status of "XC" may still be eligible for CHIP benefits through CHIP Premium.

Questioned Costs: N/A

Context: Total federal expenditures for the SCHIP program were $45,642,768 for the year ended June 30, 2012.

Cause: DHHR appears to have policies and procedure manuals in place; however, it appears that the manuals are out of date and do not reflect the procedures currently in place.

Effect: Individuals receiving benefits under CHIP Premium coverage show a RAPIDS Participation Status erroneously indicating that they are ineligible for program benefits.

Recommendation: We recommend that DHHR update the RAPIDS User Guide to reflect current use of the RAPIDS Participation Status Code.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–61 ELIGIBILITY
(Prior Year Finding 2011–55)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Health and Human Services	
	State Children's Health Insurance Program (SCHIP)	93.767
	Grant Award 1105WV5021	

Criteria: WV State Code Chapter 9 Article 3 states that any person who submits an application and is eligible to receive federal or state assistance, based upon federal and state laws and rules and regulations determined within the departments, should receive such assistance.

In order to be deemed eligible for SCHIP coverage, there are certain income guidelines set by the state that must be met. Within the guidelines are various classifications of coverage for SCHIP participants. The guidelines are updated on an annual basis. According to the CHIP State Plan, applicants are covered for a 12 month period. At the end of the 12 month period, the applicant must re-apply to determine if they are still eligible and what coverage they will receive.

Condition: One of the 60 applicants reviewed for eligibility was incorrectly classified in a coverage category and was not eligible for the coverage received.

Questioned Costs: $308

Context: The one instance (one of 60 applicants) represents $308 out of a total of $7,113 in total payments tested on eligibility. Total federal expenditures for the SCHIP program were $45,642,768 for the year ended June 30, 2012.

Cause: DHHR appears to have policies and procedures in place to address eligibility; however, it has failed to actively enforce the procedures.

Effect: Federal expenditures were made for medical claims for a child who was receiving improper SCHIP coverage.

Recommendation: We recommend that DHHR strengthen the existing policies and procedures surrounding the classification of eligible SCHIP participants and ensure that the review of all re-enrollments is completed on a timely basis.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–62 UNALLOWABLE COSTS – PERSONAL CARE SERVICES

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Health and Human Services Medicaid Cluster	93.775/93.777/ 93.778/ ARRA-93.778

Grant Award 2012 – 05-1205WV5MAP

Criteria: Pursuant to Title XIX of the Social Security Act (the Act), the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The State agency and providers must comply with certain Federal and State requirements for personal care services under the Medicaid State plan. Personal care services must be: (1) authorized by a physician pursuant to a plan of treatment or, at the State agency's option, otherwise authorized in accordance with a service plan approved by the State agency; (2) provided by an individual who is qualified to provide such services and who is not the recipient's legally responsible relative; and (3) furnished in the beneficiary's home or, at the State agency's option, at another location. Services are not allowable for individuals who are inpatients at a hospital or residents of a nursing facility, an intermediate care facility for individuals with intellectual disabilities, or an institution for mental diseases. The Medicaid State plan authorizes personal care services "to assist an eligible individual to perform activities of daily living." These services include assisting with personal hygiene, dressing, feeding, and performing nutritional and environmental support functions and health-related tasks. Licensed registered nurses provide assessment and oversight services and direct-care staff provide the hands-on personal care services.

Condition: The U.S. Department of Health & Human Services (HHS), Office of Inspector General (OIG), issued two reports entitled *West Virginia Improperly Claimed Some Personal Care Services Under Its Medicaid State Plan* and *West Virginia Complied With Certain Federal Requirements for Most of the Personal Care Services Claimed for Its Aged and Disabled Waiver Program*, respectively. These reports tested claims from July 1, 2008, through June 30, 2010. During this time, the West Virginia Department of Health and Human Resources (DHHR) claimed $82,918,496 ($67,387,046 Federal share) in personal care and nurse assessment and oversight services under the State plan. These claims did not include personal care service claims submitted by providers under West Virginia's Aged and Disabled Waiver program, which were included in the second report. During the same time frame, DHHR claimed $121,305,317 in Medicaid personal care services and nurse assessment and oversight services under the Aged and Disabled Waiver program.

According to the OIG report, DHHR did not comply with Federal and State requirements for some of the personal care services and nurse assessment and oversight services sampled in the study. Of the 100 beneficiary-months tested, 18 did not comply with Federal and State requirements. Of the 18 noncompliant beneficiary-months, 3 contained more than 1 deficiency. The deficiencies were categorized among the following types: services not supported by documentation; services not in accordance with plan of care; no plan of care; personal care aide not qualified; beneficiary not eligible; and beneficiary in nursing home.

According to the OIG report for only the Aged and Disabled Waiver program, DHHR did not comply with certain Federal requirements for all of the Medicaid personal care services tested. For six of the 100 months tested, DHHR paid providers for more personal care services than were provided.

2012–62 UNALLOWABLE COSTS – PERSONAL CARE SERVICES (continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Health and Human Services Medicaid Cluster	93.775/93.777/ 93.778/ ARRA-93.778
	Grant Award 2012 – 05-1205WV5MAP	

Questioned Costs: $380,369

Context: OIG recommended that DHHR refund $360,539 to the Federal Government and improve its monitoring of providers to ensure compliance with Federal and State requirements for personal care services. OIG also recommend that DHHR refund an additional $19,830 to the Federal Government for issues noted above relating to the Aged and Disabled Waiver program and work with providers to ensure compliance with Federal requirements. Total federal expenditures for Medicaid for the fiscal year ended June 30, 2012 were $2,094,175,421.

Cause: Supervisory review procedures are not adequate to detect errors regarding personal care services.

Effect: Unallowable costs were claimed by the Medicaid program.

Recommendation: We recommend that DHHR comply with OIG recommendations issued in the final reports.

Views of Responsible Officials: Agree. See the separate corrective action plan.

2012–63 QUALITY CONTROL ERROR RATE
(Prior Year Finding 2011–57)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Health and Human Services Medicaid Cluster	93.775/93.777/ 93.778 and ARRA-93.778

Grant Award 2012 – 05-1205WV5MAP

Criteria: 45 CFR 74.62 outlines the U.S. Department of Health and Human Services' (USDHHS) right to impose sanctions against a state for failure to meet quality standards. "If a recipient materially fails to comply with the terms and conditions of an award, whether stated in a Federal statute or regulation, an assurance, an application, or a notice of award, the USDHHS awarding agency may, in addition to imposing any of the special conditions outlined in §74.14, take one or more of the following actions, as appropriate in the circumstances:

1. Temporarily withhold cash payments pending correction of the deficiency by the recipient or more severe enforcement action by the USDHHS awarding agency.
2. Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
3. Wholly or partly suspend or terminate the current award.
4. Withhold further awards for the project or program.
5. Take any other remedies that may be legally available.

Furthermore, management is responsible for maintaining adequate internal controls over disbursements to ensure that expenditures are made in accordance with the required guidelines.

The management of the West Virginia Department of Health and Human Resource (DHHR) is responsible for establishing and maintaining controls over the processing of payments and eligibility to minimize the risk of errors occurring and not being detected.

Condition: The State of West Virginia Quality Control Annual Report dated July 31, 2012, reported that the State's 12-month sanction error rate for the DHHR Medicaid Program (for regular Medicaid cases not the pilot program) was 3.27% for fiscal year 2011, a decrease from the prior year. However, the fiscal year 2011 error rate is above the federal tolerance level of 3.00%. Agency errors accounted for 45.5% of the dollar loss, and client errors accounted for 54.5% of the dollar loss.

For this report period, as well as the reporting periods back to fiscal year 1995, the State has participated in a special Quality Assurance pilot program. Centers for Medicare and Medicaid Services (CMS) approved a number of states to participate in alternative Quality Control systems. The purpose of the pilot program was to expand normal quality control functions into areas that had not been explored previously. In addition to enabling states the flexibility to direct their quality assurance efforts on issues of special interest to the state, another incentive for participating in a Medicaid pilot program was that all sanction liabilities would be waived for the pilot status period of time.

2012–63 QUALITY CONTROL ERROR RATE
(Prior Year Finding 2011–57) (continued)

Federal Program Information:	**Federal Agency and Program Name**	**CFDA#**
	U.S. Department of Health and Human Services Medicaid Cluster	93.775/93.777/ 93.778 and ARRA-93.778
	Grant Award 2012 – 05-1205WV5MAP	

Questioned Costs: Unknown

Context: West Virginia's Medicaid sanction error rate for fiscal year 2011 was 3.27% as compared to the tolerable error level of 3.00%. The liability established was $-0- due to the State's participation in the Medicaid pilot program. Participation in this program allows the substitution of the State's lower limit error rate of .622% in calculation of the liability. Total federal expenditures for Medicaid for the fiscal year ended June 30, 2012 were $2,094,175,421.

Cause: Supervisory review procedures are not adequate to detect errors and maintain payment error rates within a tolerable level.

Effect: Ineligible or potentially ineligible claims may have been reimbursed using federal funds. Furthermore, the Medicaid program could potentially be exposed to an error rate liability imposed by the U.S. Department of Health and Human Services.

Recommendation: We recommend that DHHR increase staff training and strengthen procedures over supervisory review to reduce errors.

Views of Responsible Officials: Agree. See the separate corrective action plan.

CORRECTIVE ACTION PLAN

STATE OF WEST VIRGINIA
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

CONTACT PERSON

For finding resolution and Single Audit matters, please contact Connie Byrne, West Virginia Department of Administration, Financial Accounting and Reporting Section, 2101 Washington Street, E., Charleston, WV 25305 (Telephone 304-558-4083 ext. 315). E-mail: Connie.S.Byrne@wv.gov

2012-1 TAX REFUND MONTHLY RECONCILIATIONS
Department of Revenue
CFDA Number Not Applicable

The Financial Accounting and Reporting Section (FARS) and the West Virginia Department of Revenue (Revenue) will collaborate to finalize the tax refund reporting and estimation process. While developing historical trends, FARS and Revenue will consider State Code and the implications on the refund estimation process. Revenue is improving Gen-Tax – WVFIMS reconciliation controls, procedures and policies accordingly.

2012-2 CAPITAL ASSETS
Overall State
CFDA Number Not Applicable

Capital asset policies and procedures are included in the GAAP training class every spring. During this training the importance of when to capitalize an asset, the correct in-service date, and the correct disposal date will be stressed. Capital expenditures listed in the budget documents are also compared to each agency's actual new assets.

2012-3 PAYROLL (PIMS/EPICS COMPARISON REPORTS)
State Budget Office
CFDA Number Not Applicable

The State Budget Office will examine the possibility of obtaining comparison software to electronically compare the PDF PIMS/EPCIS

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2012-3 PAYROLL (PIMS/EPICS COMPARISON REPORTS) (Continued)

comparison payroll reports provided by the State Auditor's Office. This may help with the efficiency of reviewing the reports for differences between prior payrolls. Differences that have already been researched may be more easily identified instead of using a manual process. This will take time and research to see if it is even possible.

Due to the limited window the State Budget Office has to review the reports generated by the State Auditor's Office before each payroll must be processed, the office will focus more effort on deferring other work of the office for those days in favor of reviewing the reports as much as time allows. The State Budget Office personnel assigned to this process have many additional duties that revolve around the Governor's Executive Budget Documents and the statewide processing of WV-11s/payroll and employee benefit document approval/signature sheets/etc., so striking a balance with limited personnel resources is challenging.

The State is currently involved in a process to update/consolidate over the next two years the various Human Resources legacy systems (PIMS/EPICS/HRIS/REMIS etc.) in the state to one integrated system. This type of report should become virtually error free as the system will be integrated between position control, timesheets, and payroll which will not allow payments for pay event types not captured on the employee/position record.

2012-4 UNCLAIMED PROPERTY
Overall State
CFDA Number Not Applicable

FARS will continue to update the policies and procedures related to the unclaimed property liability computation as additional trend analysis is available.

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2012-5 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (SEFA)
Overall State
CFDA Number Various

FARS continues to work with the Governor's Office to seek assistance in having the State agencies prioritize completion of an accurate and complete SEFA in a timely matter. FARS continues to discuss at the GAAP closing book training the importance of the internal control procedures at the agency level. A closing book form is now required to be signed by both the preparer and their supervisor as proof that the internal controls procedures were followed prior to submission of the SEFA to FARS.

2012-6 SUBRECIPIENT RISK ASSESSMENT
Overall State
CFDA Number Various

FARS will share the finding with all applicable State agencies. In an effort to ensure compliance with any Federal rules and regulations regarding subrecipient risk assessments, FARS will request that agencies develop policies and procedures to address the matter, as they are applicable to the Federal programs under their purview. FARS will meet with granting agencies to discuss a centralized, consistent process to ensure all agencies are following the requirements for risk assessments and are applying a consistent risk assessment to subrecipients of grants from multiple federal programs.

2012-7 SUBRECIPIENT MONITORING - AMERICAN RECOVERY AND REINVESTMENT ACT
CFDA Numbers ARRA 11.557, ARRA 81.042, ARRA 84.394, ARRA 84.397

FARS will discuss at the GAAP closing book training the importance of including the CFDA number and other required information on

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2012-7 SUBRECIPIENT MONITORING - AMERICAN RECOVERY AND REINVESTMENT ACT (Continued)

every disbursement. A written correspondence example will be provided to the agencies at training which could be tailored to each agency and sent to the subrecipient confirming receipt of the invoice and the detailing the information required.

2012-8 TRANSPARENCY ACT REPORTING
Overall State
CFDA Numbers 84.010/84.389, 84.027/84.173, 84.391/ 84.392, 93.558, 93.596/93.575/93.713

FARS will continue to emphasize the policies and procedures and stress accurate and timely reporting at the GAAP closing book training. A sample of a check list will be provided for agencies to use as a basis to develop their agency's procedures.

2012-9 SUBRECIPIENT IDENTIFICATION
Overall State
CFDA Number Not Applicable

FARS, auditors, and agencies have developed a reconciliation process to identify federal expenditures by CFDA, excluding transfers. A revised reconciliation form, distinguishing agency transfers from disbursements, will be required to be submitted to the auditors and FARS during the single audit process along with other required federal expenditure forms. A new object code was added in the financial system to help distinguish transfers between state agencies, thus helping to identify actual federal expenditures.

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2012-10 FNS REVIEW - NUTRITION SERVICES
Department of Health and Human Services
CFDA Number 10.557

Each year, four of the eight total local agencies are monitored along with the Women, Infants, and Children (WIC) clinics within those local agencies. The next year, the remaining four local agencies are monitored along with the WIC clinics from each of those local agencies. Each time an external monitoring occurs at individual WIC clinics, the local agency is also monitored. Prior to June 2012, the Monongalia Local Agency was last monitored in 2009. At that time, the Harrison county clinic and Preston county clinic were also monitored (two sites within the Monongalia Local Agency). Prior to June 2012, the Morgantown WIC clinic had not been externally monitored since 2004, but the Monongalia Local Agency was monitored in 2009, and then was monitored again in June of 2012, at the same time that the Mid-Atlantic Regional Office (MARO) was conducting the monitoring review. The documentation included in the Local Agency Monitoring Reviews does include a written findings report, a corrective action plan from the Directors and a response to the corrective action plan from the State Agency. The Monitoring Review of the Monongalia Local Agency and the Morgantown WIC clinic was not "an immediate corrective action"; this was regularly scheduled monitoring which would have occurred had there been a MARO review or not. A simultaneous review occurred due to the fact that the Local Agency Monitor accompanied the MARO Reviewer to the Morgantown WIC clinic and was on-site and able to complete that required monitoring for fiscal year 2012. According to WV Policy 9.02, the Local Agency performed an internal review one time every two years that they were not monitored by the State Agency.

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2012-10 FNS REVIEW - NUTRITION SERVICES (Continued)

The State Agency and the Monongalia Local Agency recognizes that a number of the high-risk participants were not scheduled for high-risk follow up (HRFU) appointments as per policy 5.06. Upon investigation, the participants who should have been scheduled for an HRFU appointment were mistakenly scheduled for a nutrition education class instead. At each appointment, WV WIC participants are always scheduled for another appointment, including HRFU appointments and nutrition education. Both an HRFU and a nutrition education class are considered a nutrition education contact. However, the WV WIC State Agency and the Monongalia Local Agency are aware that the HRFU protocol was not followed as per policy 5.06. The Monongalia Local Agency has addressed this finding by reviewing the correct scheduling and referral procedures for all high-risk participants with all Certified Professional Authorities (CPA). The Nutrition Supervisor developed a "High Risk Protocol Guide" to assist all CPAs in following the proper procedures for high-risk participants. The Local Agency Director requested an updated High-Risk Follow Up (HRFU) Report from the State Agency to monitor adherence of CPAs to the high-risk policy 5.06. In addition, the State Agency is now reviewing HRFU Reports for all local agencies that are scheduled for a monitoring review. The State Agency also reviewed an updated HRFU report for the Monongalia Local Agency in February 2013 to ensure compliance with policy 5.06; and will periodically review HRFU reports thereafter. When the HRFU report was conducted in February 2013, it was found that the Monongalia Local Agency is now in compliance with policy 5.06 when scheduling HRFU appointments. All CPAs develop an individualized care plan for each WIC participant during certification, sub-certification, and HRFU appointments. If the high-risk protocol had been correctly followed, the CPA would have written an individualized care plan for that participant.

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2012-10 FNS REVIEW - NUTRITION SERVICES (Continued)

The State Agency will run the Breastfeeding Mothers Record matched with Infant Exception Records report quarterly and submit them to the Local Agencies. The Local Agencies will work on ensuring that staff is trained properly on matching the breastfeeding food package with the infant food package. Local agencies will send the report to the State Agency to determine if protocol is being followed. Crossroads, a new MIS system, which is currently in user acceptance testing, is scheduled to be piloted in Sept. 2013, and rolled out to the rest of the state in 2014. Crossroads will link the infant and mother's records and assure that their food packages are linked appropriately (depending on how much the infant is breastfed and/or formula fed affects the food benefits that the mother gets). The West Virginia WIC Program does not certify infants until they are released from the hospital after birth.

2012-11 1512 REPORTING
Overall State
CFDA Numbers ARRA 11.557, ARRA 84.394, ARRA 84.397

FARS will work with the Governor's Office and other reporting agencies to emphasize the need for proper reviews of the 1512 reports.

2012-12 ALLOWABLE COSTS - LACK OF SUPPORTING DOCUMENTATION
Governor's Office
CFDA Number ARRA 11.557

FARS will work with the Governor's Office and other agencies that participate in the Broadband Technology Opportunities Program (BTOP) program to develop policies and procedures to coordinate the documentation associated with the BTOP program.

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2012-13 CASH MANAGEMENT
Governor's Office
CFDA Number ARRA 11.557

FARS will work with the Governor's Office and other agencies that participate in the BTOP program to understand the rules for CMIA.

2012-14 REPORTING
Governor's Office
CFDA Number ARRA 11.557

FARS will work with the Governor's Office and other agencies that participate in the BTOP program to develop policies and procedures to verify the accuracy of the reporting data submitted for the BTOP program.

2012-15 REPORTING
Governor's Office
CFDA Number ARRA 11.557

Controls have been implemented to preclude this type of miscommunication of information. During November 2012 on-site visits began by reviewers associated with the grant implementation. We believe some of the reports were in error due to the definition of tower "completion." We are currently providing definitions of all stages of completion. Procedures for the reconciliation of reports will also be addressed.

2012-16 SUBRECIPIENT MONITORING - AUDIT REPORTS
Department of Environmental Protection (DEP)
CFDA Number 15.252

DEP exercises due diligence in its continual contact with subrecipients to reinforce their responsibilities and deadlines according to OMB Circular A-133 and the subgrant terms and conditions as issued by

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2012-16 SUBRECIPIENT MONITORING - AUDIT REPORTS (Continued)

DEP. The DEP has formalized standard operating procedures specifying the timing and frequency of correspondence to subrecipients subject to OMB Circular A-133 requirements. This is to ensure that the required audits are completed and submitted to both DEP and the Federal Audit Clearinghouse according to the required deadlines and that all identified audit findings are resolved in a timely manner. DEP has limited ability to enforce the submission of these audits.

2012-17 INTERNAL CONTROLS OVER REPORTING
WorkForce West Virginia (WWV)
CFDA Numbers 17.225, ARRA 17.225

WorkForce West Virginia was in a transition period with new personnel completing the ETA 227 for the quarter ending September 30, 2011. Our Corrective Action Plan for this error has already been addressed. The unit preparing the report has developed an excel spreadsheet to assist in tabulating this report to ensure accuracy. Several reports have already been programmed to automatically pull information from the mainframe thus eliminating calculation errors. In addition, WWV is in the process of automating the entire ETA 227 which will alleviate staff from computing the numbers for the report in any manual manner. The above changes have been in place since notification of the finding with the exception of the fully automated ETA 227.

2012-18 DAVIS BACON ACT
Department of Highways (DOH)
CFDA Numbers 20.205/ARRA 20.205/23.003

DOH currently has procedures in place to ensure that all contract provisions are monitored and enforced, including Davis-Bacon Act requirements. The Equal Employment Opportunity Division of DOH provides annual training and attends pre-construction conferences to

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2012-18 DAVIS BACON ACT (Continued)

re-enforce the importance of labor compliance monitoring. The contractor that did not submit certified payrolls was in the process of selling the portion of the company involved in the work being performed which led to some of the confusion in obtaining the certified payrolls. The DOH will provide additional training where needed.

2012-19 REPORTING
Department of Highways
CFDA Numbers 20.205/ARRA 20.205, 23.003

DOH currently has procedures to ensure that the 1512 Reports are properly reconciled to source documentation. All of the ARRA projects cited for 2012, were cited in the prior year A-133 review. Obviously, due to timing of the prior year audit findings (March 2012), the error was still in-place on the First Quarter Reports for 2012. Four of these were corrected on the second quarter 1512 Reports for 2013. The remaining one will be corrected on the next quarterly report.

2012-20 1512 REPORTING
Office of Economic Opportunity (OEO)
CFDA Numbers 81.042, ARRA 81.042

As of March 2012, the Governor's Office and OEO had developed and implemented the policies and procedures that FARS instructed all state agencies to develop and implement regarding the review and documentation of the review of 1512 reports prior to submission to Recovery.gov. Since March 31, 2012 two different offices, which are independent from each other, are involved in the review/approval/ submission process. OEO has a strong internal control process, established a review process of the 1512 documentation, and maintained documentation to support the each levels of review.

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2012-21 BORROWER DATA TRANSMISSION AND RECONCILIATION
Overall Higher Education
CFDA Numbers 84.007, 84.032, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 93.342, 93.364, 93.925

FARS will emphasize at training that the institutions are required to have internal controls in place surrounding the monthly reconciliation of the institution's financial records to the COD SAS data file. A uniform formal review and approval process related to the reconciliation of borrower data and evidence of the review needs to be instituted, including instructions for documentation that needs to be maintained.

2012-22 CASH MANAGEMENT
Bluefield State College
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84,376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

Management has developed procedures to ensure fund balances are checked every other business day. Also, management has discussed the issue with the Business Office personnel and Director of Financial Systems Process to ensure compliance in future years.

2012-23 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE
Blue Ridge Community and Technical College (CTC)
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

Information was provided to the Financial Aid Director that the number of Community Service employees was 12 students and the amount earned shown in the spreadsheet was $7,805. It was found that the

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2012-23 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE (Continued)

total amount on the spreadsheet was incorrect and the actual total was $10,121. Part V, Section C, G and H were corrected and resubmitted to the Department of Education on December 31, 2012. In the future, any spreadsheets provided will be properly checked to ensure the numbers are correct before submitting the FISAP. Management will work more closely with the Payroll Department and Student Employment Coordinator to double check figures for accuracy.

2012-24 RETURN OF TITLE IV FUNDS
Blue Ridge CTC
CFDA Numbers 84.007, 84.032, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 93.342, 93.364, 93.925

The institution has established a mandatory attendance policy, and has been working closely with faculty and instructors to provide this information in a timely manner to the Financial Aid Counselor who monitors this information. Attendance is carefully tracked in addition to other duties which include the Title IV Return Process for unofficial withdrawals. Blue Ridge has policies and procedures implemented to address and ensure that when a student withdrawals The Return of Title IV Returns process is completed within the 45 day time period. Proper measures will be taken to ensure that such findings do not reoccur. Timeliness of attendance records by instructors and withdraw paperwork from the registrars will be provided and it will be duly noted if not submitted (in a timely manner) in order for the Financial Aid Office to complete the Title IV process within the 45-day timeframe.

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2012-25 ELIGIBILITY
Fairmont State University (Fairmont)
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

The student was awarded a housing and meal plan waiver upon her addition to the Resident Assistant Staff. Her name was not on the list of over awarded students report at the time of the over award. The normal process when a student receives aid during the semester that causes the student to go over his/her need is to reduce the amount of need-based aid to maintain the federal guidelines.

In the future, Housing staff will be required to send a report listing all housing and meal plan waivers to Financial Aid for review and adjustments will be made as necessary to insure all educational benefits are included in resource

2012-26 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE
Fairmont State University
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

Fairmont will strengthen the procedures and controls used to review the FISAP to ensure all aspects of the report are properly reviewed and supporting documentation is accurately calculated.

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2012-27 SPECIAL TESTS AND PROVISIONS - DISBURSEMENTS TO OR ON BEHALF OF STUDENTS
Fairmont State University
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

Banner is showing that one student completed entrance counseling in 2010-2011 Summer 2011. However, the satisfied requirement did not carry over to the requirement screen in Banner for 2011-2012. This has been fixed in Banner and the requirement will populate years following initial year of entrance counseling. When searching COD for her Entrance Counseling, it shows as not on file. The requirement is usually satisfied when Entrance counseling reports are downloaded, faxed from the student, or done in person. It is unclear when and how the student completed entrance counseling although it may have been when the student was in previous schools.

The second student is not showing Entrance Counseling satisfied. It was also not found on COD. This student also attended a different school for her undergraduate work and may have done her counseling there.

Financial Aid will evaluate policies and procedures regarding Entrance Counseling and update to insure this requirement is populated in Banner and does not get satisfied manually unless proof of entrance counseling is in file. This will also be added to new employee training and annual review training.

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2012-28 RETURN OF TITLE IV FUNDS
Fairmont State University
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

When the student withdrew, a Return to Title IV (R2T4) calculation was performed but the institution employee forgot to return Federal Pell Grant Funds. The policies and procedures for the R2T4 will be updated to include a review control to insure all applicable funds are returned to the appropriate programs.

2012-29 SPECIAL TESTS AND PROVISIONS - LOAN REPAYMENTS
Fairmont State University
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

In 2011, Fairmont worked with ECSI to be sure all exits were completed for borrowers. The in-out code was manually changed from 1-in school to 2-grace which caused no exit to be generated. In addition, by manually entering an E in the exit field it was assumed that an Exit Interview would automatically be generated. Manual exits are no longer processed by the school. ECSI is tracking and processing all exits for Fairmont. Some were missed when we worked to have this problem resolved in the past. Fairmont most likely contacted ECSI and had them do a thorough check of the system to be sure that exits have been sent to all necessary borrowers.

Exits have been sent to the two borrowers noted above. Fairmont has maintained a copy of each borrower's profile to show that the exits have been sent.

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2012-30 INSTITUTIONAL ELIGIBILITY
Fairmont State University
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

The institution will update their satisfactory academic progress policy to ensure it provides notification to students when the results of an evaluation impacts the students' eligibility for Title IV and HEA program funds.

2012-31 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE
Marshall University (Marshall)
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

Marshall concurs with the finding that an incorrect figure was entered on the FISAP, Part II, Section E, #24 due to a clerical error; however, the error was corrected by resubmitting the accurate figure to the U.S. Department of Education (USDOE), appropriately. This was an isolated case; no fault of a systematic process or policy. To prevent this type of error from happening again, Marshall will ensure that another staff person checks the accuracy of the entries made on the FISAP prior to submission.

2012-32 EARMARKING
New River Community and Technical College
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

New River CTC has implemented procedures to expend more of the work study funds. New River CTC is monitoring all student workers and if they have work study eligibility they are awarded work study

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2012-32 EARMARKING (Continued)

funds. New River CTC awards work study funds to all eligible students, but due to our student population and many of our students already having jobs, it is difficult to expend the complete allocation. Regarding the community service component, management has spoken with the USDOE regarding any penalty for noncompliance and has been told that New River CTC will need to return the difference if not already returning this with the unexpended funds; which are being returned. The USDOE has informed New River CTC that there is a waiver for this regulation. New River CTC will be applying for the waiver for the 2012-2013 academic year. New River CTC is attempting only to hire student workers as tutors and are placing as many eligible students as possible in the community service jobs that are available.

2012-33 BORROWER TRANSMISSION DATA AND RECONCILIATION
New River Community and Technical College
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

New River CTC has procedures in place to reconcile Direct Loans. New River CTC reconciliation was performed from Banner reports and not using the SAS report from the USDOE. The information was maintained electronically and not in paper form. Management has spoken with the USDOE and was told that the school monitoring reports from the USDOE attest to the fact that New River CTC is reporting and reconciling as required. The fact that New River CTC has reconciled each year with a zero balance also attests to the fact that the required reconciliations are being completed. It was also stated that some schools do not even have the ability to download the SAS reports; therefore they also use other means of reconciliation. Starting with fiscal year 2013, New River CTC will be downloading and printing all SAS reports and maintaining the paper copies as well as the Banner reports to document the reconciliations. New River CTC transmits loan information on a daily basis, instead of every 30 days as required.

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2012-34 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE
West Virginia School of Osteopathic Medicine (WVSOM)
CFDA Numbers 84.007, 84.032, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 93.342, 93.364, 93.925

WVSOM has revised its procedures to ensure compliance. The Perkins Administrative Cost Allowance will be calculated no later than the last Monday of the month of June (providing that Monday does not fall on the 30th). If the last Monday in June happens to fall on the last day of June, the Accounting Department will calculate this allowance prior to June 30 in order to have this allowance processed during the fiscal year in which it occurred. The Perkins loan amount as of the last Monday in the month of June per specification above will be verified by Financial Aid staff as to calculate the administration fee allowance and to proceed to drawdown the fee before June 30 to ensure the correct reporting on the FISAP.

2012-35 INSTITUTIONAL ELIGIBILITY
Pierpont Community and Technical College
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

We will review our satisfactory academic progress policy to ensure all required items are included.

2012-36 CASH MANAGEMENT
Shepherd University
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

In November 2012, we became fully staffed in the Finance Office. The staff preparing the bank reconciliations will submit them to their supervisor for their review in a timely manner.

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2012-37 PROGRAM INCOME
Shepherd University
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

In November 2012, the Finance Office became fully staffed. The staff preparing the bank reconciliations will submit them to their supervisor for their review in a timely manner.

2012-38 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE
West Liberty University (WLU)
CFDA Numbers 84.007, 84.032, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 93.342, 93.364, 93.925

WLU will add an additional person to review the FISAP results once all fields are completed. The final person will be to check that all information reported is accurate with documentation and reporting.

2012-39 SPECIAL TESTS AND PROVISIONS - LOAN DEFAULTS
West Liberty University
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

The Perkins Loan servicer, ECSI, processes an auto roll on defaulted loans. Each placement normally is with the agency for 1 year and then rolled on to the next agency. This is done until it is closed with the 3rd agency, total of 3 years in collections. Once the agency closes and returns the account it is not placed again unless it is manually done.

The Due Diligence procedure we exercise through ECSI at this time does not include any further action such as litigation. We are in the process of reassessing our procedure to ensure we are in compliance with this requirement going forward.

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2012-40 BORROWER TRANSMISSION DATA AND RECONCILIATION
West Liberty University
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

Since October 2011, WLU Financial Aid has begun to download all provided SAS files into Banner through EdConnect. Once the SAS files are downloaded, they are printed. Once printed, each 'unbooked' loan transaction is checked against WLU records and updated in Banner and COD to match accordingly if necessary. WLU Financial Aid will continue to update all loan transactions monthly through the SAS files provided.

2012-41 INSTITUTIONAL ELIGIBILITY
West Liberty University
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

WLU has updated the Satisfactory Academic Progress (SAP) Policy to include how and when students will be notified if they are not meeting the SAP requirements in our new course catalogue.

2012-42 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
West Virginia State University (WVSU)
CFDA Numbers 84.007, 84.032, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 93.342, 93.364, 93.925

WVSU will comply with the recommendation and implement procedures for a review process of the SEFA that is closely followed. These procedures will include a review from the person completing the SEFA and managerial review for accuracy. We will also formally document that the appropriate review was performed to ensure proper reporting of federal awards and expenditures.

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2012-43 SPECIAL TESTS AND PROVISIONS - ENROLLMENT REPORTING
West Virginia State University
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

WVSU agrees with this recommendation and continues to work on reporting of data via a third-party servicer. We have documentation that reporting to the National Clearinghouse does take place every month around the 25th. We will implement a review process to ensure that they are promptly notifying the USDOE and National Student Loan Data System (NSLDS) of changes in a student's status in a timely and accurate manner. A review will be performed on a monthly basis.

2012-44 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
West Virginia University (WVU)
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

WVU will enhance the review procedures of the SEFA to include a consultation with the agency to confirm that the correct CFDA number is being used when new programs are added.

2012-45 SPECIAL TESTS AND PROVISIONS - VERIFICATION
West Virginia University
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

WVU has changed the verification process as well as the forms used for verification for the upcoming 2013-14 academic year to address the recommendation. All discrepancies are being verified through using the full federal verification methodology. All data elements will be updated as necessary.

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2012-46 RETURN OF TITLE IV FUNDS
West Virginia University
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

West Virginia University has implemented a quality assurance process whereby each month a sample of Return of Title IV records will be evaluated from start to finish assuring that refunds are calculated correctly, as well as returned to the federal government in accordance with federal guidelines.

2012-47 SPECIAL TESTS AND PROVISIONS – ENROLLMENT REPORTING
West Virginia University
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

West Virginia University continues to work on procedures to identify and correct discrepancies in the student enrollment information regarding the social security number (SSN). The SSN is self-reported when the student applies to WVU; therefore it becomes the SSN used for enrollment reporting purposes. WVU will continue to inform students of the importance of providing correct SSNs.

2012-48 INSTITUTIONAL ELIGIBILITY
West Virginia University-Parkersburg
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

The institution has a new Director of Financial Aid effective January 2013 and she is in the process of writing an extensive policies and procedures manual with guidance from the Federal Student Aid

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2012-48 INSTITUTIONAL ELIGIBILITY (Continued)

handbook, to ensure that the institution is fully compliant with requirements and that all policies, including Satisfactory Academic Progress, are clear and transparent both to employees and our students.

2012-49 SPECIAL TESTS AND PROVISIONS – ENROLLMENT REPORTING
West Virginia University-Parkersburg
CFDA Numbers 84.007, 84.032, 84.033, 84.037, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 84.408, 93.264, 93.342, 93.364, 93.407, 93.408, 93.925

The institution will report timely, whether they report directly or via a third-party servicer. The institution will implement a review process to ensure they are promptly notifying the USDOE and NSLDS of changes in a student's status in a timely and accurate manner.

2012-50 INDIRECT COST ALLOCATION
West Virginia Division of Rehabilitation Services
CFDA Number 84.126, 84.390

The Division of Rehabilitation Services is in the process of developing a method to charge indirect costs to the Vocational Rehabilitation program based on the negotiated indirect cost rate.

2012-51 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS (DHHR)
Department of Health and Human Resources
CFDA Numbers 93.558, ARRA 93.714, 93.775, 93.777, 93.778, ARRA 93.778, 93.568, 93.575, 93.596, ARRA 93.713, 93.767, 93.659, ARRA 93.659, 10.551, 10.561, ARRA 10.561

The primary issue relates to the approval of payments. The auditors reviewed two types of payments during their fieldwork, "demand"

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2012-51 DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS (DHHR) (Continued)

payments and "automatic" payments. With respect to demand payments, the DHHR implemented a detective control during 2012 to address demand payments (Security Level 15 access). With respect to automatic payments, the DHHR restricts access to the FACTS and RAPIDS systems to a limited number of users and we have controls in place to ensure that authorized individuals review information input into FACTS and RAPIDS. The finding recommends that a secondary (supervisory) level of review for all case information entered into FACTS and RAPIDS be implemented to enhance internal controls within the DHHR. The DHHR will assess the possibility of implementing additional controls related to automatic payments.

2012-52 PROCUREMENT PROCEDURES
Department of Health and Human Resources
CFDA Numbers 93.558, ARRA 93.714, 93.775, 93.777, 93.778, ARRA 93.778, 93.568, 93.575, 93.596, ARRA 93.713, 93.563, ARRA 93.563, 10.551, 10.561, ARRA 10.561, 10.557, 93.659, 66.468

For the first of the two instances involving emergency repair work, the spending unit recognized the error committed in generating the purchase order and since that time, all responsible parties have been counseled and re-educated as to the policies regarding emergency purchases. Furthermore, the procurement assistant responsible for this instance has retired and the new purchasing assistant has received all required purchasing training.

For the second of the two instances involving emergency repair work, the spending unit in question called the vendor to assess the problem. The vendor provided a good faith quote, including labor, which was under the amount that would have required the spending unit to obtain additional bids or send the letter of emergency justification the morning following the emergency, which is why the spending unit proceeded to

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2012-52 PROCUREMENT PROCEDURES (Continued)

procure the work. However, the spending unit received the invoice a week later and the amount was above the quote; the spending unit then notified the appropriate purchasing officials but the work was already done and it was already beyond the morning following the emergency. Going forward the spending unit will ensure that vendors are aware that if their work is going to exceed their quote, the vendor is to halt their work and notify the spending unit immediately so they can determine whether it is necessary to secure additional bids.

2012-53 TIME AND ATTENDANCE AUTHORIZATION PROCEDURES
Department of Health and Human Resources
CFDA Numbers 93.558, ARRA 93.714, 93.775, 93.777, 93.778, ARRA 93.778, 93.568, 93.575, 93.596, ARRA 93.713, 93.563, ARRA 93.563, 10.551, 10.561, ARRA 10.561, 10.557, 93.659, 66.468

The DHHR Office of Internal Control and Policy Development will discuss the condition with the DHHR Office of Human Resources Management, will ascertain additional details from the internal control perspective and will assist in resolving the condition.

2012-54 ELIGIBILITY
Department of Health and Human Resources
CFDA Number 93.558

The auditors have recognized that the DHHR has written policies and procedures in place to address the 60-month lifetime eligibility limitation. The DHHR believes that our policies and procedures are very comprehensive and address the 60-month lifetime eligibility limitation to the maximum extent possible. However, because the USDHHS has not created a nationwide database that can provide absolute assurance to all 50 states regarding all claimants of TANF funds, the auditors continue to impose this finding directly upon the DHHR. The auditors recommend that the DHHR continue to work with the USDHHS to resolve this finding.

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2012-54 ELIGIBILITY (Continued)

This finding dates back to the West Virginia Single Audit for the Year Ended June 30, 2002. In an effort to resolve this finding to the full satisfaction of our independent auditors, the DHHR respectfully requests that the USDHHS address the 60-month lifetime eligibility limitation at the Federal level by initiating a coordinated approach amongst the 50 States and, thus, developing a nationwide database for tracking claimants who may have received benefits from multiple states.

If the USDHHS does not plan to develop a nationwide database in the near future, the DHHR requests that the USDHHS, as the federal awarding agency, review the policies and procedures currently in effect within the DHHR and provide a formal determination as to whether our procedures satisfy the underlying requirements of 45 CFR sections 264.1(c) and (e). Otherwise, as implied within the finding, without the assistance of the USDHHS, the DHHR cannot address the condition and is at a loss as to what we can do to resolve this finding.

2012-55 REPORTING
Department of Health and Human Resources
CFDA Number 93.558

The Bureau for Children and Families has a process for preparing, reviewing and ensuring accuracy of the ACF 204 report. Nonetheless, due to the repeat condition of this finding, various offices within DHHR Finance are following up on the finding, as is the Federal awarding agency. The DHHR Office of Internal Control and Policy Development requested a copy (write-up) of the process in place at the bureau level. The DHHR Office of Grants Management will review the write-up in an effort to ensure that the process includes various checks and balances, cases are calculated correctly, and ACF 204 reports are reviewed at multiple levels to prevent future miscalculations.

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2012-56 SPECIAL TESTS AND PROVISIONS - SANCTIONS
Department of Health and Human Resources
CFDA Number 93.558

Although the DHHR does not have a written policy for supervisor approval prior to the issuance or removal of sanctions against Temporary Assistance for Needy Families (TANF) recipients, many cases are reviewed with the supervisor prior to sanctioning, especially in cases where the decision to sanction is not easily rendered. While there are not current policies in place, the DHHR utilizes a Performance Assessment Review process and makes suggestions to policies and procedures based on the results of the review. Furthermore, caseworkers are required to allow the client with an opportunity to present good cause before a sanction can become effective.

In effect, clients who disagree with a sanction being placed on their case have the ability to present reasons why a sanction should not be levied.

The process for determining when a sanction should be applied is clearly articulated in West Virginia Code §9-9-11 (Breach of contract; notice; sanctions) and is outlined on Pages 6 and 7 of the Personal Responsibility Contract (PRC). Furthermore, Chapter 13 and 15 of the West Virginia Income Maintenance Manual provides clear guidance on when to apply or not apply a sanction. The DHHR can provide copies of these regulatory citations at the request of interested parties and/or the Federal awarding agency, as might be necessary for them to consider the matter and issue a management decision.

2012-57 ALLOWABILITY AND ELIGIBILITY
Department of Health and Human Resources
CFDA Number 93.568

The resources are not currently available within the DHHR to increase staff. The DHHR believes that our current training programs, policies

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2012-57 ALLOWABILITY AND ELIGIBILITY (Continued)

and procedures are sufficient to address the eligibility guidelines promulgated by 42 USC 8624(b)(2). Nonetheless, due to the cause of the finding being oversight by the applicable caseworkers, the DHHR management will notify the caseworkers in question; will inform the caseworkers that their files did not include the necessary documentation as required per policy and procedures; and will work with the caseworkers in an effort to prevent a repeat condition.

2012-58 DISASTER RECOVERY PLAN
Department of Health and Human Resources
CFDA Number 93.596, 93.575, 93.713

The DHHR plans to address this finding at the central level by implementing a document-imaging system throughout the DHHR and applying that system to the six Childcare Resource and Referral Agencies, which would in turn address the condition with disaster recovery. The DHHR had hoped to have a vendor in place for the document-imaging system by the end of September 2012. However, due to a temporary lack of available funding and some complexities with respect to the statewide procurement process, the DHHR has not yet contracted with a vendor, nor have we issued an RFP (or RFQ) for the overall document-imaging project. Therefore, while we are not revising our plans for corrective action, we must revise our anticipated completion date to June 30, 2015. The goal is to have an RFP/RFQ in place by December 31, 2013, to have a vendor in place by June 30, 2014, to implement the document imaging system throughout the DHHR by February 28, 2015, and to apply the system to the Resource and Referral Agencies by June 30, 2015.

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2012-59 ELIGIBILITY DOCUMENTATION
Department of Health and Human Resources
CFDA Number 93.659

While the DHHR agrees that additional staff would help address the finding, the resources are not currently available within the DHHR to increase staff. Although we recognize that there is always room for improvement, the DHHR believes that our current training programs, policies and procedures are sufficient to address Section 473 of the Social Security Act; 45 CFR 1356.40; the Adoption Assistance and Child Welfare Act of 1980; West Virginia State Code §49-3-1; and the Adoption Assistance Policy Manual. Nonetheless, due to the cause of the finding being oversight by the applicable caseworkers, the DHHR management will notify the caseworkers in question; will inform the caseworkers that their files did not include the necessary documentation as required per policy and procedures; and will work with the caseworkers in an effort to prevent a repeat condition.

2012-60 RAPID USER GUIDE
Department of Health and Human Resources
CFDA Number 93.767

The DHHR will review the RAPIDS User Guide and will update the guide as may be necessary to reflect the current use of the RAPIDS Participation Status Code.

2012-61 ELIGIBILITY
Department of Health and Human Resources
CFDA Number 93.767

The DHHR believes that our current policies and procedures are sufficient to address the State Children's Health Insurance Program and the income guidelines set forth by the State. Nonetheless, due to

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2012-61 ELIGIBILITY (Continued)

the cause of the finding being a lack of enforcement of the procedures, the DHHR management will notify the caseworker in question; will inform the caseworker that the applicant in question was incorrectly classified and was not eligible for the coverage received; and will work with the caseworker in an effort to prevent a repeat condition.

2012-62 UNALLOWABLE COSTS - PERSONAL CARE SERVICES
Department of Health and Human Resources
CFDA Numbers 93.775, 93.777, 93.778, ARRA 93.778

With respect to the questioned costs denoted within this finding, for the Federal OIG report numbered A-03-11-00204 (West Virginia Improperly Claimed Some Personal Care Services under Its Medicaid State Plan), the DHHR refunded $360,538 to the Federal government through submission of our CMS 64 report for the quarter ended December 31, 2012. For the Federal OIG report numbered A-03-11-00205 (West Virginia Complied With Certain Federal Requirements for Most of the Personal Care Services Claimed for Its Aged and Disabled Waiver Program), the DHHR refunded $19,830 to the Federal government through submission of our CMS 64 report for the quarter ended September 30, 2012.

With respect to the additional recommendations presented by the OIG within their audit reports, we offer the following:

Report Number: A-03-11-00204 (improve monitoring of providers to ensure compliance with Federal and State requirements for personal care services):

The Bureau for Medical Services and the Bureau of Senior Services have been working on revising the Personal Care Provider Manual; it has to go through various steps for internal approval, public comment, etc. but it is anticipated that it will be published with an effective date

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2012-62 UNALLOWABLE COSTS - PERSONAL CARE SERVICES (Continued)

of July 1, 2013. The revised version of the manual includes several elements, which we believe will improve compliance with Federal and State requirements for personal care services. These new elements include:

All personal care services will be pre-authorized by a third-party vendor. For services 60-hours or less per month, a registered nurse will check the assessment tool to ensure the person has the three deficits needed in order to participate in the program. For services 60-hours or more, a registered nurse will review the assessment as well as all medical information to ensure the person needs the additional hours of services.

A representative random sample of member charts will be reviewed annually to ensure that all required documentation is in member files, the Plan of Care is being followed, the member is eligible for the service, etc. Currently, the review cycle has been between 36 and 48 months.

Personal care providers will have to submit an electronic affidavit stating that all of their employees have the licenses, certifications, training, background checks, etc. they need in order to provide services under the Personal Care Program. Providers will report on 100% of their employees annually. In addition, there will be random checks to verify that providers are reporting on these requirements.

Once the manual is finalized, the Bureau for Medical Services and the Bureau of Senior Services will conduct a series of training sessions with personal care providers. During the training sessions, the bureaus will emphasize the importance of only billing for services that are supported by proper documentation.

Report Number: A-03-11-00205 (work with providers to ensure compliance with Federal requirements):

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2012-62 UNALLOWABLE COSTS - PERSONAL CARE SERVICES (Continued)

In September 2012, training was provided to Aged and Disabled Waiver (ADW) providers regarding policy changes. One of the topics discussed was the proper way for direct care workers to complete the Plan of Care, which documents the services provided to ADW members. We also stressed the importance of the registered nurse to review the Plan of Care to ensure that all services were completed and that the time worked does not exceed the Level of Care.

When conducting member chart reviews, the Bureau of Senior Services nurse-monitors compare the hours documented on the Plan of Care and the billed hours to ensure they are both the same. The nurse-monitors also review staff logs to ensure any visits to member homes are justified based on policy. If the home visit is not justified, the billing for that visit is disallowed. At the end of the member chart review, the nurse-monitors meet with agency staff to discuss the findings. If there are incorrect billings, the nurse-monitor stresses the importance for only billing for services provided.

There has also been an increase in the frequency of ADW provider monitoring so that every provider has a review once a year. In the past, each provider was only reviewed every 48 to 72 months. This increased monitoring allows us to find errors quicker and to take more immediate remediation steps with the provider.

2012-63 QUALITY CONTROL ERROR RATE
Department of Health and Human Resources
CFDA Numbers 93.775, 93.777, 93.778, ARRA 93.778

A review of the State of West Virginia Medicaid Quality Control Annual Reports and sanction error rates going back to 2009 reveals that the error rate went from 5.83% in 2009, to 4.95% in 2010, and then to 3.27% for 2011. The continuous decrease in the error rate is due to increased staff training and the strengthening of internal procedures.

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2012-63 QUALITY CONTROL ERROR RATE (Continued)

With respect to additional efforts towards enhancing internal controls, the "Rushmore Automated Case Review System" is now in operation within the DHHR. As of February 2013, it became mandatory that all supervisory case reviews (as well as other reviews) be completed in the Rushmore System. Furthermore, management reports regarding these results are now available. The vendor has trained most of the eligibility supervisors and some of the backup supervisors on using the System, and has trained management staff with respect to available reports. The System may also be adapted for customized reviews targeting error-prone eligibility elements.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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2011-4 **SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**
2010-5 **Department of Administration**
2009-11 **Partially Resolved**
2008-31
2007-32
2006-9
2005-14
2004-72
2003-71

FARS continues to work with the Governor's Office to seek assistance in having the State agencies prioritize completion of an accurate and complete Schedule of Expenditures of Federal Awards (SEFA) in a timely matter. FARS continues to discuss at the GAAP closing book training the importance of the internal controls procedures at the agency level. A closing book form is now required to be signed by both the preparer and their supervisor as proof that the internal controls procedures were followed prior to submission of the SEFA to FARS. See current year finding 2012-5.

2011-5 **1512 REPORTING**
2010-6 **Governor's Office**
Resolved

Corrective action taken in FY 2012.

2011-6 **SUBRECIPIENT MONITORING – AMERICAN RECOVERY**
2010-7 **AND REINVESTMENT ACT**
Department of Administration/Governor's Office
Partially Resolved

FARS will discuss at the GAAP closing book training the importance of including the CFDA number and other required information on every disbursement. A written correspondence example will be provided to the agencies at training which could

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2011-6 SUBRECIPIENT MONITORING – AMERICAN RECOVERY AND REINVESTMENT ACT (Continued)

be tailored to each agency and sent to the subrecipient confirming receipt of the invoice and the detailing the information required. See current year finding 2012-7.

2011-7 TRANSPARENCY ACT REPORTING
Department of Administration
Partially Resolved

FARS will continue to emphasize the policies and procedures and stress accurate and timely reporting at the GAAP closing book training. A sample of a check list will be provided for agencies to use as a basis to develop their agency's procedures. See current year finding 2012-8.

2011-8 SUBRECIPIENT IDENTIFICATION ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Department of Administration
Partially Resolved

FARS, auditors, and agencies have devised a reconciliation process to summarize federal expenditures to subrecipients to be audited for the year. A revised reconciliation form, distinguishing agency transfers from expenditures, will be required to be submitted to the auditors and FARS during the single audit process along with other required federal expenditure forms. A new object code was added in the financial system to help distinguish transfers between state agencies, thus helping to identify the federal expenditures. See current year finding 2012-9.

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2011-9 FNS REVIEW
Department of Health and Human Services
Partially Resolved

While the issue regarding a lack of annual security training is resolved, the DHHR Office of Management Information Services continues to work with the WV Office of Technology (centralized IT office) in an effort to develop a new service agreement or memorandum of understanding to address the particular needs of the WV WIC program.

2011-10 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Governor's Office
Resolved

Corrective action taken in FY 2012.

2011-11 CASH MANAGEMENT
Governor's Office
Partially Resolved

FARS will work with the Governor's Office and other agencies that participate in the BTOP program to understand the rules for CMIA. See current year finding 2012-13.

2011-12 SUBRECIPIENT MONITORING
Governor's Office
Resolved

Corrective action taken in FY 2012.

2011-13 REPORTING - INTERNAL CONTROL AND COMPLIANCE
Development Office
Resolved

Corrective action taken in FY 2012.

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2011-14 SUBRECIPIENT MONITORING – AUDIT REPORTS
2010-12 Department of Environmental Protection
2009-19 Partially Resolved

The Department of Environmental Protection (DEP) exercises due diligence in its continual contact with subrecipients to reinforce their responsibilities and deadlines according to OMB Circular A-133 and the subgrant terms and conditions as issued by DEP. The DEP has formalized standard operating procedures specifying the timing and frequency of correspondence to subrecipients subject to OMB Circular A-133 requirements. This is to ensure that the required audits are completed and submitted to both DEP and the Federal Clearinghouse according to the required deadlines and that all identified audit findings are resolved in a timely manner. DEP has limited ability to enforce the submission of these audits. See current year finding 2012-16.

2011-15 INTERNAL CONTROLS OVER REPORTING
2010-14 WorkForce West Virginia
Partially Resolved

WorkForce West Virginia (WWV) was in a transition period with new personnel completing the ETA 227 for the quarter ending September 30, 2011. Our Corrective Action Plan for this error has already been addressed. The unit preparing the report has developed an excel spreadsheet to assist in tabulating this report to ensure accuracy. Several reports have already been programmed to automatically pull information from the mainframe thus eliminating calculation errors. In addition, WWV is in the process of automating the entire ETA 227 which will alleviate staff from computing the numbers for the report in any manual manner. The above changes have been in place since we were notified of the finding with the exception of the fully automated ETA 227. See current year finding 2012-17.

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2011-16 FINANCIAL REPORTING
2010-19 Governor's Office of Economic Opportunity
2009-27 Resolved

Corrective action taken in FY 2012.

2011-17 SUBRECIPIENT CASH MANAGEMENT
Governor's Office of Economic Opportunity
Resolved

Corrective action taken in FY 2012.

2011-18 CASH MANAGEMENT
Bluefield State College
Resolved

Corrective action taken in FY 2012.

2011-19 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE
Bluefield State College
Resolved

Corrective action taken in FY 2012.

2011-20 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
West Virginia University (WVU)
Not Resolved

West Virginia University will enhance the review procedures of the SEFA to include a consultation with the agency to confirm that the correct CFDA number is being used when new programs are added. See current year finding 2012-44.

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2011-21 RETURN OF TITLE IV FUNDS
West Virginia University
Resolved

Corrective action taken in FY 2012.

2011-22 SPECIAL TESTS AND PROVISIONS – ENROLLMENT REPORTING
West Virginia University
Not Resolved

West Virginia University continues to work on procedures to identify and correct discrepancies in the student enrollment information regarding the social security number. The SSN is self-reported when the student applies to WVU; therefore it becomes the SSN used for enrollment reporting purposes. WVU will continue to inform students of the importance of providing correct SSNs. See current year finding 2012-47.

2011-23 CASH MANAGEMENT
West Virginia University
Resolved

Corrective action taken in FY 2012.

2011-24 BORROWER DATA TRANSMISSION AND RECONCILIATION
West Liberty University (WLU)
Partially Resolved

Since October, 2011, West Liberty University Financial Aid has begun to download all provided SAS files into Banner through EdConnect. Once the SAS files are downloaded, they are printed. Once printed, each 'unbooked' loan transaction is checked against WLU records and updated in Banner and COD to match

STATE OF WEST VIRGINIA
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2011-24 BORROWER DATA TRANSMISSION AND RECONCILIATION (Continued)

accordingly if necessary. West Liberty University Financial Aid will continue to update all loan transactions monthly through the SAS files provided. See current year finding 2012-40.

2011-25 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
WVU – Parkersburg
Resolved

Corrective action taken in FY 2012.

2011-26 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Mountwest Community and Technical College
Resolved

Corrective action taken in FY 2012.

2011-27 SPECIAL TESTS AND PROVISIONS – ENROLLMENT REPORTING
Mountwest Community and Technical College
Resolved

Corrective action taken in FY 2012.

2011-28 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
West Virginia State University
Not Resolved

West Virginia State University will comply with the recommendation and implement procedures for a review process of the SEFA that is closely followed. These procedures will include a review from the person completing the SEFA and

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2011-28 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

managerial review for accuracy. We will also formally document that the appropriate review was performed to ensure proper reporting of federal awards and expenditures. See current year finding 2012-42.

2011-29 MATCHING
West Virginia State University
Resolved

Corrective action taken in FY 2012.

2011-30 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
West Virginia School of Osteopathic Medicine
Resolved

Corrective action taken in FY 2012.

2011-31 SPECIAL TESTS AND PROVISIONS – BORROWER DATA TRANSMISSION AND RECONCILIATION
West Virginia School of Osteopathic Medicine
Resolved

Corrective action taken in FY 2012.

2011-32 SPECIAL TESTS AND PROVISIONS – LOAN DEFAULTS
West Virginia School of Osteopathic Medicine
Resolved

Corrective action taken in FY 2012.

STATE OF WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

2011-33 FISCAL OPERATIONS REPORT AND APPLICATION TO
2010-28 PARTICIPATE
Concord University
Resolved

Corrective action taken in FY 2012.

2011-34 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Concord University
Resolved

Corrective action taken in FY 2012.

2011-35 EARMARKING
New River Community and Technical College
Partially Resolved

New River Community and Technical College (the College) has implemented procedures to expend more of the work study funds. The College is monitoring all student workers and if they have work study eligibility they are awarded work study funds. The College awards work study funds to all eligible students, but due to our student population and many of our students already having jobs, it is difficult to expend the complete allocation. Regarding the community service component, management has spoken with the US Department of Education (USDOE) regarding any penalty for non-compliance and has been told that the College will need to return the difference if not already returning this with the unexpended funds; which are being returned. The USDOE has informed the College that there is a waiver for this regulation. It is too late to apply for the waiver for the 2011-2012 academic year; however, the College will be applying for it for the 2012-2013 academic year. The College is attempting only to hire student workers as tutors and is placing as many eligible students as possible in the community service jobs that are available. See current year finding 2012-32.

STATE OF WEST VIRGINIA
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2011-36 FISCAL OPERATIONS REPORT AND APPLICATION TO PARTICIPATE
New River Community and Technical College
Partially Resolved

The new tracking system through the payroll system is now being used. The policies and procedures are in the process of being documented. In the process of getting additional information to be able to perform edits on tracking student workers in the two programs and will submit them as a correction.

2011-37 REPORTING
Division of Rehabilitation Services
Resolved

Corrective action taken in FY 2012.

2011-38 PHYSICAL INVENTORY COUNT
2010-36 Division of Rehabilitation Services
Resolved

Corrective action taken in FY 2012.

2011-39 CASH MANAGEMENT
2010-37 Governor's Office of Economic Opportunity
Resolved

Corrective action taken in FY 2012.

STATE OF WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

2011-40 **LACK OF SUPPORTING DOCUMENTATION**
West Virginia State University
Resolved

Corrective action taken in FY 2012.

2011-41 **PROGRAM INCOME**
Secretary of State
Resolved

Corrective action taken in FY 2012.

2011-42 **ELIGIBILITY**
2010-38 **Department of Health and Human Services**
2009-40 **Partially Resolved**
2008-54
2007-55
2006-38
2005-45
2004-52
2003-55
2002-56

The auditors have recognized that the DHHR has written policies and procedures in place to address the 60-month lifetime eligibility limitation. The DHHR believes that our policies and procedures are very comprehensive and address the 60-month lifetime eligibility limitation to the maximum extent possible. However, because the US Department of Health and Human Services (USDHHS) has not created a nationwide database that can provide absolute assurance to all 50 states regarding all claimants of TANF funds, the auditors continue to impose this finding directly upon the DHHR. The auditors recommend that the DHHR continue to work with the USDHHS to resolve this finding.

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2011-42 ELIGIBILITY (Continued)

This finding dates back to the West Virginia Single Audit for the Year Ended June 30, 2002. In an effort to resolve this finding to the full satisfaction of our independent auditors, the DHHR respectfully requests that the USDHHS address the 60-month lifetime eligibility limitation at the Federal level by initiating a coordinated approach amongst the 50 States and, thus, developing a nationwide database for tracking claimants who may have received benefits from multiple states.

If the USDHHS does not plan to develop a nationwide database in the near future, the DHHR requests that the USDHHS, as the federal awarding agency, review the policies and procedures currently in effect within the DHHR and provide a formal determination as to whether our procedures satisfy the underlying requirements of 45 CFR sections 264.1(c) and (e). Otherwise, as implied within the finding, without the assistance of the USDHHS, the DHHR cannot address the condition and is at a loss as to what we can do to resolve this finding. See current year finding 2012-54.

2011-43 ELIGIBILITY AND SUPPORTING DOCUMENTS
2010-39 Department of Health and Human Services
2009-41 Resolved

Corrective action taken in FY 2012.

2011-44 SPECIAL TESTS AND PROVISIONS – SANCTIONS
2010-41 Department of Health and Human Services
Not Resolved

Although the DHHR does not have a written policy for supervisor approval prior to the issuance or removal of sanctions against TANF recipients, many cases are reviewed with the

STATE OF WEST VIRGINIA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2012

2011-44 SPECIAL TESTS AND PROVISIONS – SANCTIONS (Continued)

supervisor prior to sanctioning, especially in cases where the decision to sanction is not easily rendered. While there are not current policies in place, the DHHR utilizes a Performance Assessment Review process and makes suggestions to policies and procedures based on the results of the review. Furthermore, caseworkers are required to allow the client with an opportunity to present good cause before a sanction can become effective. In effect, clients who disagree with a sanction being placed on their case have the ability to present reasons why a sanction should not be levied.

The process for determining when a sanction should be applied is clearly articulated in West Virginia Code §9-9-11 (Breach of contract; notice; sanctions) and is outlined on Pages 6 and 7 of the Personal Responsibility Contract (PRC). Furthermore, Chapter 13 and 15 of the West Virginia Income Maintenance Manual provides clear guidance on when to apply or not apply a sanction. The DHHR can provide copies of these regulatory citations at the request of interested parties and/or the Federal awarding agency, as might be necessary for them to consider the matter and issue a management decision. See current year finding 2012-56.

2011-45 REPORTING
Department of Health and Human Services
Not Resolved

The Bureau for Children and Families has a process for preparing, reviewing, and ensuring accuracy of the ACF 204 report. Nonetheless, due to the repeat condition of this finding, various offices within DHHR Finance are following up on the finding, as is the Federal awarding agency. The DHHR Office

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2011-45 REPORTING (Continued)

of Internal Control and Policy Development requested a copy (write-up) of the process in place at the bureau level. The DHHR Office of Grants Management will review the write-up in an effort to ensure that the process includes various checks and balances, cases are calculated correctly, and ACF 204 reports are reviewed at multiple levels to prevent future miscalculations. See current year finding 2012-55.

2011-46
2010-43
2009-43
2008-55
2007-54
2006-37
2005-44
2005-60
2004-50
2003-63
2002-61

DHHR INFORMATION SYSTEM AND RELATED BUSINESS PROCESS CONTROLS
Department of Health and Human Services
Partially Resolved

The primary issue relates to the approval of payments. The auditors reviewed two types of payments during their fieldwork, "demand" payments and "automatic" payments. With respect to demand payments, the DHHR implemented a detective control during 2012 to address demand payments (Security Level 15 access). With respect to automatic payments, the DHHR restricts access to the FACTS and RAPIDS systems to a limited number of users and we have controls in place to ensure that authorized individuals review information input into FACTS and RAPIDS. The finding recommends that a secondary (supervisory) level of review for all case information entered into FACTS and RAPIDS be implemented to enhance internal controls within the DHHR. The DHHR will assess the possibility of implementing additional controls related to automatic payments. See current year finding 2012-51.

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FOR THE FISCAL YEAR ENDED JUNE 30, 2012

2011-47 TIME AND ATTENDANCE AUTHORIZATION
2010-44 PROCEDURES
2009-44 Department of Health and Human Services
Partially Resolved

The DHHR Office of Internal Control and Policy Development will discuss the condition with the DHHR Office of Human Resources Management, will ascertain additional details from the internal control perspective and will assist in resolving the condition. See current year finding 2012-53.

2011-48 INTERSTATE CASE
2010-45 Department of Health and Human Services
2009-46 Resolved

Corrective action taken in FY 2012.

2011-49 MEDICAL SUPPORT ENFORCEMENT
Department of Health and Human Services
Resolved

Corrective action taken in FY 2012.

2011-50 ALLOWABILITY AND ELIGIBILITY
2010-46 Department of Health and Human Services
2009-48 Not Resolved
2008-59
2007-59
2006-43
2005-50

The resources are not currently available within the DHHR to increase staff. The DHHR believes that our current training programs, policies and procedures are sufficient to address the eligibility guidelines promulgated by 42 USC 8624(b)(2). Nonetheless, due to the cause of the finding being oversight by the applicable caseworkers, the DHHR management will notify

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

2011-50 ALLOWABILITY AND ELIGIBILITY (Continued)

the caseworkers in question; will inform the caseworkers that their files did not include the necessary documentation as required per policy and procedures; and will work with the caseworkers in an effort to prevent a repeat condition. See current year finding 2012-57.

2011-51 DISASTER RECOVERY PLAN
2010-47 Department of Health and Human Services
2009-50 Partially Resolved
2008-61
2007-62
2006-45

The DHHR plans to address this finding at the central level by implementing a document-imaging system throughout the DHHR and applying that system to the six Childcare Resource and Referral Agencies, which would in turn address the condition with disaster recovery. The DHHR had hoped to have a vendor in place for the document-imaging system by the end of September 2012. However, due to a temporary lack of available funding and some complexities with respect to the statewide procurement process, the DHHR has not yet contracted with a vendor, nor have we issued an RFP (or RFQ) for the overall document-imaging project. Therefore, while we are not revising our plans for corrective action, we must revise our anticipated completion date to June 30, 2015. The goal is to have an RFP/RFQ in place by December 31, 2013, to have a vendor in place by June 30, 2014, to implement the document imaging system throughout the DHHR by February 28, 2015, and to apply the system to the Resource and Referral Agencies by June 30, 2015. See current year finding 2012-58.

STATE OF WEST VIRGINIA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2012

2011-52 REPORTING
Department of Health and Human Services
Resolved

Corrective action taken in FY 2012.

2011-53 ELIGIBILITY REQUIREMENTS
2010-48 Department of Health and Human Services
2009-52 Resolved
2008-63
2007-64
2006-47
2005-53
2004-61

Corrective action taken in FY 2012.

2011-54 ALLOWABILITY AND ELIGIBILITY
2010-49 Department of Health and Human Services
2009-53 Resolved

Corrective action taken in FY 2012.

2011-55 ELIGIBILITY
2010-52 Department of Health and Human Services
Partially Resolved

The DHHR believes that our current policies and procedures are sufficient to address the State Children's Health Insurance Program and the income guidelines set forth by the State. Nonetheless, due to the cause of the finding being a lack of enforcement of the procedures, the DHHR management will notify the caseworker in question; will inform the caseworker that the applicant in question was incorrectly classified and was not eligible for the coverage received; and will work with the caseworker in an effort to prevent a repeat condition. See current year finding 2012-61.

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2011-56 REPORTING
2009-56 Department of Health and Human Services
Resolved

Corrective action taken in FY 2012.

2011-57 QUALITY CONTROL ERROR RATE
2010-53 Department of Health and Human Services
Partially Resolved

A review of the State of West Virginia Medicaid Quality Control Annual Reports and sanction error rates going back to 2009 reveals that the error rate went from 5.83% in 2009, to 4.95% in 2010, and then to 3.27% for 2011. The continuous decrease in the error rate is due to increased staff training and the strengthening of internal procedures.

With respect to additional efforts towards enhancing internal controls, the "Rushmore Automated Case Review System" is now in operation within the DHHR. As of February 2013, it became mandatory that all supervisory case reviews (as well as other reviews) be completed in the Rushmore System. Furthermore, management reports regarding these results are now available. The vendor has trained most of the eligibility supervisors and some of the backup supervisors on using the System, and has trained management staff with respect to available reports. The System may be adapted for customized reviews targeting error-prone eligibility elements. See current year finding 2012-63.

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2011-58 SUBRECIPIENT MONITORING
2010-54 Division of Homeland Security and Emergency Management
Resolved

Corrective action taken in FY 2012.

2011-59 SUBRECIPIENT CASH MANAGEMENT MONITORING
2010-55 Division of Homeland Security and Emergency Management
Resolved

Corrective action taken in FY 2012.